Cartelisation under international and mutual competition – Abstract

This paper analyses cartelisation in Swedish marine insurance during the interwar period. More precisely, it analyses how the Swedish marine insurance cartel *The Swedish Association of Marine Underwriters* was affected by and handled three groups of insurers, which potentially could destroy the cooperation; mutual marine insurers, opportunistic member companies and foreign marine insurers. With agency theory and cartel theory as starting points, it is initially argued that cartelisation is potentially difficult in marine insurance, particularly during downward economic trends. The core arguments are that the co-existence of stock and mutual insurers in the Swedish market and the inherently international character of marine insurance render it potentially difficult to maintain beneficial premium rates and conditions, particularly during downward economic trends, when competition is probably the most fierce. Additionally, marine insurance is potentially characterised by strong incentives for cheating in cartels during fluctuating economic circumstances.

The empirical findings show that the Swedish marine insurance cartel *The Swedish Association of Marine Underwriters* was joined by all Swedish stock marine insurers, but neither by the Swedish mutual marine insurers, nor by foreign marine insurers. That these groups never joined is explained with reference to agency theory and cartel theory.

The cartel still established a wide range of price agreements and its work progressed throughout the interwar period. However, it suffered heavily from foreign competition. It also suffered from cheating among member companies. Competition from mutual marine insurers was however not an obstacle in all market segments. The persistence of this situation is explained with reference to agency theory.

In response to these difficulties, the association sought to win mutual marine insurers, opportunistic member companies and foreign marine insurers for the cooperation.
Introduction
During the interwar period, international trade and shipping experienced periods of severe cutbacks. These developments had severe consequences also for marine insurers, which provide insurance cover for such businesses. In Sweden, such insurers experienced severe cutbacks of their business volumes during the difficult readjustment process to peacetime conditions during the early 1920s, making returns fall to unprofitable levels. Under these difficult circumstances, the Swedish marine insurers modified their business strategies in numerous ways. Like producers of various other businesses, the marine insurers partly achieved such modifications by cartelisation. Indeed, the interwar period was the era of cartels; never before or since have price agreements and quota systems been so widely implemented. Such cartelisation however frequently had roots going back to The Long Depression, which like the interwar period spurred cooperation among producers of various businesses. Accordingly, from the 1870s, associations were established for cooperation between Swedish insurers. Far-reaching cooperation developed not the least in in Swedish fire insurance with the foundation of *The Swedish Fire Tariff Insurance Association*. Also Swedish marine insurers could however rely on a history of cooperation with roots going back to the 1870s. Cooperation had subsequently been intensified from 1893 with the establishment of *The Swedish Association of Marine Underwriters*. From 1918 this association was of increasing importance, not the least as a price cartel.

For a price cartel to remain effective, it is however important that no insurers charge lower premium rates (prices) than stipulated by the cartel. If some sellers choose to charge a lower price, buyers may reject the comparatively expensive offers from loyal cartel members. Such difficulties were experienced for instance by the British fire insurance cartel *Fire Offices Committee* (FOC) during the early 20th century when accident insurers moved into fire insurance on low premium rates. In interwar Swedish marine insurance, three groups of marine insurers potentially made the establishment and maintenance of price agreements difficult.

First, the Swedish marine insurance market was characterised by the co-existence of stock and mutual insurers. As will be explained further on, this particularity renders cartelisation potentially difficult since mutual insurers are cooperatives of policyholders. In effect, they potentially take less interest than stock insurers in the accumulation of profit, making them likely to reject membership and push premium rates down without being opportunistic.

Second, the economic circumstances fluctuated rapidly in interwar shipping and trade, and in consequence also in interwar marine insurance. New economic circumstances however create new opportunities for cheating. In effect, cartels are inherently unstable. As described by insurance

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1 Petersson (2011).
3 Hallendorff (1923).
historian Monica Keneley, insurance cartels can only be maintained under certain circumstances.\textsuperscript{9} It is thereby possible that some of the association’s member companies chose to rely on the strategy of cheating by charging lower premium rates than stipulated in the price agreements, in turn potentially gaining market shares. Some member companies may even have chosen to withdraw from the association. Such opportunism may occur in every cartel, but may have been particularly likely in marine insurance. This is so since marine insurers largely depend on previous experiences for making correct risk assessments. Like in most other non-life lines of insurance, it is difficult in marine insurance to deploy statistical models when selecting business or fixing premium rates.\textsuperscript{10} Furthermore, it may be even more difficult to make correct risk assessments in marine insurance than in other non-life lines of insurance since an immense number of factors must be taken into account, making many shipments unique.\textsuperscript{11} Marine insurers must therefore rely on individual experience and judgement for risk assessments.\textsuperscript{12} This lack of reliable calculation methods makes premium rates fairly easily sink below profitable levels under excess competition, simply because insurers not always know how far they can cut prices without making losses.\textsuperscript{13} In effect, cheating may be particularly likely in marine insurance.

Third, marine insurance is an inherently international business since there is always competition between buyers and sellers of the transported cargo and since transporting commercial ships may be insured in different destination ports. Thereby international competition potentially requires international cartels to elevate profits, but, on the other hand, cartels with that many member companies may be difficult to organise and maintain.\textsuperscript{14} It has even been argued that the very existence of international competition makes it difficult to keep premium rates up by cooperation between insurers.\textsuperscript{15} Adding to the potential difficulties of maintaining price agreements; the marine premium rates fell internationally during the interwar period. One may therefore wonder to what extent foreign marine insurers pushed premium rates down in Swedish marine insurance. One may also wonder to what extent the Swedish association in practice acted as an international cartel with foreign member companies.

In summary, it may thereby be distinguished between three groups of companies which could potentially destroy the cooperation in the \textit{The Swedish Association of Marine Underwriters} by charging low premium rates; Swedish mutual marine insurers, opportunistic member marine insurers, and foreign marine insurers.

This paper investigates how the \textit{The Swedish Association of Marine Underwriters} was affected by the actions of these three groups of marine insurers and how this cartel responded. This is done with agency theory and cartel theory as frames of reference.

