

Radical Financial Innovation

Example I: Insurance

- Burial societies ancient Rome, true insurance policies appeared in Italy in 14th century
- Rapid development of actuarial theory starting in 1600s with notion of probability
- Morris Robinson Mutual Life of NY 1840: highly-paid salesmen (agency theory)
- Henry Hyde Equitable Life Assurance Society 1880s: large cash value (psychological framing)
- Viviana Zelizer: challenging God, tempting fate (psychological framing)
- Inventions copied around the world
- Life insurance is a relic, of a day when people died young