

Financial Reports and Common Ownership: An Analysis of the Mechanisms Common Owners Use to Induce Anti-Competitive Behavior

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Abstract : Publicly traded company in the US are legally obligated to host earnings calls that discuss their most recent financial reports. During these calls, investors are able to ask these companies questions about these financial reports and on the future direction of the company. This paper examines whether common institutional owners use these calls as a way to indirectly signal to companies in their portfolio to not take actions that could hurt the common owner's interests. This paper uses transcripts taken from the earnings calls of the six largest health insurance companies in the US from 2014 to 2019. This data is analyzed using text analysis and sentiment analysis to look for patterns in the statements made by common owners. The analysis found that common owners were more likely to recommend against direct price competition and instead redirect the insurance companies towards more passive actions, like investing in new technologies. This result indicates a mechanism that common owners use to reduce competition in the health insurance market.

Keywords : common ownership, text analysis, sentiment analysis, machine learning

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