

TITLE: Optimal Insurance Under Behavioral Theory

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ABSTRACT: In the present paper, we study the optimal insurance demand for a loss-averse individual (with S-shape utility preferences), and solve for the optimal structure of the contract as well as for the optimal level of the parameters of the contract. A major finding is that the optimal insurance demand of a loss-averse individual is either a deductible or a truncated deductible, which might suggest that loss-averse individual behave like the one with constraint under some tail risk measures in the insurance market