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# **Risk management and reinsurance strategies in the Spanish insurance market (1880-1940)**

Reinsurance allows insurance companies to diversify their risks. However, from this original role, insurance companies have developed various reinsurance strategies in order to expand their market share. Since the last decades of the nineteenth century to the 1940's, Spanish insurance companies used reinsurance in a largely unregulated context. This paper analyses the reinsurance practices and their adaptation to the singularities of the Spanish market, namely: the difficulties for the consolidation of a core of pure reinsurers; the management of reinsurance in the internationalisation process; and the use of reinsurance by mutual societies to overcome their lack of equity capital.

Keywords: insurance; reinsurance; Spain; Risk-management; internationalisation

## **1. Introduction**

During the first globalisation, the Spanish insurance market experienced a period of intense growth and profound transformations that resulted in increasingly complex risk management.<sup>1</sup> After the turbulent 1860s, marked by the rise and fall of tontine societies, new legislation on stock companies in 1869 and a tenuous economic recovery in a context of political stability favoured the growth of the main lines.<sup>2</sup> Simultaneously, the buoyancy of demand led to the arrival of new players in the sector. In the following decades the new Spanish insurance companies were joined by foreign multinationals coming from more mature markets, and both had to co-exist with the proliferation of mutual societies.<sup>3</sup> As a result of this modernisation process, the weight of insurance premiums in relation to national income doubled, in excess of the aggregate growth of the economy.<sup>4</sup> In the network of companies and their links with abroad, reinsurance became a fundamental channel for the diversification of risks.<sup>5</sup> As an instrument for designing more homogeneous risk portfolios and reducing the volatility of cash flows,

reinsurance enabled Spanish insurers to adapt to an environment of increased competition with greater flexibility.<sup>6</sup> At the same time, reinsurance served to overcome the restrictions arising from the limited amount of capital in the Spanish market as a whole and thereby provide coverage for the growing demand.<sup>7</sup> Thus, mutual societies resorted to reinsurance in their risk acceptance policies, using it as a substitute for capital by means of massive cessions in order to increase their market share without the need to augment their reserves.<sup>8</sup> As well as these basic functions, reinsurance proved to be a key tool in the entry of foreign companies into Spain, and in the internationalisation processes of Spanish companies.<sup>9</sup>

Despite being widespread in the Spanish insurance industry, the use of reinsurance did not entail the consolidation of a sector specialised in this activity. It was not until the outbreak of the First World War that the situation affecting transport insurance highlighted the lack of pure reinsurance companies capable of selecting risks within the Spanish market and channelling them abroad. At the time, these circumstances justified an attempt at state intervention in reinsurance, which was focused on protecting a balance-of-payments equilibrium, as the demand for reinsurance of companies operating in Spain abroad caused a massive outflow of capital.<sup>10</sup>

After the conflict, and once the experiment with state intervention was over, a number of companies strictly dedicated to the reinsurance business emerged. They did not, however, survive beyond 1930. By then, only two of the seven companies created in the 1920s remained operative, while direct insurers maintained reinsurance operations among their everyday practices.<sup>11</sup> In view of the above, and in spite of growing economic nationalism, the Spanish market was dynamic and widely linked to abroad. These factors, along with the chronic shortage of capital in Spanish insurance,

would have stimulated the formation of a core of pure reinsurers. However, this did not occur before the Civil War.<sup>12</sup>

The aim of this paper is to analyse the role of reinsurance in the expansion of Spanish insurance business and to ascertain the difficulties that thwarted the development of a pure reinsurance sector before the Civil War. The lack of statistical series until 1942 has obliged us to use other approaches and other sources, mainly business sources, in order to study reinsurance practices in Spain. To achieve our objective, once the theoretical and historical bases of reinsurance have been established in the introduction, the creation of the first pure reinsurers in Europe is analysed in the second section, along with the keys to their development, in order to contrast this with the problems in the sector in the case of Spain. In the third section, the creation of networks of risk exchange and the use of reinsurance by one of the largest Spanish companies for its policy of international expansion are scrutinised. In section four, the cession practices resulting from the particular characteristics of Spanish mutual societies are examined. Finally, some general conclusions are added.

## **2. The origins of reinsurance and its development in Spain**

In spite of the dynamism of the British insurance market from the eighteenth century onwards, reinsurance is an innovation characteristic of continental Europe.<sup>13</sup> With marine reinsurance prohibited in Great Britain since 1746, British insurance companies developed alternative risk transfer mechanisms through complex networks of insurers organised around Lloyd's.<sup>14</sup> Furthermore, their greater capacity to accumulate capital enabled British insurance companies to operate with much larger amounts of reserves than their European competitors, thereby circumventing one of the main causes of the demand for reinsurance.<sup>15</sup> However, in the nineteenth-century continental insurance

centres, the fragmentation of companies and their insufficient capitalisation led to the emergence of agencies specialised in the provision of reinsurance services.<sup>16</sup> Indeed, the pioneering development of a specialised reinsurance sector in Europe was in response to a combination of eventualities connected with two of the basic functions of reinsurance: its capacity to provide coverage for large risks and its use as a substitute for capital.

The foundation of the first specialist reinsurance company, *Kölnische Rückversicherung (Cologne Re)*, was authorised in Germany in 1843, although it did not commence operations until nine years later.<sup>17</sup> The company, which emerged as a response to the devastating effects of the great fire of Hamburg in 1842, was created with the aim of diversifying and exporting the risks of the fire branch through reinsurance.<sup>18</sup> Despite its poor results during the 1850s and 1860s, *Cologne Re* was joined by other German companies, *Aachener Rückversicherung* in 1853, *Frankfurter Rückversicherung* in 1857 and *Magdeburger Rückversicherung* in 1863, thus consolidating a specialist reinsurance sector in the country. However, in all three cases these were dependent companies, that is, they were created by fire insurance companies and used as a way of channelling their risks, so that their parent companies could maintain or even increase their market share without exposing themselves directly to the risks arising from catastrophic events.<sup>19</sup> Beyond Germany's borders, the company *Schweizerische Rückversicherung (Swiss Re)* was founded in Switzerland in 1863. As in the case of the pioneer *Kölnische Rückversicherung*, the high losses after a great fire, that of Glarus in 1861, and its fatal consequences for an insurance market in the process of formation, stimulated the development of a pure and independent reinsurer under the guidance and with the support of the bank *Schweizerische Kreditanstalt*.<sup>20</sup>

During the 1860s and 1870s, reinsurance companies were founded in Germany, Belgium, Austria-Hungary and Sweden, while the existing ones expanded their

operations beyond their home markets.<sup>21</sup> At the same time, from an activity initially centred on the fire branch, the companies progressively diversified their portfolios, negotiating marine, accident and life risks and broadening the range of cession treaties. Overall, by the 1880s there were at least twenty-five companies operating around the world dedicated exclusively to reinsurance.<sup>22</sup> *München Rückversicherung (Munich Re)*, a company that was capitalised by funds from Bavarian and Berlin industrialists and bankers, was constituted in 1880. This company went beyond mere independence and inverted the traditional relationship with direct insurers. In its first twenty years of operations, it founded direct insurance companies in foreign markets for the purpose of insuring against risks then reinsuring them exclusively with the parent company.<sup>23</sup> During the following decades, the propagation of these practices gave rise to a flourishing international reinsurance business, in which German and Swiss companies, fundamentally, competed in order to expand their presence from mature markets, such as the British and US markets, to other less developed ones, such as Spain.

