

Challenges and the function of creative entrepreneurship in the development of the insurance industry

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Abstract

Entrepreneurship, as a powerful stimulant for economic growth and development, plays an effective and significant role in various industries, including the insurance industry. However, the insurance industry in many countries, including Iran, has not yet fully benefited from the scientific and operational capacities of entrepreneurship. Recent economic crises have shown that more resistant and flexible industries, such as those that benefit from innovation and creative entrepreneurship, can better collate with the issues and challenges ahead. As one of the large and influential industries in the economy, the insurance industry can play a stimulating role in the country's economy with proper management of financial resources and smart investments. It is clear that creative entrepreneurship in this important and necessary industry can help to create new products and innovative insurance services, improve internal processes, increase customer satisfaction and finally, permanent development of the insurance industry. By considering the function of creative entrepreneurship in the insurance industry, this article analyzes the current situation in Iran and the challenges it ahead. Also, suggestions for the development of creative entrepreneurship in the insurance industry will be presented, which can help improve the activity of this industry in providing innovative insurance services, increase the penetration rate of insurance and increase its portion in the country's economy.

Keywords: Entrepreneurship, creative, insurance industry, economic growth.

Statement of the subject

The world is full of issues that are difficult to solve; however, at the same time, humans are continuously seeking creative solutions. We can't solve problems with the same thinking that we had when they arose; in fact, we need new and creative ideas and solutions. The problem is that such solutions do not emerge from linear thinking and simple problem-solving processes, and they require the cultivation of creative thinking. The desire and enthusiasm to achieve a goal, along with a different, new, and future-oriented thinking, and ultimately, providing constructive solutions to tackle today's stubborn issues, is essential and necessary. (1)

Economic theories raise two fundamental questions about society: first, how to produce new wealth and second, how to distribute it fairly. The answers to these questions help to maximize social welfare. Entrepreneurship as one of the key mechanisms, by optimizing the allocation of resources, identifying new opportunities and introducing new products and services, can help accelerate the production of wealth and its fairer distribution in society.

However, entrepreneurship is associated with a high level of risk, which may reduce the desire and enthusiasm for entrepreneurship and hinder its growth. Financing entrepreneurs and financial support are among the policies that can improve the entrepreneurial climate (2). Tools such as guaranteed credits and micro financing schemes can reduce the financial limitations of entrepreneurial activities (3). Nevertheless, the inherent risk of entrepreneurial activities is still one of the main challenges in this field.

As a key financial part, the insurance industry can play an effective role in financing economic units. Insurance companies accumulate a significant amount of capital through the collection of insurance premiums, especially in the life and life insurance sector, which is associated with a significant time interval between the payment of insurance premiums and the payment of damages or the maturity of the capital. In this way, the insurance industry benefits from reserves. (According to the 28th accounting standard of Iran and the 58th regulation of the High Council of Insurance), this accumulated capital can be used in various economic investments and help the growth and development of various sectors.

However, comparing the position of the insurance industry in Iran with other developed countries shows that the share of this industry in the economic investments of our country due to the volume of liquidity and the accumulation of funds resulting from the sale of life insurance and reserves (According to the 28th accounting standard of Iran and the 58th regulation of the High Council of Insurance) is less than its potential. The main reason for this is the low penetration rate of life insurance in Iran. While in developed countries, life insurance accounts for a major share of the insurance market, in Iran these types of insurance are less popular.

In recent years, insurance companies have tried to play a more active role in economic investments by entering the capital market and investing in shares of industrial companies. However, due to the low penetration rate of insurance in the country and the high ratio of damage to insurance premiums in some high-risk fields, which of course have a significant share of the penetration rate of insurance, significant liquidity is needed for investment in different sectors. Economy does not remain in the hands of insurance companies.

In order to increase the penetration rate and the role of the insurance industry in economic investments, it is necessary to pay more attention to education, culture and information on the importance of insurance, especially life insurance. The development of life insurance not only helps the growth of economic investments, but also leads to the creation of employment.

Considering the challenges of financing and risks in entrepreneurial activities, the current research focuses on the insurance industry and seeks solutions to improve the entrepreneurial environment. Insurance as a powerful tool for creating confidence and peace, managing risk and attracting capital, can play an effective role in supporting entrepreneurs. By covering various risks, insurance can reduce entrepreneurs' worries about the occurrence of unexpected events and, in this way, give them more confidence to invest and develop their business. In addition, the insurance industry as an investor can contribute to the growth and development of this sector by financing entrepreneurial activities.

