## Risk Aversion by a Renter

## Calculation of key values:

(1) 
$$EV = 0.1*(0) + 0.9*(1000) = 900$$

(2) 
$$EU = 0.1*(0)^{0.5} + 0.9*(1000)^{0.5} = 28.46$$

(3) 
$$1*(CE)^{0.5} = 28.46 \Rightarrow CE = 810$$