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The Pitfalls of Internationalization: The Experience of American Life Insurers in Australia, 1885–1905

MONICA J. KENELEY

In the latter part of the nineteenth century, the three largest life insurance companies had a presence in more than forty countries. In the 1880s they turned their attention to the Australian colonies, in which life insurance markets were expanding. The venture, however, was met with unexpected market resistance, and the expectations of the Big Three were never fully met. An eclectic paradigm provides an explanatory tool, which is applied to an investigation of the experiences of American companies. These companies were not able to realize the ownership and location, or internalize the advantages, needed to build a sustainable presence in the Australian life insurance market.

The nineteenth century witnessed the growth and development of life insurance markets across the globe. Part of the impetus for this came from the international expansion of British, European, and American firms. The international reach of leading American insurers spread with great rapidity starting in the 1870s. The global expansion of U.S. life insurance companies was dominated by the three largest companies: New York Life, Equitable, and Mutual Life of New York. These companies were giants in their own domestic market, and they also came to dominate the world stage. The impact of the entrance of the Big Three in the overseas insurance markets has been described as "like an electric shock ... on a body of low vitality."[1] These companies

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1. Cited in Supple, *Royal Exchange,* 275.

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expanded their international presence and made inroads into long-established markets in continental Europe and the United Kingdom. In the space of a decade and a half, they established branches in Russia, Latin America, China, the West Indies, South Africa, and Australia.

Expansion was rapid in the last quarter of the nineteenth century. By 1885 nearly one-third of New York Life's business was done outside the United States and Canada. It had a presence in more than forty countries.[2] Equitable had representation in nearly 100 countries by 1900, and Mutual Life was in twenty countries.[3] At the turn of the twentieth century, the Big Three had nearly USD 750 million worth of insurance in force overseas.[4] Morton Keller argues that this was a "uniquely dynamic American corporate venture," which "attested to the vigor of the special drives" of these companies.[5]

However, the pace of development hid a number of difficulties and problems. Keller writes that "the very intensity, ingenuity and success" of the venture fostered forces that ultimately helped bring it to a close.[6] Factors such as the type of product promoted, expense ratios, nationalistic forces, and regulatory authority all played a role in limiting the long-term viability of the strategy.[7] The experiences of American life insurance companies at this time can provide insights into the wider debate related to effective internationalization strategies. Taking the case of Australia as an example, this article applies a variation of the eclectic paradigm to provide a lens on the application of business strategies of large insurers moving to expand beyond their domestic boundaries. It examines the largely unsuccessful attempts of American insurers to build a substantial and sustainable presence in the Australian market. It is in contrast to the experience during the twentieth century, when American companies developed a significant presence, particularly in the mining and manufacturing sectors of the Australian economy.[8]

Compared to the body of literature on international expansion, comparatively little attention has been paid to the failure and divestment of overseas firms. It is only in recent times that empirical studies have begun to shed light on explanatory factors influencing the exit of foreign firms. For example, Li highlights the role of entry and diversification strategies and organizational experience. Mata and Portugal find that greenfield entry has an associated higher risk of closure as

2. Wilkins, "Multinational Enterprise in Insurance," 338.
3. Keller, *Life Insurance Enterprise*, 81–82.
4. Ibid., 82.
5. Ibid.
6. Ibid., 95.
7. Ibid., 95–112.
8. Brash, *American Investment,* 21–28.

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compared with other entry modes. Berry's study highlights the importance of product and geographic market factors in influencing divestment decisions.[9] The current article provides a historical perspective on this debate. It suggests that the issues raised in contemporary discussion are ones that have also influenced the success or failure of internationalization strategies in the past.

The Big Three opened for business in Australia starting in 1883. The first to arrive in that year was New York Life Insurance Company, followed very quickly by Equitable Life Assurance Society. Mutual Life of New York was more hesitant, waiting several more years before entering in 1887. Economically and culturally, the Australian colonies were a logical fit for the business of these companies. The country was experiencing strong industrial and urban growth, a legacy of the gold rushes of previous decades. There was a growing middle class, already availing itself of life insurance products, and there was a largely passive regulatory environment. With this in mind, American insurers were optimistic of prospects in this market. However, these forecasts were never fully realized.

It is the aim of this article to investigate the factors that influenced the outcomes of the internationalization strategies of American insurers in respect to the Australian market. In doing so, it considers the broader legacy of the experiment and the implications for the development of the local industry. The next section reviews the explanations that analyze the underpinnings of successful internationalization strategies. Following that, an outline of the background of the Australian life insurance industry relative to that of the U.S. industry provides context. After that, the article traces the experience of the Big Three in Australia and the problems they encountered, analyzes the broader implications for the development of the domestic market, and offers concluding comments.

Explanations of Internationalization Strategies

Perspectives on internationalization strategies are varied [10]; however, there are themes running through the debate that highlight the essential issues. Three common threads have emerged in the debate, and they revolve around the concepts of ownership, internalization, and location. Firms venture overseas if they are able to exploit advantages they may have in relation to the ownership of resources. The manner

9. Li, "Foreign Entry and Survival," 346–348; Mata and Portugal "Closure and Divestiture," 560–561; Berry, "When Do Firms Divest," 259.

10. Rugman, "New Theories of Multinational Enterprise," 102.

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in which they may do so depends on the extent to which they can minimize transaction costs, either through direct foreign investment (FDI; internalization) or the licensing of production. Alternatively, a firm may identify and use location-specific resources that allow for comparative cost reduction.[11] Dunning's eclectic paradigm draws these explanations together to form an intuitive framework that explains the motivations for FDI. Ownership, location, and internalization (OLI) are all-important elements in the decision to move offshore.[12]

This article looks at the issue from a different perspective. It uses these concepts to evaluate the performance of FDI by American life insurance companies in the Australian market in the late nineteenth century.

The eclectic model provides a useful toolbox to apply to analyzing the issues that impacted the performance of the Big Three life insurers in Australia. OLI played a role in determining outcomes for these companies. The OLI paradigm suggests that a successful internationalization strategy requires a firm to have varying degrees of advantage in respect to the ownership of resources, the location of production, and the method used to produce. Organizational capability is a driver; it influences the mode of entry, scope of ownership advantage, and extent to which location-specific advantages can be realized. It is argued that while other impediments to success may have existed, OLI factors were critical in determining the ability of American insurers to integrate into the Australian market.

