

# The role of cognitive dimension of bridging social capital in development of mutual insurances

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Scholars mainly investigate the interconnection between social capital on the one hand, and cooperatives in general on the other, while I argue that there is lack of literature that distinguishes between different types of social capital, as well as different types of cooperatives and correlation between them.

There is no consensus on the definition of social capital and many different interpretations are encountered. According to Bourdieu (1986: 248), "social capital is an aggregate of real or potential resources associated with the possession of permanent ties and networks of more or less institutionalized personal relationships". Coleman's (1988) definition very similarly indicates the composition of social capital, that is, the aspect of the social structure that enables certain actions of individuals within that structure. Putnam, on the other hand, emphasizes trust and norms, which will be observed in the paper. "Social capital refers to features of social organizations, such as norms and trust, that promote cooperation, thereby increasing social efficiency" (Putnam, 1993: 167). There are different types of social capital, and the paper will specifically look at the cognitive (relational) dimension that refers to trust, norms, obligations and expectations and identification (Nahapiet and Ghosal, 1998).

Another concept that will be observed in the paper will refer to mutual insurance companies. These institutions are owned by clients and their business goal is to meet the needs of their members. The business principles they operate on are solidarity, democratic management, sustainability and care for the community. Also, they contribute to the community because they are socially responsible (AMICE, 2022).

The different interpretations and evolution of these concepts (social capital and mutual insurances) have offered a good framework while observing them separately, but there is lack of literature that offers interpretative framework for observing their relationship, which this paper aims to reach. In other words, the aim of the paper is to explore the role of one specific type of social capital - cognitive dimension of bridging social capital (trust and cooperative norms), in one segment of mutual/cooperative financial sector - mutual insurances. Also, the purpose of the paper is to provide a synthesis of theoretical and empirical literature relevant to the this question, as well as to analyse data in order to assume the nature of the relationship between cognitive dimension of social capital and mutual insurances.

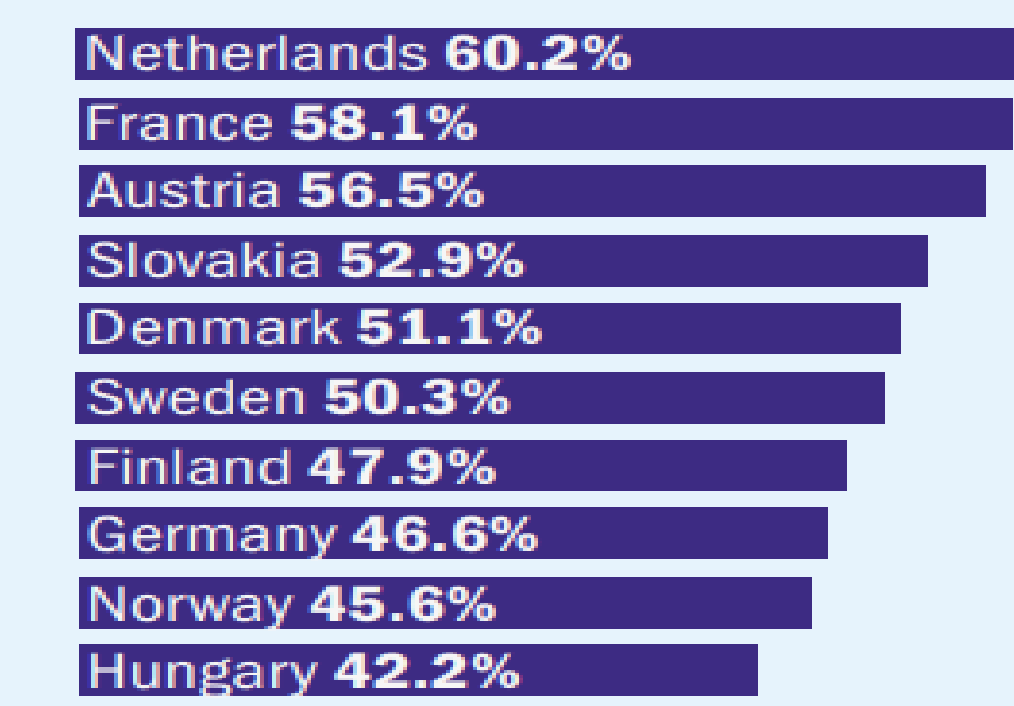
Theoretical and empirical findings directed to the interconnectedness between cognitive dimension of social capital and mutual insurances will be explored in the paper. Using the synthesis method, simple and separate elements of the literature related to social capital and mutual insurances will be synthesized into more complex ones. The primary research results of many authors will test the same conceptual hypothesis (that there is connection between different types of social capital and concepts connected to (mutual) insurances, with the aim to generalize the results, as well as to connect one specific dimension of social capital and mutual insurances more clearly in practice. By identifying reasons for long term existence of cooperatives, I introduce the concept of game theory and suggest that mutual insurances, in order to thrive, can choose between multiple possible cooperative strategies.

