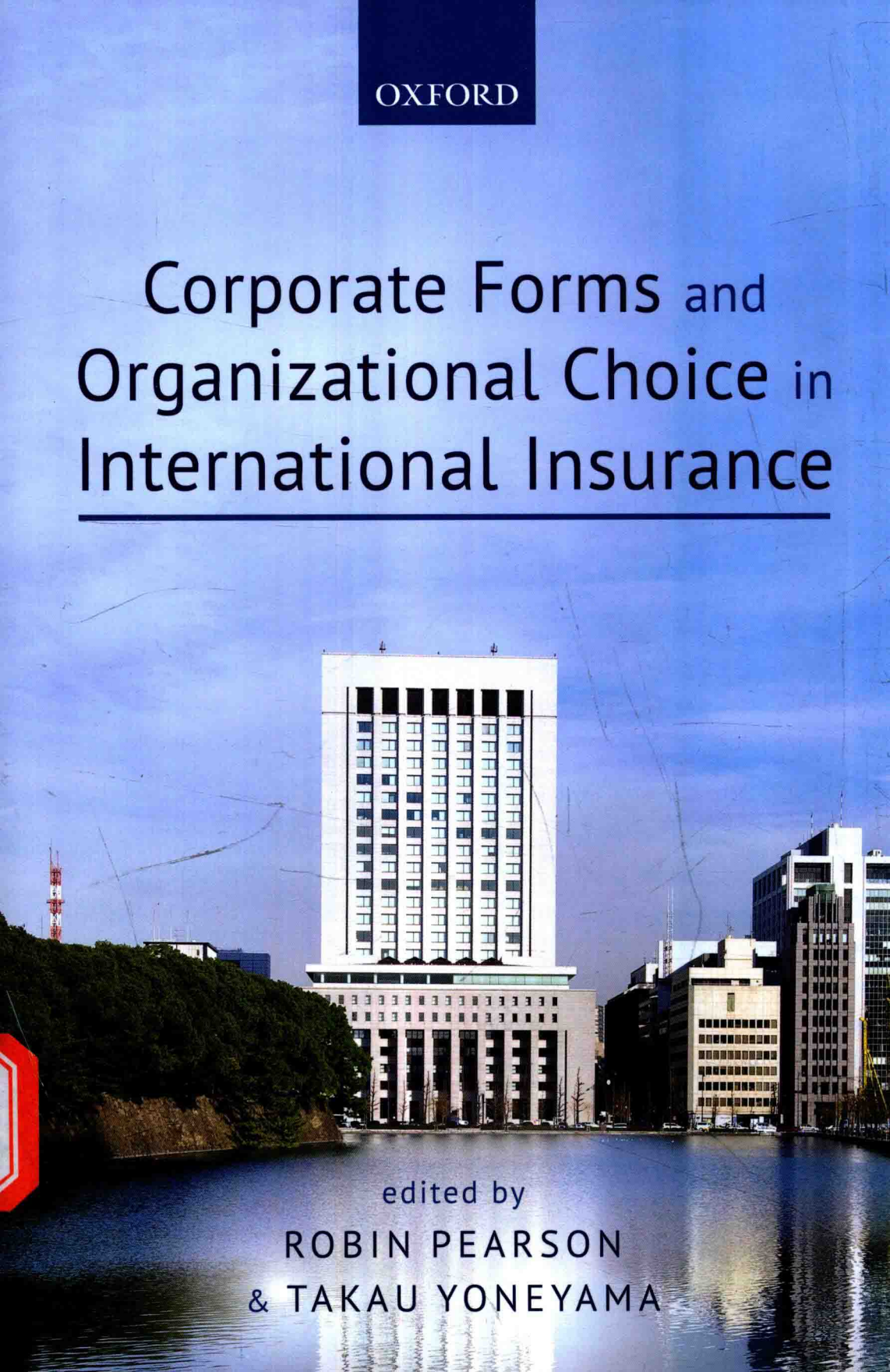


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Corporate Forms and Organizational Choice in International Insurance



edited by
ROBIN PEARSON
& TAKAU YONEYAMA

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ROBIN PEARSON AND TAKAU YONEYAMA

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CORPORATE FORMS AND ORGANIZATIONAL
CHOICE IN INTERNATIONAL INSURANCE

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Robin Pearson and Takau Yoneyama

