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Insurance cartels and state policies in Norway, 1870s–1990s

Harald Espeli

Department of Law and Governance, BI Norwegian Business School, Oslo, Norway

ABSTRACT
This paper analyses the prolonged nature of two related cartels in life and non-life insurance, in Norway. Insurance cartels and the role of the state are rarely studied in cartel research, although such cartels are common. Cartels played an important role in creating trust and stability in the formative years of the Norwegian insurance industry. In life insurance, premiums are paid sometimes decades in advance. Reducing high transaction costs can also explain the state's prolonged support of the fire and non-life insurance cartels. State policy towards the fire insurance cartel changed after World War I, when the state became a competitor, although its regulations did not directly weaken the non-life insurance cartel, this finally collapsed due to mergers in 1982. State support for the life insurance cartel was strong from the 1920s to the 1980s. By then it was difficult to differentiate between state-sector regulations and cartel interests. The life insurance cartel was dismantled by new state regulations in the mid-1980s.

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1. Introduction

Much international cartel research is related to industry linked to manufactured products, metals, oil and other commodities, and to the various factors influencing the establishment, impact and longevity of such cartels (Grossman, 2004; Levenstein & Suslow, 2006). There has been much less interest in insurance cartels, despite the fact that they often were very long-lived compared to other cartels, which were often inherently unstable (Levenstein & Salant, 2007; Lewenstein & Saland, 2007a). In a recent overview of cartel research, Harm Schröter noted that 'all countries allow(ed) cartels in banking, insurance and agriculture' (i.e. 'key sectors' of the economy). Nevertheless, in Schröter's analysis of cartels, these sectors are mentioned only in passing, banking partly excepted, (Schröter, 2013, p. 990, 1001). One possible explanation as to the meagre scholarly interest in insurance cartels is that few seem to have been international.

Although European insurance cartels were normally restricted to the nation-state or to specified regions prior to World War II, multinational insurance companies were usually members of several national cartels through their subsidiaries or general agents. The cartels of the home country of these multinationals often served as a model in other countries, as in Norway, Sweden and Finland; the multinationals often played an important role in establishing and maintaining these national cartels (Hallendorff, 1923, pp. 204–205; Ødegaard, 1926). Insurance cartels have usually been left to the relatively specialised insurance historians who, with a few exceptions (e.g. Larsson & Lönnborg, 2016), concentrate on other aspects of the industry.

This article analyses the history of insurance cartels in Norway and state policies influencing their establishment, continued existence, impact and downfall between the 1870s and the 1990s. Marine

CONTACT Harald Espeli harald.espeli@bi.no

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insurance is not considered due to limitations of space. The insurance cartels mainly regulated minimum or fixed premiums/tariffs and policy terms to ensure the insurance products of member companies were more or less identical. With one important exception, there were few market division agreements. The main motive behind the tariff cartels was to avoid price wars and so create industrial stability and trust amongst customers. For consumers, it was vital that the insurance companies eventually fulfil their contractual obligations to compensate after fires, accidents and death. Non-life insurance cartels also sought to reduce the transaction costs of setting tariffs on countless objects and persons while satisfying both the customers and cartel members. In contrast to many other cartels, their aim was not to restrict output but to increase it through fostering confidence amongst potential customers.

2. The insurance cartels and the state

The tacit or explicit governmental support given to the establishment and maintenance of insurance cartels in Norway was motivated by the desire for industrial stability. Insurance is based on trust between firms, their customers and the wider public. Trust was particularly important in life insurance, and (from 1917) occupational pension insurance. The result was that destabilising competition on products, premiums and policy conditions were restricted to a minimum. This was also essential to secure the financial foundation of the industry – so that the returns guaranteed in the life and pension insurance contracts – four per cent until 1938 – actually would be achieved. These goals required detailed regulation of products and control of accounts unparalleled in other branches of insurance or other industries. The regulations and control resulted in a seamless coexistence between cartel agreements and public regulations as well as their mutual reinforcement.

Fire insurance and other forms of non-life insurance were much less politically important in the twentieth century and with few exceptions the state did not intervene to regulate such cartels directly until 1983. However, the non-life cartel had then just collapsed, due to the merger between the two largest cartel members under the pressure of three decades of increasing competition from non-tariff companies. This competition had worn down the internal belief in the cartel organisation and the support from its largest members; particularly Storebrand. Storebrand's three generations of Hansson CEOs from 1878 to 1965 had been essential in the establishment, stabilisation and cohesion of the cartel. These leaders epitomised what Schröter has labelled 'cartel-matadors' (Schröter, 2013, p. 1002). In comparison, the comprehensive life insurance and pension insurance cartel was much more entrenched but it too was dismantled, by a series of deregulatory measures which seem to have been more far-reaching than in other West European countries.

The sustained stability of the Norwegian insurance cartels considered here indicates that these cartels represented a distinct and historically important form of business organisation, as in Sweden, and not just a kind of collusive act between firms (Larsson & Lönnborg, 2016; Schröter, 2013). Jeffrey Fear has argued that cartels should be considered as a specific form of economic arrangement additional to the classical concepts of competitive markets and hierarchies (Fear, 2007, p. 269).

The role(s) of the state(s) has often been absent in studies of the determinates of 'cartel success' (Grossman, 2004; Levenstein & Suslow, 2006). Where the state has been included in the analysis, it has often been restricted to the competition and antitrust authorities. In many sectors, however, the supervising authority of the industry has been more important in regulating competition. That was certainly true in Norway with the supervisory body in insurance, Forsikringsrådet (the Insurance Council), which actively supported the establishment and maintenance of the integrated life insurance cartel in Norway between 1912 and 1986.

The role of the Norwegian state can be differentiated into four functions. During most of the period after 1912, the state ran a major departmental enterprise operating on a principle of cost recovery, in public non-life insurance; Norges Brannkasse (Norwegian Fire Insurance). After 1974, it was organised as a mutual enterprise. Through this, the state could directly influence market competition. Second, the state could influence the insurance industry through its general economic policy. Norway was a small and open economy adhering to the gold standard from 1874 to 1914,

with no barriers of entry for foreign insurance companies, until 1912. Third, the state acted as a competition regulator through its competition policy and law, starting with the Trust Act of 1926; the first 'real' competition law in Europe (Gerber, 1998, p. 156). Fourth, the state could regulate the sector through specialised and relatively independent bodies, such as Forsikringsrådet, established in 1912.