The purpose of doing so is to provide insights on cartelisation in a business characterised by international competition, by competition between stock and mutual producers with potentially different goals, and by potentially strong incentives and great risks for price-cutting in cartels.

The paper consists of six sections.

The first section provides a brief introduction to marine insurance.

The second section investigates which companies joined the association and which remained outside the cartel. This section also seeks to explain why some groups of companies were members, while others remained outside the cartel.

The third section analyses how the price agreements established by the association were affected by the actions of the Swedish mutual marine insurers.

The fourth section analyses how these price agreements were affected by the actions of opportunistic member marine insurers.

\textsuperscript{9} Keneley (2002), pp. 58, 66-71.
\textsuperscript{10} Beeman (1938), p. 82 f. It is difficult to employ such models also for example in fire insurance. (Hallendorff (1923), p. 61.)
\textsuperscript{11} Koch (1999), p. 75.
\textsuperscript{12} Spooner (1983), p. 3, Beeman (1938), p. 82 f.
\textsuperscript{13} Nordisk Familjebok Vol. 25 (1917), p. 799.
\textsuperscript{15} Koch (1999), p. 75.
The fifth section analyses how these price agreements were affected by the actions of foreign marine insurers. Finally, the sixth section summarises the results.

**The different forms of marine insurance**

Marine insurance refers to insurance against different risks associated with maritime transports; goods may be damaged or lost; ships may arrive late, or even sink. A person or institution, which would be directly injured by such a scenario, may cede the economic consequences of such a risk to an insurer in return for a certain amount of money, known as a premium. In other words, by taking out insurance cover, a policyholder converts the risk of a large economic loss into the certainty of a very small one, corresponding to the insurance premium.\(^{16}\)

The different forms of marine insurance basically fall into two broad categories, effected respectively by shipping companies and by owners of the transported goods (cargo owners).

The most important forms of marine insurance for shipping companies are hull insurance, protection and indemnity insurance (P&I insurance), and freight insurance.\(^{17}\) Hull insurance covers the costs of a ship being lost. It may also cover partial losses, such as collisions and the ship hitting ground.\(^{18}\) Protection and indemnity insurance provides cover for shipping companies' liability for damages to transported individuals and cargo and for damages to other parties or property.\(^{19}\) Freight insurance refers to the insurance of a shipping company’s right to a future charge for the carriage of goods.\(^{20}\)

The most important insurance cover of a cargo owner will be cargo insurance, which applies to many risks to the transported goods.\(^{21}\) Naturally, also transporters may be held liable for damages to cargo. However, transporters must mostly not provide full replacement for averages since the responsibility of the transporter depends on the gross weight of the cargo, not on its value. Consequently, there will not be full replacement for cargo of low unit values.\(^{22}\)

Cargo and ship owners may procure additional marine insurance cover for risks excluded from the above discussed forms of policies. War risk insurance may be procured to cover averages caused by war, such as capture, seizure and destruction in effect of war at sea and the deployment of mines.\(^{23}\)

These different forms of marine insurance all share the characteristic that they are inherently international. In hull insurance, there is direct international competition. This is hardly surprising since a ship reaches different ports and often different countries during one single journey.\(^{24}\) In cargo insurance, there is indirect international competition since the cargo of international transports is insured in competition between insurance companies of different countries. This is so, since it is always a matter of negotiation between buyers and sellers in international trade who is to procure cargo insurance for the traded cargo.\(^{25}\)

**The member companies**

Attempts had been made to found a Swedish marine insurance association already during the 1870s. These attempts however failed due to the lack of reliable calculation methods for marine premium rates, which made it too difficult to fix common premium rates. Such an association was therefore

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\(^{16}\) Howells - Bain (2008), p. 47. It is important to recognize that an insurance contract insures the person or persons interested in the subject matter and not the subject matter itself. The insurance policy promises to compensate the insured for economic consequences of loss or damage to the property insured, but does not guarantee the continued existence or replacement of the property itself. (Winter (1919), p. 93.)


\(^{20}\) In effect, although the word freight is sometimes used to denote transported goods, such as in the expression "freight steamer", freight insurance refers to the insurance of an intangible interest. (Winter (1919), p. 251 ff.)


established only in 1893 with the foundation of The Swedish Association of Marine Underwriters.\(^{26}\) Before World War I, however, not all Swedish direct stock marine insurers joined.\(^{27}\) As pointed out previously, for a cartel to effectively regulate a market, it is important that all companies of its line are members. During World War I, when new Swedish marine insurers were founded, failed attempts were made by the member companies to make further insurers join the association.\(^{28}\) Subsequently, however, the marine insurer Hansa joined the association in 1917.\(^{29}\) In October 1918 the nine member insurers, which were all stock companies, decided to invite the six remaining Swedish direct stock marine insurers.\(^{30}\) After some negotiations, all these six remaining companies joined.\(^{31}\)

Rinman (1943) explains that the association was expanded at this particular time with the fact that the war was about to end, which meant new conditions for trade and insurance and thereby a new need for cooperation.\(^{32}\) Also Svensk Försäkrings Årsbok, edited annually by Swedish insurers, expected a continuous deterioration of the business environment in marine insurance since the average premium rates in Swedish marine insurance were cut by 38% from 1918 to 1919.\(^{33}\) This observer further anticipated that the marine business results of 1921 may become very poor due to the ongoing economic crisis. It therefore repeatedly called for "an end to the devastating competition" by expanded cooperation both in Sweden and internationally.\(^{34}\) In 1924, it also stated that there had been a general belief that the end of the war soon would bring a severe economic crisis. Low interest-rates and the rapid termination of the public regulations of private businesses however first ignited the boom of 1919-1920, postponing the crisis.\(^{35}\) Grenholm (1947) emphasises the importance of the insurers’ negative experiences of fierce competition from World War I for the decision to form the association.\(^{36}\)

The association was however joined by no foreign marine insurers. Since marine insurance is an inherently international business, it is interesting to note that foreign marine insurers were not even formally allowed to apply for membership during the first half of the interwar period although the new member companies suggested in 1918 that also such insurers should be accepted.\(^{37}\) In 1922, it was again suggested that foreign companies should be allowed as members, but this proposal was turned

