Studying the consequences of the privatization

of the insurance industry on the structure of insurance companies

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Abstract

Country insurance industry as one of the country's financial institutions has a special place in the privatization process, so that the effective performance of this industry in the allocation of available funds will be a stimulus for other economic sectors. The management and ownership of state-owned insurance companies and non-motivating factors resulted in a significant share of these funds at the rate of low profits to be transferred to the bank system. The aim of this study is to investigate the consequences of the privatization of the insurance industry with a variety of conditions relating to the structure of insurance companies. The statistical population included the insurance companies in the country and abroad in the period from FARVARDIN to TIR of 93 that the total number was 22 companies. The number of samples obtained based on the Cochran formula was considered 16 insurance companies. The results showed that the combination the insurance companies' portfolio with the changing nature of insurance companies activities from state-owned to the private. It was also found that the rate of output on insurance companies' investments has increased in the transition from state-owned to private.

Keywords: insurance industry, agency, privatization, rate of capital output

1. Introduction

One of the major programs in Iran in recent decades was the government approach to make the framework small and develop the process of privatization and assign the state enterprises to real and legal persons. This approach has been centrally followed since the time that the investigations on the state companies' performance results in decades showed a fall in productivity, innovation stagnation, decline in domestic and international competition and organizational indicators (HEDAYATI, 1390, 12). Country insurance industry as one of the country's financial institutions has a special place in the privatization process, so that the effective performance of this industry in the allocation of available funds will be a stimulus for other economic sectors. In fact, the few funds that overflow by policyholders to insurance companies constitute large sums that circulate the major economics. The management and ownership of state-owned insurance companies and non-motivating factors resulted in a significant share of these funds at the rate of low profits to be transferred to the bank system. Also, due to the lack of necessary conditions, we cannot directly try to privatize the state-owned insurance companies (HASAS YEGANE, 1387, 194). In this condition, implementing the private insurance companies' entry and giving opportunity to these companies and helping them to create a healthy competitive environment between state and private insurance companies will affect the structure of assets and investments of governmental insurance companies. It also will highlight the role of the insurance industry, along with the stock market and banks that form the vertices of the financial community triangle. On the other hand, one of the most important indicators that affect the activities of organizations, especially private organizations is their ownership structures. Ownership structures can be governmental, private or a combination of both of them. Given that the governmental and semi-governmental ownership structures, hierarchy, rules, instructions have a role in administrating the organization and also its action range, we can refer to managers' restrictions on the independent decision-making implementation. While in private ownership structures, management or board members have full authority in this regard (MOVAHED, 1391, 1). The importance of the ownership structure has been considered since the companies always have faced the external crisis and internal challenges. And immediate decisions of managers regarding this crisis can effectively reduce the psychological and financial damages to the organizations. While the complex financial structure and large bureaucracy like state-owned companies, decision-making is not the task of organization manager, and passing the instructions and upper management decisions are effective on this field (John&allen, 2010, p3).

2. Research theoretical framework

1-2 the privatization

Privatization is a process in which the government at any level examines the possibility of transferring the functions and facilities to the private sector and if it was appropriate it takes action for the transmission. Base Lee and Little Child believe that privatization is a mean to improve governmental ownership so that at least 50 percent of their shares will be transmitted to the private sector. VELJANOSKI considers the privatization as the implementation of economic activities by the

