

The Economics of Organization Structure Changes: a US perspective on demutualization

Fabio R. Chaddad, Michael L. Cook

First published: 10 November 2004

<https://doi.org/10.1111/j.1467-8292.2004.00263.x>

Citations: 48

Abstract

Abstract *The objective of this study is to contribute to the current debate on demutualization from a US perspective. We document waves of demutualization and review the empirical literature examining the economics of organizational structure changes that have occurred in the US savings and loan and insurance industries since the 1980s. Based on the review of the literature on the economics of conversions, we generate a set of general observations that might inform private and public policy perspectives on the future role of user owned and controlled organizations in market economies. In doing so, the paper may serve as a platform for further discussion among scholars, policymakers, practitioners, and cooperative leaders in their quest to understand and affect the ongoing process of demutualization.*

References

ADKINS J.B., 1997, 'The policyholder perspective on mutual holding company conversions', *Journal of Insurance Regulation*, **16**, 5-15.

[Google Scholar](#)

BIRCHALL J., 2001, ed., *The New Mutualism in Public Policy*, Routledge, London.

[Google Scholar](#)

BLACK K. and SKIPPER H.D., 1994, *Life Insurance*, Prentice Hall, Englewood Cliffs.

[Google Scholar](#)

CAGLE J.A.B., LIPPERT R.L. and MOORE W.T., 1996, 'Demutualization in the property-liability insurance industry', *Journal of Insurance Regulation*, **14**, 343-369.

[Google Scholar](#)

CARSON J.M., FORSTER M.D. and MCNAMARA, M.J., 1998, 'Changes in ownership structure: theory and evidence from life insurer demutualizations', *Journal of Insurance Issues*, **21**, 1–22.

[Google Scholar](#)

CHADDAD F.R. and COOK M.L., 2004, 'Understanding new cooperative models: an ownership-control rights typology', *Review of Agricultural Economics*, **26**, 348–360.

[Web of Science®](#) | [Google Scholar](#)

COLE R.A. and MEHRAN H., 1998, 'The effect of changes in ownership structure on performance: evidence from the thrift industry', *Journal of Financial Economics*, **50**, 291–317.

[Web of Science®](#) | [Google Scholar](#)

CORDELL L.R., MACDONALD G.D. and WOHAR M.E., 1993, 'Corporate ownership and the thrift crisis', *Journal of Law and Economics*, **36**, 719–756.

[Web of Science®](#) | [Google Scholar](#)

DRAKE L. and LLEWELLYN D., 2001, 'The economics of mutuality: a perspective on UK building societies', in J. Birchall, ed., *The New Mutualism in Public Policy*, Routledge, London, 14–40.

[Google Scholar](#)

ESTY B.C., 1997, 'Organizational form and risk taking in the savings and loan industry', *Journal of Financial Economics*, **44**, 25–55.

[Web of Science®](#) | [Google Scholar](#)

FAMA E.F., 1980, 'Agency problems and the theory of the firm', *Journal of Political Economy*, **88**, 288–307.

[Web of Science®](#) | [Google Scholar](#)

FAMA E.F. and JENSEN M.C., 1983, 'Separation of ownership and control', *Journal of Law and Economics*, **26**, 301–325.

[Web of Science®](#) | [Google Scholar](#)

FAMA E.F. and JENSEN M.C., 1985, 'Organizational forms and investment decisions', *Journal of Financial Economics*, **14**, 101–119.

[Web of Science®](#) | [Google Scholar](#)

FISHER F. M. and MCGOWAN J. J., 1983, 'On the misuse of accounting rates of return to infer monopoly profits', *American Economic Review*, **73**, 82–97.

[Web of Science®](#) | [Google Scholar](#)

GORSKI L. and COHEN M.A., 2002, 'Life in the public eye', *Best's Review – Life/Health*, **103**, 22–29.

[Google Scholar](#)

GREENE M.R. and JOHNSON R.E., 1980, 'Stocks vs. mutuals: who controls?' *Journal of Risk and Insurance*, **47**, 165–174.

[Web of Science®](#) | [Google Scholar](#)

HADAWAY B.L. and HADAWAY S.C., 1981, 'An analysis of the performance characteristics of converted savings and loan associations', *Journal of Financial Research*, **4**, 195–206.

[Google Scholar](#)

HANSMANN H., 1996, *The Ownership of Enterprise*, The Belknap Press of Harvard University Press, Cambridge.

[Google Scholar](#)

HETHERINGTON J.A.C., 1969, 'Fact vs. fiction: who owns mutual life insurance companies?' *Wisconsin Law Review*, **4**, 1068–1103.

[Google Scholar](#)

JENSEN M.C. and MECKLING W.H., 1976, 'Theory of the firm: managerial behavior, agency costs, and ownership structure', *Journal of Financial Economics*, **3**, 305–360.