Research background

Mobeini Dehkordi and colleagues conducted a correlation analysis of the impact of the insurance industry on the development of entrepreneurial activities. The study's population included 110 entrepreneurs who utilized the insurance plans of Milad Insurance Company. Based on Morgan's table, a sample size of 86 individuals was determined, and they responded to a researcher-designed questionnaire. Data analysis using structural equation modeling revealed that insurance plays a significant role in reducing risk and facilitating the financing of entrepreneurial activities. (4)

Zivari and colleagues examined the impact of access to financial resources on entrepreneurial activities in 66 selected developing and developed countries from 2008 to 2018. This research employed a practical approach for its objectives and a descriptive-correlation method for data collection. The modeling utilized two metrics: venture capital and bank credit as indicators of access to financial resources, analyzed through a generalized method of moments using STATA software version 14. The results showed that access to financial resources positively and significantly impacts entrepreneurial activities in developing countries. Additionally, the performance of bank loans in increasing new and startup entrepreneurial activities was found to be more favorable than venture capital, which may reflect a bank-centric financing model for entrepreneurial firms in developing countries. (5)

Peleckien and colleagues investigated the relationship between insurance and economic growth in EU member countries using annual data from 2004 to 2015 through econometric methods. Descriptive statistics indicated that the insurance sector is more developed in wealthy countries like the UK, Denmark, Finland, Ireland, France, and the Netherlands. A positive and significant correlation between the insurance penetration rate and economic growth was found in Luxembourg, Denmark, the Netherlands, and Finland. However, in Austria, Belgium, Malta, Estonia, and Slovakia, this relationship was negative and significant. Ultimately, Granger causality tests indicated a one-way causal relationship from economic growth to insurance in Luxembourg and Finland, a one-way causal relationship from insurance to economic growth in the Netherlands, Malta, and Estonia, and a bidirectional relationship between insurance and

economic growth in Austria. This analysis also suggested the absence of a causal relationship between insurance and economic growth in Slovakia. (6)

Jiang and colleagues utilized both static and dynamic panel data approaches to analyze the impact of inclusive financial development on farmer entrepreneurship across 22 provinces and 4 cities in China during the 2004 to 2017 period. The findings from this study indicated that inclusive financial development positively influences farmer entrepreneurship. (7)

History of Insurance in Iran and the World

The insurance industry, with its origin in the Latin word "Secures" meaning confidence, has long time been known as a tool for risk management, confidence and financial security. While the equipollent of this word is "Assurance" in French and "Insurance" in English, in Persian it can be relevant to the concept of "dread" (uncertainty) (8).

The historical roots of insurance go back to the 16th century in the city of Florence, Italy. However, Lloyd's of London in the 17th century is known as the most important gathering center of insurers in the world. With the expansion of international trade and industrialization, the insurance industry grew rapidly and permeated all aspects of life. Especially in the 20th century, the insurance industry grew significantly in industrialized countries and accounted for a significant share of Gross Domestic Product.

In Iran, insurance activity started in 1919 with two Russian companies, then the insurance industry started in November 1935 with the establishment of Iran Insurance Joint Stock Company as the first Iranian insurance company, and in 1937 the country's insurance law was approved in 36 clauses. After the Islamic revolution, private insurance companies were nationalized and the insurance industry was completely holed by the government. With the enforcement of economic development programs, several new private insurance companies were established in order to increase competition and improve the activity of the insurance industry.

Considering the existing potentials, the position of the insurance industry in the developed country of Iran shows that there is still a long way to reach the desirable level. According to the statistics available in advanced countries, the insurance industry plays a very important part in financing the economy and creating sustainable development. While in Iran, the insurance sector, especially life insurance, as one of the most important insurances in the category of investment and financial economy, is very low.

Entrepreneurship in Insurance

Considering the various explanations and descriptions of entrepreneurship, as well as its broad application across different human, economic, and organizational fields, there have been many

classifications proposed. So that entrepreneurship can be considered as a plan for an individual, a group, an organization and even a nation. In generally, entrepreneurship can be divided into two main types: "individual" and "group." Individual entrepreneurship divided into two types: personal or independent entrepreneurship and intrapreneurship (entrepreneurship within an organization). The organizational form of group entrepreneurship is referred to as "Organizational entrepreneurship" (9).