The remainder of the paper is in four parts. It starts with an analysis of the particular importance of trust for the insurance industry and how the sector coped with moral hazard and adverse selection issues prior to the interwar period. Then follows a chronological analysis of the development of insurance cartels in Norway, divided into four periods. The first, from 1850 considers the liberalisation of the fire insurance sector, the establishment of the cartel in 1876 and ends prior to the Insurance Companies Act of 1911. With the establishment of a concession system in 1911, began the detailed monitoring and regulation of life insurance companies by a new surveillance body, Forsikringsrådet. The period ended in 1938 when a needs-based concession system was established for both life- and non-life insurance, which existed until 1989. The third period, covered 1938 to, about 1960, when insurance was exempted from the new legal ban on horizontal price agreements. The exemption formalised the practise of regulating the insurance industry through, Forsikringsrådet, and through sector-specific credit regulations established by the Ministry of Finance. These credit regulations, which fall beyond the scope of this paper, strengthened the cartel. In non-life insurance areas, the fourth period from 1960 was characterised by more intensive competition. This began in 1957 when one company withdrew from the cartel to compete freely and an ambitious group of mutuals never joined the cartel. The merger between two of the biggest members of the non-life insurance cartel in 1982–1983 resulted in the cartel collapsing. In contrast, the mergers of Norwegian life insurance companies after 1960 did not undermine their cartel. Its destruction was started by the governmental withdrawal of the cartel's exemption from the ban on horizontal price agreements in 1983. It was followed by a new act on insurance activity in 1988, which introduced new, radical regulations to increase competition.

3. Trust, moral hazard and adverse selection

The insurance industry is based on trust to a much larger degree than most industries. In the case of a limited non-life insurance company, customers pay a premium in advance (e.g. for the next year) and expect a compensation if a fire or an accident happens in that year. In many forms of non-life insurance, compensation payments can have a long tail, as it is called, making the customer totally dependent on the continued commercial existence of the company for decades. In life and pension insurance, premiums are paid up to 70 years in advance, making the question of trust in the individual company and in the insurance industry an existential issue.

When the unregulated life insurance industry in Victorian England expanded rapidly from the 1840s, the boom resulted in a bust in 1860. The state intervened to recreate trust in the sector through the Life Assurances Company Act of 1870. From the 1880s, the English life insurance industry established more effective self-regulation (i.e. cartels) based on the experience of the fire insurance industry which had initiated its formal cartel, the Fire Offices' Committee, in 1858 to create stability and trust amongst customers (Alborn, 2009, Chapter 2; Pearson, 2004, pp. 213–214).

The challenges of moral hazard and adverse selection amongst (potential) customers of the insurance companies made risk evaluation and premium setting difficult, especially in the early stages of modern commercial insurance, when the trust was particularly important. Mutuals and limited liability companies meet these challenges in different ways (Hansmann, 1985; |Smith & Stutzer, 1990, 1995). A mutual insurance company is based on the principle of joint liability of the members. Most of the Norwegian mutual fire insurance associations had little equity and set premiums which facilitated financing small to medium-sized compensation. If fires and resultant damages were large, the mutual sent posterity calls to the members to be cover compensation payments. For local fire insurance mutuals, regular control of fire risks, ability to extinguish or curtail fire, social

cohesion and trust were the solutions to these challenges and these mutuals proved to be very competitive and successful in the countryside until World War I (Espeli & Bergh, 2016, Chapters 2–5).

For limited fire insurance companies, fixed-price contracts with the customers were an important competitive advantage compared to mutuals but such contracts also meant that the risks could ultimately become the shareholders' liability. To reduce the risks to their shareholders and the challenges of moral hazard and adverse selection, the limited companies formed tariff cartels to minimise competition on prices and policy conditions. The first fire insurance cartels standardised risk assessment and premium setting according to factors contributing to fire extinguishment, such as geographical setting, quality of buildings in relation to fire diffusion, commercial activity, and water supply. Mutuals were usually excluded from becoming members of these cartels because these feared that mutuals would undermine the tariffs, but it was not unusual for a cartel and a mutual to cooperate (Hallendorff, 1923, pp. 164–166).

In the United States after 1873, fire insurance cartels were organised very differently from those in Europe, through their use of the American Agency system, whereby the agents served numerous companies which shared the same risks, thereby reducing the need for reinsurance. The tariffs were set by local boards. This system was successful in diversifying risks and preventing rate-cutting. This diversification meant most companies survived the 1906 San Francisco earthquake and fire and paid about 90 per cent of the claims (Baranoff, 2003).

In life insurance, close cooperation on substandard risks, or 'less good lives' ('mindre gode liv') as it was called in Norway, was particularly important. Substandard risks were individuals who could be accepted as customers only by paying an extra premium based on a collective pricing decision. The aim was to prevent high-risk individuals exploiting different companies' evaluations and thus through adverse selection undermining the actuary-based premiums and the financial viability of the industry (Christensen et al., 1967, p. 35 ff.; Larsson & Lönnborg, 2016, p. 50 ff.).

The introduction and use of reinsurance was also based on trust and transparency amongst the participants and facilitated the establishment of cartels. Particularly domestic but also international reinsurance had cartel-like elements, and the reciprocity principle in effect demanded minimum tariffs (James, Borscheid, Gugerli, & Straumann, 2013, p. 157 ff.; Pearson, 2017, pp. 78–80). Reinsurance was often essential in maintaining national cartels by harmonising their tariffs (Larsson & Lönnborg, 2014, p. 50 ff.) and by preventing non-tariff companies from competing on price with cartel members (Keneley, 2002, p. 69; Westall, 1984, pp. 134–136; Westall, 2006, p. 1638).

The insurance industry's dependence on trust demanded that successful life insurance companies in the small Norwegian market purchase the contracts of failing companies to secure their customers' entitlements and prevent erosion of public confidence in the industry (Espeli & Bergh, 2016, p. 151). Significantly, the incentives to form and maintain prolonged cartels and to prevent cheating were greater in the insurance industry than in other industries that have been more thoroughly analysed in cartel research. These incentives help to explain the stability of insurance alliances compared to most other cartels which are usually considered unstable due to incentives to violate agreements (Stigler, 1964).

Norway and the other Scandinavian countries are also considered to be high-trust societies (Fukuyama, 2014, pp. 25–26). High-trust societies valued creating stability through cartels, often through the good personal relations of important company leaders, although the Danish non-life insurance sector prior to World War I may have been an exception (Thomsen & Thorsen, 1963, p. 280 ff.).

4. A small, open economy and the consolidation of the fire insurance cartel

The liberalisation of the Norwegian economy in the 1840s, included the insurance industry. From 1767 to 1847, to cope with large disasters it was mandatory to insure town buildings though the state's fire insurance enterprise. When the monopoly was lifted in 1847, Norway became one of the most open insurance markets in Europe. Until the Insurance Companies Act of 1911, there

were no licensing or deposit requirements or any supervision of foreign insurance companies selling their products through agents; nor were there any tax preferences for domestic companies, as occurred in Britain.[1]

Only Norwegian life insurance companies were regulated. Their bylaws had to be accepted by a supervisory authority (Tilsynskomiteen) and the King in Office before they could market their products. In 1861, Tilsynskomiteen established the separation principle; life insurance and non-life insurance had to be independent legal entities to secure customers' entitlements (Færden, 1967, p. 616 ff.). Safeguarding these entitlements was the paramount aim of the Insurance Companies Act.