\(^{27}\) Not all companies took part in the cooperation 1894-1903. (Rinman 1943, p. 14 ff.)
\(^{29}\) Sjöassuradörernas Förening, "Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 8 november 1917", p. 7 [Minutes of the meeting of the executive managers of the Swedish marine insurance companies in Stockholm November 8, 1917].
\(^{30}\) Sjöassuradörernas Förening, "Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 14 december 1917", p. 4 f [Minutes of the meeting of the executive managers of the Swedish marine insurance companies in Stockholm December 14, 1917].
\(^{31}\) Sjöassuradörernas Förening, "Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 30 oktober 1918", p. 4 f [Minutes of the meeting of the executive managers of the Swedish marine insurance companies in Gothenburg October 30 1918].
\(^{32}\) Grenholm (1947), p. 87.
\(^{33}\) Svensk Försäkrings Årsbok 1920, p. 70.
\(^{34}\) Svensk Försäkrings Årsbok 1921, p. 69 f.
\(^{35}\) Svensk Försäkrings Årsbok 1924, p. 14 f.
\(^{36}\) Rinman (1943), p. 27.
\(^{37}\) Rinman (1943), p. 28.
Only in 1933 was there general agreement that foreign marine insurers should not be excluded. Still, no foreign insurers joined the association during the interwar period.

One may wonder why foreign marine insurers were initially not allowed as members. One possible explanation is that a cartel may be more difficult to manage with a greater number of member companies. This explanation may be derived from cartel theory. Stigler (1964) theorises that the risk of cheating in a cartel increases with the number of member companies and that pooling of information among the member companies becomes more expensive the greater the number of member companies. It has also been argued that it becomes more difficult to maintain unanimity of intent when the number of cartel members increases. These hypotheses have received empirical support. These potential difficulties may explain why foreign marine insurers were initially not allowed as members.

Neither the Swedish mutual marine insurers joined the association. One explanation for this can be derived from a combination of agency theory and cartel theory. Agency theory highlights that in the case of a stock insurer, the owners and the policyholders are different parties, while in the case of a mutual insurer the owners are also the policyholders. In other words, mutual insurers, unlike stock insurers, are cooperatives. In effect, in the case of a stock insurer, the owners have an interest in maximising their revenues from policyholders, while this is not so in the case of a mutual insurer. In price cartels, the member companies determine prices without regard to production costs. This means that premium rates are elevated to increase insurers revenues on the expense of policyholders, which is not in the interest of mutual insurers since the owners are also the policyholders. Mutual insurers thereby have fewer incentives than stock insurers to join cartels. Also, even if mutual insurers hold incentives to elevate prices, it is potentially difficult for them to sustain cartel agreements since their premium rates fluctuate with their business results. For instance, if claims are greater than expected, mutual insurers may collect supplementary premiums from policyholders.

Since the foreign marine insurers and the Swedish mutual marine insurers never joined The Swedish Association of Marine Underwriters, these groups of marine insurers were free to cut premium rates below the levels stipulated by the association, potentially rendering the price agreements ineffective.

Swedish mutual insurers

During the interwar period, The Swedish Association of Marine Underwriters established numerous binding price agreements in cargo insurance, but few for shipping companies' insurances. This difference is not explained by differences in regard to foreign competition since such competition was fierce in both cargo and in hull insurance. This difference was instead due to the dominance of Swedish mutual insurers in hull insurance. The association created binding price agreements also in hull insurance, but only in the segments of the market, where no mutuals were engaged. The mutual insurers were however not bounded only to a minor market segment. During the interwar period, approximately 40% the Swedish direct marine premium incomes were allocated to the mutual marine insurers, while the remaining 60% were allocated to the direct stock insurers. The mutual insurers' dominance in hull insurance thereby severely limited the range of the association's binding decisions.

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From the time of The Great Depression, *The Swedish Association of Marine Underwriters* however sought to influence the premium rates in hull insurance through cooperation with the largest Swedish mutual marine insurer; *The Swedish Steamship Insurance Association*. In 1930, *The Swedish Association of Marine Underwriters* discussed the possibility of generally increasing the premium rates.\(^{46}\) In 1931, the association of Norwegian marine insurers asked for a meeting with Swedish and Danish colleagues in order to establish similar hull premium rates in the Baltic Sea, but the Swedish association replied that the situation in the Swedish marine insurance market made it impossible for the member companies to negotiate on hull premium rates. Additionally, Axel Rinman was given the task to negotiate with Einar Lange, the manager of *The Swedish Steamship Insurance Association*, on premium rates in the Baltic Sea and to British North America.\(^{47}\) At this time, attempts to increase the hull premium rates were made also by marine insurers of other countries.

Following such negotiations, both *The Swedish Association of Marine Underwriters* and *The Swedish Steamship Insurance Association* accepted a number of stipulations on how hull insurance should be conducted, regarding for instance how long an insurance policy should be valid and how long before the termination of an insurance policy it was allowed to negotiate with the policyholder on a new policy. It is additionally worthy of note that these negotiations encompassed also British marine insurers, which were the leaders in the international market.\(^{48}\) This fact again highlights the importance of British marine insurers in the international market and that it was difficult for the Swedish marine insurers to maintain higher premium rates than the British ones.

Competition from mutual insurers was not an obstacle in cargo insurance since no mutual insurers were engaged in cargo insurance. This may seem surprising given that the stock insurers sought to increase their premium rates, potentially creating opportunities for the mutual insurers to compete with lower premium rates, thereby gaining risk dispersion. So why did the mutual insurers not move into cargo insurance?

An explanation is provided by agency theory, which argues that mutual insurers gain from insuring only comparatively homogenous risks since they are cooperatives. Thereby the potential owner-policyholder conflict has been eliminated. In effect, mutual insurers potentially effectively control for problems of asymmetric information: adverse selection and moral hazard. This is so, since peers often possess clearer insights into risk identification and assessment than do remotely situated insurers. Also, a policyholder is less likely to cheat peers than a remote insurance company.\(^{49}\) This advantage of mutuals however presupposes that the insured risks are homogenous enough to make the insights of peers central. If the mutual hull insurers would have moved into cargo insurance, their insurance risk portfolio would have been diversified, reducing the ability to control information asymmetries.