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private sector or the transfer of assets ownership to the private sector (Robertson, 2003, p4). Schwartz considered the definition of privatization for countries with focused economies far beyond the transfer of ownership and change of regulations and he says that privatization means the creation of a new system based on the market as a result of the various aspects of economic transformation. Privatization apparently is a process in which the functions and facilities of governmental sector at every level are transferred to the private sector but in the true sense refers to dissemination of culture at all levels of society that the legislative judicial, executive institutions and all members of the country believe that people work should be left to the people. BES considers privatization as a sign of excellence capitalist thinking and confidence in market performance against the uncertainty to the performance of the public sector (Austin, 2007, p52). In the optimal privatization we can refer to some factors such as increasing the efficiency of insurance companies, conducting household savings into productive economic activities, development of capital markets in the economy, promotion of ownership in the private sector, great participation of people in economic activities, reducing the degree of monopoly and increasing competition between companies insurance. The result of all the above mentioned factors is to achieve sustainable economic development and to increase the economic welfare of society. By studying the other countries business in privatization, it is observed that making hasty and immediate policies and decisions has caused the stagnation or cessation of the privatization process. Therefore, a full success in achieving the privatization goals requires a comprehensive planning and a long-term and stable attempt (GHADIRI, 1387, 12). What seems important in the process of privatization of the country's insurance industry is to recognize the potential capacities of the country's insurance. Besides, investigating the trade in other countries with similar economic structure won't be ineffective on the privatization process. Although the privatization discussion is considered in the economic literature, economists and stakeholders have offered different definitions for it, and we will bring some of them for short. Base Lee and little Child have considered privatization as a mean to improve the performance of economic activities of industries through increasing the role of market forces; however, if at least 50 percent of government shares would be assigned to the private sector. In each country according to different economic systems prevailing in society, privatization is a mean that pursues the common objectives. As in countries with centralized and command system and economy, the privatization seeks primary objectives such as the introduction of free market, increasing the economic efficiency and development of state's revenues. It is obvious that, the above-mentioned objectives will require major structural repairs in economies such as repairing the management and organization, training the skilled labor and providing the necessary currency so other the country systems will be completely transformed and institutions, organizations and government entities are gradually removed and replaced by market mechanisms (MOVAHED, 1391, 5).

2-2 Organizational Structure

The three components that we use to create the organizational structure are complexity, formalization and centralization. Although accepting the three components as the key aspects of the organizational structure is common but is not universal. Thirteen famous variables that they are widely accepted by theorists are used to define the structural dimensions, they are:

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1. Administrative components: the number of supervisors, line managers and administrative personnel to the total number of employees
2. Independence (autonomy): the extent to which the senior management must refer the special decisions to the highest level of authority.
3. The concentration: ratio of the positions that their operators participate in decision-making and the number of areas in which they associate. The concentration is the power or an indicator that reflects the center of decision making with regard to the main and special policy of the organization, or the extent of distributed information between various levels of the organization, and also the amount of participation in long-term planning
4. Complexity: the number of specialists and professional activities as well as the term of professional training courses for staff
5. Delegation of authority: the proportion of decisions taken by senior management to the decisions taken by executives who have delegated he decision-making authority
6. The segregation: the number of special tasks specified in the organization or differences in cognitive and emotional orientation of the managers in different periods in the organization
7. Recognition: the extent to which the employee role is defined by recourse to facts and official documents.
8. The composition: the quality of the cooperation between the periods and inside them that is necessary to unify activities or feedback programs used for coordination between organizational units
9. professionalism: the extent to which employees of a professional organization are accept as a reference, belief to provide services for the public and belief in self-control (self-regulation) and focus on one working area and the independence and freedom at work
10. Areas of control: the number of subordinates that a manager can and must supervise them.
11. Specialization: the number of professionals and the training course required for each of them, and the amount of specific expertise stated for various tasks in the job description.
12. Standardization: he extent to which changes in duties according to the laws and regulations is tolerated
13. Vertical areas: the number of levels in the hierarchy of authority from senior management to subordinates at lower levels of the organization.
14. The result that is achieved and seems right is that the theorists generally agree on structural dimensions; however, about the operational definition of each or superiority of one over the other and that some aspects that should be considered by a larger dimension there is little agreement between them

On the other hand it should be noted that in the organizational structure planning three pillars are considered:

1. The organizational structure determines and reports on the organization's official relations and represents the levels in the administrative hierarchy, and also specifies the managers' area of control.

2. organizational structure, determining the status of those who work as a grouped together in a unit, and it studies the division of units that exist in the organization

3. Organizational structure, including the design of systems by which all units will be integrated. In conclusion, effective communication within the organization will be guaranteed.