The small but open Norwegian market attracted numerous foreign companies which operated through general agents and never established subsidiaries. The first was British Alliance in 1827, followed by Sun in 1836 and thereafter about 80 more non-life companies until the turn of the century, although no more than 20 ever operated simultaneously. For many years they insured only chattels, machinery and inventories against fire as did the Norwegian limited insurance companies; Gamle Bergen, being the first in 1838. In 1857, there were seven Norwegian companies, Sweden had one and Denmark none. In the following years, city fires forced a few to close, so by 1870, there were five engaged in energetic price competition. The first serious attempts to establish a cartel occurred from1868–1872, between the Norwegian companies and the Swedish Scandia and Svea companies which had numerous Norwegian shareholders and were the largest foreign companies in Norway at the time. The most active individuals behind these attempts had close contacts with the Fire Offices' Committee, the 1858 British fire insurance cartel. This both served as a model and supported and advised the endeavour directly or through the general agents of its cartel members. Although the negotiators agreed on common tariffs, a few companies' boards of directors rejected the negotiated compact. A proposal for a market division agreement experienced a similar fate (Ødegaard, 1926, pp. 31–41).

In 1873, the Swedish fire insurance cartel was established in Stockholm after prolonged negotiations. It succeeded a Gothenburg cartel, established in 1866, dominated by Svea, and once established in Stockholm from 1868 under Scandia. The Swedish Fire Tariff Association (Svenska Brandtariff-föreningen) was established with the three Swedish companies, 11 British companies, one German, one Danish and one Norwegian company. The cartel explicitly banned any return of commissions from agents to customer. Violations of the agreement, including withholding information, would result in a minimum 50 SEK fine. The domestic companies, particularly the two largest, were more dominant in the Swedish fire insurance market than domestic companies were in the later Norwegian fire insurance cartel (Hallendorff, 1923, pp. 36–68, 70–71).

Renewed negotiations to form a Norwegian cartel started in 1875, resulting in an agreement on fixed tariffs from 1876. The cartel informed the public about this agreement through newspaper advertisements in spring 1876 although the detailed tariffs were secret. However, the cartel was really consolidated in 1877, when 23 limited companies, including all seven from Norway, joined the cartel. A successful price competitor, the regional mutual Akershus' subsidiary insuring chattels, also agreed to follow the cartel's tariffs. In addition, the cartel members not only followed the Swedish cartel's terms, but also agreed to abstain from supporting any non-tariff company through reinsurance. In doing this they followed the British Fire Offices' Committee approach, where such a ban was an essential element of that cartel.

The key players in the successful establishment and consolidation of the cartel were from the two largest Norwegian companies, Storebrand and Norden, Sweden's Scandia and Svea, the Fire Offices' Committee, which was frequently consulted, and the general agent of North British and Mercantile, Michael S. Hansson. He became Storebrand's CEO from 1878 and from 1880 chairman and later member of the cartel's powerful assurance committee. Meeting weekly, the committee proposed all changes of tariffs, often based on inspections, and functioned as a court deciding fines for breaches

[1]In (Pearson & Lönnborg, 2008, p. 81), Norway's regulatory regime is characterised as monitorial prior to 1914. This is misleading. On tax preferences in Britain, see Norwegian Parliamentary Records, Dokument nr.18 1909 Tillæg 4, pp. 4–6.

of the cartel contract. Hansson was considered the backbone of the cartel until he retired in 1914. The public's trust of the cartel and the professional status of the assurance committee were enhanced by the committee's two external members, the head of the capital's fire brigade and the CEO of the state's fire insurance enterprise, (Norges Brannkasse) Karl Olsen. In 1899, Olsen even became the chairman of the committee, although Norges Brannkasse never became a cartel member (Ekberg & Myrvang, 2017, pp. 145–172; Lorange, 1944, pp. 63–72; Ødegaard, 1926, pp. 45–87, 234, 242–245).

Olsen's role reflected the close cooperation between the state enterprise and the limited companies prior to establishment of the cartel, when the state enterprise often insured the buildings and the limited companies machinery, inventories and chattels. The cartel copied the risk classes of Norges Brannkasse but added one with higher premiums. Tariffs were differentiated according to building materials, density of buildings, and the quality of the local water supplies and fire brigades. There were about 1000 special tariffs for industrial plants and specialised buildings in the late 1880s. The fine-meshed tariff system gave the impression that rates were based on statistical evidence but in reality, they were based on the best judgement of the members of the assurance committee. In 1901, a governmental committee concluded that the critique of the cartel's tariffs was not unfounded. It proposed that Norges Brannkasse should insure chattels, machinery and inventories and start competing with the cartel (Brannforsikringskommisjonen av, 1897, 1901, pp. 51–70, 343–344; Ekberg & Myrvang, 2017, pp. 173–178; Ødegaard, 1926, pp. 94–96).

Previously, public criticism of the cartel was raised repeatedly by trade associations and Liberal MPs as early as the 1890s. One demand from these MPs, including the later prime minister Gunnar Knudsen, was that Karl Olsen's position in the cartel was incompatible with his role as CEO of Norges Brannkasse. Olsen's cartel role signalled explicit support and legitimisation of its activities by the state. In 1896, Knudsen was the first MP to propose that Norges Brannkasse should start insuring machinery and chattels to protect the cartel's customers against undue profits. The criticism of Olsen's dual roles eventually led to his enforced resignation from his elected positions in the cartel in 1907 (Færden, 1967, pp. 312–316; Johnsen, 1956, pp. 151–152, 205–206).

The city and town municipalities were particularly critical of the cartel, and in 1903 the municipality association demanded that Norges Brannkasse undertake chattel insurance (Hompland & Lesjø, 2016, pp. 15–16). In 1909, Knudsen's Liberal government proposed this, but a new Conservative government withdrew the proposal in 1910. However, in 1912, Parliament enacted a new law, and in 1915 Norges Brannkasse opened for chattel insurance and underwriting despite CEO, Olsen's prolonged opposition (Johnsen, 1956, pp. 207–214, 309 ff.).

The cartel had received ample time to prepare for the new competitor. Headed by Storebrand, the cartel in 1914 started a public campaign against Norges Brannkasse's entry into chattel insurance. More dramatically, however, the cartel reduced its tariffs on chattels by about a third, while arguing that the radical price reduction had no connection with the new entrant, which itself experienced a deficit in its chattel insurance in the first years. The cartel companies also started to compete in ordinary building insurance with Norges Brannkasse (Ekberg & Myrvang, 2017, pp. 246–250; Johnsen, 1956, p. 309 ff.).

