

La organización externa de la distribución comercial en las compañías de seguro en España: redes de agentes y sus costes (1900-1950)

The external organisation of commercial distribution in insurance companies in Spain: networks of agents and their costs (1900-1950)

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RESUMEN

El objetivo de este trabajo es analizar la naturaleza de las relaciones entre las compañías aseguradoras españolas y los agentes representantes que articularon las redes de distribución de seguro en España durante la primera mitad del siglo XX. Para ello, se ha recurrido a documentación de las principales compañías con el objetivo de examinar el marco de dichas relaciones, a saber: los diseños de los contratos de agencia, la negociación de las comisiones o las pautas de inspección y supervisión de la acción de los agentes. Utilizando el marco interpretativo de la teoría de la agencia, este trabajo pretende arrojar luz sobre las problemáticas y dinámicas que definieron la distribución de un producto financiero complejo como el seguro en una economía de desarrollo tardío.

ABSTRACT

The objective of this paper is to analyse the nature of the relationships between the main insurance companies in Spain and the agents who comprised the insurance distribution networks in this country during the first half of the twentieth century. To achieve this goal, we have gone through documentary sources from the main companies in order to examine the framework of these relationships, namely: the design of agency contracts, the negotiation of commissions and the guidelines for inspections and the supervision of agents. Using the framework of agency theory, this paper aims to enhance our understanding of the conflicts and dynamics that determined the distribution of such a complex financial product as insurance in a late development economy.

1. Introduction

Starting in the mid-nineteenth century, the introduction of new techniques and resources arriving from abroad and their adaptation to the specific characteristics of the Spanish economy fostered the expansion of the insurance market.¹ The entry of foreign companies injected new capital into the sector, while access to international reinsurance networks provided the Spanish economy with subscription capacity and risk diversification services.² The importation of actuarial instruments such as mortality tables enabled a more precise planning and design of companies' risk portfolios, while also facilitating the spread of products associated to life insurance.³ At the same time, management and supervision techniques adapted from foreign companies contributed to consolidating the sector.⁴ One of the key elements in the growth of the business was the establishment of distribution networks adapted to the complex reality of the Spanish market. The need to come up with forms of organisation that were flexible and able to provide coverage for large geographical areas with a very limited demand made the agency system a vital element in the consolidation of the market.⁵ Especially from the turn of the century onwards, insurance companies had to find and train independent agents who were capable of creating a client portfolio and maintaining it over time.

Certainly, while during the nineteenth century insurers had focused on the main Spanish cities, the growth in market potential beyond Madrid, Barcelona, Bilbao and Malaga opened up new horizons for the sector. The business opportunities in smaller provincial capitals and small developing cities led to the establishment of extensive networks of agents to represent companies. Within this context, the Spanish insurance

¹ Frax and Matilla (1996; 1998) and Pons (2002; 2003), among others, have commented on the growth of the market from the last third of the 19th century and, in particular, after the passage of the first general insurance legislation in 1908.

² Pons (2005; 2007; 2008; 2010a; 2012) and Pearson (2010a) have highlighted the contribution of foreign companies to Spanish insurance, both in the form of the direct establishment of branch offices and through the acquisition of subsidiaries. For a case study of the Zurich group in Spain, see Pons (2015). Pearson (2010b) and Gutiérrez and Pons (2017a; 2017b) have emphasised the close links between Spanish insurance and the international reinsurance market. For an empirical analysis of the contribution of international reinsurance to the insurance sector in Spain, see Gutiérrez and Andersson (2017).

³ Pons and Gutiérrez (2016) have analysed the backwardness of actuarial techniques in Spain and have highlighted the use of foreign mortality tables as instruments for maximising profits, both by multinational companies and by Spanish insurers.

⁴ Pearson (2012) explores the pioneering nature of British insurance in terms of management and business organisation techniques, while Pons (2004; 2008; 2010b; 2012) analyses the influence of British companies not only on the internal organisation of the companies in Spain, but also on the forms of association and cartelisation of the market.

