Nobel Prize highlights importance of Tremor’s auction technology

Boston, Oct 15, 2020 (Issuewire.com) - This week, the 2020 Nobel Prize in Economics was awarded jointly to Paul R. Milgrom and Robert B. Wilson "for improvements to auction theory and inventions of new auction formats." The award highlights the power of auction technology to solve real-word problems. Mechanism design, which includes auction design and related topics, has received considerable attention from the Nobel committee, which previously awarded the prize to Al Roth and Lloyd Shapley for their work in 2012.

Tremor’s programmatic reinsurance trading platform leverages complex auction technology, similar in spirit to that described in this year’s prize, to optimize reinsurance placements. Tremor’s auction technology was designed by a renowned team that includes Nobel Laureate Al Roth. In fact, three members of Tremor’s market design team were cited in the Nobel Committee’s description of Milgrom and Wilson’s work: Nobel Prize winner Al Roth, Peter Cramton and Jakub Kastl.

Milgrom and Wilson design auctions for extremely complex situations. Their auction designs optimize outcomes, while accounting for dependencies, different private values, interdependent values and many other factors. Their designs have been used to solve real-world problems, enabling both governments and private industry around the world to efficiently allocate many different kinds of resources, including radio spectrum and electricity.

The reinsurance industry deals with extremely complex transactions. Advanced auction technology is a critical tool for determining optimal placement prices and allocations. Yet only a handful of ceded reinsurance teams leverage auction technology to price and allocate risk.

Tremor’s market design team has leveraged auction theory to create a reinsurance trading platform that delivers tangible benefits in speed and efficiency. Rich data drives price discovery, ensuring buyers and sellers always transact at the market clearing price. The sophistication and capability of the Tremor technology is unique in the market.

Reflecting on the recent award, Tremor CEO Sean Bourgeois commented: “This award continues to underline the power of what we are offering. It is real and incredibly powerful, changing how prices are set across markets. The importance of market design justifies the number of Nobel Prizes that have been awarded in this space.”

About Tremor: Tremor is a venture-backed insurance technology firm where world-class computer scientists, economists, market designers and industry practitioners are working together to build a modern risk transfer marketplace. Tremor's "smart market" platform incorporates intelligent market design, state-of-the-art auction technology and sophisticated optimization techniques to vastly improve how risk is transferred around the world.

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