British and European Insurance Enterprise in American Markets, 1850–1914

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The history of the American non-life insurance industry has been neglected, certainly by comparison with that of Great Britain and Europe. While life insurance has received some scholarly attention, there are few monographs on any aspect of property insurance in the U.S. during the nineteenth century [Armstrong, 1971]. This is surprising. The U.S. became the largest insurance market in the world during the second half of that century. The census of 1890 counted over 2,300 fire and transport insurance companies issuing coverage during the 1880s of $120,000 million [U.S. Census, 1890]. By twentieth century comparisons, the industry was still relatively small, but it was growing rapidly. Aggregate premium income from property insurance increased by more than three times the rate of national income between 1850 and 1890 [calculated from Armstrong, 1971, p. 67].

It is beyond the scope of this paper to undertake the considerable task of reconstructing the development of this service industry in the U.S. before 1914. Instead, and more modestly, it focuses upon the experience of foreign insurance companies entering the U.S. during this period. In particular, the legislative and organizational obstacles insurers faced in entering the market are discussed, as are the problems of competition and underwriting they encountered once in the US. The conclusions reached are inevitably tentative. The late nineteenth century witnessed a remarkable expansion of international trade in services. As a classic invisible export, insurance played an important role in that trade, but a role which has only begun to be examined by historians. This paper represents an initial foray into little known terrain to explore the factors determining the survival, success, or failure of exporters to the world's largest insurance market.

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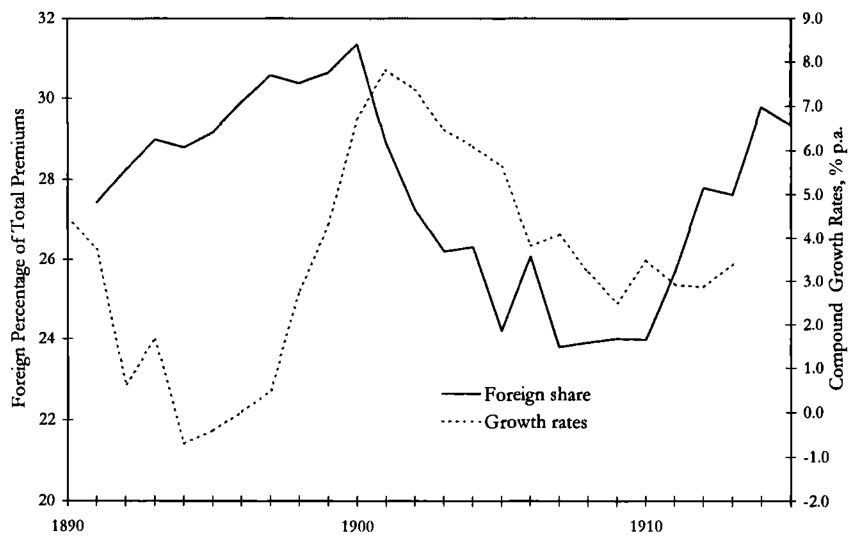
Foreign Entry

British and European insurers played an important part in the development of property insurance in the U.S. in several ways. The largest British companies particularly helped influence the underwriting techniques of at least some of the more conservative and larger American offices, and most, though not all, foreign offices were a force pushing in the direction of tariff arrangements. By attracting the interest, and often the hostility, of state governments, European offices certainly had a huge influence on the development of insurance regulation. And by the sheer size of their presence, they helped shape the contours of the national market for property insurance in the United States.

Together foreign companies accounted for between one-quarter and one-third of sums insured in the U.S. by the end of the 19th century. This proportion varied over time and across states as Figure 1 and Tables 1 & 2 show. Figure 1 graphs the compound annual growth rates, shown as five-year centered averages, of total U.S. net premiums at current values between 1890 and 1911.[2] Comparison of the two data series suggests an uncertain, changing relationship between the rate of overall growth of U.S. insurance and the share of foreign companies, which perhaps merits further examination elsewhere.[3]

Figure 1: *Percentage Share of Foreign Firms and Compound Annual Growth Rates of Total U.S. Net Fire and Marine Insurance Premiums, 1890-1915*



[2] The growth rate for 1890, for instance, represents the compound rate of annual growth between the premium totals for 1888 and 1892. The data are from *Insurance Yearbook* for 1896, 1901, 1906, 1911, and 1916.