The most important long-term effect of Norges Brannkasse's entry into chattel insurance was to reduce the extreme segmentation of non-life insurance market. Until 1915, the most vibrant competition was in the countryside, where the local fire mutual insurance associations had succeeded in achieving a larger market share than Norges Brannkasse. The mutuals also offered insurance of chattel and inventories to farmers and small countryside businesses at much lower prices than the cartel (Espeli & Bergh, 2016).

Interestingly, the market shares of foreign companies in Sweden's cartels were relatively stable and seldom above 15 per cent, while in Norway their market share in the cartels increased from 33 per cent in 1876 to over 43 per cent (reinsurance excluded), between 1900 and 1912.[2] The Insurances Companies Act of 1911 did not permit foreign companies to establish subsidiaries, (which none had at that time) but required all general agents deposit 100,000 NOK to secure customers' interests. A number of foreign insurance companies – both life and non-life – withdrew from the

Norwegian market due to this modest requirement. It was World War I, however, that really reduced the market shares of the foreign companies of the Norwegian cartel to less than 20 per cent in the 1920s (Hallendorff, 1923, pp. 70–71; Ødegaard, 1926, p. 213). In life insurance, the consequences of the 1911 Act and of the war were much more dramatic for cartelisation.

5. The creation of the life insurance cartel

Cartels in non-life insurance, including marine insurance, were restricted to investor-owned limited companies, whether Norwegian or foreign, represented by a Norwegian general agent. Norwegian mutual companies were, with the exception of Akershus, excluded because of fear they would undermine the fixed tariffs system by, for example, returning a sales provision or a surplus to the members. The life insurance cartel, by contrast consisted of all Norwegian companies, regardless of organisational form. No general agent of a foreign life insurance companies, either a mutual or a limited company, was ever invited to become a member. The parties to the cartel agreements were increasingly identical to members of the association of Norwegian life insurance companies founded in 1915. The meetings of the member companies' CEOs normally functioned as the cartel's board of directors (Lorange, 1940, pp. 7–23).

From the late nineteenth century, the Norwegian life insurance companies cooperated closely including using common mortality tables (but not common tariffs), to counter the competition from foreign life insurance companies. Not until the 1890s did the domestic companies gain a majority share of the market. The cooperation between all the domestic companies was in stark contrast to the conflicts between limited and mutual life insurance companies in Sweden, which peaked in 1902–1903 (Bergander, 1967, pp. 334–340).

The common aim of Norwegian life insurance companies until 1911 was principally to establish a concession system for companies in the market and governmental supervision of all companies to counter foreign competition. The Insurance Companies Act of 1911 in practise regulated only the activities of the life insurance companies. While the concessions system and the deposit requirements for foreign general agents could not in theory be considered protectionist, in practice the detailed regulation of products and their tariffs and the extensive administrative reports functioned as protectionist. World War I became a turning point because local customers increasingly joined domestic companies which were considered more trustworthy than foreign entities. Their market shares decreased from 20 per cent in 1912 to seven per cent in 1920. Most of the remaining foreign companies withdrew from the Norwegian market in 1920s; the last in 1954. These changes were essential to the establishment and maintenance of the life insurance cartel of the Norwegian companies (Bjørnsen, Haugen, & Knudsen, 1961, pp. 23–36; Espeli & Bergh, 2016, pp. 144–148).

All successful Norwegian life insurance companies, whether mutual or limited, were run and based on actuarial principles. From the 1890s, new Norwegian mutuals were required to establish a secured minimum equity to guarantee their members' entitlements. A very important difference between mutual and limited companies in other countries, the system of bonus or profit-sharing, did not create significant conflicts after 1909 when all Norwegian companies implemented similar bonus systems (Espeli & Bergh, 2016, pp. 136–137). The regulatory separation principle, unknown in Sweden and Britain, also placed mutual and limited companies on an equal footing in important respects. Thus, there were no principal conflicts, as in the non-life insurance sector, between mutual and limited companies to prevent them from establishing common cartels.

Forsikringsrådet created more or less fixed tariffs for all products marketed from 1912, often demanding changes of conditions to accept them. Essential fundamentals of a powerful cartel were thus created by the governmental supervisory body. The first cartel agreement between all

[2]The much lower market share of foreign companies in all fire insurance in Sweden, three to four per cent, given in Pearson and Lönnborg (2008, p. 64), is explained by the fact that foreign companies – as in Norway prior to World War I – did not engage significantly in fire insurance of buildings.

Norwegian life insurance companies in 1913 stated that no member was to be granted any discount or return provision on these tariffs. At the end of 1914, the companies agreed on fixed prices and common policy conditions on collective life insurance for sailors on Norwegian merchant ships. All risks were reinsured collectively amongst the life insurance companies on a pro rata basis to neutralise the possible effects of adverse selection. This product, sanctioned by Forsikringsrådet, became very profitable for the life insurance companies and eased the way for more cartel agreements during the war (Gjensidige, 1947, pp. 112–113).

The next agreement, in 1915, regulated the activities of the thousands of sales commission agents which could undermine the whole system of fixed tariffs and other agreed competition restrictions. Return commissions were banned. Derogatory comments about s 'competitors' as well as any written comparison between companies were also banned. A common register of sales agents was established and those who were fired were blacklisted. A court of arbitration settled cases not solved through negotiations between the companies (Lorange, 1940, pp. 10–15).

The establishment of Norske Folk Ltd. by the seven largest companies in 1917 was one of the most far-reaching cartelisation agreements within the life insurance industry and its only market division agreement. Norske Folk's owners delegated all future sales of collective occupational pensions to Norske Folk. This wide-ranging market division cartel was partly motivated by the ambitious plans of the Norwegian Employers' Confederation, (Norsk Arbeidsgiverforening, NAF), to establish a common pension fund for salaried employees in all their member firms. NAF's plans were the most serious challenge to the life insurance cartel until the 1980s. However, NAF's plan also had financial deficiencies which were exposed when organised as a life insurance company and not as a pension fund as originally proposed. Forsikringsrådet vetoed the NAF's company, thus supporting the cartel, while lobbying by Norske Folk also contributed to NAF's failure (Espeli, 2019).

In 1924, Forsikringsrådet demanded that the last form of price competition should stop. Until then, bonuses to most customers were distributed as a yearly reduction in premiums. Thereafter, bonuses would be paid to customers only in addition to the amount(s) stipulated in the contract when payments started (i.e. often 30–40 years into the future). Customers would not be informed about the size of bonuses until payments started and thus possible future bonuses would be difficult to use as criteria for selecting between the companies. Forsikringsrådet's motive was to secure the financial solidity of life insurance companies and the public's trust of the industry at a time when Norway was experiencing the worst banking crisis in its history. Forsikringsrådet had good reasons for its concern. If life insurance companies had been forced to follow modern accounting standards, most of the companies would probably have been placed under public administration due to insufficient financial reserves (Espeli & Bergh, 2016, pp. 158–168; Fuglum, 1961, pp. 123–127).