⁵ According to Carreras and Tafunell (2005: 484), in 1900, more than 67 per cent of the Spanish population continued residing in municipalities of less than 10,000 inhabitants, and more than 27 per cent lived in localities of less than 2,000 inhabitants, which meant that demand was very dispersed.

market became the scenario of competition, not only between agents to increase their portfolios, but also between insurers who sought the services of the *producers* who could perform best in local markets.⁶ These developments led to the creation of agency relationships between representatives and companies, embodied in increasingly complex and detailed contracts designed to protect the positions of both parties. Moreover, the dynamics of the insurance market itself encouraged the development, on the basis of representatives directly linked to companies, of extensive subcontracting networks that contributed to channelling the supply in extensive Spanish regions.⁷ Far from being established as homogeneous practices, insurance companies focused their distribution strategies in very different ways: mutual and joint-stock companies revealed different dynamics that were reflected in both their results and their distribution costs.⁸ This form of organisation would enable the market to be extended to the vast Spanish rural world much before the introduction and spread of the branch system from the 1920s.

In view of all the above, the aim of this paper is to analyse the nature and performance of insurance distribution networks within the framework of agency theory, paying special attention to the selection of agents, contract conditions, network control systems, conflicts and the costs of the relationships between companies and agents. To this end, the second section analyses the evolution of distribution systems in Spain from the late nineteenth century until the mid-twentieth century, contrasting their effects on the main indicators of the Spanish insurance market. The third section analyses the distribution strategies implemented by a foreign insurer from the planning stage of its entry into Spain until the consolidation of a network of sub-agencies during the nineteenth century. The fourth section explores two cases of mixed production networks: the case of the Mutua General de Seguros and the interactions between agencies and branches, and the Zurich-Hispania pairing and the institution of shared

⁶ According to the figures for contributors in the *Estadística sobre la Contribución de Utilidades de la Riqueza Mobiliaria* (ECURM), there were 301 external agents of insurance companies registered in Spain in 1901; whereas just three decades later, in 1932, this figure had risen to 5,820. See *ECURM*, Years 1901 and 1932.

⁷ For example, in the case of Andalusia, there were 74 registered insurance agents in 1932; however, far from being uniformly distributed, these were concentrated in the provinces of Cordoba (14), Seville (30) and Malaga (30). The rest of the territory depended directly on auxiliary networks of these sales agents. See *ECURM*, 1932.

⁸ Regan and Tennyson (1996; 2000) and Regan (1997) have analysed the repercussions of the form of organisation on distribution costs and the final choice between exclusive or independent agents.

distribution networks within a foreign insurance group in Spain. Finally, some general conclusions are added.

2. Distribution systems in the Spanish insurance market

Insurance companies use different mechanisms to distribute their products in the market. Insurers sell their policies through sales personnel employed directly by the company or through external agents, these latter either being contracted on an exclusive basis by a single company or working as independent sellers with agreements with different insurers.⁹ The choice of one method or another has important repercussions on the insurer's results, as in the first case the information on customers belongs to the company, while in the other cases it belongs to the agent.¹⁰ Meanwhile, the relationship of the sales agent with the insurer entails different profiles in the selection and monitoring of the risks accepted and, consequently, in the company's production costs. Moreover, research on business and portfolio management points to a direct relationship between the choice of the distribution system and firms' different ownership structures. In this respect, Milgrom and Roberts (1990) indicate that the use of independent agents maximises sales results in stock companies, while the mutual form of organisation shows a preference for the internalisation of the marketing and sales function.¹¹

The above factors significantly influenced the results of the insurance companies present in the Spanish market. Although the figure of the free agent had prevailed from the beginning of the nineteenth century, with both foreign companies and national insurers, the turn of the century saw an exponential growth of this figure, accompanied by the expansion of the main branches of insurance. In particular, the first two decades of the twentieth century were the scenario for an intense development of the sales networks based on agents, where free agents or brokers continued to be the main elements of companies' distribution channels.¹² From the 1920s, however, institutional changes would lead to the progressive introduction of the branch system, which would coexist with and complement free agents during the following decades.

⁹ Kim et al. (1996: 207).

¹⁰ Idem; Regan and Tzeng (1999) and Parente et al. (2010). Marvel (1982), Grossman and Hart (1986) and Sass and Gisser (1989) have thoroughly analysed the problems between insurer and external agent and their impact on the insurer's cost structure.

¹¹ Kim et al. (1996), Berger et al. (1997) and Cummins and Doherty (2006) carefully examine these relationships which characterise the ownership structure and the distribution system as *strategic complements* in the organisation of the company.