The mutual insurers’ dependence on insuring homogenous risks explains why no such insurers provided both hull and cargo insurance. The issue however remains why no mutual insurers focused exclusively on cargo insurance. An explanation is provided by a combination of agency theory and risk theory. As just pointed out, agency theory holds that mutual insurers prefer homogenous risks. Risk theory additionally highlights that cargo risks are more diverse than hull risks. As explained in the introductory chapter, all factors, which determine hull risks, must be taken into account also in cargo insurance. Additionally, a number of factors must be taken into account, which directly regard cargo under transport, such as how it is being loaded.\(^{50}\) Cargo risks are thereby potentially more diverse than hull risks, explaining the mutual marine insurers reluctance towards cargo insurance.

The partial division of markets between stock and mutual insurers was however unique to Sweden.\(^{51}\) It is possible that the major importance of Swedish mutual hull insurers made the difficulties to create

\(^{46}\) Sjöassuradörernas Förening, “Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 14 november 1930”, pp. 10-13 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg November 14, 1930].

\(^{47}\) Sjöassuradörernas Förening, “Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 25 november 1931”, p. 8 f, 12 f [Minutes of the meeting of the executive managers of the Swedish marine insurance companies in Stockholm November 25, 1931].


price agreements in hull insurance particularly great in Sweden. In Denmark, cooperation among hull insurers was successfully sustained.\textsuperscript{52}

In this context it should be noted that Dover (1960) seeks to explain why mutual insurers are dominant in some segments of the marine insurance market in some countries, but not in other countries. His answer is that first-mover advantages are so important that it is difficult for stock insurance to win business traditionally dominated by mutual insurers.\textsuperscript{53}

It should also be noted that attempts were made during the late interwar period to found a mutual cargo insurer. From 1935, \textit{The Swedish Association of Marine Underwriters} discussed a rumour that \textit{Sveriges Segelfartygs Förening} planned to found a mutual cargo insurance company, possibly guaranteed by a stock company. This initiative was conceived as a serious threat by the cooperating stock insurers. In 1935 and 1936 the association therefore decided not to provide reinsurance or coinsurance for mutual insurers, which conducted marine insurance in Sweden, but rejected membership in the association. Reinsurance and coinsurance are methods to distribute risks between several insurers.\textsuperscript{54} To obtain reinsurance or coinsurance is central in marine insurance since the insured ships and cargo are often of great value.\textsuperscript{55} These stipulations however excluded the already previously established mutual insurers, which were exclusively engaged in hull insurance. One member company however had reservations since it feared that the agreement would be interpreted as a business trust agreement. Other companies then emphasised the importance of joint resistance.\textsuperscript{56} The fact that this agreement was reached in spite of fears that the legislator would intervene highlights that mutual competition was considered a serious threat by the member stock insurers.

Another group of insurers which could potentially destroy the price agreements was opportunistic member companies.

**Opportunistic member companies**

With the deflation crisis of the early 1920s came cheating among the member companies. Cheating then caused severe difficulties to implement the association’s binding stipulations. At a meeting for the executive managers of the member companies in 1922, disputes evolved into a discussion on whether the association should be dissolved. Alrik Sundén-Cullberg of the member company \textit{Hansa} stated that there had lately been a great number of cases of disloyal competition among the member companies, including cases of lower premium rates than the ones stipulated in the binding price agreements. He therefore questioned the continued existence of the association. Harald Andersson of the member company \textit{Stockholms Sjöförsäkringsaktiebolag} stated that the times were highly inappropriate for competition between the marine insurance companies, and that the association should by all means be maintained. All present managers then stated that they wished to remain members of the association. An increase of the fines for disobeying the agreement on competition was discussed, but rejected.\textsuperscript{57}

Whether the association should be dissolved was also the topic of a longer discussion at a managers’ meeting of 1924. Alrik Sundén-Cullberg of \textit{Hansa} opened the discussion by stating that some member companies competed with lower premium rates than the ones of the binding price agreements.\textsuperscript{58} J. Boström of the member company \textit{Sjöassuranskompaniet} critiqued the association’s system to monitor whether the member companies complied with the agreement on competition. From 1918,
companies could be reported to the association’s executive committee, the so-called tariff committee, for not having complied with the so-called agreement on competition. This agreement strictly prohibited disloyal competition between the member companies. The tariff committee then proposed a verdict of guilty or not guilty to the managers’ meeting. If the company was found guilty by 75% of the member companies, it was fined 300 SEK.\textsuperscript{59} Boström’s difficulty with this practice was that the tariff committee not informed the managers’ meeting on the name of the accused company. This practice was however defended by Harald Anderson since it secured impartiality in the assessments of whether the agreement on competition had been disobeyed by will. An increase of the fines for disobeying the agreement on competition was discussed but rejected both in 1922 and in 1924.\textsuperscript{60}

The proposal that the association should be dissolved was explicitly rejected by managers of other member companies; Axel Rinman of Sveriges Allmänna Sjöförsäkringsaktiebolag, Carl Ahlberg of Ocean expressed, S.A. Lovén of Fylgia, and Harald Anderson of Stockholms Sjöförsäkringsaktiebolag.\textsuperscript{61}

These discussions highlight that there were difficulties of non-compliance with the binding agreements. As just pointed out, non-compliance could be punished by fines. This occurred in some instances during the early 1920s.\textsuperscript{62} Ultimately, the managers’ meeting could expel member companies by 75% of the votes.\textsuperscript{63} This however never occurred during the interwar period.