Any form of competition on tariffs and policy conditions was put to an end by the sector regulation authority, supported by the government, with effect to the 1980s. Thus, there were few incentives to reduce operating costs or to create new innovative products because they would have to be approved by Forsikringsrådet and the smallest detail would be open for copying by other cartel members.

Another explanation for the prolonged adherence to the life insurance cartel was that the traditional profit motives for limited life insurance companies – dividends to shareholders and increasing share values – were almost eliminated from the middle of the 1920s. This was partly caused by Forsikringsrådet's interventions. Although most of licensed life insurance companies were organised as limited companies, their share capital was not increased after the early 1920s, despite their rapid growth, and their dividends were restricted to five per cent of nominal share capital. Within the norms of the cartel and Forsikringsrådet, the major remaining incentive to increase surpluses and profits was that such increases would make it possible to increase the future long-term bonus to their existing customers, as in a mutual, and to thus recruit more customers and increase market shares.

6. The fire insurance cartel defeats and absorbs its challengers

Criticisms of the fire insurance cartel in the first three decades of the twentieth century were not limited to Liberal MPs and governments who tried to use the state enterprise as a leveller. In 1917, the association of grocers organised their own limited fire insurance company, not as a mutual like the grocers in Sweden, and became a cartel member to avoid a conflict with the cartel. The company was based on a new and cheaper village shop tariff, indicating that the cartel's tariffs could be influenced by organised customers (Ødegaard, 1926, p. 231). Avoiding conflict also lay behind another new company, Samvirke Ltd., owned by the umbrella organisation of Norwegian consumer cooperatives, joining the cartel. When two trade unions tried to establish a fire insurance company outside the cartel in 1923, it failed and had to be rescued by Samvirke in 1927 (Rogstad, 1971, pp. 31–59).

The Norwegian Federation of Industries (NFI), dominated by the larger manufacturing companies, was established in 1919. By 1922, the NFI's insurance committee thought it necessary to establish an insurance company to create countervailing power to the fire insurance cartel, the state's Norges Brannkasse being no alternative. Initially a mutual was proposed, similar to that established by manufacturing companies in Finland in 1902. In the end, the limited liability company Industriens Assurance, was established in 1923 hoping to be accepted as a member of the fire insurance cartel. The application was declined because NFI's company was considered to be a mutual in disguise. Support for the company amongst NFI's members was limited as the cartel had taken effective countermeasures, including a public campaign, against the company. Just as important for the challenger's failure was that major cartel members could influence potential reinsurers, forcing, Industriens Assurance to accept expensive reinsurance contracts at Lloyds. In 1926, the company was purchased by Storebrand. NFI's humiliating defeat was underlined by its promise to never again engage in any kind of fire insurance in the manufacturing sector. Within the cartel, the struggle was known as 'the Punic war' – due to its strategic importance (Ekberg & Myrvang, 2017, pp. 339–342; Espeli, 1995a, pp. 18–23; Vogt, 1951, p. 36 citation). In contrast, the cartel's main future competitor, the mutual Samtrygd established in 1922, accessed a cost-efficient reinsurance contract in London through its CEO's personal contacts (Espeli & Bergh, 2016, p. 192).

In the 1920s, the cartel not only repelled non-tariff entrants but also strengthened its internal coherence. In 1922, agent provisions were restricted to 10 per cent and return commissions prohibited. In 1925, the number of agents per company was also limited. A year earlier the cartel's members had reaffirmed they would follow the agreed general and specific terms of their agreement (Ødegaard, 1926, pp. 146–148, 261–274).

Norges Brannkasse had started insuring chattels and inventories in 1915. Thereafter, competition between the state enterprise and cartel members was fierce and Norges Brannkasse lost market share. It appears, however, to have regained market share from the early 1920s and maintained this through the interwar years. During most of the interwar period, it seems that there was a tacit agreement between the state enterprise and the largest company in the cartel, Storebrand, to avoid active competition and to cooperate on numerous issues (Ekberg & Myrvang, 2017, pp. 345–349; Vogt, 1951, pp. 29–30).

7. Insurance encompassed by the Trust Act of 1926

The Trust Act encompassed all private business activity and made mandatory notification to the Trust Control Office of cartel agreements and other competition restrictions. The insurance industry's opposition to being included had no effect. The Trust Control Office's gazette regularly published core information about the notified cartels. The Act explicitly banned commercial boycotts of cooperatives, including refusals to deal with them. Other boycotts might be acceptable under the principle of intervention against abuse of market power by cartels (Espeli, 2016). The life insurance cartel never notified the Office of its agreements and understandings in the interwar years, probably believing these had been sanctioned by Forsikringsrådet (Trustkontrollen, 1916–1939).

The Trust Control Council, which had the power to ban activities and agreements, intervened against one insurance cartel in the interwar years; the car insurance cartel. Established in 1913, it was sometimes harassed by competition from both domestic and foreign non-tariff companies. In 1929, a newly established mutual complained to the Trust Control Council regarding the cartel's low regional prices directed specifically against the new entrant. The Council found that the cartel's price differences did not reflect differences in risks and costs and that this part of the cartel agreement was void. The Council also urged the cartel to change its agreement prohibiting foreign car insurance companies' cartel members selling insurance below the cartel's tariffs.

When the cartel refused to follow this request, the Trust Control Council intervened in 1933, setting minimum prices and identical policy conditions for all cartel members and the limited companies which recently had left the cartel. This action followed a 1932 amendment to the Trust Act enabling the Council to set minimum prices to avoid destructive cut-throat competition. One might argue that the Trust Control Council took the same role as Forsikringsrådet in life insurance, although minimum tariffs were relatively much lower than in life insurance to create incentives to reduce administrative costs. The most important difference to Forsikringsrådet's fixed tariffs in life insurance, however, was that the mutual companies were exempted from applying minimum tariffs because they represented consumer interests. Thus, unlike other cases of enforced cartelisation through minimum prices in the 1930s, the Trust Control Council allowed competition from non-tariff companies (Ekberg & Myrvang, 2017, pp. 385–388; Espeli, 2016, p. 143; Espeli & Bergh, 2016, pp. 203–206).

8. Cartels in a needs-based concession system

In 1937–1938, the government, supported by a unanimous Parliament and an almost united insurance industry, amended the Insurance Companies Act to introduce a needs-based concession system for both life and non-life insurance companies. This applied even if existing non-life companies started business in new areas of non-life insurance. Thus all new companies and entrants into new fields had to considered in the public as well as customers' interest. The evaluation of such needs was the responsibility of Forsikringsrådet and the Cabinet.

