

# A Local Index of Risk Apportionment

Yusuke Osaki

Osaka Sangyo University, Faculty of Economics

osaki@eco.osaka-sandai.ac.jp

## **Abstract**

Eeckhoudt and Schlesinger (2006) introduced a particular class of lottery pairs to characterize the direction of higher-order risk preferences. Using their framework, this paper proposes a new index of higher-order risk aversion to measure the intensity of higher-order risk preferences in the local sense. Borrowing their terminology, it is called a local index of risk apportionment. Paying attention to the structure of the lottery pairs, we display a systematic method of characterizing the index of risk apportionment.

**JEL classification numbers:** D81

**Keywords:** Arrow-Pratt approximation; higher-order risk; risk apportionment; risk aversion