Discussion of *"Telematics Data in U.S. Auto Insurance"*, by Yizhou Jin

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Introduction

- Two closely related policy relevant papers
  - Paper 1: equilibrium effects of telematics contracting (with Vasserman)
  - Paper 2: behavioral moral hazard effects (with Yu)
- I will highlight some relevant aspects, minor caveats
- Both papers raise hard questions for policymakers and insurers but...
- We learn a lot

Paper 1

- Sophisticated structural model in which agents choose telematics versus standard contracts
- Insurers compete on telematics and standard contracts
- Key feature: gathering telematics data is costly for insurers $\rightarrow$ switching from monitored drivers hurts profits to a bigger extent relative to unmonitored drivers
- Estimate the price elasticity to monitoring: how large is the discount one has to give people to make them opt into the monitoring program?
- Effectiveness of monitoring program in the US
- Note: different suboptimal than/relative to Italian black box contracts

Paper 2

- Study risk prevention attitudes as a function of risk perception within smartphone telematics
- Figure out if salience matters for behavior $\rightarrow$ important for contracts design and optimality
- The moral hazard notion becomes fishy if we don't take into account behavioral biases $\rightarrow$ inefficiently high penalties $\rightarrow$ importance of informational campaign

Policy Implications

1. Mandatory data sharing kills incentives to invest in data technologies $\rightarrow$ centralized driving data hub (like BDS)
2. But.....driving data are very diverse and evolve over time! are we able to efficiently select the most accurate driving data and update them to avoid obsolescence of public driving data?
3. Alternative: mandate sharing of all driving insurer-specific data and subsidize somehow (differential taxation?) driving data collection
4. Well thought informational campaign can have a first order effect to mitigate the inefficiently high penalties for accident
5. It would be great to design experiments on behavioral responses to salience experiments