

---

## NOTES

---

### *The Development of Reinsurance Markets in Europe during the Nineteenth Century*<sup>1</sup>

Robin Pearson  
University of Hull

Insurance is, and was frequently in the past, one of Britain's biggest invisible exports in an economy which has historically relied upon invisible earnings for its solvency. Yet the most international branch of insurance has received relatively little attention from historians. The only existing studies of reinsurance available in English are C. E. Golding's *History* published in 1927, a chapter in Klaus Gerathewohl's textbook published in 1982, and a section in the first volume of Clive Trebilcock's recent history of Phoenix Assurance<sup>2</sup>. Indeed there remains no monograph on the history of international insurance in the modern period. This paper represents an initial attempt, therefore, to explore some of this *terra incognita* by examining, firstly the development of fire reinsurance markets — the largest branch of reinsurance — in nineteenth century Europe, and secondly the performance of British companies in these markets. The findings, as the product of a pilot study, are by their nature tentative, but they do suggest the need for some reassessment of the orthodox view of Britain's pre-eminence as a producer and exporter of financial services in the imperial period<sup>3</sup>.

<sup>1</sup> Earlier versions of this paper have been presented at the ESRC Business History Seminar, Polytechnic of Central London, May 1992, at an Economic and Social History Research Workshop, University of Hull, January 1993, and at the Insurance History Forum Chartered Insurance Institute, London, May 1993. Thanks to participants at the above, and especially to Oliver Westall, for helpful comments. My thanks are also due to the Nuffield Foundation for their important support of this research.

<sup>2</sup> C. E. Golding, *A History of Reinsurance* (1927); K. Gerathewohl, *Reinsurance: Principles and Practice* 2 vols. (Karlsruhe, 1980/82), vol. 2, ch. 24; C. Trebilcock, *Phoenix Assurance and the Development of British Insurance* (Cambridge, 1985), vol. 1, pp. 267-84.

<sup>3</sup> For a recent restatement of this view, now tagged 'gentlemanly capitalism', see P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion 1688-1914* (London, 1993).

## 1. What Is Reinsurance?

Reinsurance is the device by which insurers, having accepted a large risk, pass on that portion of the risk to other insurers which they are unwilling to cover. The first insurer, or direct insurer, reinsures or cedes a portion of a large risk to the second insurer, who is known as the reinsurer. The reinsurer is paid a premium by the first insurer for this, net of a discount deducted for commission. The reinsurer may then further pass on a portion of the risk he has accepted to a third insurer. This is known as a retrocession. Reinsurance, therefore, can be summed up as the insurer's insurance. It differs from co-insurance, which is where the customer parcels out the risk he wishes to insure among several offices, each of which issues separate policies for their portions of the risk. Reinsurance, by contrast, is a form of insurance which the general public does not normally come into contact with. Only the first insurer issues the policy, and the reinsurers deal only with the first insurer, and not with the policy-holder.

Basically the device performs two functions for insurers. Firstly, it spreads out those risks which are too big for even the largest companies to handle. Secondly, it allows small companies to accept more business than their own capital could safely support, thus stimulating the growth of such firms. Reinsurance therefore atomises risk, and internationalises it by spreading it around the world. In 1974, for instance, Hurricane Tracy destroyed the town of Darwin in northern Australia. The cost of the damage — £ 132m was paid out in claims — was roughly equal to the total fire insurance premium income in Australia that year. £ 84m (64% of the total cost), however, was covered by foreign reinsurers<sup>4</sup>.

In Europe and the USA, specialist reinsurance companies are the major underwriters of such business. In Britain, specialist reinsurers were late to develop and much reinsurance is sold by general insurers, brokers and by Lloyds. A study of reinsurance, therefore, cannot be confined to those companies specialising in it. This, together with its international character, makes it extremely difficult to estimate the size of the business, its rate of growth and its profitability. Apart from gaps in the published accounts of specialist reinsurers, there is also the problem that many direct insurers only record their income net of reinsurances ceded to other firms. As such companies took the largest part of reinsurance business in Europe before the last quarter of the nineteenth century, estimating the size of the market before that period is particularly difficult. Finally, the volume of reinsurance done by independent brokers in the nineteenth century seems to be almost impossible to measure, as so few of their records have survived. Reinsurance, therefore, is the most 'invisible' form of insurance — one might say the most 'invisible' form of invisible exports for many countries.

<sup>4</sup> Gerathewohl, *Reinsurance*, vol. 2, p. 783.