¹² Stalson (1942, 608). Anguera de Orovio (1907), a professional of life insurance distribution, referred to insurance agents as '*the main producer and lifeblood of the business of the company*'.

The establishment of agencies and the hiring of agents evolved over time as the insurance industry became more technically sophisticated, diversified and professionalised. In the first stages, most companies opted for a system of independent agents, which afforded them great flexibility in their operations. Furthermore, as Parente et al. (2010) pointed out, this choice brought them a greater market share, although in exchange for lower profits than those obtained in a direct subscription system. Consequently, this was the most common system in the first stages of territorial expansion of both national and international insurers.¹³ During the nineteenth century and into the first decades of the twentieth century, insurance company agents combined this position with work as sales representatives and financiers working on a commission basis for industrial and commercial companies in other sectors. During this period, companies were generally specialised in a single line, which enabled a single agent to combine and reconcile the representation of several insurers. These agents had their own premises and employees and maintained a relationship with the central company linked to a contract in which most, if not all, of the agent's remuneration was established in accordance with commissions on new policies taken out and a percentage for each year the insurance was continued. The distribution networks were strengthened by the hierarchisation among the agents in the area, who were generally dependent on a main representative or "*delegado*" in each province who was responsible for maintaining and managing the network of sub-agencies. The dangers of this agency system arose from the possibility that the main agents could direct this network in their own interests, on occasions contrary to the actual needs of the company (Fouse, 1905).

In this consolidation process, Spanish legislation adapted to the changing realities of the insurance world in order to try to clarify and define the different commercial figures that existed and, above all, the tax treatment of the commissions. In August 1893, the Minister of Finance Germán Gamazo, in the *Reglamento de la Contribución Industrial y de Comercio* (regulation on industrial and trade contributions), introduced a 2 per cent payment on insurance premiums for companies, and the same percentage on the commissions that the companies' agents received.¹⁴ Thus, for tax purposes, agents were considered to be all those persons who procured subscriptions for insurance companies and who, without a fixed income, charged

¹³ Jenkins (1984: 16-17) underlined these practices in the case of British fire offices as *Phoenix, London & Globe, Royal Exchange* or the *Sun*.

¹⁴ In *Gaceta de Madrid*, n° 225, of 13 August 1893, pp. 563-564.

commission for their work. Direct employees of the companies, on the other hand, were those with a salary, who paid taxes according to rate 2 of the industrial contribution. Companies had to deduct this 2 per cent from their agents and send a quarterly list of the names and addresses of all their agents, with the volume of premiums subscribed and the commission. For their part, the agents had to register with the tax authorities in the province where they resided or in the province of their general representation. Therefore, at this time and for tax purposes, insurance agents were considered to be both contracted agents and brokers.

A more precise clarification of the figure of the agent would not arrive until 1929, when the bases of the regulation of the professional work of insurance agents were laid down.¹⁵ According to this document, natural or legal persons who managed insurance operations for remuneration and as intermediaries between the insurer and the insured were considered to be insurance managers. These were classified into two types: a) free insurance brokers and b) insurance agents. The former did not have a contract with any company, they operated freely and independently of any insurance company. Their main remuneration was based on lump sum or periodic commissions paid on the operations carried out with their intermediation. Contracted insurance agents, meanwhile, were those managers who were dependent on an insurance company. Among these, the legislation included actual agents, local or empowered representatives, inspectors and all those who managed insurance operations in favour of a firm with the corresponding appointment. Brokers had to join the official register of insurance brokers of the *Dirección General de Seguros* (Directorate General of Insurance) presenting a document from an authorised company that attested to the competence and honourableness of the applicant. With this documentation, the regulator would issue a licence with a photograph authorising the broker to engage in insurance intermediation. Agents, however, obtained their appointment, authorisation and licence from the insurance company, so they were able to engage in insurance operations without registering in the official register. Agents and brokers gradually organised themselves into professional associations which, to a large extent, attempted to prevent unauthorised persons from practising and promote the professionalisation of the activity.¹⁶ Finally, on 29 December 1934, the President of the Spanish Republic, Niceto