[3] The simple correlation coefficient of the two data sets, -0.222, however, suggests no relationship over period as a whole.

Table 1: *Foreign Share of Fire Insurance in 1876, 13 States*

	% of $ insured	% of premiums
Connecticut	11.1	13.4
Illinois	14.4	14.1
Kentucky	20.0	22.5
Maine	13.8	17.9
Maryland	1.5	11.3
Massachusetts	20.9	18.8
Michigan	14.6	16.4
Minnesota	13.3	14.1
New Jersey	7.2	8.1
New York	11.6	16.6
Pennsylvania	15.3	16.6
Rhode Island	16.9	17.9
Wisconsin	12.3	11.0

Source: *Post Magazine Almanack*, 1878.

Table 2: *Foreign Percentage Share of Fire and Marine Insurance in California & New York State, 1875-1910*

California

	% Fire premiums	% Marine premiums
1875	41.5	
1900	45.5	
1910	32.2	52.1

New York

	% Fire premiums	% Marine premiums
1875	14.6	
1876	16.6	
1881	30.9	
1882	35.3	
1891	32.4	
1900	33.6	13.8
1910	26.5	5.9

Sources: 1875, 1900, 1910: State Insurance Department Reports; 1881-2: *Post Magazine*, 17 Feb. 1883; 1891: *Australian Insurance and Banking Record*, 18 May 1892.

As premium growth slows down during the early 1890s the foreign share rises, but the latter continues to rise during the period of rapid premium growth in the second half of the decade. Foreign share and premium growth rates rise to a peak in 1900 and 1901 respectively. Thereafter both series fall more or less in tandem. It is interesting that, despite the familiar story that foreign, especially British, insurers did exceptionally well after the San Francisco earthquake by promptly paying claims, in fact this boost to the foreign share of the U.S. market appears to have been very short-lived.

We do not yet have an overall picture for the period before 1891, however the California and New York data in Table 2 suggest that the market share of foreign fire offices rose during the last quarter of the nineteenth century to peaks in the 1880s and late 1890s, then declined substantially during the 1900s. Table 1 also demonstrates considerable variation between states in the level of foreign insurance presence. West coast fire and marine insurance was dominated by foreigners, at least until the 1900s, to a degree not seen in many eastern and northern states. This was also reflected in the numbers of foreign firms in the east and west. There were only 25 foreign firms, 18 percent of the total, in New York State in 1890-1, compared to 69 firms or 42 percent of the total in California [*Post Magazine*, 29 Aug. 1891; *Australasian Insurance and Banking Record*, 18 May 1892].

The total number of foreign offices operating in the U.S. varied over time, but was seldom over 100. British companies took the lion's share of business transacted by foreigners. In the decade 1896-1905, for instance, the British took 87 percent of fire premiums received by foreign offices [*Australasian Insurance and Banking Record*, 20 Oct. 1906]. The British presence was strongest in New York and other eastern cities, where before the 1900s only a small number of German firms offered any foreign rivalry. In California, however, the British also jostled for position, especially in marine underwriting, with insurance offices from Canada, China, Hong-Kong, New Zealand, Singapore, Switzerland, and Japan.

British and German offices were the first to enter. The pioneer, Phoenix Assurance of London, had been selling insurance in the eastern and southern states since the 1780s, and established its first U.S. agencies in the 1800s [Trebilcock, 1985, pp. 198-201]. A handful of British and German insurers followed in the 1820s, but the first flurry of entries occurred during the 1850s. Most, though not all, of the British entrants in this period, such as Royal, Northern, and Liverpool & London, became well established in the US. The Germans preferred joint-ventures but were less successful. In 1854 Germany's four largest fire insurers shared the costs of an investigation of American markets, with a view to establishing a joint-subsidiary office (*Kommandit*) there, but nothing seems to have come of it. Two further attempts in 1860 and 1861 by seven German fire offices to sell transatlantic insurances collectively using a uniform policy form, also seems to have been abortive [Arps, 1965, pp. 418-32; *Deutsche Versicherungszeitung*, 1860, pp. 97-9]. A few German offices acquired American risks indirectly through general agents in the Hanseatic towns, but only one, Hamburg-Bremen, established a direct agency in the U.S. during the 1850s. It was the *Gründerzeit* before others followed. By this time the major British offices, which had already settled in the USA in the 1850s and 1860s, seemed "fully domesticated" [*Post Magazine*, 7 Feb. 1874].

