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Does the Internet Make Markets More Competitive? Evidence from the Life Insurance Industry

The author wants to study “Does the reducing cost in searching information can make more competition of price?”. In this paper talk about if people can access to the internet or the less of search cost, the price of life insurance and price dispersion should be reduced. So, this paper gathers internet and life insurance data set over time. The author collected the data from LIMRA International on the prices of insurance policies and match them to microdata on the growth of Internet usage and on-line insurance research from Forrester by the same owner characteristics. The results from the data is rising in internet usage did not have any effect on prices during the period before the insurance web sites existed because more of internet usage came before the insurance sited existed.

The result, there is some fascinating point is in the beginning of rising in internet usage there is bigger price dispersion then after mostly people can access to internet the price this dispersion will be reduced. The reason is in the beginning period there is only few people that can find the properly insurance policies without asymmetric information, that why the price dispersion is bigger in the beginning period.

In the regression the author tried to value the price of insurance by use dummies variable of age of client, nonsmoking person, the gender of client, marital status, location, occupation, and specification risk.

For my perspective, this paper question is interesting after we know that the benefit is we will know the value of information and accession to information, there is cost for information that why the big company that have a lot of data of user can make profit from this tools. In the economic theory I think that it relevant to the market failure theory regarding to the asymmetric information.