Dunning refers to three types of ownership advantage: the exploitation of monopoly power allowing the creation of barriers to entry, the possession of resources and capabilities that allow greater technical efficiency, and the competencies of managers to manage business abroad more effectively than their competitors.[13] Location advantages represent a wide range of factors that encourage the potential for a firm to complement its core competencies. As well as natural resources, they may include business and institutional factors that enable a firm to compete effectively in an overseas market.[14] Internalization refers to the choice of production method. A firm may elect to provide the product in a number of ways, for example, through licensing agreements, joint ventures, or own production. The choice may be based on any number of theoretical underpinnings, including the transaction cost argument, agency theory, efficiency, and market power explanations.[15]

11. Buckley, "Limits of Explanation," 181–182.
12. Dunning, "Eclectic Paradigm," 163–165.
13. Ibid., 168–169.
14. Ibid., 178.
15. Ibid., 182.

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The focus of the eclectic model has been on the manufacturing sector. In this respect, the ownership of physical resources has been seen as an important consideration. The application of this approach to the services sector has been the subject of debate. Johanson and Vahlne, for example, have questioned its usefulness in respect to the service sector.[16] Other research has concluded that the principles provide a good foundation for understanding the internationalization of services.[17] In respect to the insurance industry, Katrishen and Scordis found that theoretical explanations of the behavior of multinational firms do have some validity.[18]

Notwithstanding these findings, it is clear that the characteristics of ownership, location, and internalization are not a perfect fit for service industries. The issue reflects the problems associated with applying a standardized paradigm across a spectrum of industries. Recent debate has called for revision of OLI concepts to take greater account of firm-specific advantages.[19] Da Silva Lopes suggests that the ownership advantage should be divided into three types: general, firm-specific, and product-specific. General advantage refers to specific country advantages. Utilizing a Chandlerian framework, firm-specific advantage is defined as those generic across products and focuses on management capabilities of the firm. Product advantage takes into account the capacity to successfully differentiate products.[20] Da Silva Lopes concludes that, over time, firm-specific advantages are key to explaining successful internationalization.[21] Lunden also feels that the typology of ownership advantage is useful, yet also argues that different types of advantages will exist for different firms. Three different types of ownership advantages can be identified: tangible/intangible assets advantages, scale and scope advantages, and institutional advantages. The last has a focus on the ability of management to adapt corporate norms and cultures to diverse settings.[22]

It is also recognized that there are other possible factors that may play roles on international expansion plans, including influence of push factors (such as domestic competitive and regulatory pressures) and pull factors (such as income differentials and differences in rates of return). While these pressures may encourage a move offshore, they do not necessarily account for the success (or otherwise) of the strategy. Instead, it could be argued that the more significant driver is the management capabilities of a firm to take advantage of national differences.

16. Johanson and Vahlne, “Mechanism of Internationalization,” 15.
17. Rajshekar, Griffith, and White, “Empirical Examination of Factors,” 187.
18. Katrishen and Scordis, “Economies of Scale in Services,” 317.
19. Da Silva Lopes, “Entrepreneur,” 71.
20. Ibid., 76–77.
21. Ibid., 83.
22. Lundan, “Ownership Advantages,” 51–62.

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The Development of Australian and U.S. Life Insurance Markets in Mid-Nineteenth Century

At the time that American companies first signaled their interest in Australia, life insurance was a comparatively young but growing market. There were two key influences on the structure and development of the Australian life insurance market in the nineteenth century. The first was the market failure of early insurance companies, which were predominantly stock companies. These companies were generally established by operators with little experience or capital assets. The market was notoriously unstable, and was all but wiped out during a sharp economic contraction in the 1840s.[23]

It could be argued that failure of stock companies was due to a mismatch between organizational form and product fit. Evidence provided by the experience in other countries suggests that this could be a factor. Lilljegren and Andersson examine the impact of organizational structure on risk-taking in the Swedish property insurance market. They find that mutual structures are more successful in managing underwriting in more homogeneous risk pools, such as fire and marine. They were less adept in the more variable vehicle and property insurance markets, in which stock companies performed better.[24] Likewise, Adams and colleagues show that both mutual and stock companies operated successfully in the Swedish fire market between 1903 and 1939 because they specialized in different segments of the market.[25] A lack of financial data makes it difficult to substantiate the impact of organizational form on the performance of early Australian life insurers. Despite this, Blair argues that there is some evidence to suggest that stock companies were more successful in term insurance than life insurance because it was a better organizational fit.[26]

The first mutual life insurer was established in 1849, although the real expansion in the number of offices did not occur for another decade. The growth in the market mirrored what was happening in the wider economy. It was not until the 1860s that colonial economies began to graduate beyond a complete reliance on the primary sector. Leveraging off the wealth generated by the gold rushes of the 1850s, the colonies entered a phase of economic expansion. Industrialization and urbanization supported a growing population, the majority of which were located in key urban centers, including Sydney and Melbourne.[27]

23. Keneley, "Business Strategies under Conditions of Uncertainty," 175.
24. Lilljegren and Andersson, "Variation in Organizational Form," 77.
25. Adams et al., "Competing Models of Organizational Form," 990.
26. Blair, "Choice of Ownership," 78–79.
27. Butlin, *Investment in Australian Economic Development*, 181–193.

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Growth in income per capita[28] reflected the rise of an aspirational middle class. It was this cohort of the population that drove the growing demand for life insurance products.[29] From 1869 and for the next decade, the market expanded considerably both in terms of the number of firms and the number of policies sold.

The second influence on development was the predominance of mutual structures in the industry. Between 1869 and 1885, ten mutual companies were established, mostly from 1869 to 1872.[30] A limited number of stock companies also opened their doors for business, but they failed to flourish. [31] Mutuals were dominant in the life insurance market. The explanation for this lies not just in the economic context of market failure, such as that put forward by Hansmann,[32] but also in a sociological context. Johnston Birchall argues that mutualism was embedded in the social culture of collective responsibility.[33] In this respect, Australian mutuals in the nineteenth century were a reflection of a broader self-help ethos that combined with contemporary religious and moral doctrines. The success of Australian mutual life insurers at this time was due both to the business model adopted and because it struck a chord with the emerging Australian identity as the economy and society transformed and moved away from its settler origins.[34]

Table 1 indicates the state of the market in 1885, and that the major player was Australian Mutual Provident (AMP). Other firms were much smaller, both in terms of assets and new premium income. The pattern of development is unusual in the sense that, for nearly two decades, AMP was effectively the sole supplier. This allowed it to establish a strong brand loyalty, which was reflected in its share of the market. The development of the industry starting in 1869, and preference for mutual structures, is evidenced with the number of new offices. Although other organizations did not match the size of AMP at this stage, they were young and energetically pursuing growth.