3-2 research background

MOHAMMADREZA ALMASI in 1385 has studied the privatization impact on the financial performance of companies listed in Tehran Stock Exchange. In this research using the three financial ratios, the earnings per share, return on assets and return the equity they have evaluated the financial performance in the five years before and after the assignment of 42 companies in years 69 to 78. Private companies in the form of different industries and generally have been evaluated. The research results show that after the privatization the companies' financial performance had no significant change and thus privatization policy has failed to achieve its objectives to improve the performance and efficiency. ALMASI considers the main reason for lack of success of the privatization policy the inappropriate conditions and the lack of infrastructure for achieving these goals. TARI in 1392 has investigated the role of privatization and ownership structure in the performance of insurance companies. The main purpose of his research is determining the right ownership structure to increase the efficiency of insurance companies, so privatization and achieving the free economy is one of the ways to increase efficiency. With knowledge of the relationship between ownership structure and the ability of insurance companies we can ensure the performance of private companies and also we can select the appropriate strategies adopting on assignments in macro policies and finally by increasing the efficiency of insurance companies, the growth and economic development and stability of financial markets and cost efficiencies will be provided. In order to have a comparative assessment of the implementation of this policy and to apply the strengths and exclude the possible inefficiencies resulting from the implementation of inappropriate policies, the statistical population of this research is the commercial insurance companies active in the insurance market of Azerbaijan and Iran countries in the years (2010-2008) 1388-1386. Then the collected data was evaluated using "data envelopment analysis". Strategic results of the research findings suggest that changes in the ownership structure may lead to more efficiency on the market, provided that the assignments strategy to the legal firms would be in the form of blocks. Also to increase the efficiency of the insurance industry, taking measures to restructure the firms that have remained governmental (through changing their scale) is essential. Bertoleti et al., 2005, p2 have studied financial and operating performance of 31 companies of telecommunications and communications industry in 25 developed and developing countries over the years 1998-1981 and in a 7-year-old period. The evaluation criteria were the indicators of profitability, operational efficiency and investment in the three years before and after privatization, and the findings of this study as well as previous studies show improvement in all indicators of listed private companies. Although they have found a significant increase in the amount of investments in private companies but in profitability, efficiency and power in these companies they have seen little changes.

Muller et al, 2009, p4 studies have showed that one of the ways to maximize the companies structure, and the development of mechanisms of privatization by managers and professionals is the selection or the right combination of long-term decision-making by the administration team in the structure of the company. So that the combination of individual and collective wisdom potential with the requirements of the company and outlining the expected scope by the company's managers and practitioners can bring a greater rate of return for the company. Therefore, the company structure is closely linked with the throughput of the company's human resources. The capital structure that increases the company structure or minimizes the overall cost is the company optimal capital. This

optimal structure is a combination of expectations and the performance of company owners. Sheferd, 2011, p16 study results in the area of type of ownership showed an improvement in the performance of institutions that are attempting to change the type of ownership or privatization operations. The difference in the management and monitoring motives, policy objectives and social obligations of governmental units mainly causes to expect the mentioned units to have a lower performance compared to similar companies. On the other hand, the institutions and companies owners due to stronger incentives to gain profit and access to more information may have better performances. The institutions that are managed and controlled by family foundations, because they have less agency cost should be more efficient than state-owned companies.

3. Research hypotheses

In this study, to explain the process and achieve the appropriate results the analytical method is used. In the descriptive -analytic method, in addition to the description of all the resulted conditions, they have investigated the impact on the research variables and the analysis of the variables' impact on each other (Sun&tang, 2012, p11). The scope of this study is as follows:

- Territory
  This research time range is from FARVARDIN to TIR of 1393

- Local domain:

This research in terms of implementation includes the insurance companies' community in the country.

