

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

The authors had researched how internet comparison shopping sites appear to have made the term life insurance significantly become more competitive from 1992 to 1997. The research was done by controlling policy characteristics of insurance and a variety of individual and group controls. Overall, the study found that as the number of people using the internet to research insurance online grows, the more their quality-adjusted prices decrease by 8-15 percent. However, the growth of internet use does not show signs of an decrease in price of whole life policies which were not included by the internet insurance comparison sites. The internet comparison has brought about an increase of consumer surplus by \$115-\$215 million annually. This paper also mentions the ability of how the internet cheapens search cost for consumers can have a crucial role on market power.