

Insurer:

W offers insurance at p

J decides:

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

Reject
Pay 0

Chance:

Bad

Good

Bad

Good

W: $y_z^W - p_s(\bar{\Delta} - \Delta^J) - \frac{\Delta^W}{2}$

$y_z^W - p_s(\bar{\Delta} - \Delta^J) + \frac{\Delta^W}{2}$

y_z^W

y_z^W

J: $y_z^J - p_s(\bar{\Delta} - \Delta^J) - \frac{\Delta^J}{2}$

$y_z^J - p_s(\bar{\Delta} - \Delta^J) + \frac{\Delta^J}{2}$

$y_z^J - \frac{\bar{\Delta}}{2}$

$y_z^J + \frac{\bar{\Delta}}{2}$