- Thematic domain

This research is implemented in the area of studying the consequences of privatization in the insurance industry on the structure of insurance companies. In this study, according to research method that is descriptive, studying the resources and available information, the design of questionnaires, the most important considered issue is to evaluate the consequences of privatization of the insurance industry on the structure of insurance companies based on obtained criteria using a questionnaire to collect information. In this study, the collected data has both quantitative and qualitative aspects and mainly will be achieved by (quantitative) questionnaires. So, due to the descriptive and analytical nature of the study, a questionnaire (as the most common means of collecting information on human sciences) would be appropriate; however, it seems that in some cases, interview and observation techniques is also required. The questionnaires used in this study (plan appendix) is closed (multiple choice) in relation to each of the research variables. In this research, in addition to the organizational structure questionnaire design, the most important issue to consider is the development of the consequences of insurance industry privatization the on the structure of insurance companies based on the obtained criteria from Robbins method 2003, a questionnaire is used to collect the considered information. In This questionnaire, in fact, specified tests monitor, evaluate and analyze the environment and conditions, processes, incentives and constraints and bottlenecks and problems. Naturally, other than questionnaire, different areas of research, such as research history and research necessity and

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other qualitative information will be used. With regard to the issue of the insurance industry privatization consequences on the structure of insurance companies, the study population consisted of insurance companies' community in the country in the period from FARVARDIN to TIR of 1393. Based on the statistics, the number of these people is more than 787 people, both men and women. The sample obtained based on the Cochran formula that is one of the successful methods of standard sampling. In this way, according to population size of 787 people from executives, managers, supervisors, middle managers and administrative experts insurance companies in the period from FARVARDIN to TIR of 1393, the obtained sample consisted of 258 people.

Sample size=787   sample size= 36972721679/258   Calculating with 5% level of error

$$n = \frac{\frac{z^2 pq}{d^2}}{1+\frac{1}{N}(\frac{z^2 pq}{d^2}-)}$$

In this study, to analyze of data to the type of research variables the descriptive statistical methods (focus criteria, the criteria for the distribution and frequency tables and diagrams) was used. To explain research hypotheses the parametric inferential methods (T-test and analysis of variance, correlation coefficient) based on 20 SPSS statistical software was used.

1-4 Validity and reliability of the research tools

The purpose of validity of the test is whether this device is to measure what is appropriate or not? (SEIF, 1372: 182). And it answers this question that the measuring instrument to what extent measures the desired character. To assess the validity of the questionnaire, the content method was used so that the expert opinions on the issue of the insurance industry's privatization consequences on the structure of insurance companies, in terms of fluency, flexibility, expandability and innovation was questioned and approved. The term reliability refers to the measurement accuracy, it means that by measuring reliability we want to know that if we apply a test to measure one or more variables the results are similar or different (SEIF, 1372,99). Credibility (reliability) deals with the fact that the means of measuring in the same condition to what extent would give the similar results. Usually the reliability coefficients range is from zero (no correlation) to +1 (perfect correlation) (SARMAD et al, 1385: 166).

Table 1: Cronbach's alpha

Cronbach's alpha coefficient	Number of tested questionnaires	questionnaire
0.93	35	Assessing the organizational structure

In this study, the number of 35 questionnaires was analyzed to determine their validity, using the Cronbach's alpha test the amount of validity for the assessment questionnaire and the organizational structure evaluation were evaluated at 0/93.

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5. Research data analysis

In this study, to analyze of data to the type of research variables the descriptive statistical methods (focus criteria, the criteria for the distribution and frequency tables and diagrams) was used. To explain research hypotheses the parametric inferential methods (T-test and analysis of variance, correlation coefficient) based on 20 SPSS statistical software was used. Descriptive statistics: descriptive statistics methods such as classification criteria (calculation frequency tables, graphs related) and focused measures (mean) and dispersion criteria (standard deviation) were used. To explain the hypotheses of inferential statistics, including (correlation coefficient, T test and ANOVA) was used.

1-5 Test of data normality (Kolmogorov-Smirnov)

For the normality test remains the Kolmogorov-Smirnov valid test was used. Kolmogorov-Smirnov statistic for the variable combination of portfolio companies is 0/036 and the p-value for it is calculated 0/065 that is greater than 0/05 that the regression residuals have a normal distribution.

