

*MBS 93-09*

Self-Insurance and Self-Protection: A Non-Expected Utility analysis

Kai Konrad and Stergios Skaperdas

---

This paper studies the comparative statics of self-insurance and self-protection for individuals with rank-dependent expected utility preferences. In particular, proportional wealth risks, background risk and limited liability are considered. Limited liability has a major impact on self-insurance and self-protection. It can reverse seemingly robust comparative static results for the case of self-insurance, and can eliminate some puzzling ambiguities for the case of self-protection.