Table 1 shows the net premium income (life and non-life) of the world's 15 leading reinsurers in 1980. Perhaps the most striking feature of this table is the prominence of Swiss and German companies. This predominance of central European specialists in the world's reinsurance markets is not a recent phenomenon. Table 2 presents our current best estimates of the premium income of European fire insurers and reinsurers c.1913. It demonstrates the importance of German and Austro-Hungarian reinsurers and Russian direct insurance companies in fire reinsurance.

Table 1  
The world's 15 largest specialised reinsurance companies in 1980

		Net premiums (Life + Non-Life) (US \$m)
1.	Munich Re (Germany)	3,559.2
2.	Swiss Re (Switzrld)	2,754.7
3.	General Re (USA)	948.4
4.	Gerling (Germany)	823.3
5.	Mercantile & General (GB)	543.8
6.	Cologne Re (Germany)	531.4
7.	SCOR (France)	495.3
8.	Frankona Re (Germany)	442.0
9.	Employers Re (USA)	383.3
10.	American Re (USA)	364.4
11.	Prudential Re (USA)	322.0
12.	Toa Fire & Marine (Japan)	296.9
13.	Bayerische Ruck (Germany)	288.8
14.	INA Re (USA)	287.6
15.	NRG (Netherlands)	271.0

Source: K. Gerathewohl, *Reinsurance: Principles And Practice* vol. 2, (Karlsruhe, 1982), p. 793.

What Table 2 cannot reveal, mainly owing to the lack of data, is the position of the major importing countries. The USA was the single most important reinsurance market in the world by 1913, yet the Americans only had three native reinsurance companies (all established since 1900), compared with 44 specialist reinsurance companies in Germany. Over half the domestic demand in the USA for reinsurance was met from abroad, primarily from Germany and Russia. Britain and France were also important net importers of reinsurance. France imported mainly from Austrian and Russian offices, and Britain from German, Swiss and Scandinavian reinsurers. Before 1914, there were only three

small specialist reinsurance companies in Britain and just four in France. As we shall see, British and French insurers had been major exporters of reinsurance before the 1870s, but during the last quarter of the nineteenth century they were gradually driven out of European markets by central European reinsurers.

Table 2  
European fire insurance and fire reinsurance premiums in 1913 (£m)

	Direct Insurers			Reinsurance Cos	
	Total Gross Premiums	Reins, Premiums (ceded)	Indirect Insurances (accepted)	Total Gross Premiums	Retro- cessions
Austria-					
Hungary	9.94	4.27	2.23	2.62	0.74
Bulgaria	1.46	0.32			
Denmark	0.86	0.21			
Germany	14.75	6.00	3.11	14.66	7.21
Finland (1912)	0.88	0.31		0.16	0.03
G.B.	29.24				
Italy	1.41	0.27			
Norway	0.27	0.26	0.25		
Romania	0.83	0.50			
Russia (1912)	18.15	8.38		1.28	0.23
Sweden (1914)	1.25	0.80	0.53	0.22	0.02
Switzerland	1.03	0.50		0.98	

Sources: C.H.v. Hollitscher, *Internationale Rückversicherung* (Berlin 1931); A. Ehrenzweig ed., *Assecuranz Jahrbuch* (Vienna, 1914); B. Supple *The Royal Exchange Assurance* (Cambridge, 1970), p. 213.

## 2. The Development Of Fire Reinsurance in Nineteenth-Century Europe

Reinsurance was already familiar in European marine insurance during the seventeenth and eighteenth centuries, and co-existed alongside the more widely used co-insurance as a means of spreading risk. In England, however, marine reinsurance fell foul of the wave of early Hanoverian anti-fraud legislation, and was banned from 1746 until 1864. The ban provided a great boost to Lloyds who proceeded to use co-insurance in order to capture the bulk of British marine insurance business during the next 150 years, and co-insurance, rather than reinsurance, also came to dominate marine insurance markets in early nineteenth-century Europe.

During the nineteenth century, therefore, reinsurance developed primarily within fire insurance, and it took two forms.

(a) «facultative reinsurance» — where one fire office provided a reinsurance 'faculty' to another office which wished to lay off a proportion of a liability on a specific insurance.

(b) «treaty reinsurance» — where two offices agreed to swap surplus liabilities on particular lines of risk, usually on a reciprocal basis.

