

"Social Networks and Insurance against Transitory and Persistent Health Shocks"

By Marcel Fafchamps and Joachim de Weerd

ABSTRACT

In a panel survey of an informal insurance network, we find that transfers between households serve to insure both persistent and transitory health shocks. Such transfers occur almost exclusively between respondents with pre-established links between each other. A closer analysis of these links reveals that they were unlikely purposively formed with insurance against illness in mind. Rather links are formed among agents with similar social identities: between kin, neighbours, clanmates and people with the same religious affiliation. These results suggest that social identity overshadows efficiency considerations (like covariance of shocks) in link formation decisions.