At this time, also other observers noted the association’s ineffectiveness. Already in 1921 had the yearbook of Swedish insurers critiqued the marine insurers for not cooperating sufficiently in times of deteriorating business results:

“It is therefore high time for the marine insurers to [...] improve the business circumstances before the business is ruined. Some parties however seem to strive for such a development by the reduction of premium rates. [...] In Denmark and Norway numerous marine insurance companies already face liquidation and this ought to create a sense of community. For most parties, however, the size of the premium incomes seems to be the main issue, not whether there is a surplus [...].\textsuperscript{64}

This observer also noted that the premium rates were pushed down below the levels of the price agreements.\textsuperscript{65}

There were also some difficulties of cooperation during the most extreme shipping overcapacity and The Great Depression of the early 1930s. In 1932 it was suggested to the tariff committee that the agreement on competition should be modified so as to give protection to loyal member companies against disloyal competition. In other words, at least according to some member companies, the agreement on competition was not always upheld. The tariff committee agreed that the reasonable

\textsuperscript{59} Sjöassuradörernas Förening, “Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Malmö den 5 och 6 december 1918”, pp. 20 ff, 18 (Attachment A) [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Malmö December 5 and 6 1918].

\textsuperscript{60} Sjöassuradörernas Förening, Sjöassuradörernas Förening, “Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 20 november 1924”, p. 6 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg November 20, 1924].

\textsuperscript{61} Sjöassuradörernas Förening, Sjöassuradörernas Förening, “Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 22 november 1922”, p. 6 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg November 22, 1922].

\textsuperscript{62} Sjöassuradörernas Förening, Sjöassuradörernas Förening, “Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 20 november 1924”, p. 6 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg November 20, 1924].

\textsuperscript{63} Sjöassuradörernas Förening, Sjöassuradörernas Förening, “Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 15 november 1921”, p. 8 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Stockholm November 15, 1921].

\textsuperscript{64} Svensk Försäkrings Årsbok 1921, p. 69.

\textsuperscript{65} Svensk Försäkrings Årsbok 1926, p. 59.
expectations on this agreement had not been met. Still, it suggested no modifications of the agreement since it considered the main cause of the problems to be a lacking sense of community among the member companies.66

The following managers’ meeting decided to ask the tariff committee to propose revisions of the agreement on competition and thereby of the articles of association.67 The tariff committee however made no proposals for the next meeting. In response, Svenska Veritas announced that it would henceforth when faced with disloyal competition retaliate by the same measures. Other member companies rejected such measures.68

These discussions show that cheating caused severe difficulties of implementation of the price agreements.

Foreign marine insurers

Foreign competition created severe difficulties to establish and implement price agreements. In fact, the standard argument against making the cartel more rigid was foreign competition, both in cargo and in hull insurance.69 Another example of stranded unilateral action is that the association stipulated an additional premium of 50% for dangerous cargo of full loads of heavy cargo, but had to remove this stipulation since there was no equivalent in the British market.70 The association also repeatedly had to adjust its insurance policy conditions to the ones of foreign competitors. For one, in 1927 the association discussed the option of introducing stricter conditions in freight insurance, but had to abandon this proposal because of competition from British companies.71

In order to better compete with the British market leaders, the association produced standard policies in English in the mid-1930s. These policies could be offered to foreign policyholders, which were unable to interpret Swedish policies.72

In this context it should be noted that economic historians Jan Kuuse and Kent Olsson have highlighted that the Swedish hull and cargo premium incomes recovered only slowly during the 1920s in the aftermath of the deflation crisis. These authors argue that an important explanation for this slow recovery is international competition in marine insurance, primarily from British marine insurers.73 This argument illustrates the importance of the British marine insurers.

On occasion, however, the association’s range of action was circumscribed also by competition from Danish marine insurers.74

In some instances, foreign competition was also posed by Swedish marine insurers’ foreign agencies. Alrik Sundén-Cullberg of Hansa pointed out in 1924 that some member companies had

66 Sjöassuradörernas Förening, “Tariffkommiténs sammanträde i Södertälje den 18-22 oktober 1932”, p. 2 f [Minutes of the meeting of the tariff committee in Södertälje October 18-22, 1932].
67 Sjöassuradörernas Förening, “Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 23 november 1932”, p. 7 f [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg November 23, 1932].
68 Sjöassuradörernas Förening, “Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 22 mars 1933”, p. 12 f [Minutes of the meeting of the executive managers of the Swedish marine insurance companies in Stockholm March 22, 1933].
69 See for example a discussion on the introduction of a binding tariff for the insurance of freight interest: Sjöassuradörernas Förening, “Protokoll hålet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 30 november 1927”, p. 9 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Stockholm November 30, 1927].
71 Sjöassuradörernas Förening, “Protokoll hålet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 30 november 1927”, p. 7-10 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Stockholm November 30, 1927].
74 For example: Sjöassuradörernas Förening, “Protokoll hålet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 30 november 1927”, pp. 7-10 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Stockholm November 30, 1927].
offices abroad, for which the binding price agreements were considered to be of no effect. A managers’ meeting of 1930 highlighted that the member companies offered lower premium rates in their foreign agencies than in the Swedish market. The meeting made a statement against that practice.

The perhaps most severe effect of foreign competition in regard to price agreements was that the price agreements could not be made to encompass so-called open policies for cargo. Such policies cover the cargo of multiple shipments and are mostly effected by important policyholders with regularly reoccurring shipments. That is; they are effected by important policyholders. The reason why such policies were not initially included in the price agreements was that some member companies feared losing important policyholders to competitors. During the critical discussion of 1924 on whether the association should be dissolved, S.A. Lovén of the member company Fylgia stated that the association’s greatest difficulty to be that open policies did not fall under the agreement on competition. Lovén proposed that the open policies should henceforth fall under the binding tariffs.

In response to such statements, a managers’ meeting of 1925 discussed the introduction of a prohibition to lower the premium rates of the open policies below the levels stipulated in the binding tariffs. Axel Rinman of Sveriges Allmänna Sjöförsäkringsaktiebolag and J. O. af Sillén of Heimdall argued for a prohibition in order to protect the price agreements. A prohibition was needed, they argued, not the least because of the difficulties of making agents and intermediaries respect the agreement on competition. The proposal on a prohibition was however rejected by the meeting with the argument that it would make the member companies too vulnerable to foreign competition.