Another feature of the Australian life insurance market was the almost total lack of overseas competition. Unlike in the fire insurance market in which British firms dominated, in life insurance there was

28. Real GDP grew at an average annual rate of 4.8 percent between 1861 and 1889. The average annual rate of population growth was 3.5 percent, and the average annual rate of growth of GDP per capita was 1.3 percent. McLean, "Australian Economic Growth in Historical Perspective," 332.

29. Keneley, "Business Strategies under Conditions of Uncertainty," 183.

30. Keneley, "Evolution of the Australian Life Insurance Industry," 149.

31. Gray, *Life Insurance in Australia*, 24–28.

32. Hansmann, *Ownership of Enterprise*.

33. Birchall, *New Mutualism in Public Policy*.

34. Lyons, "History of Non-Profit," 308, 315, 324; Nobbs, "Provident Venture," 450–455.

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Table 1 Share of life insurance business, 1885

Firm	Date established	Organizational form	Total industry assets (%)	Total new premiums (%)
AMP	1849	M	68.7	35.7
National Mutual Life	1869	M	6.6	13.1
Colonial Mutual Life	1874	M	6.0	15.4
Australasian Alliance	1862	P	5.4	3.0
Mutual Life of Australasia	1869	M	5.2	5.3
Australian Widows Fund	1871	M	3.9	13.9
Mutual Assurance of Victoria	1870	M	3.3	9.4
City Mutual Assurance, Ltd.	1878	M	0.06	1.9
Australasian Temperance and General	1876	M	0.6	0.7

Source: Calculated from *Australasian Insurance and Banking Record* (AIBR), 1886.

Note: M = Mutual; P =Proprietary.

virtually no international presence to speak of. Although some British companies advertised in local directories from time to time, there is little evidence of any business conducted by them.[35] It was against this backdrop that the Big Three American insurers set up shop in the 1880s.

Similarities in the historical patterns of growth in life insurance are evident in Australia and the United States. In respect to the American story, two turning points are important to understanding the background leading to the establishment of these life insurance offices in Australia. The first was in the 1840s, when mutual organizations came to prominence. The second was in the 1870s, when a slowdown in growth and a rationalization of the industry occurred. As was the case in Australia, it was an economic downturn leading to the demise of a number of stock companies that facilitated the emergence of mutual insurers. In 1841 there were three mutuals in existence. Over the next decade, this number expanded to eighteen.[36] Keller writes that mutualization was the “ideal solution” because it required little initial capital and spread risk and reward among members.[37] The Big Three were established at this time: Mutual Life in 1842, New York Life in 1843, and Equitable in 1859.

Another period of influence was the decade of the 1870s, which was associated with an industry rationalization that saw the number of firms in operation halve.[38] Murphy argues that with a downturn in

35. Gray, *Life Insurance in Australia,* 22–23; Carment, “Life Assurance,” 524.
36. Keller, *Life Insurance Enterprise*, 7.
37. Ibid.
38. Wright, “Insuring America,” Appendix 1.

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sales in 1870, the market experienced a "catastrophic collapse, which marked the end of the first major era in the history of life insurance."[39] The corporate structures that emerged in the following decade encouraged the development of a very different market going forward.

In the wake of the ensuing industry reorganization, the market became more concentrated. By 1881 the Big Three accounted for 40 percent of the value of insurance in force.[40] There was a clear distinction between these firms and the older, more established survivors. Led by men such as Henry Hyde, of Equitable, a more entrepreneurial and at times ruthless approach to business was adopted. This was manifest in the types of products sold, the way they were sold, and the manner in which the newer breed of firms established and protected market share.[41]

Innovations in the types of insurance products sold contributed to the transformation of the market. Tontine insurance, first introduced by Equitable in 1868, became the signature product. The tontine was a deferred dividend product that divided the final payout of a life insurance policy between its face value and the accumulated surplus from the investment of premium income paid. The type of tontine insurance sold by American insurers at this time had lengthy dates to maturity, often between ten and twenty years. It represented a pool of funds that only surviving members had full access to. For policyholders who died before the maturity of the policy, their beneficiaries only received its face value. Likewise, policyholders whose premiums had lapsed received nothing or only a small part of their outlay. Those who continued to contribute for the duration of the tontine received the face value of their policy plus its dividend income and a share of the dividend pool created as other members dropped out. This type of policy had a number of advantages for the insurer over the more traditional annual dividend policy, which older and more conservative companies sold. North argues that the tontine was a major source of capital accumulation. Regular premiums invested over an extended period of time provided a steady stream of capital growth. This was reinforced by the sales method adopted and also high policy lapse rates over the life of the product.[42]

The platform used to build business in domestic markets was adopted overseas. Expansion into Western European markets was followed by ventures in Britain, Russia, Latin America, the Far East, and the Antipodes. Tapping into the emerging needs of the middle

39. Ibid.
40. Pearson, "Organizational Forms in Insurance," 130.
41. North, "Entrepreneurial Policy," 140.
42. North, "Capital Accumulation in Life Insurance," 241–243.

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classes in industrializing countries, they were able to replicate their success at home.[43] These companies were more successful in Europe than other parts of the globe. In this respect, it was marketing technology that provided an advantage. Many European markets were driven by "outworn tradition" characterized by bureaucratic and inefficient sales systems.[44] In other countries, American companies encountered hostility not only from local competitors but also from governments. Regulatory restrictions and other business difficulties, even in neighboring countries such as Canada, made for what Keller has described as "unsatisfying ventures."[45]

The Big Three in Australia

The arrival of the Americans was heralded by the local financial press, confident of the superiority of local companies, stating "not one but two have at length mustered sufficient courage to make the attempt."[46] U.S. companies commenced with a publicity campaign the like of which had not been witnessed in the colonies. It boasted of the competence and international success of these companies and the attractiveness of the particular type of insurance they sold. Equitable championed itself as "the pioneer in all reforms which have made American life assurance famous throughout the world." It disingenuously touted itself as a mutual company by virtue of the statement that it "originated all reforms and improvements in that living, active, efficient system."[47] Mutual of New York advertised that it was the "Largest Life Insurance Company in the World," and New York Life Insurance claimed that "all profits belong to policy holders."[48]

Although two of the three American companies proclaimed mutual life insurance status, their governance structures were very different from that of their Australian counterparts. Australian mutuals were strictly governed by by-laws that mandated specific codes of

43. Keller, *Life Insurance Enterprise*, 84–85.

44. Ibid., 82.

45. Ibid., 99. Keller highlights the problems encountered by U.S. companies in various parts of the globe. Regulatory backlash, nationalistic forces, and expenses were common themes.

