Discussion:
How Does Informal Risk Sharing Influence Insurance Decision? Theory with Field Evidence

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What they do

- Puzzle & Question
    - **Puzzle:** Low take up of index-insurance, especially by risk averse individuals
    - **Baseline:** Does informal risk sharing affect the decision to purchase index weather-insurance ?
    - **Mechanism:** Does[and how] informal risk sharing affect risk preferences ?
- Approach
    - **Theory:** Introduce informal risk sharing in Clarke(2016) linking risk aversion to index-insurance take up
    - **Empirics:** Panel data from an experimental sample that exploits randomized 'informal networks'
- Contribution
    - New Basis Risk computation
    - Explain the puzzle using informal risk sharing
    - **Findings:** Informal risk sharing raises insurance take up by reducing risk aversion towards basis risk and reduces insurance take up by increasing price-sensitivity

Comments: Theory

- Introduction:'Individual endogenously chooses to join an informal group...'

    - In theory it is not clear, in empirics it is exogenous
    - If endogenous, is it simultaneous or sequential w.r.t. insurance purchase decision?
    - If simultaneous, might not be optimal to stay in informal network after insurance purchase - Morten 2013; Meghir/Morten et al 2018
    - If informal network decision precedes insurance take up decision, then there might be exit costs - repeated game; future entry barred
    - Why not make it exogenous in theory to match with empirics?

- 'Informal risk sharing reduces risk aversion'

    - Is effective risk-aversion for every group member same as the group's aggregate risk-aversion?
    - Given that my risk is covered by the informal network wouldn't I have the incentive to defect - not purchase insurance
    - Since this drives the main hypothesis and the contribution of the paper, it would help to discuss more

Comments: Empirics

- Basis Risk Measure: *briskDOWNSIDE*; *briskUPSIDE*

    - Calculation depends on insurance purchase in the previous period [*payout_{it-1}*]
    - So regression estimates purchase decision in period t conditional on purchase in (t-1)
    - Why not compute 'potential basis risk' using the average village payout for all households? [instead of imputing downside basis risk for these households]

- Treatment: Religion

    - Are Hindu/Muslim/Neutral flyers matched with the religion of the treated individuals?
    - If not, then what is the risk sharing group ?
    - Related: It is well documented that risk sharing groups are formed along caste lines. Any evidence of these groups along religious lines?

- First Stage: Informal risk sharing reduces risk aversion

    - Since the main interpretation of your paper rests on this link, can you show this using secondary data sources like IHDS?

Comments: Others

- Page 9: Definition of η missing
- Page 18: You write: 'While such approach may have the downside of not capturing actual risk-sharing .....it has an empirical appeal: it allows for randomization of risk-sharing'
    - Akin to saying, IV is exogenous but first stage doesn't work !!
- Write more clearly about implications - government or marketing policy