The discussion was repeated in 1930, and it was argued that policyholders only had to raise the threat of procuring insurance cover from a foreign competitor in order to receive premium rates below the ones of the binding tariffs. It was however responded that the premium rates had to be flexible due to foreign competition. Rinman had by then partly switched views since export companies had founded offices in several of the receiving countries and had announced that they would cancel their policies with Swedish marine insurers if they could obtain lower premium rates with foreign marine insurers. Therefore Rinman no longer advocated a prohibition as regarded open policies for exports.

Also at a managers’ meeting of 1932, some participants considered the fact that open policies not fell under the binding tariffs to be the greatest problem of the cooperation. One participant argued that only few major policyholders saw the premium rates and conditions stipulated in the binding tariffs. The exclusion of open policies from the binding tariffs was however again defended with the foreign competition, particularly from the British marine insurer Lloyd’s.

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75 Sjöassuräderörs Förening, "Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 20 november 1924 ", p. 5 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg November 20, 1924].
76 Sjöassuräderörs Förening, "Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 14 november 1930 ", pp. 10-13 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg November 14, 1930].
77 Sjöassuräderörs Förening, "Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Malmö den 5 och 6 december 1918", p. 10 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Malmö December 5 and 6, 1918].
78 Sjöassuräderörs Förening, "Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 12-13 november 1919", p. 10 f [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg November 12-13, 1919].
79 Sjöassuräderörs Förening, " Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 23 november 1932", p. 7 f [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg November 23, 1932].
The difficulties of making open policies fall under the binding tariffs were probably known to a wider audience. In 1931, Gjallarhornet pointed out that Swedish marine insurers had to lower their premium rates on major open policies.82

Foreign competition however caused difficulties not only in regard to price agreements, but also in regard to market division agreements. At a meeting for the executive managers in 1930 it was proposed that all insurance of Swedish exports, which was provided by Swedish marine insurers, should be divided between the member companies, each member company received a predefined share. Axel Rinman of Sveriges Allmänna Sjöförsäkringsaktiebolag however doubted the possible success of an insurance pool for exports. His reasons for doing so were that Swedish export companies had founded offices in several of the receiving countries and had announced that they would cancel their policies with Swedish marine insurers if they could obtain lower premium rates in the receiving countries. The meeting accordingly made no decision.83

It is also worthy of note that the member companies considered this international character of the business to be a particularity of marine insurance. This was highlighted in discussions during the 1920s on the consequences for marine insurers of the introduction of a new Swedish law on insurance agreements. The member companies opposed such a law since it was considered necessary for the Swedish marine insurers to also in the future be able to enter into insurance agreements on the same conditions as foreign competitors, for example on the so-called Lloyd’s conditions. Otherwise, the insurers argued, their international competitive strength would be reduced since foreign policyholders would need to take into account a Swedish law, of which the meaning to them is unknown.84 One internationally important source of British marine insurance principles was the British Marine Insurance Act of 1906.85 Due to the international character of marine insurance, the association opposed a draft for law on insurance agreements, which stipulated that in the case of total averages the insurers should only have to pay the replacement value as determined by the market value even if that amount was lower than the insurance policy amount. The insurers opposed this proposition since Swedish insurance policies were used both in Sweden and abroad as securities. If, however, the value of these policies in the case of total averages could not on beforehand be determined with certainty, this would constitute an argument for policyholders, primarily ship owners, to sign insurance policies with foreign insurers.86 Similarly, the association opposed a proposal on how claims should be divided between marine insurers in the case of so-called general average. A general average is a situation where the crew of a ship chooses to dump cargo in the ocean in order to save the ship. This may occur in for instance during storms. According to long-established maritime practice, the losses resulting from such sacrifices shall subsequently be proportionally shared by all parties in that journey. In effect, there will be claims on all these cargo owners’ marine insurers. The rejected regulation regarded how claims in such situations should be divided between insurers, which had provided insurance on the same property: the proposal diverged from international practice and might therefore provide foreign marine insurers with a comparative advantage in relation to Swedish marine insurers.87

International competition was described as distinctive to marine insurance also in an internal debate of 1918. It was then argued that it is more difficult to increase premium rates in marine

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82 Gjallarhornet 1931, p. 5
83 Sjöassuradörernas Förening, ”Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Göteborg den 14 november 1930 ”, pp. 10-13 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg November 14, 1930].
84 Sjöassuradörernas Förening, ”Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 29 november 1923 ”, pp. 13, 28 (Bilaga I och II) [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Stockholm November 29, 1923].
86 Sjöassuradörernas Förening, ”Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 29 november 1923 ”, pp. 13, 28 (Bilaga I och II) [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Stockholm November 29, 1923].
87 Sjöassuradörernas Förening, ”Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammanträde i Stockholm den 29 november 1923 “, p. 28 f (Bilaga II) [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Stockholm November 29, 1923].
insurance than in fire or responsibility insurance since transnational transports are insured in competition between insurance companies of different countries.\textsuperscript{88}

Given these arguments, it may seem surprising that foreign agencies were of minor importance in interwar marine insurance. The Swedish marine insurers received only 5-10\% of their direct marine premium incomes through foreign agencies. These foreign agencies were located in various countries. For one, in Norway, agents were employed by the Swedish marine insurers Ägir, Sveriges Allmänna Sjöförsäkringaktiebolag and Ocean.\textsuperscript{89} Ägir also employed agents in Denmark, the Netherlands, and France.\textsuperscript{90} Correspondingly, foreign insurers were only of negligible importance in the Swedish marine insurance market.\textsuperscript{91}

Swedish fire insurance is an appropriate point of comparison since that business shares several characteristics with marine insurance, such as the major insurance policy amounts. In that business, foreign agencies seem to have been of greater importance in fire insurance than in marine insurance. In fact, a substantially greater share of Swedish insurers’ direct premium incomes were foreign in fire insurance than in marine insurance; in fire insurance this share was slightly more than 20\%, while only 5-10\% in marine insurance.\textsuperscript{92} Accordingly, foreign companies were of greater importance in the Swedish fire insurance market than in the Swedish marine insurance market; foreign insurers' share of the total fire insurance premium incomes was approximately 5-10\%, while only 0.1\% in marine insurance.\textsuperscript{93}