There were further waves of entries to America in the mid-1870s, particularly by European offices, and again in the early 1880s by a second round of British newcomers. In both cases the timing of U.S. entry would seem to suggest push factors operating, as insurers sought to escape stagnant domestic markets. The pull of high profits in the years 1874-5 also drew

European offices across the Atlantic, although it is difficult to find a pull factor to explain the peak numbers entering in 1881. Various possible motivations for entry are discussed in final section of the paper. There were two further waves of European entries before World War I. One occurred during the late 1890s when American insurance markets were at a very low ebb and domestic capacity was falling short of demand. Another wave came in the mid-1900s from a wide range of European offices, German, Swiss, Scandinavian, Austrian, Russian, French, Polish, and Balkan, selling reinsurance facilities. There was an enormous increase in this business, which the Americans called surplus line insurance. In 1910 it was reckoned that nine European reinsurance offices were receiving over $22 million in premiums from the US, where 12 years earlier there had not been a single specialist reinsurer underwriting there [*Post Magazine*, 19 Nov. 1910]. By 1913 the largest of these, Munich Re, was among the top five foreign premium earners in the United States. At this time several European offices also piggy-backed into America with British direct insurers long-established there. Moscow Fire, for instance, entered Ohio in 1902 as a reinsurer for Scottish Union, and Swiss Re entered New York in 1910 "under the chaperonage" of Phoenix of London.

Legislation

The first obstacle faced by foreign offices in the U.S. was the regulatory and fiscal framework of the different states they wished to enter. Each state zealously guarded its right to license companies and agents that wished to do business within its jurisdiction. By 1914 most states had their own insurance department, run by a commissioner or superintendent, to operate the licensing, monitoring, and revenue raising procedures. These commissioners were political appointees, and frequently criticized by the industry for a lack of knowledge of insurance. Especially in the southern and western states, they could become a vehicle for populist hostility against monopolistic eastern and foreign insurance corporations [Grant, 1979].

Accompanying the state licensing requirement were usually several other demands. A prospective insurer had to deposit a sum with the state authorities as a guarantee of solvency, return an annual statement of its assets and turnover or file an annual report, submit its agencies or branches to a regular examination, and maintain a reserve of funds sufficient to reinsure the unexpired terms of all outstanding policies and pay all outstanding losses. Compulsory deposits ranged from $10,000 in some smaller states to $200,000 in New York.

In addition all licensed companies paid a range of local and state taxes, the burden of which varied widely. Taxation was often on gross receipts with no allowance for unexpired liabilities. In populist states, foreign companies could face discriminatory taxation. In Kansas, for instance, from 1899 foreign insurers were taxed at three times the rate of their local rivals. During the last quarter of the 19th century the tax burden rose considerably, which partly explains the difficulty insurers had in holding down their very high running costs in the US. Taxes were levied on premiums regardless of the underwriting results. In Ohio in 1895, for example, fire offices, both American and foreign, were charged in the aggregate $182,000 by the state for "the privilege" of paying out $156,000 more in claims and expenses than they had received in premiums [*Post Magazine*, 24 Oct. 1896]. By 1909 taxation had become a "question of the gravest importance" according to the National Board of Fire Underwriters. It was estimated that during the 1900s fire offices in the U.S. had paid taxes and license fees amounting to over $62 million [*Insurance Index*, 1909, p. 200, 1912, p. 160].

Towards the end of the century, states also attempted to regulate in many other areas. Valued policy laws were regarded as particularly pernicious by the British offices. These laws fixed the value of the property insured by a policy, so that in the event of a total loss, that amount had to be paid out to the policyholder regardless of the actual value of the property destroyed. The first such law was passed in Wisconsin in 1874, and by 1900 they were in force in 19 states and territories, mostly in the south and west. One counter measure was to introduce coinsurance clauses into fire policies to make the policyholder their own insurer for part of the value of a property. However, such clauses attracted a further wave of state legislation in the 1890s to outlaw their use [*Hayden's*, 1906-7, pp. 113-20, 638-46].

