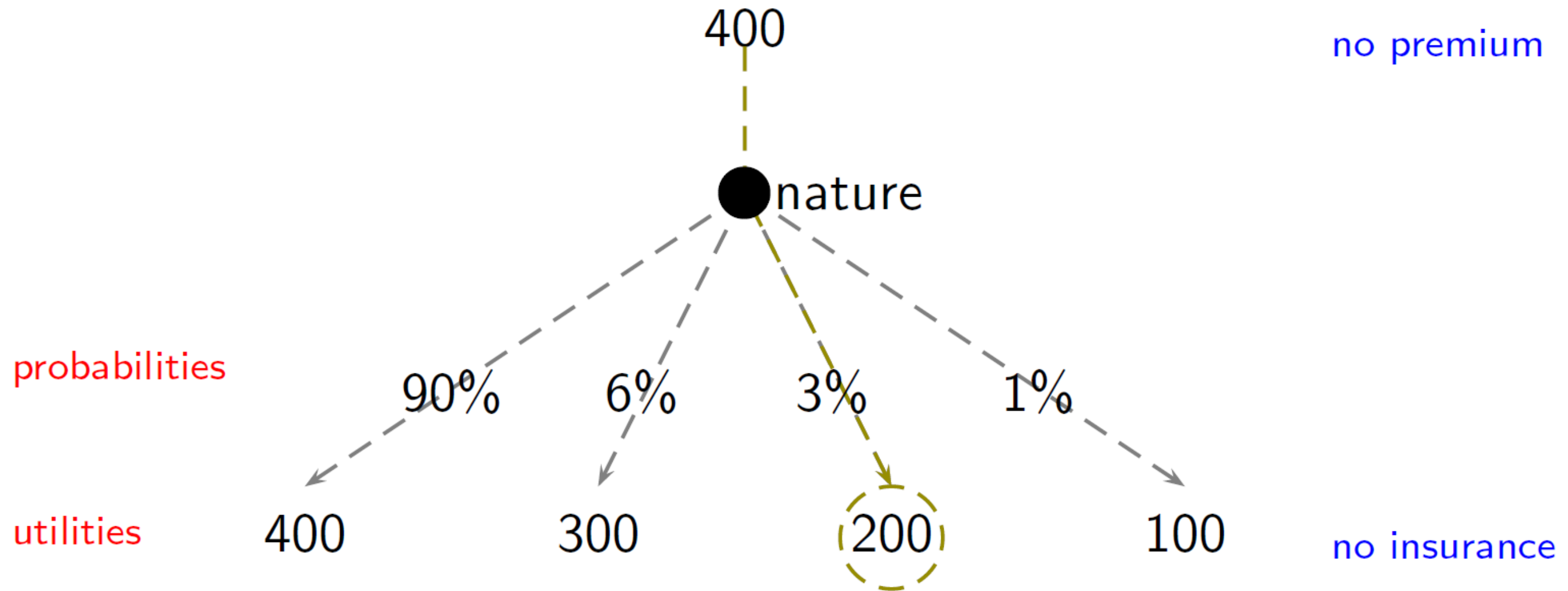


you own \$160k; Bernoulli utility $u = \sqrt{x}$



expected utility w/o insurance: 385, utility expected wealth: 388
expected utility $= 0.9 \cdot 400 + 0.06 \cdot 300 + 0.03 \cdot 200 + 0.01 \cdot 100$