The minor importance of foreign agencies in marine insurance should however not be taken to indicate an actual lack of foreign competition. The member companies also pointed out another characteristic of marine insurance as unique to that line of insurance, namely the competence of the policyholders. The member companies argued that the marine policyholders, ship and cargo owners, possess the same insights on the formulation of insurance agreements as insurers, while this was considered not to be so in other lines of insurance.\textsuperscript{94} The competence of the policyholders may explain why international competition was fierce although foreign agencies were of minor importance; they were probably competent to compare the conditions of marine insurers in different countries. Such information could be taken into account in negotiations between buyers and sellers of transported cargo on who should procure insurance cover for the cargo. Also, shipping companies may have chosen to procure insurance cover when frequenting foreign ports. Furthermore, as shown in the discussions on the establishment of a market division agreement for Swedish exports, there was a tendency at least among Swedish exporters to found foreign offices during the interwar period, potentially making it easier to procure foreign marine insurance cover. Interwar Swedish marine insurance thereby poses a seeming paradox; while foreign agencies were of minor importance, foreign competition over the internationally mobile policyholders was fierce.

The minor importance of foreign agencies was not an exclusively Swedish phenomenon. Peter Borscheid has shown that international insurance was disintegrated during the interwar period in the sense that foreign agencies were terminated in many countries and in the sense that premium incomes from foreign markets were of decreasing relative importance. According to Borscheid, this was so not the least due to antipathy between governments and protectionism.\textsuperscript{95}

During the late interwar period, The Swedish Association of Marine Underwriters however feared that a foreign competitor was to establish a foreign agency in Sweden, more directly exposing the member companies to foreign competition. In 1937, British Indemnity Marine Assurance Company received permanent representation in Sweden through AB Assuranscentralen in Stockholm. This

\textsuperscript{88} Sjöassuradörernas Förening, ”Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammantände i Malmö den 5 - 6 december 1918”, p. 11 [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Malmö December 5 - 6 1918].

\textsuperscript{89} Grenholm (1947), p. 110, Rinman (1922), p. 61, Sjöförsäkringsaktiebolaget Ocean 1872-1922 (1923), p. 54.


\textsuperscript{91} Official Statistics of Sweden, Private Insurance Companies 1919-1939.

\textsuperscript{92} Official Statistics of Sweden, Private Insurance Companies 1920, 1925, 1930 and 1935.

\textsuperscript{93} The Official Statistics of Sweden, Private Insurance Companies 1920, 1925, 1930 and 1935.

\textsuperscript{94} Sjöassuradörernas Förening, ”Protokoll hållet vid Verkställande Direktörernas för de Svenska Sjöförsäkringsaktiebolagen sammantände i Stockholm den 29 november 1923”, p. 14 f (Bilaga I) [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Stockholm November 29, 1923].

\textsuperscript{95} Borscheid (2007).
company did not apply for membership in The Swedish Association of Marine Underwriters, and the association therefore feared new competition. That year the association therefore decided not to provide reinsurance or coinsurance for foreign marine insurers with foreign agencies in Sweden, which were not members of the association. This measure of retaliation was probably considered central since, as pointed out previously, it was made although the member company Svenska Veritas had reservations since it feared that the agreement would be interpreted as a business trust agreement by the Swedish state. Other companies then emphasised the importance of joint resistance to intrusions in the Swedish marine insurance market. Svenska Veritas however fell into line in 1938, when the association unanimously expressed the need to use all measures to guard the member companies against Indemnity Marine Assurance Company and rejected the “in this country by a foreign company’s representatives conducted disloyal competition, which obviously is not in accordance with good business customs and sound insurance principles”. In other words, the establishment of this foreign marine insurer in the Swedish market was considered such as serious threat that it was not the first priority to secure legitimacy in the eyes of the legislative. In 1939 Indemnity Marine Assurance Company however declared that its agent in Stockholm should act as a member of The Swedish Association of Marine Underwriters, and this was accepted by the association. Indemnity Marine Assurance Company was the foreign insurer, which earned the greatest marine premium incomes in the Swedish market during the interwar period. Still, during the years 1937-1939, the company’s marine premium incomes never reached half the volumes of the smallest Swedish stock marine insurer, corresponding to approximately 0.1% of the total Swedish marine premium incomes.

As pointed out previously, foreign marine insurers were not allowed as members of the association before 1933, probably since cartels become increasingly difficult to manage as the number of member companies increases. In 1933 there was however general agreement that foreign insurers should not be excluded. This switch of views may well have been due to the fierce competition of the 1920s.

Finally, it should be noted that the member companies in some instances could profit from the existence of the British market leaders. For some cargo, the association granted insurance on the Lloyd’s conditions, possibly not only to mitigate competition, but also to profit from the great knowledge accumulated in this long established marine insurance institution. Following the premium rates of insurers with greater access to information is one of the methods of premium determination in marine insurance under great uncertainty proposed by Cockerell (1984). Also in other cases, the Swedish marine insurers could profit from the greater knowledge of the British marine insurers, such as when the association in 1933 recommended the British additional premium rates for war risks to China or Japan.

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96 Sjöassuradörernas Förening, ”Protokollet vid 1934 Års Ajournerade Årsmöte i Göteborg den 28 Februari och 1 mars 1935”, p. 13 f [Minutes of the meeting of the executive managers of the Swedish Marine insurance companies in Gothenburg February 28 and March 1, 1935].

97 Protokoll hålet vid Sjöassuradörernas Tarifförenings årsmöte (46:e mötet) i Göteborg den 26 november 1936, p. 21 [Minutes of the Swedish Association of Marine Underwriters’ annual meeting in Gothenburg November 26, 1936].