Also during the 1890s several states began to extend anti-trust legislation to the insurance industry. By 1907, 16 states had enacted so-called anti-compact laws [*Hayden's*, 1906-7, pp. 28-45]. These were sometimes interpreted to apply to companies' membership of rating associations outside as well as inside the state. This hit foreign offices particularly hard as European insurers were members of several tariff associations across the world. Such laws drew a fierce response from the big firms. First the laws were challenged, often successfully, through state and federal courts, and opposition was organized in state legislatures, at great cost to the insurance companies, to reject bills or amend statutes. Second, insurers threatened mass withdrawals from the states, and occasionally, such as in Nevada in 1901, such threats were sufficient to abort legislation [*Post Magazine*, 13 April 1901]. In the fiercest struggle of all, over 55 offices withdrew from Arkansas in 1905 after the state supreme court upheld the constitutionality of the anti-compact law. The companies remained out for two years, bringing about a serious shortfall in capacity and an increase in the cost of insurance for Arkansas policyholders. They returned in 1907 after the extra-territorial clause in the Arkansas law was repealed [*Post Magazine*, 11 May, 5 Oct. 1907].

The state insurance departments, whose duty it was to enforce such laws, were frequently criticized by the industry for their uninformed and "piratical" interference. In some states they also fell victim to political squabbling between the insurance superintendent and the governor. German commentators were particularly unimpressed with the American system when they compared it with their own regime of regulation. Certainly more than one New York state insurance official faced corruption charges before the courts in this period. For some foreign companies, at different times, the bureaucratic and fiscal burden became too great and they withdrew permanently from the local or national market.

Organisation and Marketing

Organizing and administering a salesforce also posed early problems for foreign insurers. They usually sought to spread their risks over one or a number of states, but they were often competing with American stock and mutual companies whose businesses were highly localized. Most British and European insurers began by establishing agencies in New York, San Francisco, or sometimes in Chicago. The competition in these cities was fiercer than anywhere else in America. In San Francisco in 1857 there were just 12 companies represented, including six British. By 1886 there were 163, of which 68 were foreign firms, including 37 British. In 1882 in Chicago and New York, there were 177 and 153 fire insurance companies respectively, including 25 foreign firms in each city [*Insurance in California*, p. 25; *Post Magazine*, 8 April 1882].

By the 1880s many of the New York, Chicago, and San Francisco agencies of foreign firms had become branch offices controlling hundreds of agents across the region, or nation-wide. The cost of such massive sales networks spiraled, particularly as American insurers felt no compunction about competing on commission as well as on premium rates. The standard benchmark, above which expenditure on fees, commissions, and administration was deemed unacceptable, rose to 35 percent of premium income, but in some years the ratio soared to 40 or even 50 percent. Generally the expense ratios of American offices were higher than the Europeans, however their percentage underwriting losses were usually lower, suggesting that paying more to agents and brokers really did bring in better quality risks. In 1900 the directors of London, Liverpool & Globe (hereafter LL&G), the most successful British insurer in the US, explained to their shareholders that "we had to fight for our business and the way to do that is to allow larger commissions." Nevertheless. LL&G and the other major foreign offices led a concerted campaign during the 1900s to have U.S. agency commissions reduced to 15 percent [*Post Magazine*, 9 May, 17 Oct. 1900]. They met with stiff resistance from local agents' associations.

With a view to costs and high loss ratios, several of the largest British and German offices from the 1880s reorganized their U.S. networks into a more hierarchical structure with clearer lines of communication and authority. Firstly offices grouped states into territorial divisions, each with a chief manager reporting directly to the European Head Office. LL&G, for instance had six such divisions in 1891, others had four [Guardian, USA Reports]. Later in the 1890s, as many retrenched their operations, companies centralized in New York all but their Pacific Coast operations, and closed down divisional offices or reduced their status so that they reported to New York and not directly to London, Liverpool, or Hamburg. U.S. agents, branches and costs came under continual monitoring in an attempt to keep down expense ratios. In the 1890s trips across the Atlantic were made more frequently by executives from European head offices, and there were also more frequent visits to companies' New York offices by regional managers from New Orleans, Chicago, Atlanta, and other insurance centers.

