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Systematic literature review of research on mutual insurance companies

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ABSTRACT

Customer-owned insurance companies (mutuals) are prominent actors in the insurance industry and have significantly increased in market share in the relatively recent past. However, the discussion related to mutuals lacks a systematic and multidisciplinary literature review providing a comprehensive overview of current scientific knowledge. The purpose of the paper is threefold. It categorises the existing research by year of publication, scientific journal, type of article, and type of insurance considered. Secondly, it identifies approaches and themes that capture the nature and content of the research on mutual insurance companies. Finally, it analyses how the literature has defined mutual insurance. In the process, the work critically evaluates the current status of the research on mutuals and sets out the implications for future research and work by practitioners.

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1. Introduction

The global insurance industry is characterised by dominance by two organisation forms, which are quite different: mutuals and stock firms (MacMinn & Ren, 2011). The two forms have coexisted in insurance markets for over a century (e.g., Erhemjamt & Leverty, 2010). In fact, the first mutual insurance company can be traced all the way back to the late 17th century (University of Wisconsin Center for Cooperatives, 2015). Waves of mutualisation and demutualisation since then show that the two company forms have waxed and waned in their dominance of mainstream thinking and discussion. The current situation is influenced by the fact that customer-owned insurance companies have significantly increased their market share in the years since the global economic turmoil that began in 2008 (ICMIF, 2014). In 2013, mutuals held a 27.3% share of the global insurance market, equating to a premium income of USD 1.26 trillion. In addition, mutuals held USD 7.8 trillion in assets and had 915 million policyholders (ICMIF, 2014). Furthermore, three of the four largest co-operative organisations in the world are insurance companies (ICA, 2015a).

While mutuals hold a strong position in the market, they and the implications of the organisational form have attracted limited interest among academics (e.g., O'sullivan, 1998). Three previously conducted literature reviews offer some insight into what

has been studied and how scholars have organised the existing knowledge related to mutual insurance companies. MacMinn and Ren (2011) compared the mutual and stock-based organisation forms by reviewing the theoretical and empirical literature from three perspectives: Why do the mutual and stock organisational forms coexist? Which form is more efficient? Why does one form convert to the other? (p. 102). Accordingly, their article focuses on agency problems, efficiency, and causes of conversion. Similar themes are brought up by O'sullivan (1998), who adopted a corporate governance perspective when reviewing previous literature on the coexistence of mutuals and proprietary companies. The article concentrates on three themes: policyholder–shareholder conflict, owner–manager conflict, and mutualisation and demutualisation. Finally, Chaddad and Cook (2004) focused on demutualisation from a US perspective in their review of literature on the economics of conversions.

While the importance and contribution of the previous literature reviews are undeniable, they have focused on certain limited areas of research. Moreover, they lack a systematic way of identifying articles for inclusion. Therefore, current discussion is lacking a comprehensive, systematic, and multidisciplinary approach encapsulating what is known about mutual insurance companies. In addition, a need for systematic literature reviews in various co-operative contexts has been emphasised, by Jussila (2013). Consequently, it is clear that there exists a clear scientific gap of great importance.

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Hence, the purpose for this paper is to explore and analyse existing research on mutual insurance in a systematic manner. This is achieved by categorising the existing articles, identifying relevant approaches and themes that capture the nature and content of the research, and analysing how mutual insurance has been defined in earlier articles. The method chosen is a systematic literature review, with the intention being to provide a comprehensive view of what has been studied. Indeed, the present review is, to the best of the author's knowledge, the first attempt to identify and organise research related to mutuals in a systematic and comprehensive way. In this capacity, it sheds light on the current status of research into mutuals and lays out some implications for future research and for practitioners.

Section 2 describes the data-search methods and the process employed for analysis of the articles. Then, the third section presents a review of the results, which Section 4 then discusses. The final section presents the conclusions from the research and outlines both its limitations and the associated avenues for future research and managerial implications.

2. Methodology

The research was conducted in the form of a systematic literature review, or SLR. This type of review, used to identify and collate existing research, has been employed traditionally in the medical and policy sectors, areas in which academics have sought to increase literature reviews' quality by eliminating the bias associated with the selection of articles and to provide the best possible evidence in support of clinical and policy decisions (Cook, Mulrow, & Haynes, 1997; Parris & Peachey, 2013; Tranfield, Denyer, & Smart, 2003). The word 'systematic' here refers to the strictly specified manner of conducting and documenting the review process. Weed (2005) distinguishes an SLR from traditional reviews in terms of the former being objective, replicable, systematic, and comprehensive. According to Tranfield et al. (2003), an SLR has three distinct stages: planning the review, conducting the review, and reporting and disseminating the findings of the review. This article echoes that three-stage process.