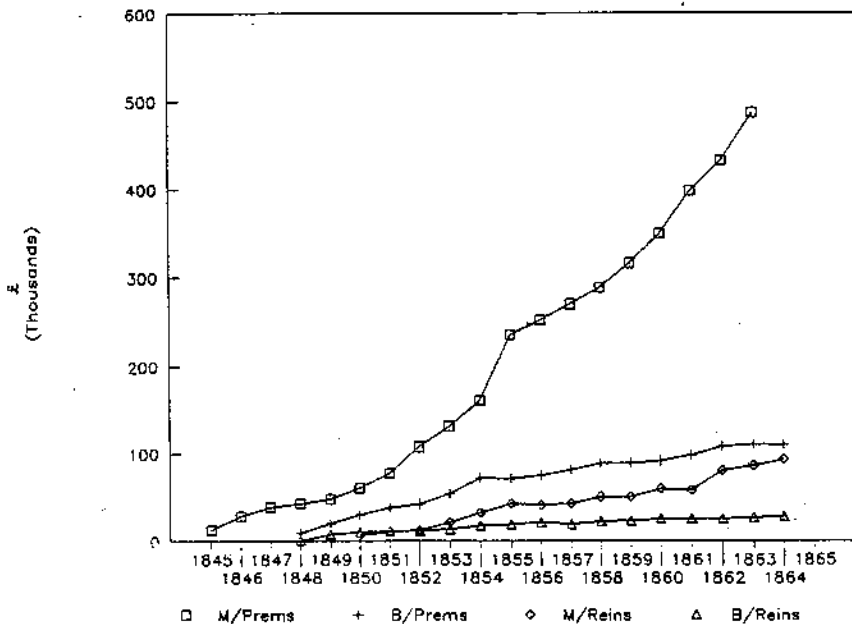
There is evidence of facultative reinsurance between English offices as early as the 1800s, but treaty reinsurance first appears in the 1820s, traded in chiefly by British, French, Belgian and German direct insurers. Early treaty reinsurance often involved agreements between insurers from different states, for this reduced any risk of giving away the secrets of one's insurance portfolio to local rivals. The prevalence of small mutual offices specialising in particular regions or industries also stimulated the development of reinsurance on the continent. Such offices often held quite concentrated portfolios of risk which required substantial reinsurance support. Furthermore, state regulations restricting the activities of foreign insurers also encouraged the use of reinsurance, especially given the guarantees provided by a formal contract. Particularly for new offices, reinsurance became a convenient means of entering foreign markets indirectly, without having to undergo the long process of accumulating local underwriting experience.

It was not until the middle decades of the century that specialist reinsurance companies emerged — firstly in Germany from the 1840s, and in Belgium, Switzerland and Austria-Hungary from the late 1850s and early 1860s. Almost all such firms were the offspring of parent direct insurers, faced with increasing shortages of reinsurance capacity at home, and keen to avoid ceding large portions of domestic business to foreign rivals. Some of these subsidiary reinsurers were restricted to accepting insurances only from their parent firm. Others, such as Swiss Re (1863), quickly built up impressive international treaty networks<sup>5</sup>. After 1880, independent reinsurance companies emerged to take a rapidly increasing proportion of international reinsurance. The watershed was marked by the establishment of Munich Re in 1880 by a group of Bavarian and Berlin bankers and industrialists. Munich Re inverted the traditional dependency relationship between direct insurers and reinsurance. Its directors actively promoted the foundation of direct insurance companies both at home and abroad, and successfully expanded on a global basis. By 1900, Munich Re accounted for 50 per cent of Germany's reinsurance business and was probably already the world's largest reinsurance specialist<sup>6</sup>.

<sup>5</sup> *Preußische Versicherungszeitschrift*, II (Berlin, 1868).

<sup>6</sup> Gerathewohl *Reinsurance*, vol. 2, pp. 695-9; W. Helmsen, *Die Rückversicherung* (Hildesheim, 1938), pp. 11-12; G. Cruciger, *Die Praxis der Rückversicherung* (Munich, 1926), pp. 36-8.

