

Probability of failure (risk),  $f$

A's best-response function

$$f = \frac{1}{2} + \frac{\delta}{2q}$$

$f^N$

$f^C$

$n$

$c$

$\pi = \pi^N$

$\pi = \pi^C$

A's participation constraint

$$f = \frac{\delta}{q}$$

$\delta$

Interest factor,  $\delta$

