

What was the role of Empire in the internationalization of British insurance?"



Royal Insurance Company building in Montreal, 1875 (demolished 1951)

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UK insurance in its global context

- Large size and continued importance of UK insurance industry in global terms
- This not due to life and health insurance – large UK L&H market, but historically always limited exports.
- Why?
 - slow growth of domestic life insurance 18th-early 19thC – small scale of exports – first mover advantages limited
 - early problems of pricing overseas risk (climate, mortality unknowns, moral hazard, adverse selection)
 - difficulties of market entry (regulators)
 - early UK success in Canada, South Africa, Australia, before the rise of native (often mutual) competition post 1850
 - brief success of US exporters - Equitable, New York Life, Mutual Life – in Europe before 1900s; and Canadians (esp. Sun Life) did large business in China 1920s/30s
 - But overall result was limited import penetration in many countries before 1914 (and after) eg. UK, US, Japan, Netherlands.

Non-life insurance: the great UK export success

- Ocean marine insurance written at Lloyds since 1690s (incl. cross-risks)
- Fire insurance exported since 1780s
- Between 1900 and 1970 overseas markets averaged 60-70% of non-life premiums earned by UK insurers.
- Cf. France - historically a much lower insurance export profile
- UK dependency on foreign earnings rising during 19thC
- This has only changed in last 30-40 yrs. By 1990 overseas business = 39% of UK insurers' non-life income. By 2006 = 22%.
- Why? Retreat from US; European groups acquiring UK insurers.
- Comparative development of UK non-life insurance before 1914 seen in tables 1 & 2 →

Table 1:
Insurance density (ID): *Per caput* fire insurance premiums in five countries, 1850-1912 (US \$ current)

	FRANCE	GERMANY	BRITAIN	JAPAN	USA
1850/1	0.15	0.27	0.35		0.26
1882	0.54	0.56	1.69		1.71
1900/02	0.62	0.78	2.43	0.04	2.40
1910/12	1.05	0.99	2.84	0.09	2.86

Table 2:**Insurance penetration (IP): Net fire insurance premiums as a percentage of GDP**

	FRANCE	GERMANY	BRITAIN	JAPAN	USA
1850/1	0.20	0.62	0.23		0.23
1882	0.37	0.60	0.98		0.70
1900/02	0.37	0.55	1.14	0.14	0.97
1910/12	0.43	0.58	1.20	0.19	0.75
Non-life premiums as % of GDP in 1999	2.82	3.55	3.05	2.30	4.32
IP 1910/12 as % of 1999 level	15.3	16.3	39.3	8.3	17.4

Note: 'Net' premiums are net of reinsurance. It is probable, though not entirely clear from the sources, that premiums include premiums earned abroad as well as at home for companies in these countries. Only in the case of Britain in 1900 and 1912, and Germany in 1910, is it certain that they do. All data excludes premiums earned by foreign companies in these countries.

The development of international insurance in the long nineteenth century

Fire and transport insurance

Phases of diffusion identified by vehicles and markets

Increasing range of institutional vehicles for export

Increasing number of nations exporting

Variable import penetration levels < or > 30% (Pearson and Lönnborg, *Business History Review* 2008)

Variable levels and rates of growth of ID and IP across countries (tables 1 & 2)

Phases	Vehicles	Markets
1780s - c.1860s	foreign agencies; 'home-foreign' departments	north-west Europe, North America, West Indies
1820s - c.1890s	bilateral quota treaty reinsurance; joint ventures	central & southern Europe, Russia, India, China, Australia, NZ, S.Africa
1880s – 1914	foreign subsidiaries; overseas branches; acquisitions of native companies	Spain, Balkans, Turkey, Egypt, Latin America, Japan

What factors promoted or obstructed the global diffusion of insurance?

- Material innovations: technologies could both reduce risks and create new ones
- Information innovations
- Non-insurance specific factors driving MNEs to move across borders, include
 - follow-my leader strategies
 - market seeking strategies
 - jumping regulatory barriers
 - establishment chains to tap bilateral affinities and overcome ‘psychic distance’
- International business and scientific cooperation

Empire and the internationalization of UK insurance

In its earliest phase Britain's 18thC Atlantic empire and insurers' trading links appear critical...

But

(i) cf. distribution of the earliest overseas agencies: e.g. Phoenix 1786-1815

(ii) cf. expansion pattern of 2nd generation exporters e.g. LL&G

(iii) cf. impact of insurance on trade with non-colonial markets

		THE FIRST OVERSEAS AGENCIES									
		Nb.does not include replacement appointments									
		Phoenix Fire Office 1786-1815						Liverpool, London & Globe 1848-1859			
		Colonial		Non-colonial				Colonial		Non-colonial	
1	Canada	Nantes				1	Newfoundland	New York			
2	Barbados	Hamburg				2	Melbourne	Hamburg			
3	Antigua	Havre				3	Sydney	Philadelphia			
4	Tortola	Lisbon				4	Bombay	Charleston			
5	St John's (Newfoundland)	Bordeaux				5	Calcutta	New Orleans			
6	New Providence (Bahamas)	Danzig				6	Montreal	Cleveland			
7	Halifax (NS)	New York				7	Natal	San Francisco			
8	Demarara	Gothenburg				8	Jamaica	Portugal			
9	St Christopher	Stockholm				9		Valparaiso			
10	Grenada	Oporto				10		Manila			
11	St Lucia	Philadelphia				11		Cuba			
12	Jamaica	Charleston									
13	Tobago	Elsinore									
14	Cape	New Orleans									
15	Gibraltar	St Thomas (Danish WI)									
16	Montreal	Dominica									
17		Baltimore									
18		Boston									
19		Georgia									
20		Norfolk (Va)									
21		Surinam									
22		Connecticut									
23		Buenos Aires									
24		Riga									
25		Antwerp									
26		Paris									

Conclusions

...and qualifiers (perhaps also to MNE models):

1. the importance of early mover advantages: Phoenix in 1780s, Royal and LL&G in 1850s
2. the importance of global (not just imperial) spread of risks – and of doing business in high volume/high value markets (USA)
3. the importance of a developed domestic market and associated skills in underwriting, marketing, sales etc.



Liverpool, London & Globe Insurance Company's agency building in Montgomery, Alabama, 1870s.