The Spanish insurance market, which for decades had been characterised by its lethargy, was incorporated into the globalising dynamic by foreign insurance companies in the early 1870s.<sup>24</sup> Political stability and signs of economic growth, along with the absence of regulatory obstacles, facilitated the creation of branches. By 1884, 18 foreign companies had registered compared with the constitution of only 10 insurers with national capital.<sup>25</sup> Most of these companies, from Great Britain, France and the United States, operated in the fire branch and in marine insurance, with the life branch being a minority activity.<sup>26</sup> In 1912, at the time when the first regulations governing insurance were implemented, the dominance of foreign capital continued. Out of 19 registered life insurance companies, 12 were foreign; in marine insurance, the proportion rose to 35 out of 44; and more than half the companies in the fire branch were foreign, although

Spanish offices accounted for two-thirds of total premiums.<sup>27</sup> Moreover, *La Unión y el Fénix Español* was one of the leading Spanish companies, and its openness to abroad was due to the multinational origin of its capital.<sup>28</sup>

This close connection with the international market during the first globalisation contributed to the modernisation of Spanish insurance and facilitated access to new products such as reinsurance. In fact, the cessions of risks by large companies increased over time, both within the Spanish market and to abroad. If *La Unión y el Fénix* reinsured 15% of its fire insurance risks in the 1880s, by the period 1898-1906 this figure had risen to 23%; and in the biennium 1911-12, total cessions in this branch accounted for 37% of business.<sup>29</sup> In parallel, fire risk written multiplied by 2.5 from 1882 to 1912, while the company's share capital remained constant, which would have stimulated the demand for reinsurance.<sup>30</sup> Other indicators analysed by previous literature on the performance of insurance companies, such as profitability, liquidity or loss ratio, could add robustness to these observations, but the lack of financial data before 1910 makes it impossible to discuss the Spanish case within this framework.<sup>31</sup>

With the outbreak of the First World War, the obstacles to the movement of capital brought drastic changes to the international risk exchange market, restricting the development of reinsurance for decades.<sup>32</sup> In the case of Spain, its neutrality in the conflict caused serious distortions in the insurance sector, placing Spanish companies among the main providers of freight and transport services in the European market. In nominal terms, the amount of marine insurance written tripled between 1915 and 1920.<sup>33</sup> This sudden rise in demand was accompanied by an increase in the premium rates charged, due to the increasingly dangerous nature of the shipping routes, and the value of the insured capital, both in the case of the hulls or vessels and the merchandise.<sup>34</sup> Consequently, the companies' high volume of business started to

threaten their financial equilibrium as, in most cases, these were branches of foreign companies that up to this point had only operated with Spanish risks. Furthermore, the 1908 regulations on reserves deposited and paid-up capital made very small demands on the transport branch.<sup>35</sup> Under these circumstances, insurance companies resorted to reinsurance in order to be able to absorb the new business. However, given the capital constraints and of the lack of specialist reinsurance companies in Spain, the sector diverted the risks abroad.

The outflow of capital in the form of reinsurance premiums attracted the attention of the inspection authorities that, infused with a growing economic nationalism, saw the process as a drain on the national wealth. In response, a process of institutional reorganisation was initiated by means of which the state was empowered to operate as the obligatory reinsurer of war risks insured in Spain.<sup>36</sup> In this way, it was intended to exert tight control over the movement of capital in the form of reinsurance premiums while, at the same time, trying to check the rising price of insurance in Spain through a complex inspection system. Throughout 1917 and 1918, successive regulations broadened the Official Committee of War Insurance's scope of action, initiating operations that affected ordinary transport risks, first of all, and then spread to all lines of insurance. However, far from dislodging private initiative, the state's intervention in reinsurance operations was actually to lay the foundations for a flourishing of the sector in the first half of the 1920s. The Committee's risk retrocession rates increased dramatically from 25 per cent in 1917 to 83 per cent in 1919.<sup>37</sup> This gradual reduction in risk retention opened up business opportunities to the private sector, while the grounds for state intervention were increasingly contested.<sup>38</sup> Against this backdrop, different initiatives led to the foundation of five reinsurance companies between 1918 and 1920, whose objective was specifically marine reinsurance, and later



fire reinsurance. These companies were *Garantía, Madrid, Esfera, Astur* and *Centro Español de Reaseguros*.<sup>39</sup>

Table 1. Spanish Reinsurers (1918-1940)

Company	Representatives	Foundation	Closure	Headquarters
Garantía	Ricardo Palacio	1918	Continues	Bilbao
Esfera	Enrique Ferrer	1919	1927	Barcelona
Madrid	Alfredo Viliesid	1919	1927	Madrid
Centro Español de Reaseguros	Diego De la Rosa	1919	1933	Madrid
Astur	Manuel Laera	1920	1928	Madrid
Castellón Vital	Guillermo Moltó	1924	Continues	<sup>a</sup>
Compañía Madrileña de Reaseguros	Luca López	1925	1927	Madrid
La Equitativa	Fermín Rosillo	1928	Continues	Madrid

<sup>a</sup> Castellón Vital changed its name to Compañía Hispano Americana de Seguros y Reaseguros and transferred its registered office from Castellón de la Plana to Madrid in 1941.

Source: Anuario Financiero y de Sociedades Anónimas de España (1921; 1924, 1950-51). *Gaceta de Madrid* for the years of closure. Boletín Oficial de Seguros 1924-1928 for the representatives.

