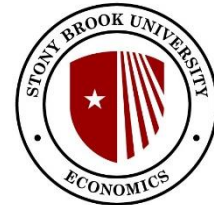


**Department of Economics**  
**2024-2025**  
**Seminar Series**



Monday, December 9, 2024  
12:30 PM-1:50 PM  
SBS, Room N603

**Yi Xin**

Assistant Professor of Economics  
Caltech

***Competing under Information Heterogeneity: Evidence from Auto Insurance***

**Abstract:** This paper studies competition under information heterogeneity in selection markets and examines the impact of public information regulations aimed at reducing information asymmetries between competing firms. We develop a novel model and introduce new empirical strategies to analyze imperfect competition in markets where firms have heterogeneous information about consumers, vary in cost structures, and offer differentiated products. Using data from the Italian auto insurance market, we find substantial differences in the precision of risk ratings across insurers, and those with less accurate risk-rating algorithms tend to have more efficient cost structures. We assess the equilibrium effects of giving firms equal access to aggregated risk information from a centralized bureau. This policy significantly reduces prices by increasing competition, leading to a 13% boost in consumer surplus, nearly reaching the efficiency benchmark where firms have full knowledge of consumers' true risk. Aggregating information through the bureau favors low-risk consumers and reduces average costs by 18 euros per contract through more efficient insurer-insuree matching.

All in-person seminars will be held in the Social and Behavioral Sciences Building, Room N603. For additional information, contact the seminar organizers: Profs. Chang Liu & Eva Carceles-Poveda. Visit our webpage for additional information: [stonybrook.edu/economics](http://stonybrook.edu/economics).

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