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The diffusion of Swedish life insurance

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Liselotte Eriksson, *Life after death: the diffusion of Swedish life insurance – dynamics of financial and social modernization, 1830–1950*, Umeå studies in economic history 43 (Umeå: Institutionen för ekonomisk historia, Umeå universitet 2011). 48 p. + 4 essays.

In the acknowledgements that preface this doctoral thesis, Liselotte Eriksson states categorically that 'it will never be a book'. Anyone reading the thesis might ask themselves, why not? Eriksson is certainly qualified to write the history of Swedish life insurance. Her focus is on the demand for life insurance, which, in comparison to its supply, remains largely unexplored. In particular, Eriksson examines the gap between the rhetoric of life insurance and the reality of the market, which only a small number of historians – notably Viviana Zelizer, Geoffrey Clark, Timothy Alborn and Aaron Doyle – have addressed before. Eriksson's chief argument is that economic factors such as income levels and urbanisation cannot fully explain the diffusion of modern life insurance. Cultural factors and gender also need to be considered. In Sweden, women turn out to be important as both purchasers and beneficiaries of industrial life insurance.

The thesis comprises an introductory essay followed by four articles. The introduction explains the period covered: 1830 marked the first foreign insurance agencies in Sweden, 1950 marked the consolidation of the public pensions insurance system. It also offers an overview of the history of Swedish life insurance, and explains that the focus is on actuarial life insurance rather than friendly societies and burial clubs, which were restricted by membership, occupation, gender or locality.

The first article, *Life insurance and income growth: the case of Sweden, 1830–1950*, was originally published in *Scandinavian economic history review*, co-authored with her Umeå colleagues, Lars Fredrik Andersson and Magnus

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Lindmark. It asks the question: what role did growing incomes and urbanisation play in increasing demand for life insurance? Household budget surveys are employed to estimate the income elasticity of demand for life insurance. The resulting coefficients are used to construct a counterfactual time series for life insurance premiums, which are compared with the actual premium data for this period. The findings are that life insurance grew more rapidly than per capita income before 1910, when there is a large gap between the counterfactual series and the real series. This suggests that factors other than income played a part before 1910, but thereafter income elasticity becomes a better explanation of the demand for life insurance. Before 1910 the price of life insurance remained fairly constant, while risk – measured by the level and volatility of mortality – declined. This reduced the need for companies to hold large reserves, increased returns, and encouraged new market entrants. Lower premiums required on smaller policies particularly enabled the diffusion of life insurance to the lower middle class and manual workers. The first industrial life insurance companies were founded around 1900. The earliest, the Trygg, based its business model on the giant industrial insurers in the United States and Great Britain, but it also successfully targeted farmers and workers in rural areas through a network of ”visiting” agents. By 1910 the Trygg was already the largest life insurance company in Sweden (measured by number of policyholders), and it continued to be central to the diffusion of life insurance in Swedish society through to the 1950s. Thus, Eriksson and her co-authors present an account of life insurance in Sweden that differs from that in the United Kingdom, Germany or the United States, where large-scale life insurance followed the growth of the urban middle class. In Sweden a mass market was first created by the spread of industrial assurance through the rural population after 1900, part of a wider trend of rural workers seeking out savings and income-generating investment opportunities. It would have been interesting to know whether the authors felt that their findings supported Sandberg's famous thesis of Sweden as the ”impoverished sophisticate”? Presumably if there were high levels of human capital among the rural population, as Sandberg and others have claimed, this would have provided a good platform for the expansion of life insurance after 1850 as part of Sweden's ”financial revolution”? Elsewhere in nineteenth-century Europe life insurance was regarded as a notoriously complicated thing to sell. Companies in the United Kingdom and Germany, for instance, repeatedly complained that not only consumers, but also many agents, were grossly ignorant of the product. Was this less of a problem in literate and numerate Sweden?