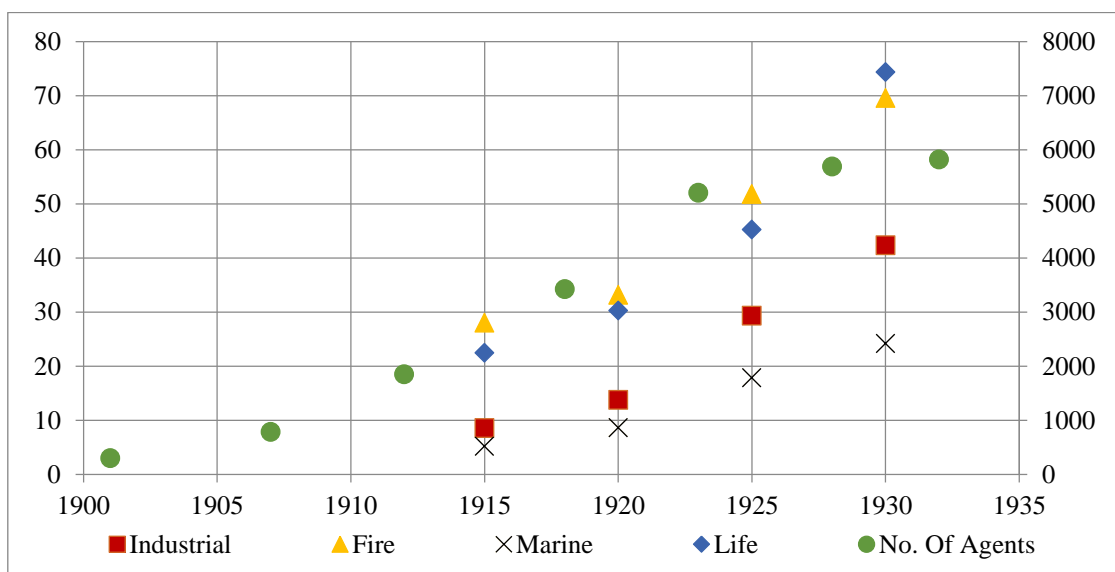
¹⁵ In *Gaceta de Madrid*, n° 192, of 11 July 1929, pp. 275-277.

¹⁶ In 1933, there were professional associations of insurance agents in Catalonia, the Balearic Islands, Vigo, Seville, Soria, Toledo, Valencia, Valladolid, Ciudad Real, Cordoba, La Coruña, Guadalajara, San

Alcalá-Zamora, ratified a law establishing that the profession of Free Insurance Agent could not be exercised without prior registration in the *Colegio Oficial* (professional association).¹⁷ To this end, a provisional regulation was passed requiring the establishment of a Professional Association of Insurance Agents in every Spanish province.¹⁸

The maturation of the legal treatment of agents and brokers was a response, as already mentioned above, to the accelerated growth in the number of these actors due to the expansion of the Spanish insurance market. This can be seen in Figure 1, which shows the evolution in the number of agents registered in Spain during the first third of the twentieth century, along with the size of the main branches of insurance, expressed as total premiums collected in thousands of constant pesetas. Parallel to the growth of the different lines, the insurance companies' agent networks were consolidated in Spain in the first third of the twentieth century, going from barely 300 registered in 1901 to almost 6,000 in 1932.

FIGURE 1. Insurance agents registered in Spain and total premiums collected in the main branches of insurance, in millions of 1928 pesetas (1901, 1911, 1922 and 1932).



Source: *Memoria de la Dirección General de Banca, Bolsa e Inversiones*, 1951, and *Estadística sobre la Contribución de Utilidades de la Riqueza Mobiliaria*, Years 1901, 1907, 1911, 1918, 1922-23, 1928 and 1932.

Sebastián, Madrid and Zaragoza, as well as the National Association of Insurance Agents in Barcelona. In the Chamber of Commerce of Palencia there was a *Colegio de Delegados Gestores de Seguros* for insurance managers. *Gaceta de Madrid* nº 239, 27-08-1933, p. 1344.

¹⁷ *Gaceta de Madrid* nº 1, 1-01-1935, p. 5

¹⁸ *Gaceta de Madrid* nº 179, 28-06-1935, p. 2493.

The increase in the number of agents was a key aspect of addressing market expansion and the increasingly greater need to hone risk selection systems, especially in those branches that needed denser distribution networks. In this respect, the nature of the products in the life and fire branches obliged a more intensive use of this channel of distribution.¹⁹ However, far from being a uniform progression, the period from 1905 to 1925 stands out, when the total number of agents registered in Spain multiplied eightfold, with growth slowing down thereafter.

