A Note on the Mechanism behind the Earthquake Insurance Purchase Decision by Households in Tokyo

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Abstract

In this research note, we analyze the mechanism behind Tokyo residents’ earthquake insurance purchase decision by means of average household income data and earthquake risk indices. The main results are (1) there is a positive relationship between the earthquake insurance participation rate and average household income, (2) cross-subsidization occurs between areas with different earthquake risk index values, and (3) the earthquake insurance participation rate is high in areas where earthquake risk index values are high, implying household earthquake awareness is relatively high.