The compilation method will also be used by taking over the results of other people's scientific research in such a way that the findings will be combined with each other in a new way, which will also be a contribution of the paper. Namely, the dual role of a specific type of social capital in development of mutual insurers will be observed. I will show that generalized trust can play dual role for their long-term stability. Firstly, generalized trust has to be indispensable feature of every successful cooperative/mutual insurance, and secondly, idea of insurance is directly related to the concept of delaying of gratification, which is greater in environments with higher levels of generalized trust.

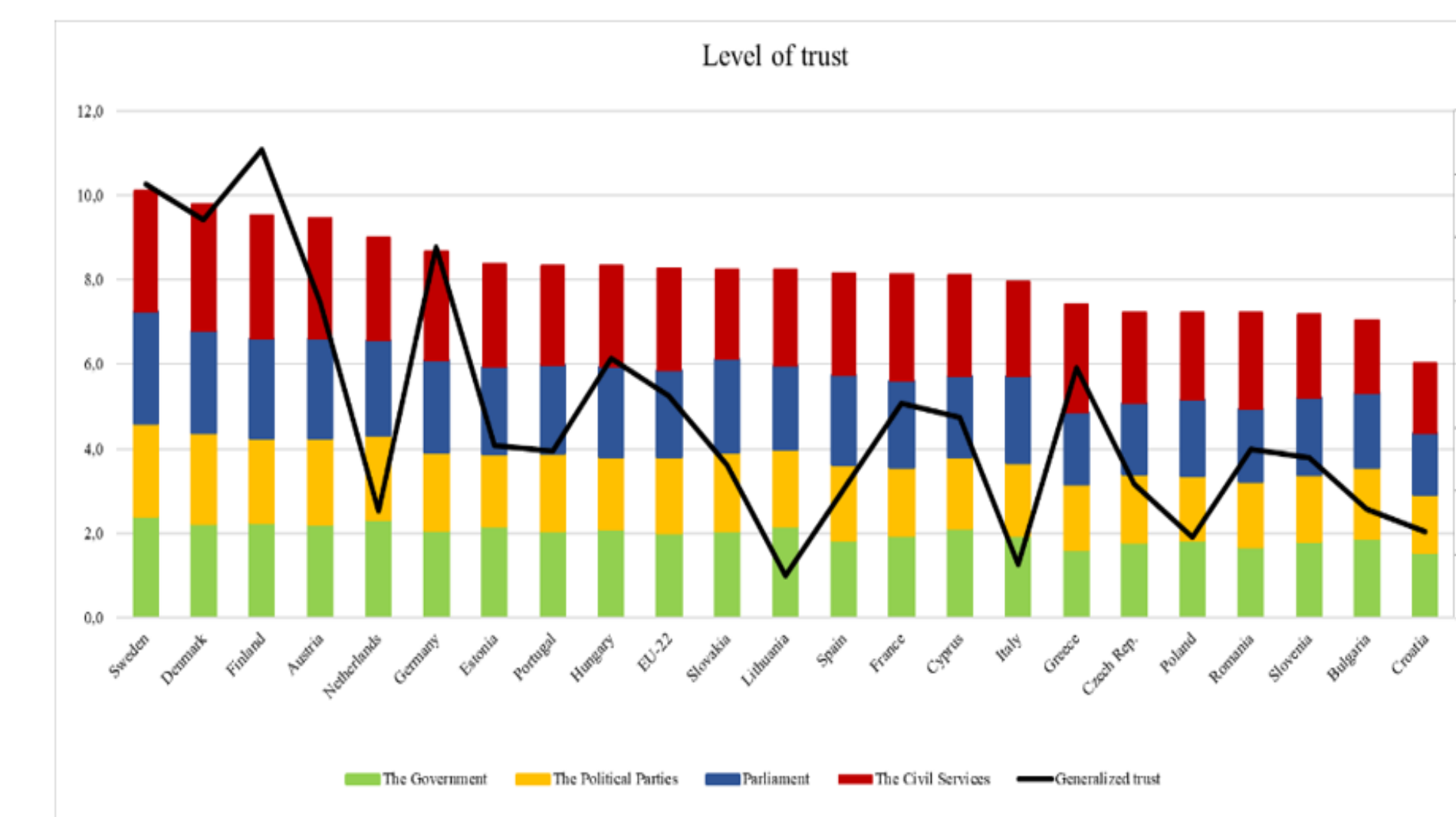
On the basis of the literature and theoretical background, again using the method of synthesis, a connection between various forms of voluntary association will be observed and it will be assumed that the tendency to participate in one form of civil society is a good indicator of participation in mutual insurances. Descriptive statistics will be used to analyze WVS and EVS data, and an attempt will be made to determine the relationship between generalized trust, as well as other types of trust and various forms of voluntary association. This is the first step towards defining the connection between the two concepts. Correlation of the variables that represent cognitive dimension of social capital with many forms of voluntary association will be performed. To be more specific, countries within the European Union where mutual insurance companies have the largest market share in insurance will be selected, and the correlation between generalized trust (as well as trust in the unknown) and participation in various segments of civil society will be observed on the basis of individual data. After that, the relationship between the size of the mutual insurance sector in the total insurance sector and variables of the cognitive level of social capital will be observed at the state level.