These companies tried to take full advantage of the demand for reinsurance arising from the increased risk for maritime traffic during the World War. Nevertheless, the reaction of the Spanish business community was tardy, and reinsurance companies were founded in the final months of the conflict or during the first years of the post-war period, when the boom was ending and a period of stagnation of world trade was beginning. For this reason their activity was sporadic. This was the case of *La Garantía*: created in Bilbao in 1918, in June 1921 it announced that it was suspending marine reinsurance operations as from January 1922.<sup>40</sup> In the following decades the company resumed and ceased operations on numerous occasions. Most of these reinsurance companies were created with scant capital, in pursuit of transient business opportunities and without a solid structure that would enable a prolonged development, all of which limited their survival. The most extreme cases were the *Compañía Madrileña de Reaseguros*, registered in 1925 with only 120,000 pesetas of subscribed capital and

30,000 of paid-up capital, and *Astur*, with a nominal capital of 200,000 and 50 per cent paid up.<sup>41</sup>

Behind most of these reinsurance companies were direct insurance companies specialised in the transport branch. This was the case of *Madrid, Sociedad Anónima de Reaseguros*, whose main founders represented marine insurance companies. The directors of *El Atlas* and *Lloyd de España* were among the main shareholders, while its manager was also director of the company *Numancia* and, moreover, he was general agent of the British office *Excess*. The external contacts of the founders enabled shareholders to participate in reinsurance in markets such as France, United Kingdom and Italy. Unlike those mentioned above, the company had a share capital of 10 million pesetas with a paid-up capital of 25%.<sup>42</sup> Likewise, *La Esfera*, created in Madrid in 1919 with a share capital of 2 million pesetas, had the backing of marine insurance companies. Its board of directors was comprised of agents and representatives from the Swiss *La Federale*, the British *The World Marine & General Insurance* and *The Northern Assurance*. Similarly, the manager of *Centro Español de Reaseguradores* also represented the company *Lucero*, which operated in the transport branch.<sup>43</sup> However, despite their links with direct insurers and its substantial share capital, they went into liquidation in the next years.

Even taking into account their activity until 1927, the financial strategy of these companies offered few opportunities beyond the scenario created by the war. Dedicated exclusively to channelling risks abroad, they proved incapable of procuring risks abroad to retrocede to Spain. Moreover, the environment of regulatory flexibility in which they had emerged was coming to an end. The expansion of economic nationalism reached the transport branch and reinsurance, which had been excluded from reserve and capital requirements up to that time, in the early 1920s.<sup>44</sup> Consequently, transport insurance and

reinsurance companies had to receive authorisation of the supervisory agency and to deposit capital and reserves in the amount and in the securities laid down by law.<sup>45</sup> Thus, if the end of the conflict led to a decline in insurance business and the economic problems of the immediate post-war period ended up reducing internal demand for reinsurance services, the regulatory changes only accelerated the dissolution of the sector. Of the five reinsurers mentioned above, only *La Garantía* remained in operation by 1927. With this series of liquidations, the specialist reinsurance business was reduced to a minimum. In fact, it was not until the outbreak of the Second World War that the business of pure reinsurers was to flourish in Spain again, in a favourable international environment and once again in the light of intense state intervention.<sup>46</sup>

In the rest of the period prior to the Civil War, only two projects progressed significantly in Spanish reinsurance markets. These were more solid than previous ones, and managed to survive in the following decades. The reinsurance company *Castellón Vital* was founded in Castellón de la Plana in 1924. After the Civil War, however, it changed its business to direct insurance under the name of *Compañía Hispanoamericana de Seguros y Reaseguros*.<sup>47</sup> The other reinsurer was linked to the *La Equitativa (Fundación Rosillo)*. In 1916, the Rosillo brothers, representatives of the American company *The Equitable Life*, decided to form a life insurance company at the time when the multinational was withdrawing from the Spanish market.<sup>48</sup> The company's business grew with the purchase of other portfolios, and within a few years it became the second company in the branch of reinsurance. In 1928, as part of its growth and diversification strategy, it decided to create two companies: one diverse-risks insurer and a pure reinsurance company. Their creation was justified by typical arguments of economic nationalism, a sentiment that this company championed.

‘The basic idea that inspired the creation of *La Equitativa-Reaseguros* was that of nationalising a branch that was almost totally in foreign hands. Much of the value of the economic performance of the Spanish insurance industry is lost through the channel of reinsurance’.<sup>49</sup>

The creation of this reinsurance company, which was to be stable and enduring, was approached differently. The company had the backing of a significant part of the Spanish banking sector, as well as the group’s own insurance companies. Certainly, besides the Rosillo brothers, the *Banco de Vizcaya*, *Banco Hispano Americano* and *Banco Herrero* were represented in the board of directors.

### **3. Reinsurance networks and internationalisation: La Unión y el Fénix Español**

Despite the absence of consolidated specialist companies, the exchange of risks through reinsurance had been a common practice in Spain since the 1870s. In fact, the specific characteristics of the Spanish market contributed to the development of certain reinsurance practices where traditional determinants coincided with other particular elements. The numerous branches of foreign insurance companies generated constant flows of risks to their parent companies abroad. In the same way, reinsurance played a central role in the consolidation of the insurance sector based on domestic capital. The leading Spanish companies used the transfer of risks through reinsurance to design their portfolios on the basis of strategic criteria such as specialisation by branches and expansion into other markets.<sup>50</sup> In this respect, the case of *La Unión y el Fénix Español* is especially interesting as an exceptional case in Spain, since it used reinsurance to take market share both in Spain and abroad.

Founded in Madrid in 1864 with capital of French origin, *El Fénix Español*, first, then *La Unión y el Fénix* as from 1879, maintained a very close link with the French market through reinsurance from the very beginning.<sup>51</sup> In fact, the office set up

in Paris, engaged in writing insurance and reinsurance in fire and marine lines, became one of the company's main channels of entry and exit of risk until the 1890s. Since its foundation in 1864, the French office signed risk acceptance agreements with *L'Union* and with *Caisse Generale* in the fire branch, and with the *Círculo de Aseguradores Reunidos de París* in the branch of marine insurance. These treaties multiplied during the following months, and thus by 1865 the company participated through reinsurance in risks coming from France, Belgium, Holland and Italy (Table 2).

Table 2. *El Fénix Español*. Treaties of accepted reinsurance (1864-65)

Company	Branch	Conditions	Commission	Origin of the risk
L'Union	Fire	Quota share (66%)	30%	France
Caisse Generale d'Assurances	Marine	Quota share (33%)	28%	Belgium and Holland
Círculo de Aseguradores Reunidos	Fire and marine	By surpluses (a sum of 20,000 francs out of a maximum limit of 100,000 francs)	28%	France and Piedmont
La Confiance Maritime	Fire and marine	Quota share (80%)	30%	Belgium
La Paternelle	Fire	By surpluses (a sum of 160,000 francs out of a maximum limit of 3,200,000 francs)	25%	France
L'Aigle	Fire	Quota share (40%)	30%	Spain

Source: Board of Directors Minutes Book of La Unión y el Fénix Español no. 1, 3-21.