The second article, *Industrial life insurance and the cost of dying: the role of endowment and whole life insurance in Anglo-Saxon and European countries,* was originally published in a book edited by myself, *The development of international insurance* (2010). This article examines the impact of cultural contexts in explaining the diverse development of industrial life insurance in the United States, the United Kingdom and Europe during the late nineteenth and early twentieth centuries. Eriksson finds that the price of industrial life insurance was higher in the United States and the United Kingdom than in other European countries, while average policies were smaller and carried higher administration costs. She concludes that rapid urbanisation in the Anglo-Saxon countries, restrictions on burials within city boundaries, and the commercialisation of the funeral industry, resulted in costly cultural preferences for a decent funeral. In 1926, for example, the average cost of a funeral in the United States was over five times that in France. Industrial life insurance in Anglo-Saxon countries functioned to provide for this expensive private burial. By contrast, in Europe (evidence is drawn from Switzerland, Denmark, Austria, France, Germany and the Netherlands as well as Sweden) industrial life assurance took the form of endowment insurance with an investment element that functioned as a type of pension support in old age. Average policies were larger, premiums were more often paid at quarterly intervals or longer, dispensing with the weekly collection by agents, and costs were therefore lower. In Sweden, with slower urbanisation and a state monopoly on burials, it was less expensive to obtain a decent funeral and workers had to give up a smaller proportion of their earnings to obtain one.

It is convincing that a combination of cultural preferences and economic contingencies might shape the direction in which a branch of insurance developed. There may be problems in fitting some of the evidence into the model: while urban growth may not have driven the commercialisation of funerals in Sweden, what about Germany, where large cities were growing rapidly and there was intense pressure on intra-mural land? Nevertheless, this is a innovative essay that speaks to some of the new comparative research on the emergence of welfare systems and social insurance in western Europe.

The third article, *Financial business as a social project: Swedish life insurance and married women's property rights in the late 19th century*, is an English translation of a paper first published in *Historisk tidskrift*.[1] Here too, Eriksson poses some clear, but novel, questions: what role was played by the life insurance industry in the extension of women's civic rights in Sweden, and how did women's limited property rights impact on the insurance industry? She describes the uncertain legal status of insurance policies as a form of

1. Liselotte Eriksson, " Finansiell verksamhet som ett socialt projekt: livförsäkringsrörelsen och de gifta kvinnorna under det sena 1800-talet", *Historisk tidskrift* 128:2 (2008), p. 153–175.

property in marriage in Sweden, and the debates about reform of married women's property rights from the 1870s to the 1890s. The life insurance policies of married women seem to have been regarded at law as the husband's property, which either became his estate after his death, or, if the wife was the beneficiary, became her private property. Early life insurance was thus based mainly on middle-class women's need for support in widowhood. The reform of married women's property rights offered an opportunity to expand this market. Eriksson describes how leading figures in the life insurance industry were active in the campaign for reform. She argues, however, that they had an interest in this campaign not primarily because they regarded the restrictions on women's rights as an obstacle to the extension of the market, but because the campaign was part of a wider engagement by insurance leaders in social liberal movements, such as suffrage reform and the campaign for national pensions. Support for women's property rights was part of the industry's attempt to align itself with progressive interests and present life insurance as an aspect of social improvement, modernising Sweden in the face of the forces of conservatism.

This article contributes to our understanding of what Eriksson calls ”business as a carrier of political values”. It contrasts with the British experience, as described by Tim Alborn in his recent book *Regulated lives*. While in Sweden, according to Eriksson, the rhetoric of life insurance identified itself with modernity and progressive interests in public welfare, life insurance companies in Victorian Britain, according to Alborn, were more firmly stuck with the contradictions between their own rhetoric and the demands of the market. While the rhetoric of the industry evoked messages of prudence, safety and certainty, the reality of underwriting departed from these normative ideals. Alborn finds a paradox at heart of British life insurance, namely that while profits depended on regulating lives, the growth of the market depended on the incomplete nature of this regulation, as competition increasingly forced underwriters to accept lives that were less than perfect. How much of this argument applies also to Sweden is not clear from Eriksson's account. If Swedish life insurers managed to resolve the contradiction between prudential and speculative approaches to risk in a way that British companies did not, how and why did they do it?