Graph 1: Magdeburg and Breslau Offices  
Fire and Reinsurance Premiums 1845-65



It is very difficult to measure how rapidly European reinsurance grew in the nineteenth century. Graph 1 illustrates the progress of fire premiums and reinsurance premiums between 1845 and 1864 for two large German direct insurance companies, Magdeburg FVG and Schlesische FVG Breslau. In both cases, reinsurance fails to keep pace with the growth of direct insurance. Despite a wave of mostly short-lived reinsurance company foundations in Germany during the *Gründerjahre*, overall there is mostly evidence of sluggish growth in German fire reinsurance before 1880, with direct insurers, rather than reinsurance specialists, continuing to hold the lion's share of the business. By 1879, when German direct insurers were reinsuring RM45m, or about half of their total fire premiums, the fire premium income of German specialist reinsurers amounted to only RM8.5m, which indicates how much reinsurance was still being imported into Germany at this date<sup>7</sup>.

Table 2, however, shows how far positions within the German reinsurance market had changed by 1913. The fire premium income of German reinsurance offices almost equalled the total fire premium income of German direct insurers, and was over four times as great as the reinsurance income of the latter. Within 30 years German specialist firms had come to play the leading role in the world's greatest reinsurance export trade.

<sup>7</sup> Gerathewohl, *Reinsurance*, vol. 2, p. 695.

### 3. British Insurers And European Reinsurance

Why did British offices not participate fully in this growing branch of international insurance, given Britain's head start in industrialization and in the development of fire insurance during the eighteenth and nineteenth centuries? A number of reasons may be tentatively suggested.

(i) **State regulation.** Until the 1820s, there remained considerable uncertainty among British underwriters about the legality of fire reinsurance in the domestic market. On several occasions in the 1800s negotiations over reinsurance treaties between provincial and London offices were terminated as a result of such doubts. This delayed the development of treaty reinsurance in Britain at a time of rapid industrialisation and urbanisation, and when there were some indications of constraints on underwriting capacity<sup>8</sup>.

By contrast, in Europe it was the export of direct insurance which was made difficult by the commercial laws of many countries, while reinsurance was generally ignored by most European legislators until the end of the nineteenth century. A Russian government edict of 1847, for instance, banned foreign firms from direct insurance. This led directly to the rapid growth in reinsurance — 50 to 60 per cent of premiums were being reinsured in Russia by the 1860s — increasingly to German companies. The Prussian Commercial Code of 1837 also stimulated reinsurance. The Code required foreign insurers to obtain a state licence to trade, for which a company had to submit its constitution to inspection. This drove most foreign offices to abandon direct insurance in Prussia, and pushed Prussian offices increasingly to seek reinsurance from abroad, i.e. from insurers in other German states as well as from England and France. Overall, the impact of state regulation, seems to have been, firstly, to protect young European fire insurance offices from foreign, especially British, competition in direct insurance markets. Secondly, regulation encouraged the use of reinsurance by German, Austrian and Russian fire insurers, initially from Britain and France, but increasingly from the 1840s — in a form of import substitution — from within their own ranks. In Prussia the laws governing business concessions were finally relaxed in 1859, and by 1866 about 50 fire insurance companies had been licensed there. By this stage, however, as will be shown below, much of the advantage British fire insurers enjoyed from their early start had begun to disappear.

(ii) **Competition.** By mid-century, some European insurers were already providing serious competition for the British. The total sums insured against fire (by proprietary and mutual companies) in France, for example, more than doubled in the 15 years down to 1850. By this date there was actually more fire insurance sold per head of population in France than in Britain. The size and

<sup>8</sup> Guildhall MS12160A/2, Imperial Insurance, Court Minutes, 6 March 1805; Guildhall MS16170/1, Atlas Assurance, Directors' Minutes, 27 April 1809. For evidence of capacity constraints, see R. Pearson, «Fire Insurance and the British Textile Industries during the Industrial Revolution», *Business History* 34 (October 1992), pp. 1-19.

growth of French fire insurance can be largely explained by the indemnity against fire clauses in the French *Code Civil*. These proscribed communal liability for a fire, and also made an individual liable for damage done to a neighbour's property by a fire on one's premises. In Germany, too, the domestic fire insurance industry grew very rapidly. As Table 3 shows, this growth ensured that by 1860 the most rapidly urbanising and industrialising regions in Germany were comparatively well supplied with fire insurance.

Table 3  
Per capita sums insured against fire in Prussia and Great Britain, 1860/1

	£	Govt. District of Magdeburg	
Prussian Provinces		Year	£
Great Britain (1861)	39.1		
Prussia (1860)	26.6		
Mark	40.3		
Saxony	37.8	1828	11.4
Westphalia	32.0	1837	16.6
Rhineland	31.3	1853	19.7
Pomerania	25.7	1860	26.6
East Prussia	17.9		
Silesia	16.4		
Posen	15.3		

Source: *Preußische Versicherungszeitschrift*, vol. I (Berlin, 1867), pp. 95, 103.

