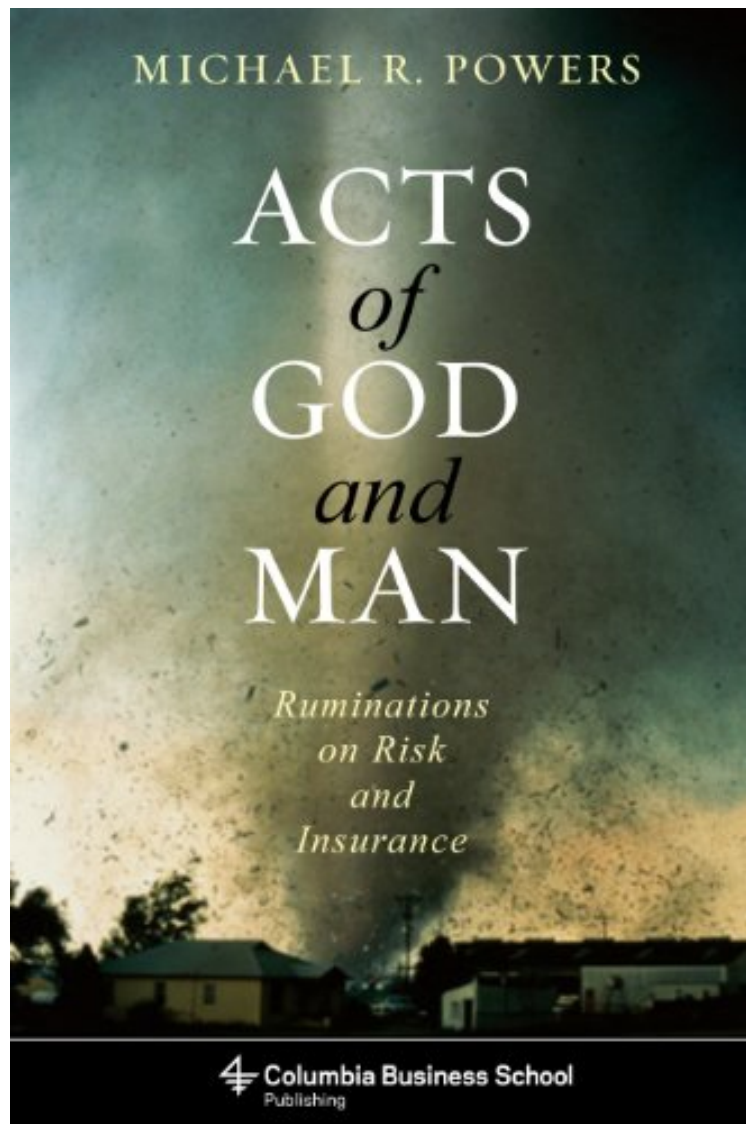


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## Acts of God and Man: Ruminations on Risk and Insurance (Columbia Business School Publishing)

*Michael Powers*

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**Michael Powers : Acts of God and Man: Ruminations on Risk and Insurance (Columbia Business School Publishing)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Acts of God and Man: Ruminations on Risk and Insurance (Columbia Business School Publishing):

4 of 4 people found the following review helpful. Ruminations for the thinking manBy Jim CushingThis book collects Powers' highly idiosyncratic and original thoughts on risk management, statistics, experimental design, and the

paranormal. I found the book extremely entertaining and insightful, and would recommend it to the thoughtful reader who enjoys collections of deep thinking a la Deirdre McCloskey (or Michel de Montaigne). The book may also be of special interest to practitioners and executives looking for an understanding of the philosophical issues in insurance. I would not recommend using it as a textbook. The sheer number of new ideas per page exceeds that of many other comparable popular science books. Powers isn't just summarizing results in his field; he is a man standing up for what he believes. Powers argues for:- A Bayesian approach to statistics. This is especially useful given limited data in risk and insurance- Separating the management of "aloof" and financial risks- The idea that there is no such thing as "Knightian uncertainty"- Contemplation of the paranormal as a means of understanding knowledge and uncertainty- Global warming skepticism He also touches on his original research including:- "Tail risk" (see Nassim Taleb's work)- The "personalized scientific method" based on Bayesianism and game theory. This is not just another bland serving of pop science (so frustrating!). I regard this as a highly intellectually combative piece summarizing the author's original insights and views on risk and uncertainty. Recommended! 6 of 6 people found the following review helpful. Another Book Review from the Aleph Blog By David Merkel Do you want to read an entertaining book about risk and insurance? Right, I know that it is not likely that anyone could do that, but this book succeeds at the the task. How does it do that? 1) It approaches the topic without using a lot of math. 2) It introduces you to the practical problems that anyone would face in trying to insure against any catastrophe. 3) It offers an entertaining story at the end of each chapter, some of which build off of prior stories. The stories have farfetched elements to them, but they illustrate the main points that the chapter has made, while making you laugh. The author gives no hints to his views on religion, but uses the concept of "acts of God," to describe events which are out of our control, and thus need risk pooling (insurance), to contrast with "acts of man," which potentially are controllable, though often not practical to do so. Insurance may still have a role there, but there will be many more terms and conditions in the insurance contract. One dominant theme of the book is how one estimates likelihood in the absence of a large amount of data. Do you: a) take what little data you have, and calculate an estimate? or, b) get expert opinion on the matter, and let the small amount of data modify the experts? The book takes the second position. I lean toward the first position, but am not dogmatic about it. When you are done reading this book, you will likely have skepticism toward much economic, sociological, and biometric research, because their foundations are very weak. Estimates made are not from repeatable processes. This is a good book. It takes some effort to read, because the concepts are dense, but the structure of the book lightens things up. Quibbles Math error on page 89 -- 1.5 should be 1.25. Who would benefit from this book: Those who want to understand insurance, probability, or research better would benefit from this book. 4 of 4 people found the following review helpful. Its true.... a book about risk and insurance that can make you laugh By SB Any book that deals with risk, probability and insurance that can make you laugh out loud must be recommended. However the real value of this book is that it challenges scientific method and shows how subjectivism is interwoven in all aspects of the world including insurance. He just asks that we acknowledge it. The author attempts to make these complex subjects accessible to 'all' and he almost succeeds. It is very cleverly written and I think I will add this to my favourite books list. I already want to read it again.

Much has been written about the ups and downs of financial markets, from the lure of prosperity to the despair of crises. Yet a more fundamental and pernicious source of uncertainty exists in today's world: the traditional "insurance risks of earthquakes, storms, terrorist attacks, and other disasters. Insightfully exploring these "acts of God and man," Michael R. Powers guides readers through the methods available for identifying and measuring such risks, financing their consequences, and forecasting their future behavior within the limits of science. A distinctive characteristic of earthquakes, hurricanes, bombings, and other insurance risks is that they impact the values of stocks, bonds, commodities, and other market-based financial products, while remaining largely unaffected by or "aloof" from the behavior of markets. Quantifying such risks given limited data is difficult yet crucial for achieving the financing objectives of insurance. Powers begins with a discussion of how risk impacts our lives, health, and possessions and proceeds to introduce the statistical techniques necessary for analyzing these uncertainties. He then considers the experience of risk from the perspectives of both policyholders and insurance companies, and compares their respective responses. The risks inherent in the private insurance industry lead naturally to a discussion of the government's role as both market regulator and potential "insurer of last resort." Following a thoughtful and balanced analysis of these issues, Powers concludes with an interdisciplinary investigation into the nature of uncertainty, incorporating ideas from physics, philosophy, and game theory to assess science's limitations in predicting the ramifications of risk.