



# RISKY BUSINESS

MEMBER EDITION

A GAMMA IOTA SIGMA NEWSLETTER  
TEMPLE UNIVERSITY'S DEPARTMENT OF RISK,  
INSURANCE, AND HEALTHCARE MANAGEMENT



FOX  
BUSINESS

SIGMA  
CHAPTER

Volume VI, Issue 9    <http://www.temple.edu/gis>    [gis@sbm.temple.edu](mailto:gis@sbm.temple.edu)    Phone: 215.204.9368    November 4, 2002

## DISTINGUISHED GUEST LECTURER

**NEIL DOHERTY, PHD**  
RONALD A. ROSENFELD PROFESSOR  
OF  
INSURANCE & RISK MANAGEMENT  
WHARTON SCHOOL OF BUSINESS  
UNIVERSITY OF PENNSYLVANIA  
[HTTP://WWW.WHARTON.UPENN.EDU/FACULTY/DOHERTY.HTML](http://www.wharton.upenn.edu/faculty/doherty.html)

### “ADVERSE SELECTION WITH ENDOGENOUS INFORMATION IN INSURANCE MARKETS”

Before joining the University of Pennsylvania in 1986, Dr. Doherty taught at the University of York, England's Cranfield Institute of Technology, the University of Zamia, the University of Albert and the University of Illinois. He was also an economic advisor to the United Kingdom's Department of Health and Social Security. A widely published author and widely consulted specialist in insurance and public policy issues, Dr. Doherty's recent books include "Corporate Risk Management: A Financial Exposition, The Financial Theory of Pricing Insurance Contracts." Along with some 60 journal articles and book chapters, he has also written a number of influential commissioned reports such as one which produced radical changes in British Petroleum's global risk management policy; one on the harmonization of taxes within the European Economic Community and its impact on the United Kingdom's insurance industry, and several in the U.S. on earthquake insurance and public policy.

## ABSTRACT OF ADVERSE SELECTION PAPER

Models of adverse selection assume that risk type is known to the consumer but not to the insurer. Many analyses suggest that information has zero social value and negative prior value. Why then would consumers become informed? What is the incentive to gather information and why does adverse selection arise? We show that the private value of information is non-negative only if insurers cannot observe consumers' information status, or if consumers can conceal their informational

status. We examine the existence and characterization of equilibria under different configurations of information costs and benefits. Finally, we examine some welfare implications of the endogenous information model for public policy regarding genetic testing and for state regulations concerning HIV testing.



**THE FOX SCHOOL**  
of Business and Management

TEMPLE UNIVERSITY

**WELCOME NEW MEMBERS!\***

**OUTSTANDING MEMBERS**

Xianyu Wu  
Keith Zwiebel  
David Ettipio

As you may know, your Sigma Chapter hosted the 31st Annual Gamma Iota Sigma International Management Conference here in Philadelphia from October 24th - 26th, 2002. This was the 4th time the Sigma Chapter hosted the conference in the last 6 years, the first three being in Philadelphia—1996; in San Diego, CA—1998; and in Dallas, TX—1999. Like the past three times, this year’s Management Conference was a smashing success! The Sigma Chapter Officers worked tirelessly over the summer, and especially in the past few months to bring this event to a successful close. Especially **Melissa Ogg, Sam Codispoti, and Stacey Sutts**, the conference committee ‘Dream Team.’

\*The week of October 16, 2002

If you have become a new member this semester, we have a complimentary Gamma Iota Sigma t-shirt for you!! Please visit the Gamma Iota Sigma Office in Room 400 of Ritter Hall Annex.

There were also many members who also lent their time to ensure the Management Conference was a complete success:

**FEATURED SUMMER INTERN**

**WENDY WARREN**

**Standing:** Senior  
**Major(s):** Actuarial Science  
**Committee:** Public Relations  
  
**Company:** General Motors Assurance Corporation (GMAC)  
**Locations:** Mount Laurel, NJ  
**Department:** Commercial Lines

**Description of Duties:** Calculated loss reserves, Created state-by-state experience summaries, Rate verification, Rate studies for setting country-wide minimum rates, Calculate renewal rates for premiums

**What you liked about the experience:** This internship allowed me to be creative and use the concepts I learned in class. I was able to attend meetings with upper-level management and inform them of my opinions. The company made me feel like my input was important.

- |                        |                         |
|------------------------|-------------------------|
| <b>Anthony Destra</b>  | <b>Leslie Matelis</b>   |
| <b>Mike Dickert</b>    | <b>Alex Mountis</b>     |
| <b>Matt DiGregorio</b> | <b>Sophon Nguon</b>     |
| <b>Dan Dotzert</b>     | <b>Maryellen Reilly</b> |
| <b>Jesse Greer</b>     | <b>Ed Rogalski</b>      |
| <b>Magna James</b>     | <b>Tom Wakefield</b>    |
| <b>Cindy Li</b>        | <b>Wendy Warren</b>     |

Thank you so much for all your help! We hope you were able to enjoy some of the activities during the weekend in addition to all your hard work. Your time and efforts are much appreciated!

Monday	Tuesday	Wednesday	Thursday	Friday
4	5	6	7	8
		<p><b>Guest Lecturer:</b> Neil Doherty, PhD Professor of Insurance and Risk Management Wharton School of Business</p>		