

Daniel Stein

LONDON SCHOOL OF ECONOMICS & POLITICAL SCIENCE

Department of Economics

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DATE OF BIRTH: May 8,1982

SEX: M

CITIZENSHIP: USA

UNDERGRADUATE STUDIES:

University of California, Berkeley. Graduated 2004
BA Physics
BA Political Economy of Industrialized Societies

GRADUATE STUDIES:

London School of Economics

DATES: Oct 2006 - Present

THESIS TITLE: "Rainfall Index Insurance in India"

EXPECTED COMPLETION DATE: Nov 2011

THESIS ADVISORS AND REFERENCES:

Tim Besley (Advisor)
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DESIRED TEACHING AND RESEARCH:

Primary Fields: Development Economics

Secondary Fields: Applied Microeconomics

TEACHING EXPERIENCE:

From 10/2007 Introduction to Economics
To 6/2009

From 10/2009 Development Economics
To 6/2010

RELEVANT POSITIONS HELD:

From 11/2008 Principal Investigator, Centre for Microfinance, Ahmedabad, India
To Present

From 10/2010 Marie Curie Initial Training Network: AMID, Early Research Fellow, University of Namur
To 10/2011

LANGUAGES

Intermediate Spoken French, Spanish	Fluent Spoken English
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Intermediate Written French, Spanish	Fluent Written English
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HONORS, SCHOLARSHIPS AND FELLOWSHIPS:

10/2006-9/2010 Frederic and Elizabeth Sapiere Scholarship (London School of Economics)

10/2010-9/2011 Marie Curie Initial Training Network: AMID Early Research Fellowship (European Union)

COMPLETED PAPERS:

Job Market Paper:

“Paying Premiums with the Insurer’s Money: How Loss Aversion Drives Repeated Insurance Decisions”.
Submitted to Journal of Development Economics, 10/2011

Abstract: This paper analyzes the dynamic nature of rainfall insurance purchasing decisions, specifically looking at whether and why receiving an insurance payout induces a greater chance of purchasing insurance again the next year. Using customer data from the Indian micro-finance institution BASIX, I find that receiving an insurance payout is associated with a 9-22% increased probability of purchasing insurance the following year. These empirical results are consistent with the predictions of a loss aversion

model where receiving insurance payouts shifts a customer's reference point, resulting in higher risk aversion and therefore greater demand for insurance. I do not find significant support for other potential mechanisms, such as previous weather directly affecting insurance decisions or payouts increasing trust in the insurance companies. Overall, low repurchasing rates even after payouts suggest that current rainfall index insurance products are likely to continue struggling in their current form.

Other Papers:

“Weather Insurance Savings Accounts” (Joint with Jeremy Tobacman) Mimeo Oct 2011

Abstract: This paper uses a laboratory experiment in Gujarat, India to assess consumers' relative valuations of savings versus insurance when planning for risky rainfall in an attempt to measure potential demand for a new type of financial product that combines savings and rainfall insurance, which we call a Weather Insured Savings Account (WISA). We first develop a simple model to predict how demand for a WISA would change with its type, defined as the proportion of insurance versus savings that the WISA provides. Our model predicts that there will be an optimal WISA type, and that the utility provided by the WISA will decrease as one moves away from the optimum. We then present the results of a laboratory experiment that attempts to test the predictions of the model and calculate the optimal WISA type. Using a Becker-DeGroot-Marschak (BDM) mechanism, we measure participants' relative valuations of pure insurance, pure savings, and two intermediate WISA types. Contrary to predictions of our model, we find that a plurality of participants prefer both pure insurance and pure savings to any mixture of the two.

“What is Rainfall Insurance Worth: A Comparison of Valuation Techniques” (Joint with Shawn Cole and Jeremy Tobacman) Mimeo Sept 2011.

Abstract; We develop two approaches to estimating households' valuation of rainfall insurance and evaluate them against an experiment in which fixed prices are randomly assigned. The first approach uses a simple structural model of index insurance demand that includes basis risk--the possibility that policy-holders may suffer a negative shock yet receive little or no payout. Relative to the choices we observe at randomly assigned fixed prices, the structural model significantly overestimates demand. Our second approach uses a Becker-Degroot-Marschak (BDM) methodology to empirically elicit WTP from potential insurance customers at the time of marketing. We find that BDM does a better job of predicting fixed price purchasing behavior, but the distribution of stated willingness to pay has large mass points at focal points. Finally, we directly compare the two approaches and find the theoretical model has weak predictive power for WTP as elicited by BDM.

“Crop Microinsurance: Tackling Poverty, One Insurance Policy at a Time” (Joint with Agrotosh Mookerjee, Daniel Clarke, James Sharpe, Dermot Grenham) Technical Report, March 2011

The Effectiveness of Index-based Micro-insurance in helping Small-holders Manage Weather-related Risks (Joint with S. Cole, X. Gine, G. Bastian, J. Oliver, S. Vyas, C. Wendel) Technical Report, Oct 2011

RESEARCH IN PROGRESS:

“Impact Evaluation of Rainfall Index Insurance,” (Joint with Shawn Cole, Jeremy Tobacman, Vivek Shah, Raghav Chattopadhyay)

Description: Results of a six year randomized controlled trial of rainfall index insurance in India.

“Dynamic Effects of Insurance Purchase Decisions” (Joint with Shawn Cole and Jeremy Tobacman)

Description: We study the effects of previous insurance experiences on insurance purchasing behavior in the context of the aforementioned randomized controlled trial of rainfall index insurance.