How Can Insurance Companies Compete With Mutual Insurers? The Role of Commitment
Renaud Bourlès

To cite this version:
Renaud Bourlès. How Can Insurance Companies Compete With Mutual Insurers? The Role of Commitment. 2006. <halshs-00410765>

HAL Id: halshs-00410765
https://halshs.archives-ouvertes.fr/halshs-00410765
Submitted on 24 Aug 2009

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L’archive ouverte pluridisciplinaire HAL, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d’enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.
HOW CAN INSURANCE COMPAGNIES COMPETE WITH MUTUAL INSURERS?
THE ROLE OF COMMITMENT

Renaud Bourlès

November 2006
How Can Insurance Companies Compete With Mutual Insurers? The Role of Commitment.

Renaud Bourlès

November 9, 2006

Abstract

The aim of this paper is to analyze the impact of the existence of mutual firms on the behavior of insurance companies and more precisely to study in which situations an insurance company can enter a market controlled by mutual arrangements. Our approach differs from the existing literature as we integrate the investment choices of the insurance company and the fact that, because it commits on a fix contract, it can become insolvent. In such a situation we are able to characterize the unique optimal choices of the monopolistic company and the conditions favoring its appearance.

Key words: Insurance market, Mutual firms, Commitment, Insolvency

JEL Classification No.: L1, D8, G22