

Brown and Goolsbee (2002)

The writers of the research paper aimed to find the empirical evidences of how does the internet make the competitiveness and price of the life insurance markets to be more intensive. They used the econometric method of hedonic regression to estimated the results from the gathered data, the data can be divided into the time-series data on life insurance from 1992 to 1997, in which they have collected from LIMRA International, primary focus on the price of term life policies and their response over time according to the internet usage of the buyers, 5 years or less, and the cross-sectional data on the internet use from late 1998 Forrester survey. They then computed for each age-state-year, age-occupation-year, occupationstate-year, and age-income-year the share of people in that group that had online access in December of the year.

Their regression formula in attempt to explain price paid for insurance term policies consists of dependent variable of the log of annual premiumper \$1,000 of face value of insurances type D93, D94, D95, D96, D97, variables of non-smoker, male gender, rated, participating, own agent, other descriptive characteristics including amount, length, marital status and the dummy variables of age, state and occupation.

The result shows that

Personally I believe that the paper is quite interesting due to the increasing prominence of the internet role in the commercial market, knowing the effects of the internet would create many benefits toward multiple people in the market: buyers, sellers, producers and others, allowing them to able to predict and adapt alongside the progressing communication technology.

From the results, it shows that there is a dramatic decline in prices of term life insurance toward the end of the sample in relative to real prices in 1992, and later they also concluded that the the growth of internet and its price comparison websites makes the market significantly more competitive, as more people that use the internet to research the price of insurance grows, quality-adjusted prices falls, and in the beginning while the use of increase internet significantly increase price dispersion, the effect later falls.

I think the method of research and variables used in the paper are appropriate as the information from the sources that the writers used to referred to were quite limited from what the writers have stated.

They have used economic theory mainly focusing on the search theory of Stahl and the distinction between the offer price distribution and the transaction price distribution.

I believe that the result is convincing from what they stated in the conclusion and what happening in the current online commercial platform that the search cost of the good selling both online and offline have been decreasing over the years from the multiple ways existing on the platforms that allowing us to directly comparing price and make decision to buy the products at same time, which have been increasing the competitiveness in the market, consisting with the theory of search.