Discussion:
“The Determinants of Private Equity Holdings within the Insurance Industry”

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Summary

- Examination of the determinants of private equity (PE) holdings in the insurance industry.
- Identification of two main drivers to invest in private equity holdings:
  1. Size of the insurance company
  2. Propensity to invest in other risky assets
- If insurer is invested in PE:
  Investment percentage (in PE) is positively related to liquidity but negatively to the group affiliation of the insurer.
- Leveraged buyout investments are negatively related to group affiliation but positively to the company’s public status and its regulatory environment.
Discussion I

- Interesting because it further investigates the results of Lerner et al. (2007) and broadens the perspective of Pottier (2007)
- Analysis of a large set of potential explanations for their research question (15 vars.)
- Consideration of all important variables
- Good application of the Cragg model
Discussion II - Data:

- Sample might be too restrictive (only year 2010 included). Create a panel data set (at least the last three years 2010-2012). Include time-fixed effects in the Cragg model.
- If panel dataset available. Control for the shift in reporting.
- Development of regulation could then be examined in more detail (see «Regulatory harmonization and the development of private equity markets” (Cumming and Johan, JBF 2007)
- Exclusion of real estate PE should be examined in a robustness test (including a dummy variable for such PE funds?)
Discussion III - Variables:

- Argumentation for the leverage factor is somewhat ambivalent (P.7); needs to be addressed in more detail (Colquitt and Cox (1999) vs. Cummins and Sommer (1996).

- SEPERATE is the ratio of total net admitted assets held in separate accounts. What is the nominater/denominator?

- How did you handle missing values? Did you have all 15 variables for each insurance company? Simply a footnote could be helpful here.

- Argumentation for Reinsurance must be clarified. Reinsurance probably does not apply to losses in PE.
Discussion III

- Contribution of the paper needs to be highlighted. What are the implications of the results.
- Clarification of the expression «Venture capital funds mirrors PE as a whole, while leveraged buyout investment is negatively related to group affiliation [...]» P.4
- Include hedge funds ratio (in addition to junk bonds etc.) from Schedule BA?