A considerable part of the explanation for high U.S. expenses lay with the American general agency system. The U.S. general agency was actually an independent company, usually a partnership, which sold insurance and held powers of attorney on behalf of a number of firms. They had no close parallel in Europe except perhaps in the large multinational reinsurance brokerages which emerged there during the 1870s. Most of the American general agents operated only within their native states, but several of the most successful became huge regional concerns, underwriting millions of dollars of property, and employing hundreds of staff and agents. They charged heavily for their services, but the best also delivered excellent underwriting, and they usually provided the surest access for newcomers from Europe to the most profitable insurances.

Most foreign companies preferred to combine the use of general agents and direct agencies of their own with alternative entry options. Much insurance in the USA was purchased and sold through brokers, although the largest companies also frequently complained about the costs involved here. Some brokers went on to develop general agencies of their own and became rich on their commissions. Particularly during the 1870s and 1880s, joint-agencies were also popular, where two to four British, U.S., and occasionally European offices shared risks and expenses. Furthermore, as well as belonging to the big regional tariff unions, many foreign companies also joined coalitions in specific markets such as the Western Factory Insurance Association to exchange underwriting information, and, where possible, adjust rates. Some coalitions were also intended to maintain market share. The Chicago Surplus Lines Association of the 1900s, for instance, aimed to keep Lloyds' underwriters out of the city's rapidly growing reinsurance market [*The Spectator*, 29 March, 5-12 April 1906].

From the 1880s the largest British firms such as Queen, Commercial Union, and LL&G created subsidiaries, usually registered as U.S. companies in New York. Local U.S. offices were also began to be acquired in increasing numbers by British and occasionally German insurers. These strategies had a variety of causes. Establishing U.S. subsidiaries from scratch, or purchasing an American office and then letting it continue to operate under its own name, were devices usually motivated, at least in part, by fear of troublesome state legislation.[4] Sometimes a purchase was a way of entering a new market or of expanding in a market already opened up.[5] Sometimes it was a means of squeezing out local rivals. When London & Lancashire, for instance, bought Capital City Fire of Alabama in 1899, it not only added a modest £12,000 to the company's massive U.S. income, but it removed the last significant native fire office in the state [*Post Magazine*, 6 May 1899].

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[4] Sun's purchase of Watertown Fire of New York, for instance, fell into this category, [Dickson, 1960, pp. 226-7].

[5] Cf. for the former, Alliance's purchase of Union of San Francisco, and for the latter, Lancashire's purchase of the Armstrong companies, both in 1891, [*Post Magazine*, 2 Jan. 1892].

Finally, reinsurance offered another, indirect means of obtaining U.S. business. This growing market was increasingly dominated by European specialist offices from the mid-1900s. Early British reinsurance offices did not survive and there was almost no American expertise with which to establish an office to rival the Europeans. The longest lasting British reinsurer, United Fire Reinsurance of Manchester, struggled to make a profit for most of the 1880s and was eventually absorbed by its patron, Palatine Fire, when this office decided to enter the U.S. directly in 1892 [*Post Magazine*, 30 July 1892]. The most successful European reinsurer, Munich Re, delayed its American entry until 1898, by which time it had built up a very large and diversified European business, which was available to cross-subsidize any initial losses in the US.

