Does personality affect insurance decisions? Do people learn making better insurance decisions with repetition? Do people prefer multi-year contracts?

This illustration shows decision process for one period, encompassing decisions of two years. After the first year, the house value may randomly increase by 10%. Participants repeat this process six times, starting with an account balance of 50,000 and a house value of 500,000.

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**Year 1 insurance decisions**
- Do not insure.
- Insure one year for $10,000.
- Insure two years for $10,500 yearly.

**Start year 2 insurance decisions**
- Do not insure.
- Insure one year for $10,000 or $11,000.

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**Why personality?**
- **Personality traits predict wellbeing and socioeconomic outcomes.**
- **We know little about the importance of personality with regards to financial decisions,** and have no studies that relate personality to insurance decisions.
- If personality is a significant predictor of financial decisions, then we would be wise to **invest resources into promotion of those types of personality traits** that are **conducive to prudent financial decision-making.**

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**How?**
- **Incentivized experiment:** The payment depends on the final house value plus the account balance. The house value can increase by 10% with a 50% chance; the occurrence of a disaster has a 10% chance; one random payment for only one out of six periods.
- **Elicit personality measures before the experiment.**
- **Participants decide whether or not to insure** their house:
  - **Start year 1**: insurance costs 10,000 for one year, 10,500 yearly for two years;
  - **Start year 2**: The premium can increase with the house value by 10% after the first year; insurance for one additional year costs 10,000 or 11,000, dependent on the house value. This can randomly increase by 10%.
  - **Finish year 2**: Shows final total wealth dependent on insurance decisions, disaster occurrence, and house value increase.

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No results yet.

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