

Principal:

K offers insurance at p

J decides:

Pay $p_s(\bar{\Delta} - \Delta^J)$ Reject Pay 0

Chance:

Bad Good Bad Good

$y_z^J - p_s(\bar{\Delta} - \Delta^J) - \frac{\Delta^J}{z}$

$y_z^J - p_s(\bar{\Delta} - \Delta^J) + \frac{\Delta^J}{z}$

$y_z - \frac{\bar{\Delta}}{z}$

$y_z^J + \frac{\bar{\Delta}}{z}$