Underwriting and Competition

The frequency and size of fires was a serious problem for foreign firms selling insurance in the US, bringing persistently high levels of loss ratios (losses as a percentage of premium income) in their wake. This, together with the consistently high expenditure on commissions and fees to agents, and the rate-cutting which accompanied each cycle of competition, meant that U.S. profit margins were usually very low for most foreign insurers. Timber-built towns, tinder-dry summers and winters cold enough to freeze the water inside fire hoses were some of the hazards. Fire-fighting provision and water supplies were also poor in many places by comparison with Europe. The rising values of stores and machinery in the poorly-built and congested commercial districts of eastern cities was another concern. Towards the end of the century relatively new hazards such as petroleum, acetylene, chemical sulphates, and electric wiring, were added to urban risks. The National Board of Fire Underwriters calculated that during the 1890s over 3000 fires causing $33 million of damage were due to electricity alone [*The Spectator*, 17 May 1900]. New hazards were simply ignored or not understood. Over Christmas 1900, 80 buildings in San José, California, were found to be illegally obtaining an electricity supply by tapping into the city's trolley-car system [*The Spectator*, 20 Dec. 1900]. Arson was also a problem and could at times account for a high proportion of fires. In Philadelphia, for example, 104 of the town's 623 fires in 1869 were reported as incendiary [*Post Magazine*, 28 Oct. 1871]. In general before the First World War the number of major conflagrations in the USA and the level of fire damage remained high by comparison with Britain and Europe. In 1909 the National Fire Protection Association calculated that the annual number of fires per 10,000 population in major U.S. cities was over five times that of European cities (over 40 per 10,000 compared to 8) [*Post Magazine*, 19 June 1909].

Apart from native fire hazards, foreign insurers also faced competition from native offices. At various times, most notably in the years following the Civil War and again during the late 1890s, American insurance offices, supported by both the popular and trade press, and by local and state politicians, launched concerted campaigns against the foreign invader. Usually the British were the principal targets, although German insurers were also attacked, particularly for being slow to pay claims after large fires. Even the largest and most solid British offices did not escape, the attacks usually being directed against their unduly large share of particular markets, for example railroad insurances in Missouri in the late 1860s [*Western Insurance Review*, 1870, pp. 709-10].

One offspring of this antipathy towards outside corporations, particularly in the west and the south, was the repeated splintering of American insurance markets during this period. This characteristic fragmentation made the U.S. more closely resemble European than British markets. There were numerous small town mutual and cooperative insurance ventures which sold themselves as defenders of local interests. Although periodically wiped out by downturns in the underwriting cycle, their numbers increased during the 1900s and in some places they took a considerable market share off the big insurance offices. Municipalities also began establishing their own insurance offices to cover public buildings such as schools, and there were numerous attempts by trade and industrial groups, such as flour millers, grain elevator and factory owners, dairymen, cheesemakers, and brewers, to organize their own mutual underwriting in specific localities [*The Spectator*, 17 April 1902, 6 June 1903; Armstrong, 1971, pp. 182-4]. At the other end of the economic spectrum, several of the giant corporations such as U.S. Steel, United Fruit, and Standard Oil had also established their own insurance offices by the early 1900s [*The Spectator*, 18 April, 8-22 Aug. 1901]. All these ventures went some way to removing sometimes valuable segments of the property insurance market from the reach of foreign insurers.

Foreign firms also had to cope with the rate-cutting competition of what were commonly called wildcats or undergrounders. Wildcats came in a variety of forms. In some places they were the product of speculators who deposited notes with banks in order to get an insurance charter in a number of states. The company would then be touted to prospective buyers as a fully capitalized concern. Insurance premiums would be collected, claims resisted and allowed to go to litigation, large dividends would be paid and, if all went well, the stock would be sold off, leaving the new owners to wind up the business and settle the law suits. Sometimes defunct and unused stock company charters were bought up by crooks who used them to sell policies for any premium they could get, and then made off with the proceeds [Armstrong, 1971, pp. 203-4]. Most often, wildcats did not even bother to obtain a charter and operated illegally, often from just across state borders. They paid no taxes, deposits, or license fees, and ignored local tariff association rates. "Wildcats" were a recurrent problem as early as the 1830s, particularly in the midwest, but the problem seems to have grown worse during the decades following the Civil War. The problem most likely persisted because of the periodic shortages of insurance capacity caused, almost everywhere, either by regular troughs in the underwriting cycle, or by artificial shortages through a mass withdrawal of insurance firms from a state in the face of some obnoxious piece of legislation. Most wildcats were small and short-lived American companies. Occasionally, British and German offices were caught going underground in a state, and this usually provoked further outbreaks of hostility against all foreign firms.[6]