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Notes on Contributors

Lars Fredrik Andersson is Associate Professor at the Department of Geography and Economic History, Umeå University, Sweden. His research encompasses financial, business, and economic history. His main publications in the insurance field include 'Competing Models of Organizational Form: Risk Management Strategies and Underwriting Profitability in the Swedish Fire Insurance Market between 1903 and 1939', *Journal of Economic History* 72 (2012); 'Mutuality as a Control for Information Asymmetry: A Historical Analysis of the Claims Experience of Mutual and Stock Fire Insurance Companies in Sweden—1889 to 1939', *Business History* 53 (2011); and 'Life Insurance and Income Growth: the Case of Sweden 1830–1950', *Scandinavian Economic History Review* 58 (2010). His current research interests include life, health, and sickness insurance.

Leonardo Caruana de las Cagigas is Lecturer in economic history, Faculty of Economics, University of Granada, Spain. His main publications are: 'From Mutual Fund to Multinational. MAPFRE 1933–2008', co-authored with Gabriel Tortella and José Luis García Ruiz; 'Private Insurance in Spain, 1934–2004', in Leonard Caruana de las Cagigas and José Luis García Ruiz (eds), *Encuentro Internacional sobre la Historia del Seguro* (Madrid: Fundación Mapfre, 2010); and 'La Internacionalización del seguro español en el siglo XX', *Revista de Historia Industria*. His current research is on Spanish insurance history in the twentieth century.

Helen Doe is Fellow of the Centre for Maritime Historical Studies at the University of Exeter. She gained her MA and PhD in maritime history at Exeter. Her research interests are in the field of maritime business history. Her articles have appeared in the *Economic History Review*, *International Journal of Maritime History*, *Mariner's Mirror*, and the *Journal of Transport History*. Her books include 'Enterprising Women in Shipping in the Nineteenth Century' and 'From Coastal Sail to Global Shipping', both published in 2009. She co-edited with Professor Richard Harding, 'Naval Leadership and Management, 1650–1950' (Boydell and Brewer, 2012). She is Trustee of the British Commission for Maritime History and the SS Great Britain and a fellow of the Royal Historical Society. She is currently editing (with Philip Payton and Alston Kennerly) 'A Maritime History of Cornwall', to be published by University of Exeter Press.

YingYing Jiang is Lecturer in Meiji Gakuin University, Japan. She was formerly Adjunct Assistant Professor of Graduate School of Commerce and

Management, Hitotsubashi University (2011–12). Her research focuses on corporate forms in the Japanese life insurance industry. She received her PhD degree in commerce from Hitotsubashi University in 2011 with the dissertation ‘Corporate Forms in the Japanese Life Insurance Business: An Application of Corporate Ownership Theory’.

Hisaaki Kamiya is Research Fellow of the Mitsubishi Economic Research Institute. His principle publication is ‘The Emergence of Competition in Japanese Marine Insurance Business and the Premium Cartel’, *Japan Business History Review* 44 (2010) (in Japanese) and ‘The Marine Insurance Business in 1920s Japan: Background of the Establishment of the Hull Insurers’ Union’, *Songai Hoken Kenkyu* 74 (2012) (in Japanese). His current research interests are the history of marine insurance business and the development process of risk management methods.

Monica Keneley is Professor of Finance at Deakin University, Victoria, Australia. She has published in the area of business and insurance history. The focus of her research has been on the impacts of financial deregulation, the nature of institutional change, and adaptive and innovative responses to change. Recent publications include ‘The Path to Project Darwin: The Evolution of the AMP’s Organizational Structure’, *Business History* 54 (2012) and ‘The Development of the Institutional Investor: The Case of Australian Life Insurers’, *Australian Economic History Review* 52 (2012).

Natsuki Kinoshita is Lecturer in the Department of Liberal Arts, Hokkaido Musashi Women’s Junior College. Her main publications are: ‘The Post-War Issei: A History of Japanese Chamber of Commerce of Southern California, 1949–1990s’, *Economic Journal of Hokkaido University* 39 (2010); ‘Kokujin Seimei Hoken Gaisha No Hanbai Soshiki: Golden State Mutual No Jirei, 1925–1940’, *Keieishigaku* 45 (2010); and ‘Minami California Ni Okeru Kokujin, Nikkei, Hispanic-Kei Kigyō Keiei No Shiteki Kohsatsu: Business to Jinsyū, Ethnicity, Nation, Local Community’, PhD dissertation, Hokkaido University, 2010. Her current research interests are the multinational business strategies of US life insurance companies in the nineteenth century.