With this growing portfolio of foreign risks, the company had managed to break into the European insurance circuits. Moreover, the fast response and payment of loss claims to cedents attracted new contracts. In May 1865, the companies *Le Soleil* and *La Providence* signed portfolio cessions with *El Fénix Español*, while *La Confiance* and *La Paternelle* cancelled their agreements with *El Fénix Belga* in order to cede their risks to the Spanish company.<sup>52</sup> The culmination of this first drive for expansion came at the end of 1865, when a facultative reinsurance agreement was signed with *Magdeburger Rückversicherung*. In this way, *El Fénix Español* gained access both to new business

through retrocessions from the powerful German reinsurance centre and to reinsurance services as cedent.

The onset of the 1870s changed the company's growth guidelines. The disappointing data on the claim experience and profitability of the business obtained in France and Belgium, especially in the branch of marine reinsurance, the adaptation of the company to the legal framework of the 1869 law on stock companies and the growing weight of the Spanish market led the company to reconsider its internationalisation strategy. In this context, the reinsurance treaties signed with *La Confiance Maritime* and *La Paternelle* were terminated, while the fire risks written by the Paris office were retroceded to *Caisse Generale de Assurances*.<sup>53</sup> As a substitute for these, the company sought new markets where it could procure risks, this time with the objective of finding compensation for the insurance that it had written in Spain and was beginning to cede abroad. By the late 1870s, the company had signed reinsurance treaties for risks in Italy (*La Nazione, Adriatica*), France and Belgium (*Le Monde, La Confiance*) and Portugal (*Le Havre Co., La Lyon*), as well as exchange agreements with the major specialist reinsurers (*Swiss Re* and, as from 1881, *Münich Re*). In this new scenario, the company opted for more traditional reinsurance practices, as they were not aimed so much at expansion abroad as a way to organise its portfolio and diversify the risks.<sup>54</sup>

This new orientation was due to the growth of *La Unión y el Fénix* in Spain, where the company had increased its presence throughout the entire territory during the 1870s. Indeed, if in its first years the company had encountered difficulties in establishing agents or representatives in different parts of Catalonia, Castilla or Western Andalusia, the growth in demand for insurance and the excessive financial exposure of local companies placed the multinational in an optimal position to increase its presence

in these areas.<sup>55</sup> On this occasion, the formula consisted in the transfer of complete risk portfolios by insurers already set up in areas where *La Unión y el Fénix Español* did not do direct business.<sup>56</sup> In this way, companies such as *Sociedad de Seguros Mutuos de Madrid*, *La Catalana*, *El Mediodía*, *El Progreso Nacional*, *El Sol* and *Sociedad de Seguros Mutuos de Valladolid* reinsured their fire risks with *La Unión y el Fénix Español*, which was not a direct competitor. These companies were thus able to, in the words of *La Unión*'s informant, '...increase confidence and credit...' in an environment of growing competition, as they kept their market share without compromising their financial stability.<sup>57</sup> For its part, the multinational consolidated its leading position in Spain.<sup>58</sup> As a result, the company's international orientation situated it as one of the exit channels for risk to be exported abroad. By accepting reinsurance both in the Spanish market and in the international circuits and subsequently retroceding it to third parties, *La Unión y el Fénix Español* fulfilled the functions of a specialist reinsurer without actually being one, as it met the internal demand for reinsurance without raising problems of competition for its cedents.

This new reinsurance tactic was broadly maintained during the First World War and throughout the 1920s. Even after the financial turmoil of 1929, *La Unión y el Fénix* remained totally autonomous in its access to international reinsurance circuits. In the report to the General Meeting of Shareholders in 1932, the company management boasted of the fact that, although the company ceded around 40 per cent of its fire risks abroad, the compensation for reinsurance accepted added to the direct insurance contracts of foreign branches made the company a net importer of capital into the Spanish market.<sup>59</sup> However, this situation, far from being habitual, did not coincide with the overall picture of the sector. The Spanish balance of payments published by the Bank of Spain's Study Service for 1931 reflected an outflow abroad of 5,474,300 pesetas in

terms of reinsurance.<sup>60</sup> In this respect, the multinational tradition of *La Unión y el Fénix* and its experience in international negotiations was a unique element in Spanish insurance. Even after having dedicated a great part of its efforts to consolidation and growth in Spain, during the years of economic nationalism the insurer was able to maintain a capacity to access the European networks of risk exchange that were unattainable for its national competitors. Unlike these competitors, the multinational's direct contact with the market and its extensive risk portfolio enabled it to find compensation for its reinsurance cessions abroad. This situation, together with its ability to procure risks in Spain, help to partly explain the failure of the specialist reinsurers analysed in the previous section. More than as a potential demander, *La Unión y el Fénix* competed with these reinsurers to secure risks for retrocession abroad, with the difference that the multinational had generally managed to find equivalent acceptances in exchange.

Setting aside these practices in Europe, the company was the protagonist of an exceptional case of the use of reinsurance for its internationalisation on the other side of the Atlantic, which entailed the operations of an office established in the United States. Previous literature has indicated the use of reinsurance by British companies such as *Phoenix Insurance* to break into the enormous US market.<sup>61</sup> This trend, initiated in the early 1870s, was resumed when the twentieth century was already underway when, in 1910, *La Unión y el Fénix* was authorised to operate in the United States. Unlike its British predecessors, the Spanish office was registered as a specialist reinsurance company, being the only foreign reinsurer except the *Swiss Reinsurance Company*.<sup>62</sup> The final decision to access the US market had been put off due to the tough entry conditions. The legislation obliged the establishment of a deposit of 200,000 dollars and the retention of 50 per cent of premiums collected annually in the country. Furthermore,



the effects of the Baltimore and San Francisco catastrophes, in 1904 and 1906 respectively, on the insurance sector had cast doubts on the profitability of business in the country.<sup>63</sup> In spite of these problems, the size of the US market and the possibilities for expansion carried more weight. After negotiations with a British company, *Atlas Insurance*, which offered *La Unión y el Fénix Español* the cession of half of its business in the country, an office dedicated exclusively to fire reinsurance was set up. Almost simultaneously, in May 1910, *La Unión y el Fénix* started dealing with the companies *Queen* and *London & Lancashire*, and as a result it received cessions of risk for more than a million dollars over the next four years.<sup>64</sup> In the following decade, the company expanded constantly. After the outbreak of the First World War, German and Austrian reinsurers were excluded from business in the United States, which left a substantial market share available for the remaining companies. In this scenario, the amount of risks underwritten had quadrupled by 1920 (Table 3).