Conclusion

The United States was an enormous market with high rates and therefore generating potentially high receipts. It also contained a high conflagration risk, and produced high loss and expense ratios. There were periodic downturns in the underwriting cycle when loss ratios climbed and profit margins vanished. Overall, the long-run experience of the majority of foreign insurers was barely a profitable one. In 1896 the loss ratios of 23 foreign offices during their operations in America was analyzed. Only six offices had ratios below 60 percent, and four of these had been in the U.S. less than five years. Given the accepted benchmark of a profitable expense ratio at 35 percent of premiums, a ratio of 60 percent of premiums absorbed by claims was generally regarded as the watershed for making any sort of respectable return on underwriting. On this measure only two British insurers, Scottish Union and Royal, with 15 and 22 years respectively in the US, made a profit out of fire underwriting over a length of time. Four years later another analysis of 17 British companies produced similar results [*Post Magazine*, 30 May 1896, 21 April 1900].

Many foreign offices, mostly the small and medium sized firms, withdrew from the U.S. in the face of such narrow margins. A few entered and withdrew more than once. Some cited high expenses rather than losses as the principal reason for withdrawal.[7] Others, such as Leipzig FVA, which had profited from being among the early entrants to the US, decided to withdraw because of the costs of expansion there [*Assecuranz Jahrbuch*, 1884, p. 514]. Some of the largest British companies, however, remained year after year. In hard times they preferred retrenchment to outright withdrawal, pruning lines, capping the volume insured on certain risks and in particular localities, or abandoning certain states entirely. However, the volume of U.S. business, even for those offices who retrenched heavily, tended to grow until in several cases it dominated portfolios. By 1913 the U.S. accounted for over 70 percent of the total premium income of both London Assurance and Scottish Union, 64 percent of Caledonian's premiums, and 59 percent of LL&G's. Not only were British insurance facilities important to the development of the American market, the U.S. became proportionately even more important to a leading section of the British insurance industry [*Insurance Index*, 1913, p. 332].

The reasons for British and European insurers going to the U.S. in the first place were varied. Brief spells of high profits for those who had already

[6] For instance, Manchester Fire, an otherwise respectable concern, was exposed in 1883 as having "for many years been doing an open underground (sic) business" in New York State, without paying taxes, making reports, or complying with the laws of any State [*Insurance and Commercial Magazine*, 1883, p. 340].

[7] For instance Guardian Assurance in 1894 [*Post Magazine*, 9 June 1894].

crossed the Atlantic, especially in 1874-6 and during the mid-1880s, encouraged others to enter. The British insurance press criticized a certain "follow my leader" mentality among British offices in this respect [*Post Magazine*, 20 Aug. 1881]. Many of the newcomers, however, had usually thought carefully before venturing into the United States, and had scrutinized the fragments of information about other British insurers' transatlantic performances as part of the process of coming to a decision.[8] From the 1880s, German insurers, like the British, were attracted to America by the experience of their own pioneers such as Magdeburg, as well as by the search for higher premium yields in the face of low and falling profit margins on European business. Several British and German offices gave as their principal reasons for entry low domestic rates and their search to maximize income generation. In 1881 it was claimed that U.S. premium rates were, on average, about five times the level of those in Germany [*Assecuranz Jahrbuch*, 1881, pp. 367-8, 1897, p. 184, 1898, p. 145, 1899, p. 158; *Post Magazine*, 8 April 1882]. By the end of the 1890s, particularly with the success of Munich Re in the U.S. from 1898, another factor encouraging German insurers to venture across the Atlantic was the availability of good reinsurance facilities from other reputable German firms. This made them "independent from foreigners and enabling them to master every risk," as one contemporary brightly put it [*Assecuranz Jahrbuch*, 1899, p. 158].

In the short term, high loss ratios could be, and were, optimistically balanced against the large volume of income which new companies expected to generate in America. However, as loss ratios rose during the early 1880s and again in the early 1890s, some shareholders became increasingly perturbed, not just by the persistent losses, but also by the heavy involvement of their companies in the US. In many board statements at annual general meetings a defensive tone becomes noticeable, as directors attempted to justify their U.S. commitments to skeptical or angry shareholders.[9] In 1879 London & Lancashire (hereafter L&L) had to justify the purchase of three American companies, and the consequent huge increase in their U.S. business, against accusations of gold-rushing.