			Kolmogorov – Smirnov test
Level of significance	Degree of freedom	The statistic	
0/065	28	0/033	The combination of the company's portfolio
0/069	28	0/036	The company's investment output rate

Table 2: Test results of data normality :(Kolmogorov - Smirnov)

About the output rate on the investment of the company, Kolmogorov-Smirnov statistic is 0/036 and the p-value for it is calculated 0/069 that is greater than 0/05 that the regression residuals have a normal distribution.

2-5 Descriptive Statistics

According to test hypotheses it indicates the relation between the effects of insurance industry privatization with the company structure. From two perspectives of the combination of portfolio and restructuring the insurance companies from the state-owned to private, this relationship is studied. Thus, in this part the descriptive statistics is shown. Meanwhile, the output of SPSS software for the statistical variables in the first and second hypotheses in table (3), for each of model variables, indicators such as number of samples, the range of variables changes, low and high range of changes, mean, standard deviation, coefficient of stretch, skewness coefficient, median, mode and quarter of the first, second and third variables are shown. Coefficient of skewness (sk) and coefficient of stretch (k) of each of model variables are shown in the table (1_4), thus, it is interpreted that the absolute value of this parameter if is less than or equal to 0.1 ($|K| \leq 0.1$ or ($|sk|$ normal distribution, if it is not greater than 0.1 and smaller than or equal to 0.5 ($0.5 \geq |k|$ or $|SK| < 0.1$) distribution is almost normal, if it is greater than 0.1 and less than or equal to 0.5 ($0.5 \geq |k|$ or $|SK| < 0.1$) distribution is almost normal, and if it is greater than or equal to 0.5 ($0.5 \leq |k|$ or $|SK|$) the difference between the relevant distribution with the normal distribution is obvious.

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Table 3: Descriptive statistics of variables

Model variables	Number sample	mean	median	mode	Standard deviation	variance
The combination of the company portfolio in private structures	33	0.18	0.18	0.14	0.06	0.00
The combination of the company portfolio in state structures	33	0.30	0.30	0.24	0.08	0.01
The ratio of total debt to total assets	33	0.65	0.65	0.64	0.11	0.01
Virtual variables in the restructuring of insurance companies from state to private in private structure	33	2.23	0.00	0.00	4.24	17.96
The annual return on consequences of the privatization of the insurance industry	33	0.07	0.05	-0.05	0.22	0.05

skewness	Stretch	Domain changes	minimum	maximum	Quartiles 1	2	3
0.34	0.02	0.27	0.05	0.31	0.14	0.18	0.22
0.21	-0.28	0.38	0.12	0.50	0.24	0.30	0.36
-0.09	-0.63	0.49	0.39	0.88	0.56	0.64	0.74
2.89	9.05	21.103	0.00	21.103	0.00	0.00	2.43
0.98	4.89	1.71	-0.64	1.07	-0.05	0.05	0.18

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3-5 the correlation coefficient between research variables

In this section, to analyze the 2 variables, the model variables of the study, the correlation coefficient matrix is provided on table 4.

Table 4:

	Combination of companies portfolio in private structures	Combination of companies portfolio in state structures	Virtual variables in the restructuring of insurance companies from state to private in private structure	return on the restructuring of state-owned insurance companies from the private to the governmental company
Combination of companies portfolio in private structures	1	0.304(**)	-0.727(**)	0.818(**)
	–	0.004	0.00	0.00
	33	33	33	33
The restructuring of state-owned insurance companies from state mode to private mode	0.304(**)	1	0.00	0.291(**)
	0.004	–	0.999	0.007
	33	33	33	33
return on the restructuring of insurance companies from governmental to the private in the private company	0.818(**)	0.291(**)	-0.819(**)	1
	0.00	0.007	0.00	0
	33	33	33	33
return on the restructuring of insurance companies from governmental to the private in the state company	0.784(**)	0.190	-0.906(**)	0.902(**)
	0.00	0.080	0.00	0.00
	33	33	33	33

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Correlation coefficient matrix of the research variables for the main model

** Significance level of 1% (99% confidence level)

** Significance level of 5% (95% confidence level)

4-5 the results of the first hypothesis

The first hypothesis: there is a significant relationship between combination of portfolio and restructuring of insurance companies from governmental to private mode

To test the normality of error terms various tests can be used, one of these tests is the regression tests which has been used in this study. Since test result0/ 0734 that is over 5% shows that the distribution of the error terms is normal.