46. *Australasian Insurance and Banking Record* (hereafter, AIBR), January 12, 1884, 22.

47. *Progress and Reforms of the Equitable, Prospectus* (1888), 17, Equitable Life Assurance Company, AMP Archives. Equitable was, in fact, a stock company with Henry Hyde as it major shareholder.

48. Ibid.; *Prospectus and Table of Rates, Mutual Life Insurance Company of New York* (1890); *Australian Prospectus, New York Life Insurance Company* (ca.1888). All in AMP Archives.

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conduct that could not be altered without policyholder approval. Boards of directors were limited to between five and seven members. The term of directors was also limited: after a specified period, they were required to retire and stand for reelection. In the case of AMP, two directors were retired annually, with one being eligible for reelection.[49] In the case of National Mutual, a revolving calendar saw the existing cohort of directors replaced every three years. At Temperance and General, two directors retired every year.[50] In addition, the conduct of the business was also prescribed. Policy proposals had to be approved by the board of directors before acceptance. Risky applications were rejected on a regular basis. The investment of funds was also regulated and restricted to mortgages, government securities, loans to policyholders, and office premises for use by the organization.

Governance structures of U.S. companies were more complex. Douglass North outlined the typical structure characteristic of the Big Three.[51] He distinguished between the formal and informal organization. Formally, corporate power rested with a board of trustees, elected by the respective stakeholders.[52] The management structure was much larger than Australian firms with respect to the board of trustees. In the case of Mutual Life, which North took as typical, there were thirty-six trustees. These trustees held the nominal corporate power and were assisted by six standing committees and an executive committee consisting of a company president, two vice presidents, a general manager, and treasurer.[53] The degree to which stakeholders had influence over the organization was limited. North argues that the election process was a "purely formal device" to satisfy regulatory requirements.[54] In practice, the voting system did not encourage voter response and could be easily usurped by the use of proxy votes held by key executives.[55] Over time, the Big Three developed reputations as "one man companies," with executive power being informally vested in each organization's president: Hyde, of Equitable; McCall, of New York Life; and McCurdy, of Mutual Life.[56] The influence of these men extended throughout the executive structure, which allowed them to

49. AMP By-Laws 1857 (By-Law II).

50. *Memorandum and Articles of Association*, 1883, National Mutual Life Association of Australasia; *Memorandum and Articles of Association*, 1899, Australasian Temperance and General Life Assurance Society. All in AMP Archives.

51. North, "Entrepreneurial Policy," 143–149.

52. In the case of the two mutuals, this was the policyholders in the case of the stock company shareholders.

53. North, "Entrepreneurial Policy," 143–144.

54. Ibid., 144–145.

55. Keller, *Life Insurance Enterprise*, 40.

56. Ibid., 147.

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modify by-laws and governance codes to suit their own agendas. The spread of nepotism was apparent in all companies, with close family connections being appointed to positions of authority and sons succeeding fathers in key roles.[57]

Such practices encouraged the spread of arrangements that took insurers outside their formal codes of practice. In relation to the investment of funds, this led to growing links with investment banks. This alliance influenced the direction of the investment of funds and resulted in a complex web of financial transactions.[58] Unlike the conservative approach of Australian life offices, the structure of these arrangements made the American companies less transparent and accountable to stakeholders. The management of the large American insurers and the power wielded by their executives was very different to that of Australian offices. It was an issue that local companies were quick to pick up on and draw attention to, particularly in respect to their commitment to Australian policyholders.[59]

Despite the fanfare that accompanied the entrance of American insurers, progress in building market share was slow. The snapshot in Table 2 gives an indication of the relative share of policies in force.[60] After a decade in business for Equitable and New York Life, and six years for Mutual Life, they were still among the smaller businesses in the market. The Australian market, however, was only a fraction

Table 2 Snapshot of Australian and American life insurers, 1893*

Firm	Policies in force in Australasia (*N*)	Sum assured in Australasia (£)
Equitable Life Association	7,204	4,063,627
New York Life	2,169	1,643,535
Mutual Life of New York	1,468	1,160,366
AMP	119,232	39,331,071
Colonial Mutual Life	32,986	10,827,028
National Mutual Life	28,475	6,479,647
Australian Widows Fund	21,047	4,727,701
Mutual Life of Australasia	17,103	4,250,997
Mutual Assurance of Victoria	15,106	3,668,517
Australasian Temperance and General	5,771	898,007

Source: Coghlan, *Seven Colonies of Australasia*.

Note: *Data relates only to companies doing business in Australia.

57. Ibid.

58. Ibid., 150–151; North, "Life Insurance and Investment Banking," 215–218.

59. *Australian Star*, August 28, 1889; *Sunday Times*, September 8, 1889; *Evening Post* December 18, 1889, AMP Archives.

60. Comprehensive statistics for this period do not exist. While some colonies required mandatory reporting of returns, others did not. The data used in Table 2 is based on contemporary compilations of reports by the NSW Government Statistician, *Returns under the Census*.

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of their wider international commitment. Premium income for New York Life in 1895 was worth in excess of USD 10 million, for Equitable it was over USD 9 million, and Mutual Life approached USD 5 million.[61]

The outcome of the efforts of the Big Three to build a market presence in the Australian colonies can be understood in terms of the OLI paradigm. Essentially, the American companies did not have the skill sets, locational advantage, or organizational capabilities to successfully grow their business in the Australian colonies to the extent envisaged. Table 3 summarizes the results in terms of the extent of advantage that these firms had over those in the host market.