- Individual Entrepreneurship
 - a) Personal or independent entrepreneurship: It is a process in which the entrepreneur alone tries to carry out and achieve entrepreneurial activity freely or independently and personally. This type of entrepreneurship is one of the most common types and has existed since the beginning of entrepreneurship.
 - b) Intra-organizational entrepreneurship: It is a process that the entrepreneur goes through within the organization to achieve an entrepreneurial activity in an organization that is usually traditional and bureaucratic.

- Group or organizational entrepreneurship
It is a form of entrepreneurship that the whole organization or company does as a group. If this entrepreneurship is done in an organization, it is called "organizational entrepreneurship" and the organization in which this process is carried out is called "entrepreneurial organization". Accordingly, organizational or corporate entrepreneurship is a process that the organization or company goes through so that all employees can perform their duties as entrepreneurs and carry out all individual and group entrepreneurial activities continuously, quickly and conveniently in their organization. Consequently, in the process of organizational entrepreneurship, the whole company and its employees have creative and entrepreneurial esprit and thinking and put in practice.

Creative and innovative entrepreneurship:

Creative entrepreneurship refers to the process of creating and spreading innovative ideas in the creation of new products and services, which are created specifically based on creativity and innovation. This type of entrepreneurship tries to identify the needs and problems of society and provide specific and new solutions for them.

Indicators of creative entrepreneurship:

- Innovation: One of the indicators of creative entrepreneurs is that they always seek to discover and create new ideas. They challenge themselves to find different solutions to existing problems.

- Risk taking: This type of entrepreneurship is often associated with high risks. Creative entrepreneurs must be ready to face challenges and possible failures and gain experience.
- Flexibility in work: Creative entrepreneurs must have the ability to conformation themselves and their business to changes and market needs. This feature helps them to quickly respond to new situations.
- Paying attention to details in all stages of the process: In the creative process, paying attention to details and thinking deeply about ideas and how to implement them is very important.
- Teamwork: Many creative projects are the outcome of teamwork. Creative entrepreneurs usually cooperate with different people and experts who have different expertise in related fields.

Steps of creative entrepreneurship:

- Identification of opportunities and challenges: market research and identification of the needs of the target community and problems that have not yet been perfectly resolved.
- Generating new ideas: using creative techniques such as brainstorming, mental maps and solving problem to create new ideas.
- Selection and development of practical idea: choosing the best idea and developing it into a practical product or service.
- Assessment of the selected idea: test and evaluate the idea in the market to collect feedback and improve.
- New product presentation and marketing: presentation a product or service to the market and use creative marketing strategies to attract customers

Insurance and Global Changes

Extensive changes in the global economy, including the considerable growth of the service sector, the shrinking of organizations, and the increasing importance of the organization's knowledge-pivot labor, have embossed the necessity of using innovative approaches such as entrepreneurship in all industries, including the insurance industry.

The inherent characteristics of the insurance industry, such as its commercial quality, the possibility of providing diverse and personalized services, and the close connection with the service sector, have provided the ground for the growth and development of entrepreneurship in this important industry. Furthermore, challenges such as the sizable but underdeveloped potential market, the structural and managerial weakness of insurance companies and the absence of conformity to technological developments have doubled the necessity of adopting innovative approaches in the insurance industry. (10)

The main reasons for the necessity of entrepreneurship in the insurance industry include:

Changes in the Business Environment: Quick changes in the business environment and increasing competition have obligated insurance companies to offer innovative new products and services.

Need for Specialized Workforce: The insurance industry needs a skilled and creative workforce to intricacy the growing complexities of the field.

Expansion of New Markets: Due attention to the quiddity and part of the insurance industry assuring other industries and businesses, the existence of large and unknown potential markets has provided many opportunities for the growth and expansion of insurance companies.

Improving productivity: Using new technologies and adopting entrepreneurial approaches can help productivity and reduce costs for insurance company.

Increased Customer Satisfaction: Offering personalized services and addressing the specific needs of costumers leads to greater customer satisfaction and loyalty.

Consequently, entrepreneurship in the insurance industry not only contributes to its growth and development but also improves service quality, increases productivity, and accountability the ever-increasing desire of customers.