One result of this growth is that by the middle of the century the largest European fire offices already matched their British counterparts in size. Together with highly fragmented market structures, this made continental business increasingly difficult for British offices. Around 1850 about one-quarter of French fire insurance and about 15 per cent of German and Austrian insurance was accounted for by mutual fire offices, which had no share capital, were usually very small and localised, and often set up by industrial groups for specific purposes, such as the insurance of breweries or sugar mills. Furthermore, in Germany and Austria compulsory insurance on buildings by state and municipal fire associations still accounted for over half the sums insured against fire by 1850. Unlike in Britain, European joint-stock companies, therefore, did not have unlimited or uncontested access to the whole of the fire insurance market. However, those market sectors to which they did have access were highly concentrated. For most of the nineteenth century there were more than twice the number of proprietary fire offices in Britain than there were in Germany and France. In 1850 the three largest fire offices in G.B. had 30 per cent of the private fire insurance market, in France 37 per cent, and in Germany 65 per cent.

These emerging market structures probably helped to erode any competitive advantage British offices may have held, just as the demand for reinsurance facilities in Europe was accelerating. Evidence points to British insurers losing out in the scramble for business firstly after the Hamburg fire of 1842, secondly in the wake of the destructive fire at the Baltic port of Memel in 1854, and thirdly following the liberalisation of German fire markets at the end of the 1850s. The average annual premium income generated by Phoenix's agency at Hamburg, for instance, declined from a peak of £ 41000 in 1825 to just £ 8000 in 1870, by which time there were over 70 fire offices operating in the city<sup>9</sup>. In Berlin, where British insurers were receiving a very bad press in the late 1860s for their supposed 'arrogance' and 'colonial attitudes', British offices captured just 5 per cent of the city's private fire insurance market in 1867<sup>10</sup>. In 1871, the British ambassador in Berlin told Sun Fire Office, which had just had an application for a concession rejected by the Prussian authorities, that he thought that «the German insurance companies were disposed to keep things amongst themselves»<sup>11</sup>.

Table 4  
Imperial fire office - premiums, sums insured and average rates 1839-42

	1839	1840	1841	1842
<b>FOREIGN INSURANCES*</b>				
Percentage				
of total insured	—	1.58	1.86	2.75
of total Premiums	—	11.97	13.54	18.56
Average Rate	—	22.49	21.89	21.27
(shillings per £ 100 insured)				
<b>CRP TREATY REINSURANCES**</b>				
Percentage				
of total insured	36.70	36.27	31.55	—
of total Premiums	23.38	22.71	18.73	—
Average Rate	1.97	1.89	1.81	—
(shillings per £ 100 insured)				
<b>IMPERIAL'S AVERAGE</b>				
<b>RATE ON ALL INSURANCES**</b>	3.09	3.02	3.04	—

\* annual rates, excluding Hamburg agency (closed 1840-3).

\*\* 3 year moving averages 1838/40-1840/2 inclusive.

Sources: Imperial F.O. — Tabular Statements 1803-1901; Court Mins. 11.6.1845; *Ibid.*, 1841-5.

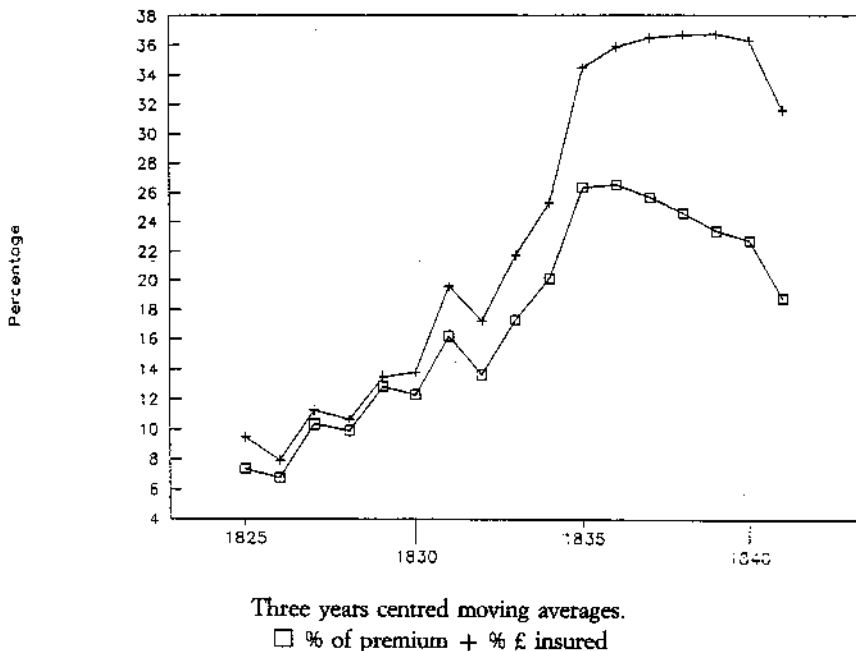
<sup>9</sup> Trebilcock, *Phoenix Assurance*, p. 191.