Table 5: defaults analysis

regression	Correlation	Durbin Watson	The coefficient of determination	F test
0.0734	0.0190	2.199392	0.335396	3.023082

Homogeneity of variances: it means that error variance is stable (Brooks, 2008). If the variances are dissimilar the estimation won't be non-linear or unbiased and it won't have the minimum variance. To search for homogeneity of variance, correlation test was used. Given the level of importance (0/019) results show that the null hypothesis of variance similarity is rejected. The model suffers from the problem of heterogeneity of variances. To solve the problem, instead of using ordinary least squares, the generalized least squares were used.

Remaining independence: to test the non-correlated variances in different periods that is one of the assumptions of the analysis and regression test and is called autocorrelation the Durbin-Watson test was used. According to number 2/199392 it shows no autocorrelation. The coefficient of determination: Determining factor for this model is about 5/33 to that indicates the 5/33% of change in the dependent variable is explained by the independent variable.

Table (6): regression test to determine the regression method

P-Value	Degree of freedom	The amount of test statistic	test statistic	Type of test
0.00	257	2.990554	R	Regression test

Given that the R calculated from the regression test (99/2) is larger than the F critical; therefore, H0 hypothesis is rejected and with 95% confidence the regression method can be used. Since it was specified, we can use regression method. Now we should test it.

Table (7): model fitting using stable effects

Significance level	T test	Coefficient	Description
0.00	5.17357	0.948877	width of the Source
0.00	0.39092	0.15924	combination of the portfolio

According to the hypothesis it says that there is a significant relationship between the combination of portfolio and restructuring of insurance companies from state-owned to private mode. If the portfolio coefficient is statistically significant it can be said that the hypothesis is not confirmed. But due to the fact that the portfolio combination coefficient is statistically significant and positive, so the first hypothesis is confirmed using the model. It can be concluded from the combination of portfolio on the restructuring of insurance companies from governmental to private mode is effective.

5-5 the results of the second research hypothesis

With the restructuring of insurance companies from governmental to private, the return on investments is increased. To test the validity of the assumptions of the regression model some tests are implemented. In this study, the following tests were conducted.

The normality of remains: To test the normality of error terms various tests can be used, one of these tests is the regression tests which has been used in this study. Since test result 0/ 298 that is over 5% shows that the distribution of the error terms is normal.

Table 8: defaults analysis

regression	Durbin Watson	The coefficient of determination	F test
0.298	2.174765	0.355757	0.307942

Homogeneity of variances: it means that error variance is stable (Brooks, 2008). If the variances are dissimilar the estimation won't be non-linear or unbiased and it won't have the minimum variance. To search for homogeneity of variance, correlation test was used. Given the level of importance (0/025) results show that the null hypothesis of variance similarity is rejected. The model suffers from the problem of heterogeneity of variances. To solve the problem, instead of using ordinary least squares, the generalized least squares were used.

Remaining independence: to test the non-correlated variances in different periods that is one of the assumptions of the analysis and regression test and is called autocorrelation the Durbin-Watson test was used. According to number 2/17 it shows no autocorrelation. The coefficient of determination:

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Determining factor for this model is about 35/5 to that indicates the 35/5% of change in the dependent variable is explained by the independent variable.