[CAS](#) | [Web of Science®](#) | [Google Scholar](#)

JENSEN M.C. and MECKLING W.H., 1979, 'Rights and production functions: an application to labor-managed firms and codetermination', *Journal of Business*, **52**(4), 460–506.

[Google Scholar](#)

KROLL M., WRIGHT P. and THEERATHORN P., 1993, 'Whose interests do hired top managers pursue? An examination of select mutual and stock life insurers', *Journal of Business Research*, **26**, 133–148.

[Web of Science®](#) | [Google Scholar](#)

LEVINSOHN A., 2000, 'Insurers go public', *Strategic Finance*, 68–73.

[Google Scholar](#)

MASULIS R.W., 1987, 'Changes in ownership structure: conversions of mutual savings and loans to stock charter', *Journal of Financial Economics*, **18**, 29–59.

[Web of Science®](#) | [Google Scholar](#)

MAYERS D. and SMITH C.W., 1986, 'Ownership structure and control: the mutualization of stock life insurance companies', *Journal of Financial Economics*, **16**, 73-98.

[Web of Science®](#) | [Google Scholar](#) |

MAYERS D. and SMITH C.W., 1988, 'Ownership structure across lines of property-casualty insurance', *Journal of Law and Economics*, **31**, 351-378.

[Web of Science®](#) | [Google Scholar](#) |

MAYERS D. and SMITH C.W., 2000, 'Ownership structure and control: property-casualty insurer conversion to stock charter', *Working Paper No.FR00-15*, The Bradley Policy Research Center, University of Rochester.

[Google Scholar](#) |

MCDONALD L., SAUCER C. and WINANS C., 1997, 'Taking stock', *Best's Review - Property/Liability*, 76-80.

[Web of Science®](#) | [Google Scholar](#) |

MCNAMARA M. and RHEE S.G., 1992, 'Ownership structure and performance: the demutualization of life insurers', *Journal of Risk and Insurance*, **59**, 221-238.

[Web of Science®](#) | [Google Scholar](#) |

NICOLS A., 1967, 'Stock versus mutual savings and loan associations: some evidence of differences in behavior', *American Economic Review*, **57**, 337-346.

[Web of Science®](#) | [Google Scholar](#) |

NILSSON J., 2001, 'Farmer cooperatives: organizational models and their business environment', in J. Birchall, ed., *The New Mutualism in Public Policy*, Routledge, London.

[Google Scholar](#) |

O'HARA M., 1981, 'Property rights and the financial firm', *Journal of Law and Economics*, **24**, 317-332.

[Web of Science®](#) | [Google Scholar](#) |

POTTIER S. and SOMMER D., 1997, 'Agency theory and life insurer ownership structure', *Journal of Risk and Insurance*, **64**, 529-543.

[Web of Science®](#) | [Google Scholar](#) |

SCHRADER L.F., 1989, 'Equity capital and restructuring of cooperatives as investor-oriented firms', *Journal of Agricultural Cooperation*, **4**, 41-53.

[Google Scholar](#) |

SCHWERT G. W., 1981, 'Using financial data to measure effects of regulation', *Journal of Law and Economics*, 24, 121-158.

[Web of Science®](#) | [Google Scholar](#)

SEXTON R. J. and ISKOW J., 1993, 'What do we know about the economic efficiency of cooperatives: an evaluative survey', *Journal of Agricultural Cooperation*, 8, 15-27.

[Google Scholar](#)

SMALLENBERGER J.A., 1997, 'A reply to critics of mutual insurance holding companies', *Journal of Insurance Regulation*, 16, 16-27.

[Google Scholar](#)

SMITH B.D. and STUTZER M., 1995, 'A theory of mutual formation and moral hazard with evidence from the history of the insurance industry', *Review of Financial Studies*, 8, 545-577.

[Web of Science®](#) | [Google Scholar](#)

SMITH D.C. and UNDERWOOD J.H., 1997, *Mutual Savings Associations and Conversion to Stock Form*, Office of Thrift Supervision, Washington DC.

[Google Scholar](#)

SUBRAMANIAN K. and CUMMINS J.D., 2001, 'Ownership structure changes in the insurance industry: an analysis of demutualization', Working Paper, Temple University.

[Google Scholar](#)

VADER R.A. and CLARK A.M., 1999, 'Compensating policyholders', *Best's Review - Life/Health*, 62-63.

[Google Scholar](#)

WATTS R. L. and ZIMMERMAN J. L., 1983, 'Agency problems, auditing, and the theory of the firm: some evidence', *Journal of Law and Economics*, 26, 613-633.

[Web of Science®](#) | [Google Scholar](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

[Developing World Access](#)

HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

[DMCA & Reporting Piracy](#)

OPPORTUNITIES

[Subscription Agents](#)

[Advertisers & Corporate Partners](#)

CONNECT WITH WILEY

[The Wiley Network](#)

[Wiley Press Room](#)

Copyright © 1999-2024 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY