



Applied Economics Letters >

Volume 6, 1999 - Issue 4

912 | 35  
Views | CrossRef citations to date | Altmetric

Original Articles

# Prudence, risk aversion, and the demand for life insurance

JOSEPH G. EISENHAUER & MARTIN HALEK

Pages 239-242 | Published online: 06 Oct 2010

Cite this article <https://doi.org/10.1080/135048599353429>

Sample our  
Economics, Finance,  
Business & Industry Journals  
 >> [Sign in here](#) to start your access  
to the latest two volumes for 14 days

References

Citations

Metrics

Reprints & Permissions

[Read this article](#)

Share

## Abstract

We estimate the effect of household wealth on the demand for life insurance using survey data from a broad cross-section of the USA. This procedure allows us to test the Pratt-Arrow hypothesis of decreasing absolute risk aversion (DARA). Additionally, we estimate the relative magnitude of prudence, the propensity to take precautions when faced with risk. We find that life insurance purchases increase with wealth, and that on average American households exhibit about 94 per cent as much prudence as risk aversion. On the basis of this evidence, we reject the DARA hypothesis.

## Risk aversion, wealth, and the DARA hypothesis: A new test

Source: International Advances in Economic Research

### Precautionary Saving in the Small and in the Large

Source: Econometrica

### Gender-Based Differences in Life Insurance Ownership

Source: Journal of Risk & Insurance

### A test for the presence of precautionary saving

Source: Economics Letters

### Absolute and relative risk aversion: An experimental study

Source: Journal of Risk and Uncertainty

### The Demand for Life Insurance: An Application of the Economics of Uncertainty

Source: The Journal of Finance

### The Hypotheses of Absolute and Relative Risk Aversion: An Empirical Study Using Cross-Section Data

Source: The Geneva Papers on Risk and Insurance Issues and Practice

## Related research

People also read

Recommended articles

Cited by  
35

## Information for

Authors

R&D professionals

Editors

Librarians

Societies

## Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

## Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

## Help and information

Help and contact

Newsroom

All journals

Books

## Keep up to date

Register to receive personalised research and resources  
by email

 Sign me up

  

  

Copyright © 2026 Informa UK Limited Privacy policy Cookies Terms & conditions

Accessibility

 Taylor and Francis Group

Registered in England & Wales No. 01072954  
5 Howick Place | London | SW1P 1WG