Globalization of the Insurance Industry and Its Impact on Reinsurance Markets

With the expansion of globalization and the necessity of global risk transfer and increased competition in insurance markets, insurance companies have perforce expanded their activities further up national borders. This has caused the insurance markets to be severely depending and become a global market.

One of the most important consequence of the globalization of the insurance industry is the striking changes in reinsurance markets. Reinsurance, as a risk transfer mechanism, performs a pivotal part in managing large and complex risks. Formerly, reinsurance markets carried out primarily on a local and regional. But, with the globalization of the insurance industry, these markets have also become severely globalized. (11)

Reasons for the Globalization of Reinsurance Markets:

- **Increasing variety and complexity of risks:** With the increasing complexity and diversity of risks, insurance companies need more efficient tools to manage these complex and diverse risks. Reinsurance as the most important tool for global risk distribution and as a powerful global tool for managing large and complex risks, in this Context performs a really important role.
- **Decreased Regulations:** Contrary to primary insurance markets, which are subject to strict regulations, reinsurance markets operate under fewer regulatory constraints. This flexibility allows these markets to respond quickly to market changes.

- **Development in Information Technology:** Innovations in information technology have enabled the quick transfer of information and data. This capability allows reinsurance companies to quickly address customer needs and covering new risks.

Reasons of Globalization on Reinsurance Markets:

- **Increased Competition:** The globalization of reinsurance markets has heightened competition among reinsurance companies. This task benefits primary insurers, as they can choose from an extensive range of reinsurance companies to find the best covering at the lowest cost.
- **Development of New Products:** The globalization of reinsurance markets has helped the creation of new products and services within the industry. Reinsurance companies are increasingly trying to offer innovative products that meet the ever-growing demands of their customers.
- **Decrease Cost:** The globalization of reinsurance markets has contributed to lower insurance costs for primary insurers. As competition intensifies, reinsurance companies are compelled to offer more competitive pricing.

Challenges Facing the Insurance Industry in the Country

Iran's insurance industry is considered nascent in modern and classical standards; because, the trend of relative growth, diversity in service providers and diversity in insurance services started in recent years with the beginning of the privatization process. The expansion of this trend requires the explanation of the competitive environment among insurance service providers, including the competitiveness of the tariff system. However, the insurance industry in Iran is facing problems that are both related to challenges inside the insurance industry and challenges outside the insurance industry. In the past, the Research Center of the Islamic Parliament has investigated these challenges in one of its perusal reports, which are:

- **Nonawareness of Insurance Culture in the Country**

The most important weakness of the insurance industry in the country is the insurance culture in the society. Despite the fact that the global insurance industry is constantly expanding, and no field has been spared from its increasing change and transformation, Iran's insurance industry, despite its long history, seems to be very underdeveloped, as Iranian citizens have not yet understood that despite the insurance mechanism, all areas of their lives from the birth of children to old age, illness and death can be linked to insurance. Of course, it should be known that this challenge is not specific to members of the society and it is ongoing in various sectors with economic history of the country, such as oil and gas, petrochemical, electricity, export and import, banking facilities and public and private construction projects. For example, in 2007, the total budget of the country reached 250 billion dollars, in the course of export and import of the country, goods and services equivalent to 150 billion dollars were moved and about 75 billion dollars were invested in various sectors of the country, but according to the available

statistics A significant part of the insurance potential in these areas has not been covered by the insurance industry.

- **Lack of Specific Tariffs in Liability Insurance**

Considering, apart from the civil liability insurance for holders of motor vehicles and professional liability for physicians, there are no defined conditions or standardized premium rates for other types of liability insurance. Each insurance company applies its own terms and rates, which can hinder the timely issuance of insurance policies and the development of this type of insurance.

- **Risk Aversion Among Public Managers**

In fact, since government managers are directly and indirectly connected to the source of government budget, the phenomenon of risk is not very meaningful for them. Therefore, they do not show a desire to pay for insurance coverage and consider it an unnecessary expense and in cases where the provision of insurance coverage is inevitably included in the work plan of government administrators, with the view of reducing costs and adjusting rates. They are holding a tender. This situation continues while in the bidding process, the lowest rate and the lowest insurance premium replace the selection of a reliable insurer with good technical and financial capabilities. However, in providing coverage for various risks and insurance transactions, the main criterion should be the financial and validity of the insurer, not a lower rate, which is often offered without considering the scope and technical aspects of the risk.