Table 3. US Fire reinsurance business of *La Unión y el Fénix Español Insurance Co.*, in US dollars

Year	Premiums written	Claims paid	Annual result
1913	1,153,024.21	606,492.47	305,597.54
1914	1,204,961.93	740,173.63	262,331.99
1915	1,090,021.87	676,913.30	404,381.80
1916	1,229,119.07	712,728.12	483,204.45
1917	1,953,023.61	902,625.48	405,687.00
1918	2,868,273.33	1,282,921.21	509,914.44
1919	3,701,831.21	1,483,014.00	619,743.24
1920	4,532,773.42	2,188,848.17	246,355.76

Source: Best's Insurance Reports. Fire and Marine. 1914, 1915, 1916, 1917, 1918, 1919, 1920 and 1921

As indicated in contemporary reports, the company faced the turn of the decade with a very high level of risk acceptance compared to its existing reserves, although its loss ratio was average for the sector.<sup>65</sup> From 1920 onwards, the allusions to this office in the Minutes of the Board of Directors of the parent company disappeared, although the

fact is that the company operated as an independent entity. Nevertheless, the references found in the documentation suggest that the US office remained in operation in 1939.<sup>66</sup>

#### **4. Mutual societies and the demand for reinsurance: the case of *Mutua General***

Parallel to the formation and liquidation of Spanish reinsurance companies, and linked to the practice of the cession of risks by the general insurance companies, mutual societies encountered important obstacles when it came to reinsuring in the Spanish market. Despite the difficulties, mutual societies were the group of entities that resorted to reinsurance in greater profusion, unlike other cases analysed by previous literature.<sup>67</sup> Indeed, the Spanish case seems to be close to the risk theory framework, at least in the case of non-local mutuals. Since societies such as *Mutua General* operated on a national scale, they set aside characteristic elements such as social capital and their knowledge of local markets and, as a consequence, their risk management strategies relied heavily on the financial devices available. Indeed, mutual societies dealt with their lack of share capital through the use of reinsurance and with the aim of expanding their operations and diversifying their activity.<sup>68</sup> However, the collusive agreements reached between both national and multinational insurance companies in very competitive branches such as fire excluded the mutual societies from these arrangements, and their statutes even included rules that prevented the associated companies from reinsuring mutuals. This phenomenon hindered the activity of the mutual societies, which had to look for this cover in the international market. One of the cases documented that provides more information on the problems to find reinsurers is that of *Mutua General de Seguros*.

This mutual had been founded by Catalan industrialists in Barcelona in 1907 with the objective of insuring industrial accidents. The business had prospered and in 1925 its management decided to enter to the fire branch. As a mutual society, it did not

have its own capital, so it was decided to develop this activity through the extensive use of reinsurance. The fees for fire insurance were established in accordance with the criteria of the *Sindicato de compañías de seguros* (one of the two cartels in the sector) as the potential reinsurance companies belonged to the cartel. With reinsurance, the company obtained a net commission of between 20% and 30% of the total amount of premiums. Part of this commission was used to create a reserve fund that would serve, in the future, to retain more risks and reduce the percentage reinsured. Another part of the commission was allocated to rebates, that is, to the refund of the part of the premium paid by the insured mutualists. This business was initiated in order to guarantee the settlement of claims although, as advised, it needed to be undertaken on the basis of a good selection of risks.<sup>69</sup>

In order to develop this project, an intermediary was sought: Enrique Ferrer Arnau, manager of the reinsurer *La Esfera*. This company explained the draft projects, reinsurance tables, table of limits and other conditions of the operations to the board of directors. After this initial contact, *Mutua General de Seguros* signed a series of treaties for the management of reinsurance operations (Table 4).

Table 4. Reinsurance treaties in force of *Mutua General de Seguros* in 1927

Company	Town or City	Obligatory Percentage
Castellón Vital	Castellón	
Esfera	Barcelona	20%
Les Reassurances	Paris	
Economic Insurance Co.	London	
La France-Reassurances	Paris	10%

Source: *Mutua General de Seguros*, Minutes Book no. 1 of the Fire Branch Committee, 21/02/1927.

Reinsurance, along with caution in risk acceptance, was the foundation for this insurer's development of the fire branch. *Mutua General de Seguros* only kept 10% of the risks of the policies written. The voluntary liquidation of the company *La Esfera* as

from 1927 annulled the intermediary contract, although Ferrer offered to continue with the intermediation on an individual basis.

Within the context of the 1920s, the widening of these practices made public and private institutions create several obstacles to the transfer of risks offered by mutual societies. As regards the sphere of government control, between 1926 and 1927 the *Junta Consultiva de Seguros* (Insurance Consultation Board) studied a bill to reform the mutual associations, in which it was intended to prevent their access to reinsurance operations. To this end, a committee was set up that included Salvio Masoliver, director of *Mutua General de Seguros* among its members. Against the committee's initial opinion, Masoliver cast a dissenting vote that defended the capacity of mutual societies to undertake reinsurance operations. This stance was supported by the representatives of mutual societies, by the government and by Fermín Rosillo, manager of *La Equitativa*, *Fundación Rosillo*.<sup>70</sup> Finally, the position favourable to the interests of the mutual societies was maintained.

The greatest opposition, however, came from the institutions created by the insurance sector itself: cartels and employers' associations. In the first decades of the twentieth century, two cartels for the fire branch had been created in the Spanish insurance market. The first, the *Convenio de tarifas para Cataluña y Baleares en el ramo de incendios para 1912* (fire branch agreement for Catalonia and the Balearics) was formalised in Paris in October of that year between representatives of the Spanish, British and French companies. In 1931, there were 63 companies party to the agreement, of which 38 were foreign and 25 Spanish. Mutual societies were excluded from this cartel and in the statutes governing the agreement reinsurance of this type of association by cartel members was prohibited. The same precept was included in the rules of the *Comité Español de Aseguradores de Incendios* which was created in Madrid

in 1918 under the auspices of *La Unión y El Fénix Español*. In 1924, this collusive association changed its name to *Sindicato General de Compañías de seguros de incendios que operan en España*. This cartel had 71 companies as members from 1926 to 1932.<sup>71</sup>

Consequently, the members of both employers' organisations, which represented most of the fire insurers underwriting risks in Spanish market, had to deny the reinsurance operations with mutual associations. However, in practice many carried out this kind of operation. In 1931, in the extraordinary meeting of the *Convenio de tarifas...*, a discussion was initiated on the subject of the companies that, contravening the statutes, supported and protected mutual companies through reinsurance. At this meeting, representatives of British and French companies stated that the syndicated entities of both these nationalities respected the agreement. The matter was so important and controversial that a committee was set up to study the mutuals reinsured by companies adhered to the *Convenio* in order to deal with the problem.<sup>72</sup> This was a recurring theme within the associations of the fire branch, and their posture was so changeable that it made it difficult for the mutuals to find reinsurance cover.