<sup>10</sup> *Preussische Versicherungszeitschrift*, III (Berlin, 1869), p. 1109; *Ibid.*, II (1868), p. 811.

<sup>11</sup> P.G.M. Dickson, *The Sun Insurance Office 1710-1960*, (1960), p. 170.

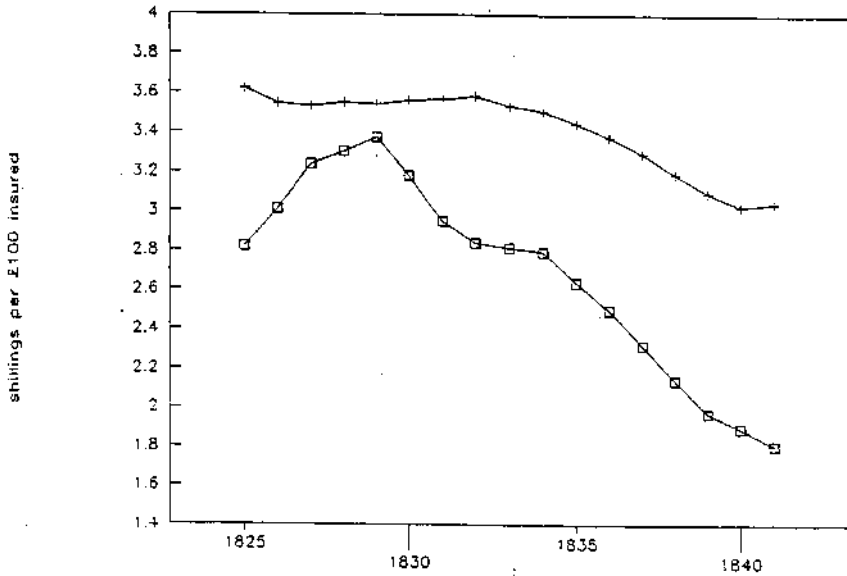
(iii) **Prices.** The overall effect of this stratified but expanding market was to drive down the price of fire insurance in Europe from the very high levels of the early nineteenth century. There is some evidence that low or falling premium rates in the most advanced European countries discouraged greater British participation in reinsurance agreements with foreign insurers. One example, worth examining more closely, is the earliest international reinsurance treaty involving a British insurer, that signed between Imperial Fire Office of London and Compagnie Royale de Paris (CRP) in 1824.

Graph 2: CRP Cession to Imperial  
as a proportion of imperial's business.



Graph 2 indicates how important this treaty became to the London office by the 1830s, accounting for over 35 per cent of its sums insured. This graph, however, also reveals an increasing gap between the volume of Imperial's reinsurance liabilities, and the premium income they generated from Paris. Graph 3 suggests one reason for this, namely rapidly falling prices in France from the early 1830s, and an increasing differential between the cost of fire insurance in Britain and France. From the 1830s Imperial was repeatedly complaining to its French counterpart about the low rates charged in Paris, and about the rising volume of hazardous risks — dockside warehouses at Havre, sugar refineries and textile mills at Lille, Rouen, Lyons, Alsace and in the Rhineland — being ceded to it by CRP.

Graph 3: Imperial - CRP Reinsurances  
Average rates (s.d.%)



Three years centred moving averages.