Indeed, although the chronology is not homogeneous, from the 1920s the networks of agents were complemented by the creation of the companies' own branch offices, staffed by salaried employees, over whom the insurers had direct control. In the case of Spain, there were several factors that contributed to the introduction of branch offices in the reorganisation of the production network. Some factors were of a general nature, such as the above-mentioned extension of the network and the interest in controlling the administration costs due to the increase in administrative tasks. A third factor was of an institutional nature and was decisive: changes in the regulation of the investment of insurance companies' reserves. The Decree of 6 April 1925 modified the possibilities for investing the reserves, establishing that 50% of the reserves had to be deposited in the Bank of Spain or in the *Caja de Depósitos*, 25% of which had to be comprised of Spanish securities. As Pons (2003) has indicated, of the remaining 50%, a maximum of 25% could be invested in property or mortgage loans. By allowing reserves to be accumulated through the purchase of property, the actual legislation strengthened the insurers' interest in having their own offices in the main cities. Over time, many of the branches with salaried staff on the insurer's payroll exercised control over the agents in their area of influence, substituting the main representative or agent.²⁰

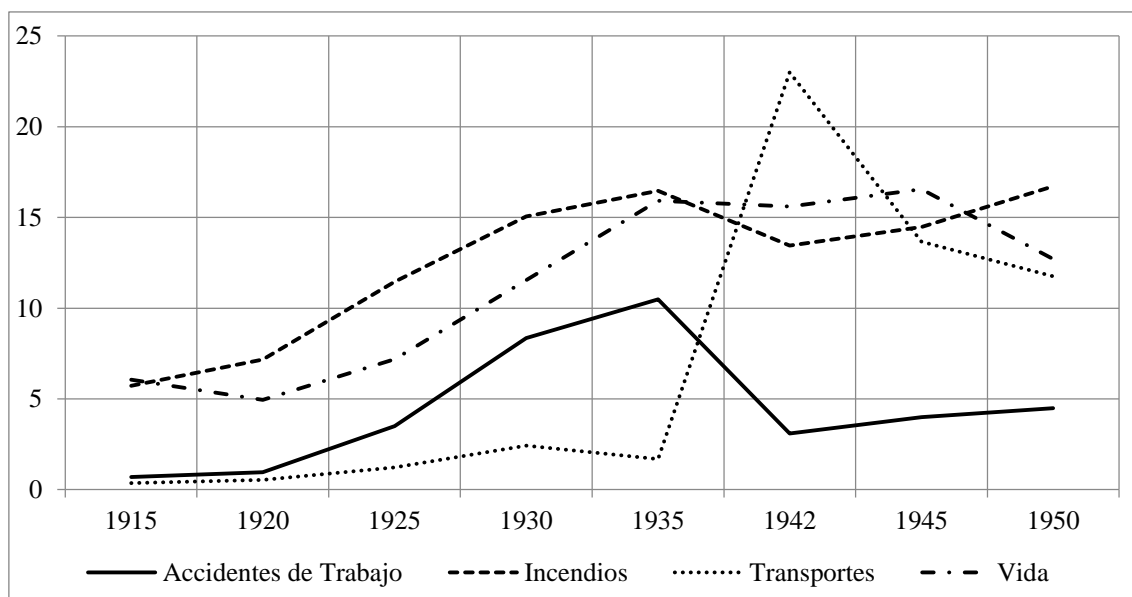
The consolidation of denser marketing networks that were capable of locating new concentrations of demand led to a substantial increase in companies' production costs, especially in the second quarter of the century. As Figure 2 shows, the production costs of the insurance sector grew across the board in aggregate terms. In the transport branch, the main component of production costs corresponded to the inspection of hulls and merchandise, both for the valuation of the insured capital and for the inspection of

¹⁹ Direct contact with shipowners or marketing through insurance brokers, in the case of transport, made the insurance agent a marginal element in these lines, while in the branch of industrial accidents direct contracting via employers' groups was common (Pons, 2010).