Ownership advantage relates to the unique or competitive advantages the new entrant may have over those already operating in the market.[62] These advantages may take a variety of forms but relate intrinsically to the capabilities of the firm to exploit the attributes of the new market. Advantages can include market power, resource ownership, and strategic or entrepreneurial skills. American companies possessed limited ownership advantages. The major Australian mutuals were well-established and firmly entrenched. American firms had no monopoly power in this market and were unlikely to acquire it. As Table 1 indicated, the Australian life insurance market was highly concentrated. In 1885 the top three firms accounted for 81.3 percent of industry assets and 64.2 percent of new business.[63] The three largest domestic life insurance offices made use of their first-mover advantage to capture a broad and very loyal consumer base. The approach taken by the management of these institutions was unambiguously conservative. They erred on the side of caution in the acquisition of new business, the investment of funds, and the conduct of their executives. In contrast, American companies were viewed as flamboyant risk-takers with little or no allegiance to local policyholders.[64]

Table 3 Extent of ownership, location, and internalization advantages

	Extent of advantage	Key type of advantage/disadvantage
Ownership	Weak advantage	Entrepreneurial approach, marketing and sales expertise
Location	Disadvantage	Issues associated with distance and moral hazard
Internalization	Disadvantage	Type of sales organization established: the agency system

61. Keller, *Life Insurance Enterprise*, 83.
62. Dunning, "Eclectic Paradigm," 168.
63. Calculated from the AIBR, 1886.
64. *AIBR*, January 12, 1884, 23, and May 13, 1884, 231; *Sydney Morning Herald*, September 7, 1889; *Sunday Times,* September 7, 1889.

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Undermining the efforts of the Big Three to build market share in the colonies was a long standing war of words between the American companies and the larger Australian mutuals, in particular AMP. The "pamphlet wars," as they were known, spanned two decades of often-vitriolic diatribe directed at discrediting the claims of one company or another. Deploring the state of affairs encountered, Equitable, in its Australian prospectus, claimed: "It is no exaggeration to say that no other Life Insurance Company has ever been assailed so widely or violently."[65]

Not only were American insurers unable to establish market power but they also encountered a degree of antagonism, the like of which they had not seen before. The diversion of resources to counter this opposition created further difficulties for the Americans, who retaliated in equal measure. Every aspect of business was attacked by both parties, and claims and counter claims colored what was a very acrimonious relationship between local firms and their American counterparts.[66]

The longevity of the pamphlets wars and the bitterness they engendered highlighted the difficulties associated with international expansion. In this regard, American companies suffered from a liability of foreignness. The constraints to success lay in the parochial nature of the local market and the loyalties of its customer base.

A further impediment to the expansion of American life insurers was the already innovative nature of products available in the Australian market. In this respect, the American companies did not have the advantage they had found in other countries, such as Britain and many European states.

In Australia, the new arrivals had to compete with products, which, by world standards, were considered very liberal. Competition among local insurers in the 1870s encouraged a number of product developments that eased restrictions on policy conditions. Early life insurance policies had laid down strict conditions covering things like place of residence, employment, and travel. In 1875 Mutual Life Association began to offer policies with no restrictions on residence, occupation, or habits. Other insurers followed suit in quick succession.

Further reforms included the introduction of the principle of nonforfeiture. The National Mutual Life Association claimed to be the first in the world to make this concession.[67] Previously, a lapse in

65. *Progress and Reforms of the Equitable, Prospectus* (1888), ii, Equitable Life Assurance Company, AMP Archives.

66. This is evident in the correspondence between AMP and Mutual Life of New York. Correspondence between Richard Rennie (Mutual Life of New York) and Richard Teece (AMP), December 1889–January 1890, AMP Archives.

67. *Prospectus and Table of Rates*, National Mutual Life Association, Melbourne, (1878), AMP Archives.

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premium payment voided a life insurance policy. The nonforfeiture system allowed for the continuation of the policy in the absence of payment for as long as its available surrender value. AMP followed suit, listing eight areas of policy in 1875. These included the lifting of limitations on death by suicide, dueling, or at the "hands of justice."[68] A further measure taken to expand the attractiveness of life insurance was the introduction of loans to policyholders. National Mutual introduced loans on policies in 1871. It was in widespread use by the mid-1870s. Endowment insurance was another type of insurance that underwent an exponential growth in demand in the latter part of the nineteenth century. By the turn of the century, it represented more than half the number of policies in existence and around 40 percent of the total amount insured.[69]

The liberality of Australian life insurance policies was not something American insurers had experienced in other markets. To gain a foothold, they too had to make similar concessions. A further complication was the notable absence of tontine insurance products in colonial markets. This was a product little understood and, in order to market it, the Big Three had to educate consumers on its principles. In this task, they encountered fierce opposition from local companies that campaigned vigorously against this form of insurance.[70] Resistance to the product's uptake was heightened by claims widely promoted in the press that it was little more than a form of gambling.[71]

An area in which the U.S. companies did have some competencies was in marketing and sales techniques. The spread of the tontine in the United States was accompanied by the advancement of the insurance salesman to sell the product. Aggressive marketing was the hallmark of companies like Equitable, which built a large agency force to sell its products.[72] The general agency system relied on the efforts of a commissioned agent to coordinate and manage an army of sales staff employed to sell insurance products.[73] It was accompanied by a sophisticated media-based publicity machine. During the 1880s and 1890s, newspapers were used regularly to push the interests of one insurer over another.[74] However, it was the publication and distribution of pamphlets that demonstrated the growing sophistication

68. *Prospectus and Table of Rates*, AMP (1875), AMP Archives.

69. Carment, "Life Assurance," 526.

70. AIBR, 1884, 223; *Sydney Morning Herald*, May 8, 1884, Pamphlet Collection, AMP Archives.

71. Black, *What Is Tontine Assurance?*, 5, AMP Archives.

72. North, "Entrepreneurial Policy," 140.

73. Stalson, *Marketing Life Insurance,* 379–382.

74. Evidence of the frequency of letters, advertisements, and reports promoting particular life offices can be seen in the Guard Books of the AMP for this period, AMP Archives.

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of marketing skills. The volume of pamphlets saturated the market. Between 1884 and 1905, the Big Three published at least 118 different pamphlets designed for an Australian audience.[75] Many of these were reprinted multiple times.[76] AMP—which was quite active in promoting the pamphlet war—launched sixty-two pamphlets in their "campaign against American life offices." Over time, the visual appearance of these pamphlets became more extravagant in an attempt to attract attention.[77] The use of color and graphics were techniques that were later adopted more universally and translated into regular advertising. The Big Three were experienced in bringing their message to the attention of the public. However, Australian offices were quick learners, cherry-picking marketing and sales techniques and adapting them to suit their own systems. Advantages that American companies may have had in this respect were short-lived, as Australian offices developed similar skill sets.[78]

In terms of locational factors, American companies were at a disadvantage. Although the Australian colonies had and were experiencing similar macroeconomic trends to those in America, it was on a much smaller scale. Three problems relating to the issue of location manifested for American companies. First was the size of the market and its geographic dispersion. Colonial economies, although expanding in the latter quarter of the nineteenth century, were doing so from a comparatively small base. The total population of the Australian colonies was 2.3 million in 1880, rising to 3.1 million in 1890, and 3.7 million in 1900.[79] Around 35 percent lived in the five largest cities, especially Sydney and Melbourne.[80] The remaining 65 percent of the population was widely geographically dispersed throughout the colonies.

