

Discussion of “Buying Data from Consumers: The impact of Monitoring Programs in U.S. Auto Insurance” by Jin and Vasserman

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November 15, 2019 FTC Microeconomics Conference

Data and Market Power

- ▶ Increasingly realization of the role of proprietary data as a competitive advantage.
- ▶ Examples:
 - ▶ Amazon Basics targeting products that sell well on Amazon.
 - ▶ Google Ad targeting works better as it tracks across more websites.
 - ▶ Speech Recognition algorithm that depends on total users using an assistant.
- ▶ But insurance markets have always required a certain amount of information for underwriting policies: medical records for life insurance, presence of fire alarms and fire hydrants for home insurance.
- ▶ On the other hand, this information is private by it's nature: very frequent information on driving.
- ▶ I will first talk about the Monitoring program, then the analysis of the role of information in equilibrium.

Monitoring Program

This program can have effects through many different channels.

- ▶ Selecting Better Drivers (could imagine monitoring conditional policies).
- ▶ Financial Incentives for better driving (Moral Hazard).
- ▶ Nudging bad driving.
- ▶ Beliefs from drivers as to what the monitoring is used for.

The authors are very clear about dividing selection from treatment effects of the program. We know less about how to decompose these treatment effects, and in particular which ones are likely to be persistent or not.

Monitoring Program: Comments

- ▶ Do you worry about restricting the sample to drivers who are with the insurance company before and after they are monitored.
- ▶ What do you think about the 27 percent of drivers who remove the device (or drop out in some other way). The paper also states 10-20 percent finish the monitoring.
- ▶ Would be nice to know if there are any drivers who accepted monitoring, but never had their devices installed.
- ▶ What does one do with multiple drivers of the same car?
- ▶ I would break out the monitoring paper into a separate piece.

Equilibrium in the market for car insurance under different information regimes

- ▶ This is the better part of the paper.
- ▶ Large recent literature in health care on ACA style markets: picking up some of the advances here and putting them into auto insurance.
- ▶ Auto insurance is nice because it can be modeled as a pure financial contract, versus different individuals caring about the network of the auto insurance company per se.
- ▶ However, the gap between the insurance policy that maximizes payoffs — for any shape of the utility function given that some choices are dominated for any realization — means that you need something about optimization errors or switching costs in the model. This also presents too aggressive unraveling in this market as in Handel (2013).

Equilibrium in the market: Comments

- ▶ I would like to understand what is generating the fit over the hold out sample a bit better: is nothing changing, or is the model picking up changes well?
- ▶ There is a lot of information available to insurance companies. Are some of your small effects on prices due to the fact that other pieces of information do a good job at screening out bad drivers? Could you do an analysis where past claims cannot enter into insurance pricing, or what would happen if these claims were private information?
- ▶ In general, what is the value of different pieces of information to the firm, such as location, past claims, as well as other attributes that might not be contractible, such as gender.