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STUDENT OF THE INDUSTRY PARTING SHOT

Consolation Affection and Jewelry Insurance

By Paul Buse, President of Big I Advantage®

When I travel, sometimes I put in a folder something that I don't ever expect to read so when the flight is long, I've got something unusual. I did that some time ago and then last week I read the "something."

It turns out the paper was very applicable to my recent work helping Big "I" Markets director Aimee Fawns in pursuing a replacement to our standalone jewelry market. The good news on jewelry insurance is we have an accommodation in place for agents that used the market and those agents have been advised how to replace that coverage. We seek to expand that and offering access to it on Big "I" Markets in the near future. The financing of work on your national staff's part as facilitating "agent of record" is a roadblock as the best solution is a low commission one. Stay tuned to Two for Tuesday for more information as that develops.

That brings me to "The Affection Effect In Insurance Decisions." You may be thinking what I was thinking on reading that title: "Say what?" I'm always like a deer in headlights when I think about ***affect*** (usually a verb) and ***effect*** (usually a noun). To see them in in the same headline I felt compelled to understand.

Here's the point: "The more someone likes something the more they are likely to pay to insure it." Yup, people want jewelry insurance. When they call requesting it, hear them out and find the coverage. They'll look beyond you for it if they really like their ring. Said in University of Chicago and Wharton speak:

> **Insurance purchase decisions**
>
> If the consolation hypothesis is correct, then it should apply not only to ex post insurance claim decisions, but also to ex ante insurance purchase decisions. The main difference between these two types of decisions is that in the ex post case, the loss is certain, whereas in the ex ante case the loss is anticipated.
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> According to the consolation hypothesis, people who have a great affection for an object at stake are willing to pay more for an insurance policy for the object than people who have less affection for the object. This should be true even if buying the insurance does not change the probability of loss or damage, and the insurance only provides a *fixed amount* of monetary compensation if the object is lost or damaged.

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Source: The Affection Effect in Insurance Decisions: By CHRISTOPHER K. HSEE and HOWARD C. KUNREUTHER. Journal of Risk and Uncertainty, pgs. 141-159, 2000.

Have a different theory? Want the paper to look over? Write paul.buse@iiaba.net and stay curious.