- **Weaknesses in Insurance Laws and Regulations**

Another obstacle to the development of the insurance industry is related to the breach or deficit in the laws and regulations. The defects of the laws are related to the cases where the coverages were formulated and provided in support of a certain group at a specific time, and despite the fact that several years have passed since its execution, unfortunately, no fundamental changes or reforms have been made in it and practically It has caused the lack of growth of insurance and also caused the lack of efficiency and efficacious in those fields.

- **Lack of Competitive Space for Domestic and Foreign Insurers**

It is obvious that domestic insurance companies can compete with foreign insurance companies when there is internal economic constancy in the country and it is in that case that insurance companies can achieve this important thing through appropriate financial capital and specialized human capital.

- **Insufficient Infrastructure for Moving Toward a Non-Tariff System**

The non-competitive environment in the insurance industry is a one of the issues that must be addressed by eliminating tariffs from various insurance policies as a first step to resolve this problem. (12)

The state of creative entrepreneurship in Iran

If we look at the state of entrepreneurship through the lens of the insurance industry, in my opinion, the situation is suitable. Because there is both science and expertise and good regulations have been established in this field. So, we can use the laws and regulations as well as the expert force and young people and of course more than eighty years of experience in the insurance industry, to create a good position. Many companies were created to support industries and train creative manpower, and this creative force will smooth the way for the expansion of entrepreneurship. In this direction, the government should as it has done so far, it should play its supporting role by streamlining.

The perspective of creative entrepreneurship in Iran's economy

In recent years, many companies have been established in order to support industries and training creative forces, especially in the field of Knowledge enterprise companies, it is clear that with the presence of many resources and the adopting of thoughtful measures, this process will lead our economy to prosperity. Which has been formed in recent years and the creativity that we see from various companies as well as the suitable platform provided by the government, we have clear horizons in the field of entrepreneurship, especially in productive industries.

Entrepreneurship Program in the Country's Insurance Industry

The entrepreneurship program in the country's insurance industry, after reviewing the resources, limitations and basic challenges of this industry, has presented a strategic plan for entrepreneurship in the insurance industry, considering the following principles:

- a) Movement in the direction of realizing the 20-year vision of the Islamic Republic of Iran
- b) Moving in the direction of the general policies of Article 44 of the Constitution of Iran
- c) Anticipating the internal and external environment of the insurance industry,
- d) Effectively facing the basic challenges of entrepreneurship in the country's insurance industry
- e) Attention to collective wisdom and the views of executive and scientific experts of the insurance industry (13).

Conclusion

Due to the occurrence and emergence of extensive changes in the business environment and increased competition in the insurance industry, the exigency of using innovative and entrepreneurial approaches is felt more than ever. Although the late entry of the private part into this industry has been an important step towards its expansion, in order to achieve long term goals, we need a transformation in the systemic reflection and attitude of insurance companies.

Creative entrepreneurship in the insurance industry won't only help the growth and development of this industry, perhaps will also conduce to improving the quality of services, increasing productivity and responding to the increasingly needs of customers. To achieve this target, creating innovation and entrepreneurship units in commercial insurance companies, cooperating with universities and forerunner research centers, supporting start-ups, changing the organizational culture, using new technologies and changing the approach to selling products and services are operational solutions. By adopting these operational approaches and benefiting from innovative methods and products, insurance companies can operate more successfully in today's competitive world and play an important part in the country's economic development.

Increasing competition and its professionalization, changes in customer behavior and their needs, technological advancement, technological development and changes in the business environment have prominent the necessity of creative entrepreneurship in the insurance industry.

Accordingly, creating innovation units, cooperating with universities, supporting start-ups, changing the organizational culture, using new technologies and changing the sales approach are among the operational solutions for the development of entrepreneurship in the insurance industry.

Furthermore, creating an organizational culture based on innovation and risk-taking is one of the most important success factors in the development of entrepreneurship in the country's insurance industry. Correct use of new technologies can help provide better and more efficient insurance services. Creative entrepreneurship in the insurance industry is the key to success in today's competitive world. Of course, by adopting innovative approaches and creating a suitable environment and platform for creative growth, insurance companies will be able to achieve their planned and strategic goals and play an important role in transformation and economic development of the country.

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