Table (9): regression test to determine the regression method

P-Value	Degree of freedom	The amount of test statistic	test statistic	Type of test
0.00	257	3.259511	R	Regression test

Given that the F calculated from the regression test (3/25) is larger than the F critical; therefore, H0 hypothesis is rejected and with 95% confidence the regression method can be used. Since it was specified, we can use regression method. Now we should test it. To test the regression method with stable and random effects the Hausman test will be used. According to the above table it is concluded that the significance level is less than 5% it indicates that the regression methods with stable effects should be used.

Table (10): model fitting using stable effects

Significance level	T test	coefficient	Description
0.00	17/0091	2/671382	width of the Source
0.00	13/01955	-0/443817	Restructuring of companies and its impact on the rate of return on investments

According to the hypothesis it says that there is no significant relationship between the combination of portfolio and restructuring of insurance companies from state-owned to private mode. If the company size factor is statistically not significant it can be said that the hypothesis is not confirmed. Due to the fact that the portfolio combination coefficient is statistically significant and negative, so the first hypothesis won't be confirmed using the model. It can be concluded from the combination of portfolio on the restructuring of insurance companies from governmental to private mode is less effective.

6. Discussion and conclusion

As it was told in previous parts, today, the most important different approach to develop the business, is considering the ownership structure and scope of government intervention in economic sectors on the one hand, on the other hand, creating a planned competition atmosphere in order to increase the quality of services and the rights of customers. However, the exclusive and closed atmosphere of the public sector where the private sector due to financial and organizational weakness loses its competitive ability, not only we can refer to administrative and systematic corruption, but also the lack of competitive atmosphere will decrease the level of service quality. Insurance industry is one of the new industries in the country, and according to the just governmental view toward this industry in recent decades, the insurance industry privatization thought and the government's approach to create a free environment in this area resulted in the creation of private insurance companies in the country. The thing that seems important in the country's insurance industry process privatization in the country is to recognize the potential capacities of the

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country's insurance. Also, studying the other countries' business with similar economic structure in the privatization will not be ineffective. Although the privatization is considered in the new studies, economists and stakeholders provide their definitions, the following definitions are referred briefly to some of them. Country insurance industry as one of the country's financial institutions has a special place in the privatization process, so that the effective performance of this industry in the allocation of available funds will be a stimulus for other economic sectors. In fact, the few funds that overflow by policyholders to insurance companies constitute large sums that circulate the major economics. The management and ownership of state-owned insurance companies and non-motivating factors resulted in a significant share of these funds at the rate of low profits to be transferred to the bank system. Also one of the important factors affecting the unexpected benefit is the company's size; large companies have a variety of activities, these types of activities will contribute to their profitability and large companies due to their credit in the global capital markets will provide the needed funds with a lower interest. Now if the companies are smaller their access to capital markets is more difficult for them, in these markets they consider less credit with high interest for them. In a general view to the corporate and private ownership including legal, institutional and cultural arrangements they determine the direction of the companies' performance. Elements that are present in this scene include customers and their ownership structure, and composition of the board members, the company's management is led by the Managing Director or Chief Executive Officer, and other stakeholders that may affect the company's movement. Meanwhile what most attracts attention is the growing presence of institutional and law investors in the circle of public companies that the owners' active participation of the group can affect the governance and stewardship of the organizations. This study is implemented with the purpose to have a detailed description of a situation of privatization conditions with a variety of conditions relating to the insurance industry structure. In this study, given to the research method that is descriptive, in addition to the available resources and information and the questionnaire design, the most important issue is to consider the development of the insurance industry to evaluate the consequences of privatization on the structure of insurance companies based on the criteria achieved by using a questionnaire to collect information is considered. Given that the hypothesis was confirmed, more attention to the role of insurance companies' portfolio in the transition from the state mode to the private is considered as an opportunity for managers to implement the management. It is recommended that the editors and programmers of the insurance industry in relation to fact that the combination of portfolio in private firms is at higher levels, they should permit the privatization of some state-owned companies and revise the structure of the Iran Insurance Company. Also, according to the achieved findings about the effects of return on investments of insurance companies, it is suggested investors before the investment pay more attention to shareholders and ownership structure and company size.

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