The theory suggests that it is possible to view insurance as a form of delaying gratification. A comprehensive review of the literature found that trust and cooperative norms play a significant role in delaying gratification and thus can have important role in buying voluntary insurance products. This is the first contribution of the paper, and the second is related to the determination of the relationship (based on the study of existing theoretical and empirical results) between trust and norms and all forms of mutual institutions. It was concluded that there are various forms of cooperation in mutual societies and that, according to game theory, there is not only one type of cooperative strategy. In addition, the results of the WVS (Haerpfer, et. al., 2022) and EVS data (EVS, 2022) analysis indicate a moderately strong correlation between generalized trust and various forms of voluntary association. In addition to the above, in countries with a high share of mutual insurance in the total insurance market, higher levels of generalized trust were recorded.

## The largest European insurance markets in terms of mutual/cooperative market share in 2020



AMICE, 2022



Source: Omerzo, I. & Krišto, J. (2022)

Cramer's V correlation				
	Member: Belong to religious organization	Member: Belong to education, arts, music or cultural activities	Member: Belong to humanitarian or charitable organization	Member: Belong to self-help group, mutual aid group
Generalized trust	0,36	0,35	0,36	0,35

Source: World value survey, European social survey

The literature research in this paper gives a positive theoretical answer, i.e. all previously set aims have been achieved. The relationship between the cognitive level of social capital and the development of the mutual insurance market was investigated. These concepts have been sufficiently researched, but there is a lack of literature that will observe the level of social capital among members of mutual institutions (and then mutual insurance) and non-members. The paper examines the dual role of social capital in the establishment and maintenance of mutual insurance companies. Namely, the high levels of trust and cooperative norms are connected to the more developed sector of cooperatives, but also with the desire to postpone the endowment, which can be observed in the financial sector through insurance. This article contributes to the existing literature by establishing a research framework for better understanding of the development and relationships of mutual insurance companies and the cognitive level of social capital.

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