Mats Larsson is Professor at the University of Uppsala, Department of Economic History, and Head of the Uppsala Centre for Business History. His most recent publications are ‘Bank Mergers in Sweden: the Interplay between Bank Owners, Bank Management, and the State 1910–2010’ (with Sven Jungerhem) in Helén Andersson, Virpi Havila, and Fredrik Nilsson (eds), *Mergers and Acquisitions: The Critical Role of Stakeholders* (Routledge, 2013) and as an author and editor of *Det svenska näringslivets historia 1864–1914* [The History of Swedish Industry and Trade 1864–2014] (Dialogos, 2014). His current research interest concerns big business in Sweden, insurance and banking history, the Stockholm Stock Exchange, and the Swedish film industry.

Magnus Lindmark is Professor in the Department of Geography and Economic History at Umeå University, Sweden. His research interests include insurance history and environmental history. His publications in insurance history include articles in the *Journal of Economic History*, *Business History*, *Journal of Financial History*, and the *Scandinavian Economic History Review*. A main theme of these articles is to combine historical narratives with contemporary theories in insurance economics and cliometric techniques.

Mikael Lönnborg is Associate Professor at Södertörn University, Department of Social Sciences, School of Business Studies, Stockholm, Sweden and at the BI Norwegian Business School, Department of Innovation and Economic Organisation, Centre for Business History, Oslo, Norway. His most recent publications are 'SCOR Sweden Re. 100 Years of Swedish (Re)Insurance History' (co-authored with Mats Larsson); 'Banks and Swedish Financial Crises in the 1920s and 1930s' (co-authored with Michael Rafferty and Anders Ögren) in Christopher Kobrak and Mira Wilkins (eds), *History and Financial Crises: Lessons from the 20th century* (Routledge, 2013); and 'Entreprenörskap och varumärken' [Entrepreneurship and Corporate Brands] (Gidlunds, 2013), co-edited with Mats Larsson and Karin Winroth. His current research interests concern insurance and corporate forms, financial markets in transition countries, institutional ownership strategies, financial crises, and financial entrepreneurs.

Robin Pearson is Professor of Economic History at the University of Hull, UK. He has published widely on British and international economic and business history, with a particular focus on the insurance industry. His article 'Moral Hazard and Insurance in Eighteenth-Century London' won the 2002 Harvard-Newcomen Best Article Prize. His book, *Insuring the Industrial Revolution: Fire Insurance and the British Economy, 1700–1850*, won the 2004 Wadsworth Prize for Business History. Recent edited books include *History of the Company*, eight volumes (2006–7) and *The Development of International Insurance* (2010). His latest book, *Shareholder Democracies? Corporate Governance in Britain and Ireland before 1850* (University of Chicago Press, 2012), co-authored with Mark Freeman and James Taylor, was awarded the 2013 Ralph Gomory Prize for Business History by the US Business History Conference.

Jerònia Pons Pons is Senior Lecturer in economic history at the University of Seville, Spain. Her research focuses on the economic history of insurance in Spain. She has edited with M. Angeles Pons, *Investigaciones Históricas sobre el Seguro Español* (Fundación Mapfre, 2009). Her work on insurance history has been published in P. Borscheid and R. Pearson (eds), *Internationalisation and Globalisation of the Insurance Industry in the Nineteenth and Twentieth Centuries* (Philipps-University, Marburg, 2007); R. Pearson (ed.),

The Development of International Insurance (Pickering and Chatto, 2010); and in P. Borscheid and N. V. Haueter (eds), *World Insurance* (Oxford University Press, 2012). She has published on social insurance in Geoffrey Clark (ed.), *The Appeal of Insurance* (Toronto University Press, 2010) and in Bernard Harris (ed.), *Welfare and Old Age in Europe and North America* (Pickering and Chatto, 2012). Currently she is working on a Spanish insurance history project sponsored by Fundación Mapfre.

Grietjie Verhoef is Professor in accounting, economic, and business history in the Department of Accountancy at the University of Johannesburg and Director of the South African Accounting History Centre. She has published widely on insurance and banking history as well as the history of South African conglomerates, with special reference to the rise of Afrikaner business in South Africa. She is engaged in research on the accountancy profession in South Africa in comparative perspective with other Commonwealth countries, with research into the reconstruction of gross domestic product for South African colonies in the second half of the nineteenth century; as well as research into big business groups and family businesses in South Africa. She has published chapters in eleven books, fifty-four peer-reviewed articles, and delivered sixty international and national conference papers. She is the current president of the International Economic History Association.