The wide distribution of the population created a second set of issues. Servicing such markets was associated with high costs and the potential for moral hazard problems. The platform through which life insurance was sold was through the agency system. This system utilized the services of largely independent salesmen paid on a commission basis. The practice used in other countries was followed. A presence was established in a large metropolitan center, and then agents were contracted to provide the sales service. From this process, a web of sales agents grew to service the wider perimeters of the

75. These are also itemized and copied at the AMP Archives.

76. A list of specific pamphlets is at the AMP Archives.

77. Principal Board Minutes: Appendix, August 18, 1889, 3–5, AMP Archives.

78. This is evident in the pamphlet collection at the AMP Archives. During the 1880s and 1890s, pamphlets produced by local firms began to be laid out in similar ways to those of their U.S. counterparts.

79. Ville and Withers, *Cambridge Economic History of Australia*, Appendix A2.

80. Frost, "Urbanization," 249.

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geographic market. U.S. companies started by acquiring the services of experienced men from local offices and then proceeded to infiltrate as much of the market as possible. An upshot of this was the escalation of costs because higher commissions were offered to attract agents.[81]

One tactic used was to access markets in which the local presence was limited. These markets were usually very remote, and thus expensive and less easy to manage. Local offices retaliated with an increase in their own presence in these areas as they became less sustainable. Areas of remote Queensland are a case in point. The rumor of Equitable agents scoping out the north Queensland town of Townsville was enough for AMP to open an office there posthaste.[82] Rural and remote areas were also associated with higher risks. Mortality rates were generally lower in the major cities as compared to the rest of the colonies.[83] While there is no data on comparative loss ratios, it is likely that the American companies experienced higher trends than Australian competitors such as AMP. The mortality experience of AMP was said to be lower than any other life insurer in the world.[84] A snapshot of the claims experience of the various companies reinforces the differentials. There is also no consistent data on policy discontinuation over this period; however, the 1891 Industrial Census of New South Wales provides an indicator of relativities. The number of policy discontinuations due to death and maturity for each company in 1891 is detailed in Table 4. The disparity between local and American firms is evident with both Equitable and Mutual of New York having much higher levels of claims. The average amount paid was also greater, reflecting the American practice of taking on larger risks. The quality of the risk portfolio of Australian companies was better than their U.S. counterparts because they insured for lower sums and took a conservative approach to policy approval.[85]

Venturing into new and distant markets created a third issue: the risk of moral hazard. This could manifest both in the behavior of the policyholder and the agent. Policyholders could defraud the company or falsify policy information. Agents could operate dishonestly or engage in behavior bringing the company into disrepute. This could include engaging in twisting (the practice of selling policies to customers who had just acquired a similar one from another

81. Buley, *Equitable Life Assurance Society*, 477; Stalson, *Marketing Life Insurance*, 522–554.

82. Teece, pamphlet to members of AMP North Queensland, September 16, 1887, AMP Archives; Blainey, *History of the AMP*, 103.

83. Carment, “Life Assurance,” 523.

84. Gray, *Life Insurance*, 83; Carment, “Life Assurance,” 532; Teece, *Mortality Experience*.

85. Keneley, “Business Strategies under Conditions of Uncertainty,” 181–182.

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Table 4 Number of policies discontinued by death or maturity, 1891

Firms	Policies by death or maturity (*N*)	Amount paid (£)	Average size of policy (£)
Mutual Life of New York	3,415	2,290,499	671
Equitable Life Association	3,903	2,215,711	568
AMP	1,200	433,260	361
Colonial Mutual Life	318	97,460	306
National Mutual Life	245	62,542	255
Mutual Life of Australasia	220	53,393	243
Australian Widows Fund	222	47,383	213
Mutual Life Association of Victoria	174	41,168	237
New York Life	17	18,450	1,085
Australasian Temperance and General	46	7,249	158
City Mutual Assurance, Ltd.	34	4,626	136

Source: NSW Government Statistician, *Returns under the Census and Industrial Return Act – Life Assurance*.

company) or rebating (the practice of giving the first year's premium as a rebate on a new policy). The spread of agents of American insurers witnessed a rise in complaints from the public and local companies on the aggressive behavior of some individuals.[86] An increase in the practice of twisting occurred at this time. The *Australasian Insurance and Banking Record* attributed the introduction of this "most objectionable" practice to an American company, most likely Equitable. The activities of the agents of this office made it not a competitor but a "pirate" stealing the business of other insurers, the *Australasian Insurance and Banking Record* declared.[87]

The issue of moral hazard was one that both domestic and international life insurers faced. Australian companies, however, were able to reduce the impact of this problem by embedding checks and balances in their sales systems. The branch structure was one way in which information problems associated with moral hazard could be addressed. Using a hub-and-spoke approach, branch offices supported localized offices that formed the basis on which canvassing agents accessed rural and remote areas. A key function of branch and local offices was to build relationships in their respective communities. The selling of insurance was only one function of these offices; they also provided mortgage finance to local businesses. Local managers were directed to develop relationships with business leaders and play an active role in the community.[88]

86. Correspondence between R. Teece (AMP) and Z. C. Rennie (Mutual Life of New York), January 3, 1891; AMP Guard Book of newspaper cuttings, 1889–1890, AMP Archives

87. *AIBR*, November 16, 1886, 776.

88. AMP Branch Circular Staff Control Section, 5, AMP Archives.

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The branch approach also allowed domestic firms to contain the sales-management problem by employing canvassing agents rather than independent agents in localized areas. Canvassing agents were tied to one specific company and subjected to stringent screening processes.[89] An outcome of this method was that sales commissions could be better controlled and the behavior of agents monitored. Localized branches also allowed the company to obtain detailed information on the population cohort, enabling the identification of potential problematic policies.