2.1. Literature search and analysis

Mutuals differ from other company forms in terms of ownership. In other words, the members of the mutuals have a dual role as both customers and owners of the company. Customers of the mutuals provide capital, own the residual value of the firm, and bear the risk (MacMinn & Ren, 2011; p. 101). In the insurance sector, there are also a few alternative organisational legal forms that are quite similar to the mutual form. These include organisations such as fraternal societies, mutual-benefit societies, and reciprocals (e.g., O'sullivan, 1998). The complex array of legal forms necessitated that planning of the research process start with an interview with an insurance-industry expert who could explain the various forms and their characteristics. In line with the input from the industry expert, the above-mentioned mutual-like organisations were excluded from the scope of study on the grounds that they possess certain characteristics that distinguish them from purely customer-owned mutuals. In addition, mutual-like health-insurance schemes in developing countries tend to have more complex structures, wherein, for instance, aid organisations might have a financier's role. Therefore, considering these organisations was deemed inconsistent with the goal of examining purely policyholder-owned insurance companies. Finally, mutual alike insurance companies as Takafuls in Arabian countries and Keiret-

sus in Japan were excluded due to their distinguishing and differing characteristics. Exclusion of articles focusing on aforementioned forms of insurance minimized the bias of the results stemming from existing research.

The article search and identification involved four phases (Fig. 1). In the first, articles were identified by means of the electronic databases of the ACM Digital Library, EBSCO Academic Search Premier, Ingenta Connect, JSTOR, SagePub, ScienceDirect, the Taylor & Francis Online Journal Library, and the Wiley Online Library. After the searches of these official databases, an additional systematic search using Google Scholar was conducted, to ensure the review's maximal feasible coverage. For guaranteeing the scientific validity of the articles reviewed, the search was limited to peer-reviewed articles written in English. Moreover, only full-text articles were included. The search was conducted with the keywords 'mutual AND insurance', 'mutual', 'cooperative AND insurance', and 'co-operative AND insurance'. To identify the most relevant studies, the author limited the keyword search to the article title; article keywords; and the abstract. Next; the articles identified were categorised by the databases they appeared in; before the sample was reviewed to identify and eliminate duplication arising from references found in multiple databases. The initial search generated 98 potentially appropriate articles.

In the second phase, 44 articles were excluded since they did not match the scope defined for the study (for example, papers on mutual-like organisations were filtered out). Owing to the peer-review criterion, reports and working papers were among the works excluded. Furthermore, articles focusing on court cases in the US were excluded, even if one of the parties was a mutual insurance company. This decision reflected the fact that such articles would not contribute knowledge about the mutual company form. In addition, articles pertaining to thrift institutions were excluded even if they used the term 'mutual'. This was due to the fact that these articles focused on banking sector. The exclusion phase narrowed the corpus to 54 appropriate articles.

Thirdly, to ensure maximal coverage of the articles examined, a manual complementary search was conducted that involved reading through the reference lists of all 54 appropriate articles in the initial set. This led to identification of 20 new potentially relevant articles. After this, seven articles were excluded from the additional search because they did not match the scope of the study. Accordingly, the manual complementary search identified 13 further appropriate articles. In total, the full search process identified 67 appropriate articles. After identification, all articles were printed out and collated to facilitate subsequent analysis.

The articles were analysed in two stages. Firstly, they were grouped into four distinct sets of categories on the basis of their year of publication, the scientific journal (by name), type of article (theoretical/conceptual/empirical), and insurance type considered (life, non-life, P&L, health, pension scheme, etc.). Secondly, they were examined for identification of relevant approaches and themes that captured their nature and content. The work to identify these approaches and themes began with reading through all the articles. The reading was supported by formulation of a mind map of the characteristics of the articles. This process generated various categories and subcategories. Combining and classifying those categories produced all together seven approaches and three themes. The chief criterion for forming and naming a theme was that it captured the essence of a certain group of articles – pieces that examined the same phenomena (e.g., demutualisation or mutualisation) or had other similarities (e.g., performance of mutuals). In addition, it was taken into consideration that the articles differed in their approaches to the themes, primarily with respect to the theory applied (e.g., agency theory) or scientific field (e.g., jurisdiction).

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