Takau Yoneyama is Professor of Risk Management and Insurance in the Graduate School of Commerce and Management, Hitotsubashi University, Tokyo. He has also held executive positions in the Japanese Business History Society and the Asia-Pacific Risk and Insurance Association. His research interests include insurance history and insurance regulation. Recent publications include 'The Role of Insurance in the Rapid Modernization of Japan' in P. Borscheid and N. V. Haueter (eds), *World Insurance* (Oxford University Press, 2012).

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Corporate Forms and Organizational Choice in International Insurance

An Overview of the History and Theory

Robin Pearson and Takau Yoneyama

The association of individuals to prevent or mitigate risks, or to compensate for losses caused by risk events, is an ancient impulse. Such associational or cooperative activity includes the burial clubs of the Roman Empire, medieval Europe, and Tokugawa Japan; the mutual aid associations of the Philippines, which rebuild barrio houses and dams after typhoons and floods; or the sea-rescue clubs of Senegalese fishermen.¹ Most mutual, non-profit, and non-probabilistic efforts at risk mitigation were private, voluntary, and informal. Sometimes, however, such efforts were organized, managed, or sanctioned by state-governing bodies. Examples include the public grain reserves of Chosun Korea and Imperial China, or the armed convoys protecting merchant caravans in medieval Europe.²

Given the infinite variety of risks and their contingent circumstances throughout history, it is perhaps unsurprising that insurance, from its infancy, also developed an extraordinary range of vehicles through which it was delivered. Yet we know little about how and why different insurance vehicles were chosen in the past, or why they survived or disappeared. Although there has been extensive research on the coexistence of contemporary mutual and stock company forms, the few historical studies in this area sometimes point to conclusions that confound economic theories or modern empirical results.³

¹ Platteau 1997; Pearson 2003a; Bankoff 2008.

² Sun et al. 2007, 598; Pearson 2010a, 2; Kim and Lee 2012.

³ One example is the uncertainty raised by the history of mutual life insurers in the US about the influence of regulatory factors on the development of company forms. See Zanjani 2007. This and other examples of insurance history supporting or contradicting modern organizational theory are discussed in the following sections.

This book represents the first attempt to explore the foundation, survival, and performance of multiple organizational forms in the history of insurance, to situate these forms in an international comparative context, and to relate the results of historical analysis to modern organizational theory. The following section provides an overview of the development of organizations in insurance from the origins of the industry to the present day. The second section summarizes the theoretical and empirical literature on this topic. The final section describes the research project that underpins this book, outlines the contributing chapters, and points to some conclusions that have a wider relevance for modern theory.

THE HISTORY OF ORGANIZATIONAL FORMS IN INSURANCE

Modern insurance first developed in the Mediterranean trade of the late middle ages, although it had antecedents in the ancient world.⁴ Individual merchants with surplus cash acted as underwriters for other merchants, while notaries were employed to draw up the contracts. By the early fifteenth century there were hundreds of notaries working in this field in Genoa, Pisa, Florence, Marseille, Milan, and Barcelona. Over time they helped to standardize underwriting practices in marine insurance, practices which were also adopted in northern European ports. By the early eighteenth century there were 150 specialist marine underwriters in London, fifty underwriters and several hundred brokers (not all broking insurance) in Amsterdam, and up to a dozen underwriters and brokers each in other Dutch towns.⁵ Insurance underwriting and broking also came to be regulated and taxed by state and municipal authorities in Spain, Italy, Flanders, England, and the United Provinces.

This organizational form—with a merchant seeking insurance, a broker acting as intermediary, and a merchant or banker as underwriter—was in part dependent upon the nature of the risk. In the maritime trades each risk was relatively large, discrete, and short term—weeks for coastal tramping and for sea routes around Europe, up to eighteen months for transatlantic and African voyages. Few individuals had the financial capacity, or were willing, to undertake such liabilities entirely on their own account. Thus, the coinsurance of one risk by several merchants, each underwriting part of a ship and its cargo,

⁴ Pearson 2003a.

⁵ Spooner 1983, 27, 55–9; Cockerell and Green 1994, 5; Go 2009, 89, 130–1.