

The Asymmetric Information Problem in Taiwan's Cancer Insurance Market

Kili C. Wang^{a,b}, Jin-Lung Peng^c, Yi-Yun Sun^d and Yao-Chia Chang^e

^aDepartment of Insurance, Tamkang University, Taipei, Taiwan.

E-mail: kili@mail.tku.edu.tw

^bRisk and Insurance Research Center, College of Commerce, National Chengchi University, Taipei, Taiwan.

^cDepartment of Risk Management and Insurance, National Chengchi University, Taipei, Taiwan.

^dGraduate Institute of Finance and Insurance, Shih Chien University, Taipei, Taiwan.

^eGraduate Institute of Finance and Insurance, Tamkang University, Taipei, Taiwan.

This paper investigates the problem of asymmetric information in Taiwan's cancer insurance market. Through the survey data, we find evidence of adverse selection existing in this market. Furthermore, we collect additional information on the individual, and find that the individual's family cancer history contains additional valuable information. It can not only more accurately predict the probability of contracting cancer, as well as predict the willingness to purchase extended cancer insurance, but it can also help to mitigate the severity of adverse selection in the insurance market.

The Geneva Risk and Insurance Review (2011) 36, 202–219. doi:10.1057/grir.2010.12; published online 15 February 2011

Keywords: asymmetric information; adverse selection; cancer insurance