²⁰ The creation of branches took place due to the need to control agents in a particular area in order to prevent conflicts of interests. Thus, it was possible to organise the surrounding territory on the basis of these branches, usually on a provincial scale in Spain (Fouse, 1905).

claims, which was reflected in the sudden increase experienced during the Second World War. For the other branches, however, the main component of production costs was related to marketing, whether commissions paid to agents or incentives paid to direct employees of the company. These marketing costs tripled in the cases of fire and life insurance and increased tenfold in the branch of industrial accidents.

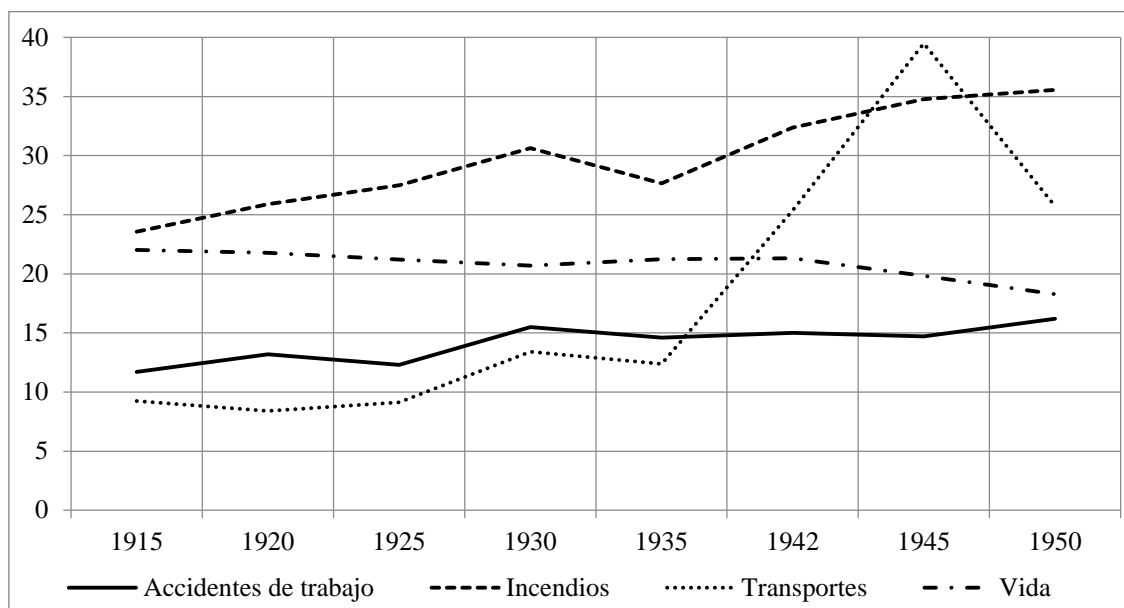
FIGURE 2. Production costs in the main branches, in millions of constant 1915 pesetas (1915-1950).



Source: *Memoria de la Dirección General de Banca, Bolsa e Inversiones*, 1951.

Nevertheless, in spite this sustained increase in absolute terms of the costs borne by insurers, on analysing the performance of the ratio of costs to premiums collected, very different behaviour can be observed. As Figure 3 shows, the most significant change in the insurers' cost structures affected the transport branch. Meanwhile, both the fire and the industrial accident branches were faced with a rise of over 50 per cent in their administration costs. In the case of the life branch, however, the enormous growth of the market enabled a gradual reduction of the production cost ratios of the insurers registered in Spain.

FIGURE 3. Ratio of production costs to premiums collected in the main branches (1915-1950).



