

## Reseña

**Jerònia Pons and Robin Pearson (eds.). *Risk and the insurance business in History*. Madrid, Fundación MAPFRE, 2020, 284 pp. ISBN: 978-8498447538**

During the past twenty-five years, research into the history of insurance has grown dramatically both in volume and range. This expansion has both accompanied and provided a valuable empirical grounding for an even wider ambit of studies mounted by economists, psychologists, sociologists, and legal scholars into the ways that hazards have been perceived, calculated and managed via the risk-pooling techniques of insurance. But as these various studies of insurance have piled up across allied disciplines, there have been few opportunities for researchers to share or coordinate their work with this broader community of scholars. To that end, the editors of the volume under review organized the first world conference on the history of insurance, which convened in Seville in June 2019 with 140 participants from over 25 countries<sup>1</sup>.

The first fruit of that meeting is *Risk and the insurance business in History*, which winnows the many papers offered at the conference into a dozen chapters divided into four sections, which address in turn the themes of the insurance business in a colonial or imperial context, the state's engineering of insurance markets, the legal regulation of insurance firms in order to optimize economic and social outcomes, and the roles and responses of insurance companies during episodes of financial crisis. While the published selections include just a narrow slice of the many historical periods, topics and methodological approaches presented in Seville, the editors wisely sacrificed topical diversity for this more thematically cohesive and chronologically delimited collection of studies that follow the mainstream of business history in concentrating on company (mis)management, state experimentation with insurance regulation, and the international flows and ebbs of the insurance business since the mid-19<sup>th</sup> century.

A striking if implicit theme sounded by these essays follows the discord between the propagation of a supposedly scientific insurance technology and the particular political imperatives, legal legacies, institutional arrangements and competitive conditions to which insurance businesses had to accommodate themselves in countries around the world. Sharon Ann Murphy explores one facet of this process in the Equitable Life and the New York Life's cutthroat efforts to elbow each other as they accessed Latin American markets and sought to exert influence over increasingly resistant protec-

tionist governments and in the face of growing anti-American public sentiment. One of the Equitable Life's Mexican agents tellingly advertised "that insurance has broader aspirations than those of mere nationality, and that differences of race and language do not constitute a limit to the application of the principles" (p. 71). This scientific precept proved weak against nationalist hostility to the entry of American or European insurance firms. But the pretense to scientific objectivity proved just as weak on the other side of the transaction given entrenched social and racial assumptions in the imperial age, as Tim Alborn demonstrates. In his chapter on the low premium rates that British life companies charged missionaries, soldiers, and other agents of the "civilizing mission" in comparison with the less generous terms offered –in defiance of the actuarial data– to the recipients of that imperial benevolence.

The more recent past provides further examples of the clash between the authority of orthodox accountancy and actuarial measures, and the pragmatic abandonment of those standards by insurance companies and regulators alike during periods of financial crisis. Luca Froelicher explores, for example, the rationales deployed in the early years of the American Great Depression by insurance regulators who endorsed, for the sake of the insurance industry's continued solvency, a suspension of marked-to-market valuation of their financial assets in favor of a "fair market value" of those assets conveniently computed on their portfolio values as of June 30, 1931, just before the wholesale collapse of asset prices. This financial sleight of hand performed largely out of public view was critical, Froelicher argues, to the maintenance of confidence in the insurance sector and to its success in weathering the Depression. Gretjie Verhoef shows, by contrast, that the absence of systemic risk within the South African insurance industry at the start of the 21<sup>st</sup> century obviated the need for more stringent financial regulations of the sort that swept the US, the UK, and Europe in the wake of the global financial crisis of 2007/08. Despite South Africa's very limited exposure to global markets and the negligible impact of the global financial crisis on its economy, the new regulatory regime to which South African firms were forced to conform imposed unwarranted costs on the country's insurance business, a deleterious consequence which Verhoef demonstrates through a careful quantitative analysis.

In other circumstances, however, the interplay between domestic and foreign insurance practices could lead to creative or productively transformative outcomes. David Gilles and Sébastien Lanctôt argue that in 19<sup>th</sup>-century Canada the harmonization of provincial fire insurance laws, which had been the colonial inheritance from British and French models, played an important role in the construction of the modern Canadian state. The differential impact of state regulation on private insurers is explored in Christofer Stadlin's chapter on the Zurich Insurance Company's capacity to underwrite

<sup>1</sup> The present reviewer should note that he served on the Scientific Committee that supported Professors Pons and Pearson in the organization of the Seville conference.

casualty insurance in Germany and France as each of those countries grappled with evolving notions of legal liability and experimented with public compensatory schemes during the period of rapid industrialization after 1850. That comparative approach is continued by Leonardo Caruana de las Cagigas and André Straus in their study of the ways that the French and Spanish states played a direct role in organizing insurance markets and in designating certain domains as under the private risk management of mutual or commercial firms while reserving other risk domains to public control. Sweden's attempt in the middle of the 20<sup>th</sup> century to engineer a socially and economically optimal insurance market is examined by Mikael Lönnborg, Peter Hedberg, and Lars Karlsson. This effort focused on enhancing economic efficiency by increasing concentration in the insurance market, while also protecting consumers by a 'principle of equity' to ensure that any increased savings generated would be passed along to consumers rather than retained by firms as excess profits. The benefits accruing from the Swedish regulatory approach turned out to be limited and temporary, but at least delivered a stable environment for the provision of insurance services. José L. Garcia-Ruiz tells

a far more turbulent story of systemic weakness, as well as chicanery and nepotism, afflicting the leading Spanish bancassurance alliance of Banesto and Luyefe, each of which collapsed in 1993. The weakness of Spanish insurance firms relative to their partner banks, Garcia-Ruiz concludes, subjected the former to unhealthy and potentially ruinous dominance by their allied banks.

Although the essays contained in *Risk and the insurance business in History* largely focus on European and North American cases within the past 200 years, their various approaches to this vast topic convey a sense of the methodological breadth of research into this maturing field. The synthetic introduction by Jerònia Pons and Robin Pearson and an extensive bibliography of works in the field further indicate the geographical range and chronological depth of scholarship now being devoted to the history of the insurance business, and signal directions for future research.

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