The American firms were at a disadvantage in terms of the internalization of functions that would have enabled them to minimize moral hazard issues and lower transaction costs. They were unable to replicate the branch system used by indigenous firms. This system had taken years to build and was supported by a strong and highly centralized management structure. It allowed better informational flows both in terms of policy risk and agent behavior. Other spinoffs, such as extending financial relationships into the community, enabled domestic firms to create a loyalty base among their policyholders. American insurers had neither the will nor capacity to build this type of organizational structure to manage their business in the Australian colonies.

The American agency system was at another disadvantage because firms relied on independent actors to pursue courses of action that would promote the expansion of market share. In terms of location, this had repercussions, including that these firms were unable to reap the benefits expected from this offshore market. One serious problem encountered was escalating costs.

High expense ratios troubled directors back home. Hyde, of Equitable, expressed his frustration at this issue in 1892, stating: "I am going to cut down expenses in Australia if I [have to] discharge every agent there and bust the whole thing."[90] Business costs and expense ratios were necessarily high as the three American insurers built their bases in the Australian market. The distance between a home office and Australian agencies made it difficult to monitor effectively the actions of local agents. Managers in Australia were known to make extravagant advances and pay high commissions to attract agents in an attempt to build business rapidly. The affairs of Equitable, for example, were found on inspection to be "something of a mess"; not only were agents overpaid but it had proved difficult to retain reliable managers.[91]

89. Keneley, "In the Service of the Society," 542–545.
90. Buley, *Equitable Life Assurance Society,* 475.
91. Ibid., 477.

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Consistent data on expense ratios for the Big Three in Australia is not available. The figures that are reported tend to indicate that expenses were higher than major competitors such as AMP. Statistics of Australian Mutual Provident and of the three American life insurance offices prove this point. The AMP's expense ratio was probably the lowest of all insurers, falling from 16.8 percent of premium income in 1884 to 12.9 percent in 1888. The expense-to-premium-income ratio of Mutual of New York increased from 14.5 percent to 25.6 percent in that period. Equitable's ratio went from 19.7 percent to 22.2 percent, and New York Life's fell from 22.7 percent to 21.5 percent. Figures reported in the *Bulletin* newspaper in 1906 indicate that this relativity had not altered much by the turn of the century. In 1900, AMP's expenses per £100 of premium income was around £9. This was compared to New York Life at £19 and Mutual Life at £21.[92]

Competitors such as AMP did their own calculations, claiming the ratios were much higher in the three American companies, ranging between 26 percent and 30 percent.[93] While this may be an overembellishment, it is clear that expense ratios for the Big Three were comparatively high, placing them at a disadvantage against their local rivals.

The organization of sales functions was problematic for American companies. Their domestic sales system did not translate well into the Australian environment. As a result, they were not able to effectively lower transaction costs to a level that would reap internal advantages. Local companies had been able to do this more efficiently through their branching approach. Although their systems were also costly to manage, they were able to reap other benefits by fostering a close relationship with the communities they had a presence in.

The Big Three did grow their businesses, but they never reached the comparative levels of the major mutuals. The annual income and number of policies held by the various companies is detailed in Table 5. The total amount insured by AMP increased from £39.3 million in 1893 to £49 million in 1901. National Mutual nearly doubled its total insurances, from £6 million to £11.3 million during this time. The increase attributed to Equitable was £4 million to £4.7 million; Mutual of New York, £1.1 million to £1.8 million; and New York Life, £1.6 million to £2.3 million.[94] Of the ten Australian life insurers, only two sold fewer policies, and four had less total value assured in 1901. By the end of the nineteenth century, the business of the Big Three in Australia

92. Cited in Megaw, "Some Aspects," 216. To be exact, the expenses of AMP were £8/0/5 per £100 of premium income. Those of New York Life were £19/19/7, and of Mutual Life were £21/9/5. Those of Equitable were not included in the report.

93. Teece, *The True Expense Ratios of American Life Offices*, AMP Archives.

94. Coghlan, *Seven Colonies of Australasia*.

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Table 5 Australia: Policies in force and annual premium income, 1893–1906

Year*	AMP		Equitable		Mutual of New York		New York Life	
	Policies (*N*)	Annual Income (£)	Policies (*N*)	Annual Income (£)	Policies (*N*)	Annual Income (£)	Policies (*N*)	Annual Income (£)
1893	119,232	1,289,919	7,204	159,830	1,468	48,322	2,169	94,954
1895	123,752	1,305,381	7,855	146,083	1,971	57,098	2,615	92,003
1897	134,034	1,363,545	7,882	131,621	2,212	60,763	2,932	97,340
1899	151,150	1,489,416	8,985	N/A	3,063	63,618	4,477	88,127
1901	168,566	1,612,243	11,542	N/A	3,778	71,279	5,755	101,759
1902	176,012	1,663,332	13,486	N/A	6,511	109,356	4,400	77,649
1903	182,810	1,715,687	15,091	223,839	4,939	83,405	7,083	117,949
1906	203,809	1,861,059	12,584	187,000	5,305	83,403	8,261	124,749

Source: Coghlan, *Seven Colonies of Australasia*.

Note: * Data not available for every year.

had not reached the level expected by their respective board of directors.[95]

For the Big Three, the results were disappointing. However, for the broader market, the increased competition provided an impetus to develop and grow in a number of ways. Innovation, the application of more sophisticated marketing techniques, and the geographic expansion of business were all encouraged in response to the increased competition associated with the entrance of U.S. companies.

It has already been noted that Australian insurers provided some of the most liberal life policies in the world. Policy development had been ongoing during the 1870s. In the 1880s, attention turned to the benefits provided to policyholders. As mutuals, any share of the surplus was periodically added to the value of the life insurance policy. This was usually done every five years. In the early 1880s, organizations such as AMP, reacting to competitive pressures, began to assign bonuses annually. The bonus could be claimed in a number of ways, including in cash, applied to the payment of the next premium, or added to the total payable at the conclusion of the policy. Although the shift to annual disbursement was more costly, insurers were largely able to absorb this because of consistently high rates of interest realized on other investment portfolios. Between 1877 and 1897, rates of interest averaged around 6 percent.[96]

New tables of rates were also introduced, designed to be more attractive to the public and to offer greater flexibility. AMP introduced

95. For example, Hyde, of Equitable, expected that their business in Australia would grow to in excess of USD 10 million during the 1890s. Buley, *Equitable Life Assurance Society*, 473.