□ Imp./CRP + imperial

Although the treaty remained profitable for Imperial, table 4 demonstrates that Imperial was unable to push rates on this treaty business up towards British levels. Had it been able to, reinsurance would have been even more profitable. The rates offered by CRP bore no resemblance to the average rates enjoyed by Imperial and other British insurers in colonial markets. The cheapness of fire insurance in France had much to do with the effect of the legal clauses mentioned earlier, and the large volume of residential fire insurance they generated. Table 5 gives the comparative cost of fire insurance in several European countries in 1856. Where fire insurance was underdeveloped — in Russia, Sweden, Poland for example — prices remained very high. In Germany in 1856 fire insurance was still more expensive than in Britain, but premium rates were dropping continuously and by 1872 Germans were claiming their average rates to be as little as half of those in Britain<sup>12</sup>. In Britain tariff cooperation between the major fire insurers, which began in the 1840s, helped keep premium rates and profit margins buoyant. By contrast, in Germany attempts between private insurers to collude over prices were constantly undermined by the fragmented market for property insurance, and by the opposition of state authorities and public insurance associations.

<sup>12</sup> A. Meyer ed., *Vereinsblatt für Deutsches Versicherungswesen*, I (Berlin, 1872-3).

Table 5  
Cost of European fire insurance in 1856

	Premiums as % of £ insd	Average Rate £sd per £ 100 insured
Belgium	0.105	2s.1d
Denmark	0.217	4s.4d
France	0.087	1s.9d
Germany/Austria	0.239	4s.9d
Great Britain	0.174	3s.6d
Poland (Congress)	0.538	10s.9d
Russia	0.467	9s.4d
Sweden	0.450	9s.0d

Source: calculated from data in *Assurance Magazine* (1858). Note: Poland's premiums entirely from compulsory buildings insurances.

Low or falling prices, therefore, together with the increasing competition noted earlier, may also help explain the continued reluctance of even experienced British exporters such as Imperial, to enter further into reinsurance treaties with European insurers who would only offer them a fraction of the price they could charge overseas. They may also have felt, particularly with regard to central and eastern Europe after the Hamburg fire, that the risks were not proportionate to the premium levels, by comparison with, for example, the West Indies or south and central America, where premiums as well as risks were high.

(iv) **Profits.** Fourthly it may be suggested that low and fluctuating profit margins in reinsurance also made the business, especially in central Europe, increasingly uncongenial for British offices. This may have been partly because of differing concepts in Britain and Europe of what constituted a 'satisfactory' margin of profit. In the 1860s, for instance, a director of one German fire office claimed 15 per cent of net premium income to be a satisfactory margin, while contemporary British underwriters believed it to be nearer 25 per cent of net premiums<sup>13</sup>. There is little direct evidence on profitability in reinsurance, although there are loss ratios available for the earliest of the German specialist reinsurers, indeed the world's first reinsurance company, Cologne Re, established in 1846. If we add around 10 per cent for management expenses to these loss ratios, it appears the company's performance fell below both the British and German definitions of 'satisfactory' profitability in five out of eight

<sup>13</sup> L. Arps, *Auf sicheren Pfeilen: Deutsche Versicherungswirtschaft vor 1914* (Göttingen, 1965), p. 177; Trebilcock, *Phoenix Assurance*, p. 711.

years between 1854 and 1861. Indeed, by 1860 the management of Cologne Re were considering giving up the business entirely<sup>14</sup>. Contemporaries believed that Cologne's results lent weight to the assertion that an independent reinsurance company was not viable without the support of a parent insurer feeding it good business. This opinion was widely held, and made British investors particularly reluctant to put their capital into such ventures<sup>15</sup>.

(v) **Underwriting Traditions.** Finally, it might be suggested that this relatively muted performance of British fire offices in European reinsurance markets was also the result of older and deeply rooted underwriting patterns which characterised the British approach to overseas markets. The long tradition amongst many British offices of co-insurance arrangements, supplemented by the occasional facultative reinsurance, meant that British insurers were slow to develop networks of treaty reinsurance in industrialising Europe. Even Phoenix, probably the world's leading insurance exporter during the first half of the century, did not sign its first reinsurance treaty until 1849, although its foreign reinsurance business did rise rapidly during the following quarter century<sup>16</sup>. It has already been argued that the low premiums provided by the French offices, who were the most important reinsurance partners of the British before 1850, coupled with an expectation of greater profit margins, enhanced the general British distrust of reinsurance. During the 1860s and 1870s heavy losses experienced in Russian reinsurance added to this distrust. As Sun's manager put it in 1868, the Company 'do not regard reinsurance transactions with favour'<sup>17</sup>. Where foreign licensing restrictions made it difficult to do business directly, British insurers often preferred to withdraw from markets entirely rather than sell reinsurance. A fear of legal entanglement and the interference of foreign bureaucracies, and an antipathy towards publishing any form of accounts or constitution reinforced this attitude. For the earliest period of British reinsurance exports, 1820 to 1850, 20 reinsurance treaties involving German fire offices and just 14 involving British companies have so far been counted.