The main mover behind a needs-based concession system was Forsikringsrådet, which questioned the principle of free competition and supported the existing cartels to avoid increased sales costs. Most life insurance companies strongly supported the amendment, arguing that their renewed agreement on the number of local sales agents with provision remuneration, was a fragile construction. This agreement had reduced the number of agents from 20,000 to 16,000 in 1937 – high numbers in a country with less than 3 million inhabitants – to meet the public criticism that sales agents were too numerous. The Labour Party's more drastic solution to reduce sales costs was to socialize the industry but it was not prioritised by Labour's monority government (1935–1940) prior to the German invasion. The insurance industry's most influential individual, Storebrand's CEO (1918–1940) Christian Hansson, emphasised the importance of a needs-based concession system at a crucial stage during the parliamentary debates. The insurance cartels and the supervisory authority had a common interest in restricting new entrants in the late 1930s. Together with the Labour Government's aim of increased control of the industry, closing the market to new entries was politically uncontroversial (Espeli & Bergh, 2016, pp. 178–180; Trosdahl, 2017, pp. 137–154). Sweden copied the needs-based concession system in 1948 (Larsson & Lönnborg, 2016, p. 256).

The German occupation (1940–1945) meant that general agents representing non-life companies from allied countries had to close their businesses. German authorities accepted Forsikringsrådet's and the Quisling government's refusal to give concessions to German companies based on the needs-based legislation from 1938. After 1945, it was difficult for most general agents to regain their former positions. In 1950 they represented less than 10 per cent of the total gross premiums the fire insurance cartel members and their share declined further. The occupation and its war-

related insurance schemes increased the cooperation between tariff and non-tariff companies, with effects into the postwar years (Espeli & Bergh, 2016, p. 180, 215 ff.; Trosdahl, 2017, p. 154 ff).

Thus the non-life insurance cartels were increasingly controlled by Norwegian companies in the postwar years. In 1966, the non-life tariff cartels amalgamated into the association of non-life insurance companies. A statistics office was established in 1950, to enable tariffs based on expert evaluations using statistical evidence. The application of statistics by the Norwegian non-life cartels had long been primitive, compared with the English fire insurance cartel from 1858, and the cartel system in Australia from the 1890s, where statistically based tariffs were core activities (Keneley, 2002; Nyfløt, 1976; Vogt, 1951, pp. 95–96).

9. Insurance exempted from the ban on horizontal price agreements

In 1953, the Trust Act was replaced by the Prices Act which covered all forms of business and which continued the principle of notifying cartels and other restrictions on competition. From the mid-1950s, Norway was one of the first Western European countries to introduce modern competition measures, influenced by the US antitrust tradition. In 1957, resale price maintenance was banned, followed in 1960 by a ban on horizontal price agreements (Espeli, 2002a, pp. 625–629). Insurance, as well as the banking, exports and agriculture sectors were, however, exempted from without public debate. Why?

The Price Directorate, which prepared the ban on horizontal price agreements, considered cartels reduced the incentive to innovate as well as hindering the development of larger and more efficient companies through mergers and acquisitions. The cartels argued that common tariffs and policies were preconditions for statistically based 'correct' pricing and to obtain international reinsurance with satisfactory premiums. Customers also benefited because 'cheap' insurance contracts could ultimately be very costly if compensation payments were low. A further argument for continuing cartels in 1958 Norway was the coming of a larger and more open European market. The cartels argued that their arrangements were usual in other countries and that Forsikringsrådet had never criticised their activities.

The Price Directorate's responded by exempting life insurance from the ban but not non-life insurance cartels. Eventually, it concluded that non-life insurance cartels should also be excluded, in part because the West German 1957 act against restraints on competition had also excluded insurance, so why should Norway, a much smaller country, pursue a more radical competition policy. Although non-life cartel price agreements had been exempted from the ban, interventions against them were still possible, the relevant minister arguing the insurance cartels exemptions were reasonable only because of Forsikringsrådet's regulations (Christensen, Ekberg, Bergh, & Myrvang, 2017, pp. 47–50; Espeli, 1995a, pp. 66–71; *Forsikringstidende*, 1960, pp. 301–304, 310). Nonetheless, the 'provisional' exemption of non-life insurance lasted until 1983, so there was real differentiation between life and non-life insurance. The 1960 exemption from the ban meant that Forsikringsrådet continued to regulate the insurance industry.

10. New challenges to the non-life insurance cartels

The late 1950s brought new challenges to the non-life cartels. From 1957 Samvirke, then owned by the consumer and housing cooperatives and the Confederation of Trade Unions, withdrew from the cartel to compete in combined insurance. These products were well established in Britain, Germany and Sweden but the cartel had not marketed them to avoid internal disagreements and market disturbances. Norges Brannkasse also started marketing combined insurance. This forced the cartel companies to create a similar product (Nyfløt, 1976, p. 86 ff.; Christensen et al., 2017, p. 47).

In 1958, the mutual Samtrygd, established in 1922 to offer reinsurance to local fire insurance mutuals, achieved a concession to sell almost all forms of non-life insurance products. The local mutuals were to function as Samtrygd's sales agents – in addition to selling their own fire insurance

– enhancing their survival and increasing market share for the Samtrygd group from the early 1960s. Given the Labour governments restrictions on giving new concessions after 1945, one motive behind the decision must have been to assist the local mutuals to improve their position and maintain competition in non-life insurance in the countryside, where Norges Brannkasse was the main competitor. Importantly, the Farmers Union, which had political influence based on close negotiations with the government on economic and agricultural issues, also backed Samtrygd's application (Espeli & Bergh, 2016, pp. 261–270).

From the early 1960s car insurance experienced much tougher competition than other non-life insurance fields due to the entries of Norges Brannkasse, Samtrygd and Samvirke. Both the Insurance Companies Act of 1911 and Forsikringsrådet's accounting processes worked against cross-subsidisation between insurance fields. Although the combined ratios of car insurance were often above 100 per cent, Forsikringsrådet never intervened against this cross-subsidisation, reflecting the regulator's focus on life insurance and that any price war never threatened customer entitlements. Significant losses in car insurance in the 1960s and 1970s lead the cartel's members to talk with the non-tariff companies to restrict price competition. Attempts to create informal agreements through confidential 'Friday meetings' had mixed results. Such understandings were illegal because they were not notified to the Price Directorate. The provisional and unstable nature of such understandings is further proof of how prevalent cheating is in such instances (Christensen et al., 2017, p. 47, 57–68, 195 citation; Espeli & Bergh, 2016, pp. 209–322; Nyfløt, 1976, p. 86 ff.).