In 1927, this uncertainty was reflected in the minutes of the *Mutua General de Seguros* board of directors. In December of this year its manager stated that 'the boycott of reinsurance agreements with mutual societies by the syndicates of the fire companies of both Catalonia and the rest of Spain has ended'.<sup>73</sup> In view of this change, this mutual requested admittance to the two cartels in the branch in order to be able to take out reinsurance. In December 1927, the obligatory limits of *La Esfera*, which had gone into liquidation, had already been replaced by those of *La Catalana* and *La Equitativa (Fundación Rosillo)*, which offered a commission of 30%. Furthermore, the contract with *Castellón Vital* was transferred to *Unión Levantina*. This arrangement, however,

barely lasted a few months. The syndicates changed their stance once again. They cancelled their previous agreement and consequently did not accept mutual societies in their midst. This affected the mutuals' reinsurance treaties with *La Catalana* and with *La Equitativa*, *Fundación Rosillo*, although this was overcome by transferring them to their subsidiaries, *Banco Vitalicio de España* and *La Equitativa Reaseguros*, respectively. *La Unión Levantina* once again ceded reinsurance to *Castellón Vital*.

The vagueness and indecision of the Spanish companies drove mutual associations to seek reinsurance abroad. The manager of *Mutua General de Seguros* in person, accompanied by the intermediary, Mr. Ferrer, travelled to London in search of this cover. By 1930, the mutual had signed a new contract with foreign reinsurers, and with some Spanish companies that were not members of the fire-branch cartels (Table 5).

Table 5. Reinsurance treaties in force of *Mutua General de Seguros* in 1931

Company	1 <sup>st</sup> surplus	2 <sup>nd</sup> surplus	Commission retained
Banco Vitalicio de España	2/15	2/15	
La Equitativa	2/15	2/15	
Unión Levantina	2/15	2/15	
La France	2/15	2/15	32%
Les Reassurances	2/15	2/15	
Munchener Rück	3/15	3/15	
Kolnische Rück	2/15	2/15	

Source: *Mutua General de Seguros*, Minutes Book no. 1 of the Fire Branch Committee, 3 March 1931.

These fluctuations in the decisions of the fire-branch syndicates demonstrate the complication of reinsurance practice in Spain. On the one hand, the Spanish general insurance companies sought to eliminate important competitors, the mutual societies, by making their access to reinsurance more difficult, but on the other hand it was not easy for them to turn down local business, which was much easier to secure than trying to attract reinsurance from abroad.

## 5. Conclusions

The development of the insurance market in Spain from 1870 onwards was accompanied by reinsurance practices that are difficult to measure as there are no statistical series available until the 1940s. In spite of this, other sources, mainly business sources, have enabled a reconstruction of some of the strategies, difficulties and limitations of this activity in the country. Indeed, despite the relative backwardness in different branches, reinsurance was an instrument that was customarily used by insurers established in Spain. Reinsurers accepted risks and exchanged part of them among themselves or ceded part of them abroad. Nevertheless, this business did not require the presence of a core of pure reinsurers in the Spanish market until the First World War.

In fact, the expansion of the transport branch during the World War, and the subsequent state intervention in reinsurance, stimulated the foundation of pure reinsurance companies by direct insurance companies, mainly those specialised in marine insurance. Nevertheless, these dependent reinsurers barely survived beyond the growth in demand of the wartime period. With the downturn in the transport branch and the regulatory changes, the insurers that had supported their creation lost interest. Consequently, their lack of competitiveness abroad and their weak foundations, as limited equity capital, led to their liquidation as from 1927. It was only at the end of this decade that an exceptional project emerged. This was a reinsurer that endured over time thanks to the backing of the Spanish financial sector: La Equitativa, Fundación Rosillo Reaseguros.

Some companies developed important reinsurance activity as part of their business, linked to their orientation towards the international market. In the case of the multinational *La Unión y El Fénix Español*, it won business in Spain due to its penetration in Spanish territory and acceptance of the reinsurance risks of mutual

insurers or local companies. It operated abroad, basing its activity on the Paris office, by accepting risks from other European countries. Despite its intensive activity in this branch, it did not contemplate the creation of a reinsurance subsidiary in Europe: it performed this function itself, acting as a reinsurer to increase its market share not only in Spain but also abroad. It was only in the United States that it founded a specialist reinsurer, due to the substantial volume of business.

The mutual societies, for their part, encountered both public and private institutional obstacles to their attempts to use reinsurance in the 1920s and 1930s. The cartels in some branches, especially in fire insurance, rejected them as members and also prohibited syndicated companies from reinsuring them. Nevertheless, in practice there were numerous infringements of this policy. Many companies did not want to spurn this portion of business, much easier to secure than direct business or reinsurance from foreign markets.



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## Notes

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<sup>1</sup> Borscheid and Haueter, *World Insurance*, 6-10 highlights the effects of the internationalisation of risk flows as an element of stimulation and modernisation of different national insurance markets.

<sup>2</sup> The traditional tontine societies had begun a stage of extraordinary growth during the 1850s, but their excessive exposure to the Spanish public debt caused a succession of bankruptcies throughout 1863. For the study of the traditional tontine societies in Spain, see Bahamonde, *El horizonte económico*, Sales "Marchands d'hommes" and Sales, "Sociedades de seguros". For a description of the impact of the new Spanish legislation on stock companies, see Frax and Matilla, "Centenario," 86-91.

<sup>3</sup> For more on the internationalisation of insurance companies, see Wilkins, "Multinational Enterprises." For an analysis of the case of Spain, see Pearson, "The growth, organization," García Ruiz and Caruana, "La internacionalización del seguro" and Pons, "Multinational Enterprises."