Generally, despite some of their ambitious titles (Atlas, Globe etc), very few British insurers were major exporters to Europe. British fire insurers remained happiest insuring in markets familiar from their own founders' trading roots — ie. usually colonial and maritime rather than continental European. Imperial Fire Office, for example, founded in 1803 by a group of West India merchants, was very adept in tracking the sugar trade and its industry on both sides of the Atlantic. By the 1830s, Imperial was insuring refineries in St Petersburg,

<sup>14</sup> Arps, *Auf sicheren Pfeilen*, p. 207.

<sup>15</sup> T. Sasaki, *Jahrbuch für das Gesamte Versicherungswesen in Deutschland*, I (Frankfurt/Main, 1864).

<sup>16</sup> 50 per cent of Phoenix's foreign premiums (some £ 80,000) came from reinsurance treaties by 1870. Trebilcock, *Phoenix Assurance*, vol. 1, p. 283.

<sup>17</sup> Dickson, *Sun Insurance* p. 186.

Hamburg, Amsterdam, London, Bristol and Liverpool, but had scarcely ventured into the interior of central Europe<sup>18</sup>. It is perhaps significant that one of the keenest pursuers of treaty reinsurance before 1850, Rothschild's Alliance, was the most continental of British offices in its organisation, marketing orientation and corporate culture.

As purchasers rather than sellers of reinsurance, some of the major British insurance exporters did make increasing use of the facilities provided by European firms. Two Scottish offices, North British and Northern, were reinsuring c. 10-15 per cent of their gross premiums in the early 1860s, and Phoenix reinsured over 25 per cent of its total premiums by 1870. Moreover, from the 1870s a growing proportion of British domestic fire insurance was being taken by Europeans, largely via reinsurance. In 1874 there were already c.20 foreign insurers operating in Britain<sup>19</sup>. In the 1870s Norwich Union was ceding five per cent of its home risks to other insurers. By the 1890s, this had increased to 17 per cent, mostly ceded to German and Austrian reinsurers. A similar trend occurred in the Sun's home business, eight per cent ceded in 1890, 18 per cent by 1900, mostly to European reinsurers without reciprocity<sup>20</sup>. After 1850 the British were driven from reinsurance markets in Germany by the rise of native reinsurers, from France and Austria-Hungary by Austrian and German firms, and from Japan and partly also from the USA during the 1890s and 1900s by Russian, German and American firms. By the end of the century, as the growth in demand for reinsurance in Britain outstripped the domestic supply, Britain itself became a net importer of European reinsurance.

#### 4. Conclusion

In the context of one of the most successful financial services to emerge in XIXth century Britain, fire insurance, it might be concluded that this performance in the growing area of international reinsurance should be judged by historians to have been a relative failure of British enterprise. Such a judgement stands in sharp contrast to recent affirmations of the service sector, at home and abroad as 'the most successful and dynamic element in British economic life between 1850 and 1914', and that Britain's 'comparative advantage', both before and after 1870, always lay in this area<sup>21</sup>. From the evidence presented above, one might conclude that in the short to medium term

<sup>18</sup> Guildhall Ms 12160A, Imperial Insurance Co., Court Minutes.

<sup>19</sup> L. Nikisch ed., *Vereinsblatt für Deutsches Versicherungswesen*, II (Berlin, 1874).

<sup>20</sup> R. Ryan, 'A History of the Norwich Union Fire and Life Societies' (Ph. D thesis, UEA, 1983), p. 503; C.H.v. Hollitscher, *Internationale Rückversicherung* (Berlin 1931), pp. 126-7.

<sup>21</sup> Cain and Hopkins, *British Imperialism*, p. 138; W. D. Rubinstein, *Capitalism, Culture and Decline in Britain 1750-1990* (London, 1993), p. 25.

British fire insurers' failure to seize a larger slice of the European reinsurance market may have been justified as rational behaviour in the light of opportunity costs, marginal profitability and the obstacles thrown up by state regulation. In the long term, however — and certainly by the end of the nineteenth century — the British fire insurance industry had condemned itself to a role as consumer rather than producer in a business in which it had indeed begun with a considerable comparative advantage.

