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PART 1

This paper tried to answer how Internet comparison shopping sites affected the prices of life insurance in the 1990s. The researcher used hedonic regressions for the price of life insurance on characteristics of the policies and the individuals. They used time series data combining Internet and life insurance industry data sets over time. Additionally, they obtained policy-level microdata from LIMRA International on the prices of insurance policies as well as various owner and policy characteristics and matched them to microdata on the growth of Internet usage and on-line insurance research from Forrester by the same owner characteristics. The results indicated that rising Internet use did not have any effect on prices during the period before the insurance web sites existed, nor did it affect the prices of types of life insurance that were not covered by the web sites. Moreover, Internet-induced reduction in search costs actually increased price dispersion on introduction. As it became more widespread, price dispersion fell.

PART 2

The question is interesting since it is on the analysis of reducing information search cost of customers, lowering insurance price, and improving market competitiveness, which economic theory that they used in this paper is the Stahl model. Method adopted to answer research questions is appropriate to analyse the impact of the Internet on prices. In addition, The variables used in the econometric model are also appropriate. The regression attempted to explain the price paid for term policies so the variables are dependent variables which is the log of annual premium per $1000 of face value, internet variables, and dummy variables such as age, state of residence, occupation, and income. I believe that the results are reasonable since it is common practice for online customers striving to make informed decisions.