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Roles of Commitment and Information in Multi-Period Insurance Contracting: A Comprehensive Review and New Empirical Evidence

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Summary of the paper

Contributions

- Comprehensive review of the existing literature on insurance contracting
- Meta-level categorization of articles based on assumptions for commitment/information
- Derivation of hypotheses regarding pricing patterns and policyholder migration
- Empirical evidence that the pricing pattern is sensitive to insurer commitment

Main results

- Multi-period commitment by the insurer leads to frontloaded premiums (highballing)
- Impact of insurer commitment on policyholder migration is inconclusive

Comments and suggestions (I)

Consider splitting the paper: less is more!

- The paper is currently a hybrid between literature review and empirical analysis
- Cumbersome manuscript: 27 pages, 11-pt font, single-spaced, paragraphs not separated
- Why accommodate both article types? Separation would improve accessibility

Narrow down research focus

- The paper starts with an ambitious setup
 - Three assumptions: insurer commitment, information structure, and learning
 - Three predictions: equilibrium (pooled/separated), pricing pattern, migration of risks
- Why not concentrate on the clear link between commitment and highballing/lowballing?

Comments and suggestions (II)

Could the categorization in Table 1 be simplified to the following cases?

- Symmetric information (= no adverse selection and no learning)
- Asymmetric information, no learning
- Asymmetric information, asymmetric learning
- Asymmetric information, symmetric learning

Some issues surrounding the hypotheses in Table 2

- To some extent, the link between Table 1 and the hypotheses is weak (e.g., H2B)
- Formulation uncommon: the null hypothesis is usually what you want to reject

Comments and suggestions (III)

The motivation of the empirical part is somewhat unfortunate

- *“The comparison conclusions are based on different insurers, different markets, and different time periods, which may blur the pattern from a product pricing strategy.”*

This may well be considered a plus, since the theory is tested in several situations!

- Essentially the “new” results confirm those of several other authors with a new sample

A few methodological comments

- Wooldridge test: autocorrelation is indicated by p-values < 0.1 (rejection of H_0)
- Why not run random effects model only (*“[...] more efficient than fixed-effects”*)?
- *“The samples [...] largely meet the assumptions of random-effects model”* = fully?