<sup>4</sup> For more details on overall economic growth, see Prados, "International Comparisons". According to Frax and Matilla "Seguros en Francia y España", 40, insurance premiums as a percentage of national income increased from 0.428 in 1909

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(first year with reliable data) to 1.140 in 1933, when they reached the maximum value before the Spanish Civil War.

<sup>5</sup> Pearson, “The development of reinsurance”, 558, defines reinsurance as a device by which insurers cede a portion of their risk portfolio that they are unwilling to cover.

<sup>6</sup> Pons, “The influence” and Pons, “Diversification” describe the manifestations of this growing competition and company strategies to deal with it. For Gerathewohl, *Reaseguro*, 4-26, the reduction and stabilisation of the underwriting risk is the primary role of reinsurance, as it enables companies to limit the impact of catastrophic losses and to ensure the profit objectives of shareholders. Adams et al., “Reinsurance and corporate taxation,” links the demand for reinsurance with companies showing lower levels of profitability and liquidity. Nevertheless, Kader et al., “The determinants of reinsurance,” finds the opposite for the interwar years in Swedish fire insurance market, although the study deals with a peculiar period featured by high levels of volatility.

<sup>7</sup> There are no aggregate data on premiums for the period from 1870 to 1908, but the number of companies registered to operate in Spain at this time rose from 23 to 124, according to Frax and Matilla, “Los seguros en España,” 187-91. According to Mayers and Smith, “Corporate Demand,” Mayers and Smith, “Corporate Demand: Evidence,” and Gerathewohl, *Reaseguro*, 28, reinsurance enables companies to free resources from the reserves, so it becomes a way of raising capital. For Adiel, “Reinsurance and the management”, and Powell and Somner, “Internal versus external”, reinsurance functions organically as a substitute for capital.

<sup>8</sup> Prieto, *El reaseguro: función económica*, Pearson, “The Development of Reinsurance,” and Adiel, “Reinsurance and the management”, emphasise the role of reinsurance in the increased competition in insurance markets, as it enables smaller

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companies to expand their presence in the market to a greater extent than their own capital would allow.

<sup>9</sup> Reinsurance has served extensively as an instrument for entering new markets: Trebilcock, *Phoenix Assurance (Vol. 1)*, recounts the entry of the Phoenix Insurance Company into the US market via the transfer of risk portfolios to reinsurance, while Pearson, “United Kingdom: Pioneering insurance” links the entry of European companies into the British market to reinsurance. In the case of Spanish companies, García Ruiz and Caruana, “La internacionalización del seguro” and Tortella (dir.), *Historia del seguro*, have analysed the strategies and determining factors to enter foreign markets.

<sup>10</sup> For more on Spain’s neutral status during the war and the consequences for the national freight market and transport insurance, see Gutiérrez, *El control de divisas*, 22-7.

<sup>11</sup> Boletín de la Comisaría General de Seguros, Año 1930.

<sup>12</sup> Pons, “Las empresas extranjeras” analyses the role of economic nationalism in the withdrawal of foreign companies from the Spanish market.

<sup>13</sup> James et al., *The Value of Risk*, 9.

<sup>14</sup> The prohibition was in force until 1864. For a brief description of its nature and causes, see Schwepcke, *Reinsurance: Principles*, 2-3.

<sup>15</sup> According to James et al., *The Value of Risk*, 155-7, the development of reinsurance was determined by the growing diversity of risks to insure, their concentration in company portfolios and the accumulation of liabilities to cover.

<sup>16</sup> Mossner, *Rückversicherung*, 82-4, Rohland, “Fire in Swiss Re,” 40-2 and Rohland, *Sharing the Risk* indicate as a further determining factor the problems arising from the



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direct cession of risks between fire insurance companies in a competitive environment. In this respect, the ceding company would risk losing market share by transferring part of its information along with the risks ceded, which led it to look for an agent that was not a competitor, the reinsurer, to cede its risks to.

<sup>17</sup> Golding, *A History of Reinsurance*, 75.

<sup>18</sup> According to Pearson, “The Birth Pains,” 32, the company was a subsidiary dependent on *Colonia Fire Insurance Co.* According to James et al., *The Value of Risk*, 159, Cologne Re was, along with Swiss Re, one of the few independent companies that emerged in this initial stage. In fact, the memorandum of the promoters expressed that the company was intended as an independent company. Kölnische Rück, *Rückblick auf die Entstehung*, 3-5.

<sup>19</sup> Golding, *A History of Reinsurance*, 76; Koch, *Geschichte der Versicherungswirtschaft*, 268. These were, respectively, Aachen-Münchener Feuerversicherungsgesellschaft, Deutsche Phönix and Magdeburger Versicherungsgruppe.

<sup>20</sup> Pearson, “The Birth Pains,” 31. For a detailed description of the foundation of *Swiss Re*, see James et al., *The Value of Risk*, 242-58.

<sup>21</sup> *Ibid.*, 45. According to Borscheid and Haueter, *World Insurance*, 40-1, the company Swiss Re stood out as pioneer in this expansion process.

<sup>22</sup> Golding, *A History of Reinsurance*, 77-86; James et al., *The Value of Risk*, 45.

<sup>23</sup> Pearson, “The Development of Reinsurance,” 561. For an explanation of the terms of this change in management strategy, see James et al., *The Value of Risk*, 166-7. Among the insurers dependent on *Münich Re*, Gerathewohl, *Reaseguro*, 744-8, highlights the foundation of Allianz AG in 1890.

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<sup>24</sup> Pons, “Multinational Enterprises,” and Pearson, “The growth, organization.”

<sup>25</sup> Maestro, *Formación del mercado*, 42.

<sup>26</sup> The requirement in the life branch to operate with larger reserves, and greater supervisory pressure, determined the smaller number of companies in the Spanish market. For an analysis of the structure of the life insurance market in Spain, see Pons, “Multinational Enterprises.”

<sup>27</sup> Pons, “The influence,” 51-3.

<sup>28</sup> Indeed, the company showed a high presence of French shareholders. James et al., *The Value of Risk*, 77, Tortella (dir.), *Historia del seguro*, 106-10.

<sup>29</sup> *Revista Ilustrada de Banca, Ferrocarriles Industria y Seguros*, 1890, 1907 and 1913.

<sup>30</sup> Ibid. Mayers and Smith, “Corporate Demand: Evidence,” and Powell and Somner, “Internal versus external, 174.”

<sup>31</sup> The government regulatory agency on insurance industry, the *Comisaría General de Seguros*, began to collect financial data from insurance companies in 1910, within the frame of the 1908 law on private insurance. For more details on the use of these indicators, see Adams et al., “Reinsurance and corporate taxation,” and Kader et al., “The determinants of reinsurance”.