The non-life insurance cartel was also threatened by disruption to its internal power balance. With a few brief exceptions, Storebrand had been the largest cartel member since 1876 and had often functioned as a price leader. From the middle of the 1920s to the late 1950s, the structure of the cartel changed little although the number of small companies increased. In 1925, the fire insurance cartel had 69 members, with 35 Norwegian companies. In 1950, there were 76 members, 49 being Norwegian (Vogt, 1951, pp. 110–112; Ødegaard, 1926, pp. 230–233). Until increased competition started in 1957, cartel tariffs were more than sufficient for non-specialised small Norwegian companies to survive profitably.

The events in 1957–1958 created new structural dynamics. Norway's probable entry into the Common Market meant that protectionist policies against foreign companies would be abolished, including the needs-based concession system. Numerous foreign companies could then quickly expand in Norway. In addition, the ban on cartels in Article 85 of the Treaty of Rome (Gerber, 1998, p. 342 ff.), probably meant that the existing cartels had to disbanded. Norway's relationship to the European Community was not clarified until the referendum in 1972 which voted down the government's membership agreement. It was replaced by the trade agreement of 1973. For the leaders of the insurance companies in the early 1960s, it seemed unlikely that the postwar regulatory regime would survive unscathed for another 25 years.

In 1962, three insurance companies in Bergen merged into Vesta, to become the second-largest company in the cartel, about half the size of Storebrand. This created a wave of mergers and acquisitions led by the three largest members of the cartel, in part also to achieve economies of scale to finance the large investments demanded by the introduction of electronic data processing. In 1982, Storebrand and the third-largest cartel member, Norden merged. This triggered the collapse of the non-life cartel established in 1876 as Vesta withdrew (Christensen et al., 2017, pp. 45–46, 181 ff.; Trosdahl, 2017, p. 292 ff.).

The cartel's collapse revealed that it had slowed product innovation for decades. Competition increased from non-cartel companies, notably from the mutual Samtrygd group and Norges Brannkasse, reorganised into a mutual in 1974, further increasing internal strain. In 1982, the cartel's members had a market share of 55 per cent of non-life insurance – marine insurance excluded – down from 60 per cent in 1973. In comparison, the fire insurance cartel's market share in England had declined to about 63 per cent in 1968 when its accident insurance cartel collapsed (Nyfløt, 1976, p. 15.; Trosdahl, 2017, pp. 300–301; Westall, 1984, p. 150, 2006, p. 1631). Declining market share did not collapse the cartel, the crucial factor was the largest companies' perception that the cartel

hindered their business strategies. Medium-size and small companies still enjoyed advantages as cartel members and tried to establish a new cartel after the first collapsed in 1982. They failed – not least due to new competition polices – and within 10 years, most had merged or been acquired by others (Trosdahl, 2017, pp. 300–301). In Britain, the remaining elements of the fire insurance cartel were dismantled by the Thatcher government in 1985 (Westall, 2006, p. 1631).

11. The breakup of the life insurance cartel from 1983

In contrast to the non-life insurance cartel, the numerous Norwegian life insurance company mergers after 1960, which enhanced the oligopoly like structure of the industry, did not undermine their cartel. Norske Folk, owned by seven life insurance companies since 1917, had the sole right to sell occupational pensions. After World War II, the growth of occupational pension insurance had made Norske Folk bigger than its owner companies. In 1962, it was agreed that all cartel members could sell pension insurance, while Norske Folk was allowed to sell individual life insurance. The regulatory authorities supported this. In the early 1960s, Norske Folk's size and privilege was the biggest internal threat to the life insurance cartel (Christensen et al., 2017, p. 102 and 214 ff.; Trosdahl, 2017, pp. 305–306).

The entrenched nature of the life insurance cartel had many elements. One was that since 1926 no life insurance cartel agreements were ever notified to authorities. The Price Directorate, although aware of this, did not intervene. In 1960, a life insurance company representative argued that there was no need for price agreements. Forsikringsrådet decided what the lowest acceptable tariffs, and common policy terms, were for the various products to secure customer entitlements. All companies followed these prices (*Forsikringstidende*, 1960, p. 304). Thus, there were no written cartel agreements on prices.

The breakup of the cartel was caused in 1984 by the government's withdrawal of the exemption from the ban on horizontal price agreements. This was one of many elements to a new competition policy which was clearly influenced by the Chicago School of economists and by the theory of contestable markets (Baumol, Panzar, & Willig, 1982).

The withdrawal of the exemption for insurance was supported by business interest organisations with the exception of the Insurance Association (Forsikringsforbundet) which argued to postpone the decision because of the dissolution of the non-life insurance cartel. The Consumer Council doubted the deregulation would result in effective competition due to high market concentration. Forsikringsrådet's main focus was that price competition should be avoided (Espeli, 1995a, pp. 73–78). As long as the Insurance Companies Act of 1911 was not significantly amended and no major changes were made in Forsikringsrådet's regulatory practices, the core of cartel would survive. Things would, however, change.

The first change was that Forsikringsrådet was replaced by Kredittilsynet (the Banking, Insurance and Securities Commission) in 1986, with a completely new leadership emphasising more effective competition in insurance (Knutsen & Ecklund, 2000, p. 262 ff.). Working within the 1911 Act, the Commission facilitated competition by accepting multiple new products marketed by only one company. That had seldom been done prior to 1984.

The new act covering insurance activity, in effect from 1989, allowed much more open competition. The needs-based concession system was discontinued and foreign companies' concessions were awarded on the same criteria as those of domestic companies. The two most radical measures after 1992 were first, individual yearly accounts on all contracts and second, the right of every customer to move or transfer their accumulated capitalised savings from one insurance company or pension fund to another. The right to transfer was dependent on individual accounts, while regulations demanded that at least 65 per cent of each year's surplus, based on the market value of stocks and bonds, should be distributed amongst the individual contracts with lasting effect. All insurance contracts at the time included a guaranteed rate of return. Together, these regulations made life and pension insurance companies vulnerable to fluctuations in financial markets and financial crises. The

traditional business model of Norwegian life insurance companies based on a small book equity and large common financial reserves – undivided until payments had started – was abruptly brought to an end (Engh, 2000, pp. 321–329; Trosdahl, 2017, pp. 438–447).

These changes ended what remained of the informal cartel after the new supervising authority in 1986 stopped endorsing minimum tariffs. It was no coincidence that the Association of Norwegian Life Insurance companies dissolved in 1986 (Trosdahl, 2017, p. 472). The customer's right to transfer all accumulated capitalised savings to another company seems unique in the European Economic Area after 1994.[3]

It is an open question whether these radical regulations created effective competition in these markets. In 1990, there were 12 licensed life and pension insurance companies. Four of them held 80 per cent of industry's assets. The oligopolistic market structure has not weakened since then.