96. Carment, "Life Assurance," 528.

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seven new tables of rates in 1895. These ranged from provisions for young children, trust investment policies, and alternative types of annuities.[97] The limit of the total value of insurance payable was also increased. Traditionally, the limit of risk on a single life was relatively low at around £5,000. During the 1880s, this doubled to £10,000. These changes combined to make tontine policies relatively less attractive.

Marketing and media skills also advanced as local insurers countered the publicity machine of American insurers.[98] The "pamphlet wars" may have engendered hostility between local and overseas offices, but they also taught Australian insurers the value of publicity and how to harness it to their advantage.[99] During the 1880s and 1890s, newspapers were used regularly to push the interests of one insurer over another.[100] However, it was the publication and distribution of pamphlets that demonstrated the growing sophistication of marketing skills. The skills developed over this period encouraged the growing demand for life insurance.[101]

The endeavors of the Big Three in Australia came to an abrupt end with the introduction of more stringent controls imposed as a result of the findings of the Armstrong Inquiry in 1905. This inquiry was set up by the State of New York legislature to investigate the business practices of life insurers. It uncovered a trail of fraud and corruption.[102] The outcome of the inquiry resulted in restrictions in a number of areas of business operation. In particular, the limitation on the amount of new business to USD 150 million per annum led to a reassessment of the value of the Australian venture. However, the directors of the Big Three were already considering their foreign operations prior to the outcome of the inquiry and looking to downsize or exit from some markets.[103]

Mutual Life took the step in March 1906, informing its Australian policyholders that it had been decided to "largely reduce the working expenses of the company around the world." As a result, its Australian business would be dealt with from its head office.[104] Equitable had

97. AMP, *New and Improved Benefits*, 1895, AMP Archives.

98. AMP, Principal Board Minutes: Appendix, August 18, 1889, 1–5, AMP Archives.

99. Ibid., 4–5.

100. Evidence of the frequency of letters, advertisements, and reports promoting particular life offices can be seen in the Guard Books of AMP for this period, AMP Archives.

101. Keneley, "Marketing the Message," 940–946.

102. It is beyond the scope of this article to list in detail the findings of this inquiry. Hendricks, *Preliminary Report of the Investigation*; Keller, *Life Insurance Enterprise*, 245–264.

103. Ibid., 95–96.

104. Letter from Richard Rennie, general manager, Australasia, to policyholders in Australasia, March 15, 1906, AMP Archives.

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preceded this move with similar correspondence to their Australian policyholders.[105] New York Life remained, but its business declined substantially starting in 1906. While it took a decade or more for the business of these companies to run out, their ventures in the Australian colonies were essentially over.[106]

Conclusion

The internationalization strategies of the Big Three had launched them into far-flung markets around the globe. In scoping out the potential of the Australian colonies, it was evident that many of the characteristics that had made life insurance popular in their domestic environment were also present in the colonies. On a superficial level, with a growing economy, emerging middle class, and associated demands for life insurance, the market looked ripe for the taking.

The experience of the Big Three in Australia, however, indicates that they struggled to build market share. It highlights the weakness of what was essentially an "outpost" approach to internationalization.[107] They lacked the facilities needed to take advantage of the conditions necessary for success. The eclectic paradigm provides tools of analysis that assist in understanding why this occurred. The concepts of ownership, location, and internalization provide insights into why this was the case. While the Big Three had some competencies in specific aspects of the business, they only resulted in weak ownership advantage. It was in the area of marketing and sales that this advantage was apparent. The large agency force, accompanied by volumes of marketing literature, spread the message of American companies. However, any advantage gained with this tactic was not long-lasting, with domestic insurers following suit with their own increasingly sophisticated sales and marketing strategies.

In terms of location, American companies found themselves at a disadvantage. They were unable to exploit locational factors that would have complemented their core competencies. The first-mover advantages indigenous firms had in the large population centers forced the Americans to venture further afield into more regional and remote areas. This posed two problems for them. First, regional centers were small and the market potential limited. Second, the cost

105. *AIBR*, February 30, 1906.

106. Equitable's business was taken up by National Mutual in 1923; Mutual of New York transferred its business to Colonial Mutual in 1924. National Mutual also took over the business of New York Life in 1925.

107. Bartlett and Ghoshal, *Managing across Borders*, 57–60.

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of conducting business was greater, leading to growing expense ratios. In all, the cost of doing business in the colonies was larger for the U.S. companies than for the local mutuals with whom they were in competition. Without the extensive branch networks that Australian companies were developing, it was difficult to bring these expenses down.

The organizational capabilities the Big Three possessed were not best placed to establish market leadership. They were at a disadvantage in terms of the choice of product and method of sales. While Australian offices sold a range of life and endowment policies with clear and explicitly stated returns at maturity, American insurers offered tontine products. This type of insurance was little understood by the market that had limited experience of it. The strongly conservative Presbyterian society in cities such as Sydney and Melbourne saw it as a form of gambling, and condemned it as such.[108] Thus, not only did the Americans have to convince consumers of the probity and accountability of their organization, they had to educate them in the benefits of a new type of product. A key difficulty they faced was in translating their message effectively in a market that already had liberal policy conditions that provided similar but less risky outcomes. In addition, the agency-sales system introduced proved to be very costly, generating increasing expense ratios and making the American product less competitive.

While the progress of the Big Three was problematic, it did have a noticeable impact on the competitive environment. Policy development occurred as new tables were added to life insurance products. This encouraged the emerging actuarial profession, which was called on to provide the data necessary to verify estimated outcomes. This was also applied to the calculation of bonuses, resulting in a move from every five years' bonus payments to annual payments. The pamphlet wars introduced Australian insurers to the power of marketing and taught them rudimentary skills in advertising. The marketing message, which had been largely absent before this time, grew and became more sophisticated.

The result of the 1905 Armstrong Inquiry into the activities of life insurance companies in the State of New York was the catalyst for the exit of the Big Three from the Australian market. Even before that date, though, head offices were beginning to question the value of operating in markets in which the costs of business were so high relative to the return. The experience of American insurers in Australia in this period highlighted the problems of reaching into markets in which the social and cultural nuances of country were not fully understood and the "tyranny of distance" impacted the ability to manage and

108. Black, *What is Tontine Assurance?*, AMP Archives.

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control business. The sojourn of the U.S. insurers in the Australian colonies, however, did have a lasting legacy. The impetus of competition fostered skill development in terms of the marketing and sale of insurance. More importantly, it encouraged product improvement, which was of benefit to policyholders. The lessons learned, however, were not lost on entrants. It was another fifty years before overseas firms ventured in this market again.

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