

Department of Economics
2025-2026
Seminar Series



Monday, October 20, 2025
12:30 PM - 1:50 PM
SBS, Room N603

Yi Xin

Assistant Professor
CalTech

Information Synergies in Mergers: Selection, Efficiency, and Consumer Welfare

Abstract: Traditional merger analysis emphasizes the trade-off between increased market concentration and efficiency gains from cost synergies. In the era of big data, however, information synergies have become an increasingly important motivation for mergers and acquisitions. This paper develops a framework to analyze information synergies as a distinct channel of merger effects in selection markets such as insurance and credit. We show that information synergies can reduce allocative efficiency and have distributional consequences for consumers. Using a structural model and merger simulation calibrated to the Italian auto insurance market, we find that a merger between two insurers generates large information advantages that enable them to cream-skin low-risk consumers, reducing their average expected claim payouts by 7.2–15.5%. Interestingly, this can benefit high-risk consumers, as low-risk drivers crowded out to other insurers effectively subsidize riskier ones. Moreover, if the merging firms are highly efficient at processing claims, overall market efficiency declines, since their informational advantage leads them to concentrate on low-risk consumers. This misallocation between consumers and insurers raises the average cost of serving the market by up to 1.4%, equivalent to about 12 euros per contract.

All in-person seminars will be held in the Social and Behavioral Sciences Building, Room N603. For additional information, contact the seminar organizers: Profs. Jonathan Becker and Lorenz Ekerdt. Visit our webpage for additional information: stonybrook.edu/economics.

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