Questions to test my knowledge

* Explain the identification intuition

To do

* Try to come up with criticism, do a comment of the paper and then compare with Tebaldi.

Still to understand

* The equilibrium is not unique, how to solve in counterfactuals?

While the equilibrium of the pricing game may not be unique, we argue that our approach is informative and likely reflects how firms adjust their strategies in practice. {what does this mean? }

Comments

* If there is a centralized credit bureau then firms might not invest in their algorithms. If an insurer invests considerable amount in collecting the data and producing predictive algorithms, it might be important to consider the cost of a public credit bureau.
* In the model it seems like the optimal policy is just to choose the firm better at processing the claims and make it a monopoly. One would assume that the differences iin demand shocks (xi\_j) are not big enough if they are “customer service”. Moreover there is no adverse selection into the market because everyone has to buy insurance.
* In the counterfactuals they provide welfare increases as a percentage of initial welfare. But this is subject to the scale of the utility, if we add a constant to the utility function then the welfare gains would be different. The 16.91% of CS gain in table 5 has no meaningful interpretation.

They firms info technology is vertically differentiated, they do not allow horizontal differentiation. E.g. to have a better algorithm for some groups or for example a group of firm considering some variables X and another group consider variables Y, in which case the correlation within group is high but not across.

Identification argument

1. Recover the distribution of risk

They use the model to calculate a density of history (sequence of crashes) conditional on price and firm choice.

They condition on price because the firm can have private information the econometrician does not have, and they condition on firm choice due to the same reason, the consumer can have private information that the econometrician does not have.

A

**Q.** Could they have just used the unconditional distribution? Why or why not?

**Q:** they use the model to generate f(\lambda\_i| p, D = j), does it mean is jointly estimated? Do the risk rating depend on the model parameters?

**Q:** what exactly are we recovering?

We are recovering f(\lambda| p, D = j) which later is used to obtain g(p| \theta, D = j).

**Q:** what are possible issues with the estimation?

**Q:** how to get g(p|theta, D) from the risk distribution?

**Q:**

**Q:**

**Q:**

**Q:**

**Q:**

**Q:**

1. Demand

* Challenge: the data does not include all the prices.

**Q:** what does it mean that \gamma is identified from sorting patterns?

**Q:** a

**Q:** a

**Q:** a

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**Q:** a

## What to say during the talk

## Introduction

## Setting and Data

## Descriptive evidence

**Heterogeneity in risk sensitivity**

* The differences could be due to cost, markups, preferences, or information.

## Model

## Estimation

**Demand estimation**

In the numerator the choice probabilities (P(D|p, \theta)) are not directly observed in the data but are generated by the model.

## Results/Counterfactuals

**Results: counterfactuals**

They show welfare gains as a share of the initial, but does not make sense because if you just add a constant to the utility then the welfare gain would be much lower.

**Change in firm profits**

Even if all firms had the same signal precision, increasing the correlation between them increases competition.

**Who goes where**

**Conclusion**

**Comments**

## Appendix

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