"We have not gone there...seeking El Dorado, but it is a vast field which may be worked profitably or unprofitably according to whether a company goes to work with energy, and energy largely tempered with prudence and discretion" [*Post Magazine*, 8 May 1880]. Unfortunately L&L appear to have suffered from a surfeit of the former and not enough of the latter. By the end of 1883 the company's U.S. business had swollen to an annual income of £218,000, but it had managed to return a total loss of 3.4 percent on this. It was admitted, with some understatement, that the U.S. "had not given the results wished for." By 1885 L&L was engaged in a major pruning of its U.S. operations. The board confessed that especially over the previous two years the

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[8] Cf. the experience of the Fire Insurance Association of London, [*Post Magazine*, 27 March 1886, 3 Aug. 1889].

[9] Cf., for instance, the annual reports of Lion Fire and North British for 1887, and Commercial Union for 1889, [*Post Magazine*, 11 Feb, 2 June 1888, 10 May 1890].

company "would have been very much better without the American business" [*Post Magazine* 10 May 1884, 9 May 1885].

By the 1890s, among even the largest foreign offices, managers appear to have become resigned to, at best, breaking even in the USA. The board of LL&G, presenting what it described as a "diminutive surplus" in 1892 to a shareholders' meeting, explained that, once again, this was due to U.S. losses. "Had this account simply squared itself," they stated, "although it represents 69 percent of total income, there would have been a very respectable surplus" [*Post Magazine*, 21 May 1892].

It is not easy to explain why so many British and European insurers persisted in the American adventure, when costs were so high, profit margins so low, and when, at least in some of the British cases, U.S. losses could threaten the survival of the whole company. One obvious explanation is that entry demanded such huge investment that, once in, disengagement was costly. Most offices were attracted by the sheer size of the market, the potential volume of income generation, and the prospect of very high returns in good years. In 1894, faced with having to explain the resignation of one director over the company's U.S. commitments, Northern Assurance declared that its reasons for remaining were, firstly, that "it is the largest field for fire insurance in the world, which in better times yields no small share of profits of the most distinguished British offices," and secondly, that "having built up connections at great cost and labour...it would be unwise to withdraw" [*Post Magazine*, 16 June 1894]. For several offices, including Northern, one gets the clear impression that there was also status in being there, and in being seen to be there, an attitude reinforced at least by the American insurance press. By contrast, some of the British and German insurance journals had always been skeptical of the rewards of venturing to the US. In 1901 *Post Magazine* pointed out that the income of Guardian Assurance had risen since that company's withdrawal from the U.S. four years earlier, and this withdrawal "had not condemned it to a minor position among British companies." Guardian itself expressed no doubt that it had been wise to pull out [*Post Magazine*, 14 Sept. 1901, 24 Sept. 1904].

For many hopeful British and European arrivals, however, the U.S. was believed to be a market so fresh, volatile, and changing that goodwill and established connections mattered for less than sheer entrepreneurial zeal. The characteristic specialization of U.S. insurers – forced upon them by the state licensing systems – ensured that the great majority of U.S. property insurance companies remained quite small by comparison with European giants such as Munich Re or LL&G. Most U.S. companies were less able than their European rivals to cross-subsidize some areas of business by profits in others. On the other hand there was also a negative side to expansion, as *Post Magazine* pointed out in 1894, when it declared that too many British companies spread themselves too widely across the United States. Their insurances were not concentrated enough either by type of risk or by territory to generate the quality of risk information and the business connections in particular markets that would have ensured a stream of profitable underwriting.

Raising questions of success or failure can create a hall of mirrors. It is difficult to say how appropriate U.S. entry was for the majority of British and European insurance exporters. Like Guardian Assurance, many British offices, both in the short and long term, would probably have done better to steer clear of the U.S.; however, markets were also notoriously difficult to enter in Europe, and competition, at least in some – Germany, France, and Russia for example – was just as fierce. At the time, the logic of the American adventure seemed to many simply irresistible.

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