The final, unpublished, essay that constitutes this thesis is entitled ”Enemies of life insurance: representing women and workers in early 20th century Swedish life insurance”. The question asked here is: how were the representations of life policyholders as middle class and male in Swedish companies' marketing contested by the diffusion of life insurance to women and the working class? To study such representations Eriksson draws on trade journals, prospectuses and pamphlets, as well as sales material from three important firms, the Skandia, the Trygg and the Thule. She concludes that the primary image in the sales literature was of women as dependent and financially illiterate, and that this image was used to promote the purchase of life insurance by male breadwinners as a moral duty, part of a bourgeois gender ideology. Those who bought life insurance were defined as righteous, rational middle-class men. Husbands, fathers, brothers who did not buy life insurance were imprudent, immoral or ignorant, or members of the working class. Citing the ”separate spheres” argument promulgated by Davidoff and Hall, Eriksson claims that life insurance was ”the number one exponent of middle-class female dependency” (p. 30). The giant industrial life insurer, the Trygg, purveyed this idea in its marketing as much as other companies. Thus in the sales literature, life insurance was deemed to have no relevance for women except as beneficiaries. Wives were presented as often resentful or hostile to their husbands' expenditure on life insurance, and as emotional, irrational, short-sighted, childish, and acquisitive rather than prudent – the ”enemies” of rational life insurance. The ”moral ambition” of the insurance companies was to enforce and reproduce these male-female dichotomies and ideals of domesticity. Remarkably, this type of rhetoric survived well into the 1940s, long after industrial life assurance had taken off in Sweden.

As Eriksson astutely points out, however, there was a curious contradiction between these representations in life insurance marketing of women as irrelevant and the numerical importance of working-class women as policyholders. In 1926 around 54 per cent of those holding small Trygg policies – those requiring weekly premium payments – were women. Eriksson's explanation of this contradiction focuses on the gap between the gender ideology and the reality of the lives of the Swedish rural population, where women played an active economic role. The ideological premise was simply irrelevant to selling life insurance in Swedish villages. Moreover, insurance agents worked on commission. They had no interest in promoting middle-class ideals of domesticity by trying to sell life insurance only to male heads of households, when women's work was essential to the rural family economy. In short, according to Eriksson, Swedish life insurance developed in spite of, not because of, cultural stereotypes, and the conditions of the rural market for life insurance overrode the transmission of middle-class ideals from town to countryside.

This is an interesting argument, but to be fully convincing we really need to know more about why rural working women bought life insurance policies from the Trygg, in spite of the gender bias of the companies' sales literature. Moreover, was there any difference in the motives of farmers' wives and the wives of urban workers in buying industrial life insurance? How did each group view the purpose of a life insurance policy: as a long-term saving for retirement for example, or primarily as a means of putting money aside for a specific short-term object of expenditure, such as a Christmas box or a wedding, in the way the British workers, described by Paul Johnson in his book, *Saving and spending*, used their friendly and mutual benefit societies in the late nineteenth century?

Understanding the changing nature of demand for insurance, uncovering the reasons why people in the past spread risk in certain ways, are some of the most difficult challenges for the insurance historian. In this thesis, Eriksson has not provided all the answers, but by focusing on demand, and on the differences between the rhetoric of the industry and its practices, she has made an important contribution to the cultural and social history of insurance in the nineteenth and early twentieth centuries.

Finally, a word of caution for the reader. There are a large number of cited works that are missing from the bibliographies at the end of the introduction and the fourth paper (10 in each). If the author does ever write that book, copyeditors take note.