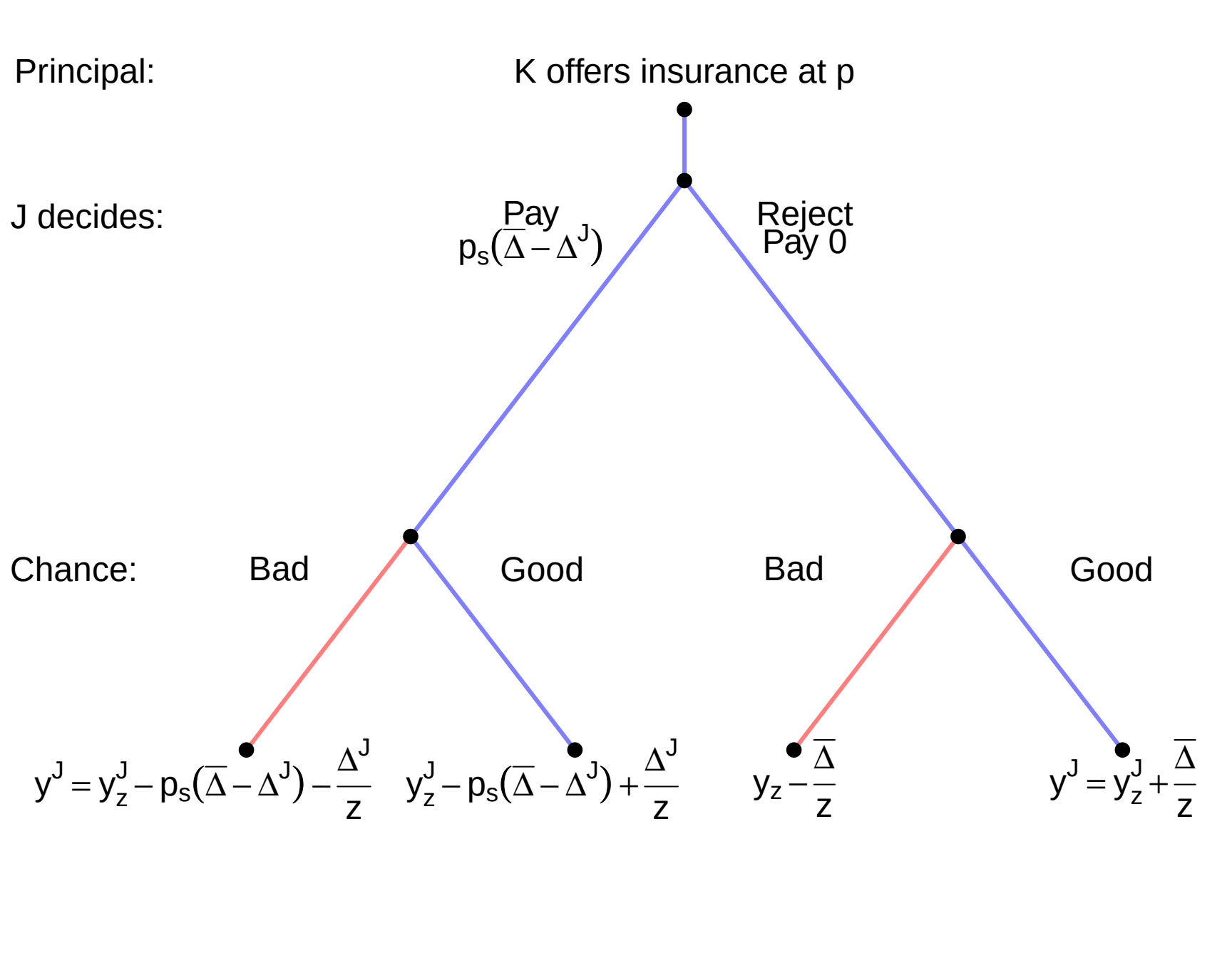
Principal:
K offers insurance at p
J decides:
Pay
$p_s(\overline{\Delta} - \Delta^J)$
Reject
Pay 0
Chance:
Bad
Good
Bad
Good
$y^J = y_z^J - p_s(\overline{\Delta} - \Delta^J) - \frac{\Delta^J}{z}$
$y_z^J - p_s(\overline{\Delta} - \Delta^J) + \frac{\Delta^J}{z}$
$y_z - \frac{\overline{\Delta}}{z}$
$y^J = y_z^J + \frac{\overline{\Delta}}{z}$