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**Summary : Brown and Goolsbees 2002**

This paper describe the effect from Internet toward the price of life insurance whether internet reduce searching cost for consumer also reduce price which effect markets to be more competitive. The result is the large dispersion of prices online and prices either modestly lower or actually higher than their offline counterparts.

The methodology that use in this paper is Combining Internet and life insurance industry data sets over time (cross-sectional data) by conducting 100,000 surveys from from LIMRA International. The information from surveys are related to computer ownership, Internet use, on-line buying behavior and demographic and geographic information on the individuals. The regressions is trying to explain the price paid for term policies which variables are annual premium per $1000 face value of insurance in log form, dummies of age, nonsmoking, gender, marital status, state, occupation whether the individual belongs to special risk class, and whether the policy was purchased from an agent or it was a participating policy. To allow economies of scale and diseconomies of scale, they also included policy length and the value of policy dummies in the regression.

The result show that faster a group adopted the Internet, the faster prices of term life insurance fell. The total impact of the rise of Internet use from 1995 to 1997 reduced term life prices by 8–15 percent. This implies an increase in consumer surplus of about $115–$215 million annually.

From my perspective, The question of this paper is interesting due to internet has play important to every sector industry and this papar has specific how impact and how effect to insurance which prove by the customer searching cost. The result could be an implementation to insurance industry by developing their strategy to do both online and offline strategy. Economic theory is asymmetric information, equilibrium price, market competition and welfare. I think the method is appropriate due to the question is related to consumer behaviour so it appropiate to using the data from surveys. The variable in the regression is cover enough to able to analyze the question.