100 Official Statistics of Sweden, Private Insurance Companies 1937-1939, 1937: premium incomes 18000 SEK, no claims paid. 1938: premium incomes 40000 SEK, claims paid 6000 SEK. 1939: premium incomes 90000 SEK, claims paid 35000 SEK. (Official Statistics of Sweden, Private Insurance Companies 1937-1939.) The dominance of the Swedish companies was however not unique to the interwar period; during the last two decades before World War I, foreign companies commanded approximately 1% of the Swedish marine insurance market. (Official Statistics of Sweden, Försäkringsväsendet i Riket 1893, 1903, Private Insurance Companies 1913.)

101 Sjöassuradörernas Förening, ”Protokoll hålet vid Verkställande Direktörsrums för de Svenska Sjöförsäkringsaktiebolagen sammansamträde i Stockholm den 21 och 22 november 1933 “, p. 8 f [Minutes of the meeting of the executive managers of the Swedish marine insurance companies in Stockholm November 21 and 22, 1933].


103 Sjöassuradörernas Förening, ”Protokoll hålet vid Verkställande Direktörsrums för de Svenska Sjöförsäkringsaktiebolagen sammansamträde i Stockholm den 22 mars 1933”, p. 16 [Minutes of the meeting of the executive managers of the Swedish marine insurance companies in Stockholm March 22, 1933].
The member companies however ultimately recognized that they could not obtain effective reduction of competition and maintenance of premium rates in the Swedish market without cooperation with foreign marine insurers. The association’s ultimate response to foreign competition was therefore to move into international cooperation. This strategy was systematically employed from approximately 1930, when The Swedish Association of Marine Underwriters increasingly engaged in The International Union of Marine Insurance (IUMI), which sought to reduce international competition between marine insurers. This however proved difficult to obtain during the interwar period since British marine insurers refuted price agreements.104

Concluding discussion
This paper has investigated how The Swedish Association of Marine Underwriters was affected by the actions of three groups of marine insurers, which could potentially destroy the cooperation, and how this cartel responded. This has been done with agency theory and cartel theory as frames of reference.

It was initially argued that three groups of insurers could potentially destroy the cooperation in The Swedish Association of Marine Underwriters by cutting premium rates; Swedish mutual marine insurers, opportunistic member marine insurers, and foreign marine insurers. The paper has investigated which groups of marine insurers were members of the association, and has subsequently discussed the effects on the association of the actions of each of the three groups of companies, which could potentially destroy the cooperation.

It was first concluded that all Swedish direct stock marine insurers were members of the association from 1918. However, the Swedish mutual marine insurers were not members. This thesis has explained the fact that the mutual marine insurers never joined with agency theory as a starting point. Thereby it has been highlighted that mutual insurers are cooperatives, meaning that their owners take little interest in cooperation to increase revenues from policyholders. Another lacking group of member companies was foreign marine insurers. Until 1933 such insurers were not allowed as members. This reluctance towards foreign marine insurers was explained with reference to cartel theory, which highlights that cartels may be more difficult to manage with a greater number of member companies.

The paper subsequently analysed the effects on the cooperation of the Swedish mutual marine insurers’ actions. It was first observed that there were more price agreements in cargo insurance than in hull insurance. This difference was explained with the fact that there were Swedish mutual hull insurers, but no Swedish mutual cargo insurers. Drawing on agency theory, it was argued that this delimitation of the mutual insurers’ sphere of business was probably due to cargo risks being more diverse than hull risks. Previous research however also points out that first-mover advantages may be important to explain division of markets between stock and mutual insurers. These mutual insurers dominated the Swedish hull insurance market, and it appears that the association chose not to compete in that arena, probably since the premium rates of mutual insurers vary with the business results. The dominance of the mutual insurers in hull insurance thereby delimited the range of the association’s binding stipulations. On occasion, the member companies however cooperated with the mutual insurers in hull insurance. It should also be noted that the association feared the establishment of a mutual cargo insurer and took measures to prohibit such establishment.

The paper subsequently analysed the effects on the cooperation of cheating member companies’ actions. During the crises of the early 1920s and the early 1930s, some member companies tended to act opportunistically by disobeying the association’s binding agreements, which were intended to delimit competition between the member companies. This was done although the association had the competence to fine member companies for non-compliance with binding agreements. In effect, there were accusations among the member companies on non-compliance and some companies were fined. The majority of member companies however rejected an increase of the fines and no cheating companies were expelled. Instead, there were calls for more sense of community in the present difficult times. This was probably an at least partly successful strategy; after the problematic first years of the 1930s, complaints on cheating were rare.

104 Petersson (2011)
Finally, the paper analysed the effects on the cooperation of foreign marine insurers’ actions. The association sought to establish price agreements in spite of such competition, but had to reject numerous proposals because of such competition. Foreign competition additionally created difficulties to implement the established price agreements. Foreign competition was the main reason why it proved difficult to make open policies fall under the binding price agreements. It also made a market division agreement for Swedish exports impossible. Foreign insurers were however of little direct importance in the Swedish marine insurance market. Instead, their importance was indirect and due to the fact that policyholders could switch between insurers of different countries. Nonetheless, the association feared the establishment of foreign competitors in the Swedish market and took measures to circumscribe such a scenario. The association’s ultimate response to foreign competition was however to move into international cooperation. This strategy was systematically employed from approximately 1930, when The Swedish Association of Marine Underwriters increasingly engaged in The International Union of Marine Insurance (IUMI).

It may therefore be concluded that the association’s response to handle the actions of these three problematic groups of marine insurers was always the same; to call for more cooperation. It should also be noted that no member company left the cartel. By contrast, in liner shipping, another inherently international business, dissatisfaction of one of the member companies has almost always caused the termination of the cooperation. The sustainability of the cooperation in marine insurance may seem surprising, given the numerous complaints on ineffectiveness. The interwar Swedish marine insurers thereby seem to have realised that they faced challenges, which they could hardly manage individually.

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105 The only exception from this rule is that Svenska Veritas exited the association for a few months of 1937. (Sjöassuradiéerens Förening, “Protokoll hållet vid Sjöassuradiéerens Tarifrågernas Årsmöte i Stockholm den 25-26 november 1937”, p. 11 [Minutes of the annual meeting of the Swedish Association of Marine Underwriters in Stockholm November 25-26, 1937].)

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