

The State of Disclosure of Environmental, Social, and Governance Dimensions in the Insurance Industry of Iran¹

Mahnaz Mahmoudkhani², Ali Rahmani³, Saeid Homayoun⁴,
Leili Niakan⁵

Received: 2022/06/07

Accepted: 2022/11/12

Research Paper

INTRODUCTION

The insurance industry is significantly exposed to risks caused by climatic events. In addition, during the transition to a low-carbon economy, there will be changes in policies and technologies that can lead to risks arising from changes in demand for insurance products and services, as well as credit risk.

Iran's insurance industry has an important social responsibility, especially during natural events such as floods and earthquakes. Insurance coverage provided by insurance companies supports people when unexpected accidents occur. Iranian insurance companies try to provide humanitarian and benevolent assistance voluntarily when accidents occur. Today, with the development of the insurance culture in Iran, the provision of innovative products is expanding by Iranian insurance companies. Disclosure of environmental, social, and governance components on the companies' websites is recommended by Article 42 of the Corporate Governance Guidelines of the Tehran Stock Exchange and Securities Organization. These disclosures vary at the industry level and are mostly disclosed in the report of the board of directors, and fewer companies have dedicated a section to this issue on their websites. The

1. DOI: 10.22051/JAASCI.2022.39763.1688

2. Ph.D. Department of Accounting, Faculty of Social Sciences & Economics, Alzahra University, Tehran, Iran. (m.mahmoudkhani@alzahra.ac.ir).

3. Professor, Department of Accounting, Faculty of Social Sciences & Economics, Alzahra University, Tehran, Iran. Corresponding Author. (rahmani@alzahra.ac.ir).

4. Associate Professor, Department of Business and Economic Studies, Faculty of Education and Business Studies, Gävle University, Gävle, Sweden. (Saeid.Homayoun@hig.se).

5. Assistant Professor, Department of Macro Insurance Studies, Insurance Research Center, Tehran, Iran. (niakan@irc.ac.ir).

insurance industry plays an important role in sustainable development and directly and indirectly affects the sustainable performance of other industries and society. The main purpose of this study is to investigate the extent of disclosure of sustainability components in the insurance industry.

Although various research in the field of social responsibility and sustainability (Scholtens, 2011; Hayati, Hejazi, Hosseini and Bastani, 2017; Hosani, 2018; Bekhradi Nasab and Zholanezhad, 2020; Hejazi and Rajab Dorri, 2020; Rahmani and Mahmoudkhani, 2022; Babaei, Rahmani, Homayoun and Amin, 2021) has been done; But so far, no research has focused on developing the framework and investigating the level of disclosure of the sustainability performance of Iran's insurance industry. Due to the lack of a specific framework and guidelines for sustainability reporting in Iran, in this research, the modified model of Mahmoudkhani, Rahmani, Homayoun, and Niakan (2021) was used to investigate the status of disclosure of the sustainability components of the insurance industry in Iran.

MATERIALS AND METHODS

In this study, the model extracted in the research of Mahmoudkhani, Rahmani, Homayoun, and Niakan (2021), which was obtained by analyzing the content of sustainability reports, was modified and supplemented by reviewing sustainability standards and guidelines and obtaining expert opinions. The statistical population of the interview stage was professionals and experts familiar with sustainability reporting and the insurance industry of Iran. Therefore, the sample included 4 CEOs, presidents, and members of the board of directors of insurance companies, 13 financial and economic managers and vice presidents, 5 internal audit managers, 8 middle managers, 6 independent auditors, and 3 faculty members.

The board activity report of 26 insurance companies (7 members of the stock exchange and 19 members of the OTC market of Iran) was analyzed. Considering that the last report available at the time of analysis (the year 2020) can be a more developed report to investigate the status of disclosure of sustainability dimensions and components among insurance companies, the activity report of the board of directors of 26 insurance companies for the year 2020 was analyzed. The total number of pages of the analyzed reports was 949

pages. The Chi-square test was used to examine the differences in the disclosure of sustainability components at the company level.

RESULTS AND DISCUSSION

According to the findings, the three main dimensions of sustainability reporting in the insurance industry are environmental, social, and governance dimensions. The results showed that there is a significant difference between the disclosure of environmental, social, and governance components in double and triple comparisons between sustainability components at the level of 26 insurance companies. The disclosure rate of the governance dimension was 21.71 for each measure and 13.13 for the social dimension on average, while this ratio is 1.53 for the environmental dimension. 62 proxies (0.504) out of 123 sustainability measures have been disclosed by an insurance company at least one time in the board activity report. No disclosure was made regarding 61 (0.496) measures. Regarding the component of climate change, no disclosure has been made in the activity report of the board of directors of insurance companies.

CONCLUSION

The findings indicated that the environmental dimension from different perspectives such as the number of metrics, the amount of disclosure to the number of metrics, and the number of codes is less important than other dimensions of sustainability. In the content analysis of activity reports of Iranian insurance companies, some descriptions of environmental, social and management indicators are different from the disclosures made in the sustainability reports of foreign insurance companies, both in terms of quantity and quality. The reason for this can be affected by the difference in the maturity of sustainability reporting, lack of framework and guidance, as well as cultural, social, and environmental issues and the quality of information systems of companies. The framework for reporting developed by this paper can fill a large gap and help improve the disclosure of sustainability reporting in the insurance industry. However, in this research, the quality, readability, and stickiness of disclosure of sustainability components in the insurance industry have not been investigated, and this can be an issue for future research. The

findings of this study can be used by insurance companies to prepare and improve sustainability reporting.

Keywords: Sustainable Development, Environmental Disclosure, Governance Disclosure, Social Disclosure, Sustainability Reporting, Social Responsibility, Insurance Industry.

JEL Classification: M41.

COPYRIGHTS



This is an open access article under the CC-BY 4.0 license.