<sup>32</sup> James et al., *The Value of Risk*, 70.

<sup>33</sup> Dirección General de Banca, Bolsa e Inversiones; Departamento de Seguros, *Memoria del ejercicio 1951, con detalle de los ejercicios 1910, 1915, 1920, 1925, 1930, 1935 y 1942-1951*.

<sup>34</sup> For a detailed account of the process, see Gutiérrez, *El control de divisas*, 22-7.

<sup>35</sup> Pons, “Las estrategias de crecimiento,” 99-100.

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<sup>36</sup> Specifically, through an Official Committee of War Insurance. Law of 2 March 1917, *Gaceta de Madrid*, 3/03/1917, no. 62.

<sup>37</sup> Canals i Vilaró, *Cuestiones económicas*, 16.

<sup>38</sup> The contemporary work of Canals i Vilaró constitutes a tirade against the existence of the Official Committee of War Insurance. This committee was dissolved in 1924, although its functions had already been severely limited since 1920.

<sup>39</sup> Anuario Financiero y de Sociedades Anónimas de España (1924). The rapid creation of new companies was not a phenomenon exclusive to Spain but common to other neutral countries. Petersson, *Insurance and cartels*, 109, shows that Swedish marine reinsurers increased during the war from 6 in 1915 to 13 in 1920, although half of them had disappeared by 1925. For more details on the Swedish case, see Petersson, *Insurance and cartels*, 286-9. Similar dynamics occurred in France, Great Britain and Belgium, but these were motivated by the withdrawal of the large German reinsurers from Allied markets.

<sup>40</sup> Anuario Financiero y de Sociedades Anónimas de España (1950-51), p. 1462 and *Gaceta de Madrid*, 22/06/1921, no. 173, 1.111. This company was possibly linked to Basque marine insurance companies. Aniceto de Duo, Director of the company from Bilbao La Aurora, was a member of La Garantía's Board of Directors, at least in 1949. Duo, "Represalias," 141.

<sup>41</sup> *Gaceta de Madrid*, 5/10/1925, no. 278, 82.

<sup>42</sup> *Revista Ilustrada de Banca, Ferrocarriles, Industria y Seguros*, 25/04/1919, no. 8, 185.

<sup>43</sup> Anuario Financiero y de Sociedades Anónimas de España (1924). This company was founded on 13 December 1919 with the same share capital as *La Esfera*. Other contemporary reinsurers as *La Garantía* had less capital and not totally paid up. This

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was the case of *Centro Español de Reaseguros*, which was constituted with a share capital of 2 million pesetas, but only 25 per cent of which had been paid up in 1919. *Ibid.*, 28/02/1920, no. 4, 75.

<sup>44</sup> Pons, “Las empresas extranjeras,” 61-3.

<sup>45</sup> Through the Royal Decree of 13 August 1920, the Law of 28 July 1922 and Royal Decree-Law of 19 February 1927, respectively.

<sup>46</sup> Gutiérrez, *El control de divisas*, 27-9.

<sup>47</sup> Anuario Financiero y de Sociedades Anónimas de España (1950-51), 1462.

<sup>48</sup> Pons, “Multinational Enterprises,” 100-3.

<sup>49</sup> *Ilustración Financiera*, 29/7/1931.

<sup>50</sup> Pearson and Lönnborg, “Regulatory regimes” and García Ruiz and Caruana, “La internacionalización del seguro,” have indicated the acceptance of reinsurance risks as one of the manifestations of the processes of internationalisation.

<sup>51</sup> For an account of the origins and structure of the company, see *Ibid.*, 27 and Tortella (dir.), *Historia del seguro*, 114-6.

<sup>52</sup> Board of Directors Minutes Book of La Unión y el Fénix Español no. 1, 27-8.

<sup>53</sup> *Ibid.*, 32.

<sup>54</sup> *Ibid.*, 61-5. In fact, the internationalisation strategy had taken on a new direction: from 1883 onwards the establishment of offices dedicated to direct insurance was set in motion in Belgium, France and Holland. García Ruiz and Caruana, “La internacionalización del seguro,” 29.

<sup>55</sup> The account of these difficulties can be found in the Board of Directors Minutes Book of La Unión y el Fénix Español no. 1, 3-9.

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<sup>56</sup> During the early 1860s, the company tried to set representatives for those regions, but the lack of knowledge on these local markets made this attempt useless. Board of Directors Minutes Book no. 2, 6-9.

<sup>57</sup> *Ibid.*, 50-1, 108.

<sup>58</sup> This is how the operations were justified in the general meetings of shareholders, at least. Juntas Generales de La Unión y el Fénix, Book no. 1, 97-112.

<sup>59</sup> *La Libertad*, 22/6/1933, 8.

<sup>60</sup> “La balanza comercial,” *El Eco del Seguro*, 1/12/1933, 233.

<sup>61</sup> Trebilcock, *Phoenix Assurance (Vol. 2)*, 233, and Kobrak, “USA: The international attraction,” 283.

<sup>62</sup> Kopf, “Notes,” 73-4 and Wilkins, “Multinational Enterprises,” 340.

<sup>63</sup> This was the account given by the company representative sent in 1909. Board of Directors Minutes Book no. 3, 12-3.

<sup>64</sup> *Ibid.*, 24-5.

<sup>65</sup> Best’s Insurance Reports – Fire and Marine, 1921.

<sup>66</sup> Best’s Insurance News, 1940.

<sup>67</sup> While Adams, “The reinsurance decision,” states that the isolation with regard to market equity makes mutual societies theoretically more prone to reinsure, the empirical analyses on the risk management strategies of Swedish insurers by Kader et al., “The determinants of reinsurance,” and Adams et al., “Competing models of organizational form,” show that mutual societies were less likely to purchase reinsurance, since their performance relied more on social capital and policyholder confidence.

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<sup>68</sup> For further explanation on the performance of mutual societies in Spain see Pons, “Support for mutual insurance.” For more details on the Swedish case, see Lilljegren and Andersson, “Variation in organizational form”.

<sup>69</sup> Archivo Mutua General de Seguros (AMGS), Minutes Book no. 1 of the Fire Branch Committee, 21/2/1927.

<sup>70</sup> Ibid.

<sup>71</sup> Pons, “The influence,” 56-8.

<sup>72</sup> “Junta del Convenio de Incendios”, *El Eco del seguro*, 1/02/1931, 39-42.

<sup>73</sup> AMGS, Minutes Book no. 1 of the Fire Branch Committee, Minutes of February 1928.