12. Conclusions

Much cartel research covers firms in commodities and manufactured products. High barriers to entry, excess capacity, and few cartel members, usually less than 10, are important factors explaining cartel duration. They are one measure of cartel success. Few cartels continue for more than 15–20 years, largely due to the propensity of members to cheat (Levenstein & Suslow, 2006; Stigler, 1964). Cartelised industries are often characterised by successive cartels after structural breakdowns (Bertilorenzi, 2016). These factors are not, however, central in explaining the duration of insurance cartels in Norway. They lasted for more than 70 years, during which time they never had fewer than 11 members and often more than 50. Prior to the Insurance Companies Act of 1911, there were no legal or other entry barriers in Norway for foreign life insurance companies. This was also true for the non-life insurance sector until the needs-based concession system was established in 1938, almost closing this branch.

Both the Norwegian and Australian fire insurance cartels were largely based on the British model which endured from 1858 to 1985. The prolonged endurance of insurance cartels makes them different from most other cartels; something overlooked in most cartel research.

Three other factors also explain cartel success or failure (Storli, 2014, pp. 451–453): First, the number of companies outside the cartel and their market shares are important: the more such companies and the greater their market share, the less chance of a successful cartel. In the life insurance sector, there were close to no alternatives to the cartel companies from the middle of the 1920s. Second, non-substitutability of the cartel's products means that with no close substitutes from non-tariff companies, the cartel's chances of success increase. This explains the success of the fire insurance cartel on chattels, inventories and machinery in urban areas until World War I but increasingly less afterwards. Third, non-differentiation of the products between different suppliers makes it easier to establish common or fixed prices. Together with common policy conditions, this explains the success of the fire insurance cartel but less so as non-life insurance products become more differentiated.

Although these factors give useful insights, they omit the important consequence of insurance being linked to advanced premium payments. In life insurance, customers' advanced payments could continue for decades. Cartels helped create trust between customers and reinsurers, the latter of which also could be cartel members. Industry and company stability enhanced trust. A cartel could also reduce the risks of adverse selection and moral hazard. Cartels reduced company-based transaction and information costs caused by setting the price of the countless objects or persons to be insured. These costs were also a barrier to entry. Although common policy conditions were not established in the fire insurance cartel until 1924, these differences did not seriously undermine the fixed tariffs.

[3]E-mails to the author from the Financial Supervisory Authority of Norway, 16 and 20 October 2017 and 17 November 2017.

Although the special characteristics of insurance help explain the establishment and duration of the fire insurance cartels, in many ways these associations also functioned as traditional cartels. Tariffs were set to secure the survival of all members. There were few incentives for members to develop products that would be copied by the others. Depending on how professional – and lucky – companies were in selecting customers and risks, profits could be substantial. For the cartel's biggest member, Storebrand, profits from fire insurance underpinned its expansion into other non-life insurance fields domestically and for its large engagement in international reinsurance between 1920 and the 1980s. The reinsurance business showed large operating deficits for long periods while other domestic non-life insurance operations were, at best, only marginally profitable. Fire insurance and financial investments secured Storebrand's profitability (Christensen et al., 2017, pp. 37–39, 247 ff.; Ekberg & Myrvang, 2017, pp. 293–310).

The role of the state is important in explaining the duration of the non-life cartels. Until 1910, the state actively supported risk evaluations and tariff fixing through its own fire insurance enterprise. From 1915, the state enterprise became a competitor although it occasionally cooperated secretly with the cartel to limit competition. With one exception, the competition authorities did not intervene against non-life cartels until the integrated cartel collapsed in 1982. In 1933, during the Great Depression, the Trust Control Council, enforced a minimum price to reduce excessive competition that threatened to destroy the car insurance cartel but simultaneously excluded the mutual companies to ensure only a minimum of competition.

The state was more influential in the establishment and endurance of the life insurance cartel through the supervisory body, Forsikringsrådet, between 1912 and 1986. From the beginning, Forsikringsrådet accepted or set prices and detailed policy conditions on all licenced life insurance companies's products and so secure customers' entitlements. That was the basic aim of the Insurance Companies Act of 1911. After the act's introduction, the Norwegian life insurance companies quickly returned to cooperating on mortality calculations and established a cartel regulating their sales agents and provisions. During World War I, they also established a business association which coordinated their actions on a wide range of issues. The companies increasingly agreed to sell the same products, thereby limiting both price and product competition.

In the middle of the 1920s, Forsikringsrådet stopped all price competition via customer bonuses. At the same time, and just as important in the long-term, Forsikringsrådet virtually abolished the profit motive of limited life insurance companies. Dividends were restricted to five per cent of nominal share capital, which itself should be at a minimum and not increase with company growth. Financial security was to be secured by returned earnings only as in a mutual. In the Norwegian mutual life insurance companies, there was no tradition of customers influencing management. The incentive to innovate and become more efficient decreased in both limited and mutual companies.

From the mid-1920s, it is difficult to delineate Forsikringsrådet's regulations setting minimum tariffs and policy conditions and the cartel's activities. Forsikringsrådet's symbiosis with the industry and the cartel could be characterised as an example of regulatory capture (Stigler, 1971). On the other hand, the supervisory body's main aim was to protect policyholders' entitlements, which in both the 1920s and the 1940s were in real danger, although this was not publicly known (Espeli & Bergh, 2016, pp. 160–167, 242–252). Distinguishing between regulations necessary to protect customers' entitlements and those that served to protect the cartel is often difficult (Larsson & Lönnborg, 2016, p. 256). After 1955, one may nevertheless conclude that Forsikringsrådet's regulations favoured the cartel too much. When state policies where changed from the middle of 1980s, emphasising competition the cartel was easily dismantled because the prolonged symbiosis had made the arrangement vulnerable to regulatory changes.

Jeffrey Fear has argued that cartels could be analysed as 'constructions of trust' (Schröter, 2013, p. 1004) between companies to create stability and reduce transaction costs and risk. Trust was particularly important in insurance both in relation to customers and the public at large as between insurers and reinsurers. In the Norwegian case, the state supported the cartel in building trust

and stability through its own fire insurance enterprise. In life insurance, the state's support of the cartel as a regulator was crucial.

The state's role in the formation and prolonged duration of insurance cartels was not limited to Norway and Sweden. Further comparative research is needed to conclude how special was the Norwegian case. In Britain, the fire insurance cartel, a model for both Norway and Australia, existed for over a century. In Australia, the high cost, bureaucratic fire insurance cartel existed for 80 years until banned by the Trade Practices Act of 1974. Most of the federation's states had their own insurance offices to counter some of the effects of the cartel. This method was also used by the New Zealand government in response to its fire insurance cartel of 1895 (Keneley, 2002, p. 55 and 64; Pursell, 1968; Westall, 2006, p. 1631).

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