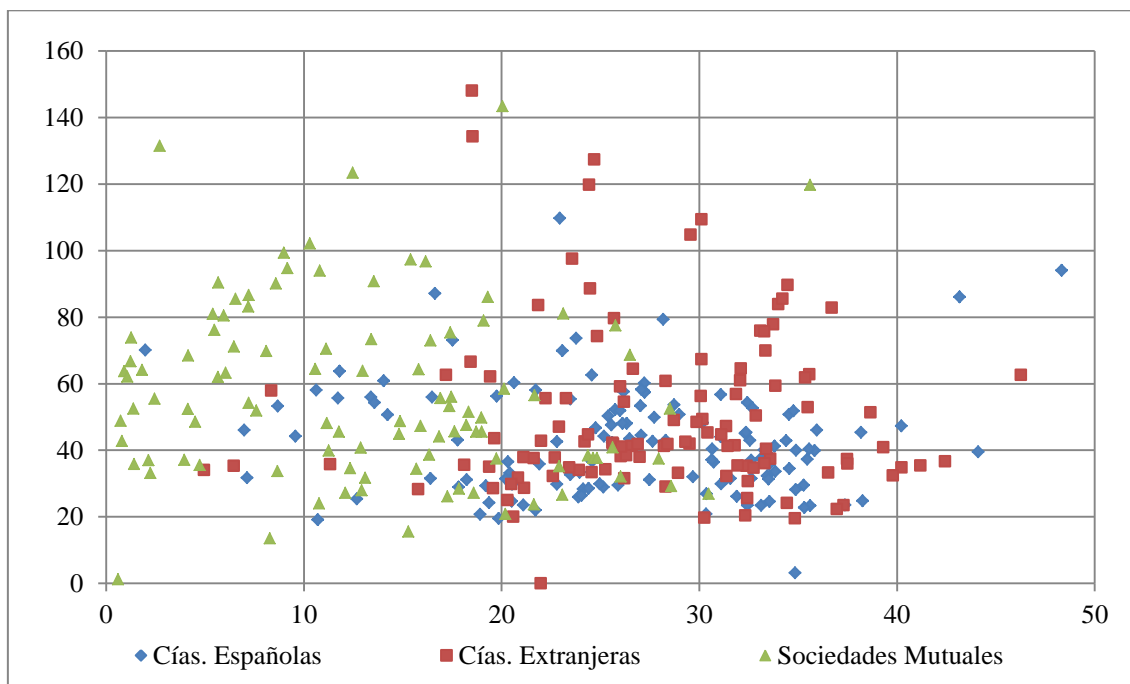
Source: *Memoria de la Dirección General de Banca, Bolsa e Inversiones*, 1951.

In view of all of the above, the effects of the spread of the agency system as a distribution channel and the subsequent introduction of the branch system in the Spanish insurance market were not uniform. Coinciding with that commented by Milgrom and Roberts (1990), among others, the transformations in the distribution channels affected national and foreign stock companies and mutual societies in different ways. In general terms, the mutual societies tended to maintain the marketing and sales functions internalised, which according to theory would have resulted in generally lower cost ratios. This is reflected in Figure 4, in which the point clouds defined by the production cost ratios (horizontal axis) and the aggregate claim ratios (vertical axis) of insurance companies from 1915 to 1950 are represented, separated by type of company. In the light of the data, it can be seen that mutuals operated effectively with lower production cost ratios than their stock company competitors. However, they were also exposed to higher claim ratios than the Spanish stock companies, similar to those of foreign companies, a fact which poses questions about the efficiency of the risk selection processes implemented.

This differential performance of the mutual societies was due to a commercial practice that was inherent to the very nature of this type of organisation: encouraging members to provide new customers for the insurance. Specifically, premium reduction clauses offered to the mutualists in the event of formalising policy proposals for new

clients were common in the Spanish mutuels. This fact was reflected in the accounts of the Mutual Franco Española in 1921 and the Mutua Catalana de Seguros contra Incendios y Accidentes Personales in 1928, which included items of this nature in their profit and loss accounts.²¹

FIGURE 4. Dispersion map of insurance companies by type, according to their production cost ratios (horizontal axis) and claims ratios (vertical axis) (1915-1950).



Source: *Memoria de la Dirección General de Banca, Bolsa e Inversiones*, 1951.

Finally, although there are notable differences depending on the typology, no direct link can be established between production costs and claims in the terms set out by Parente et al. (2010), namely, that higher production costs would result in a greater selection of risks and structurally lower claim rates. In this case, however, no linear relationship between both elements can be perceived for the period in question.

3. The creation of a network of agents for a foreign company in Spain: the Sun Insurance Office and Ramón Basterra

Some of the oldest networks of agents in Spain were created by French and English insurers in the nineteenth century. Previously, they had created extensive distribution

²¹ Archivo General de la Administración (AGA) (1) 26 - Caja I-107, Top. 13/31.

networks in their national markets. In England, Pearson (2004: 280) describes how the fire insurance companies' network of agents was constructed. At the end of the eighteenth century, specifically in 1795, 50% of the premiums collected by the Sun Insurance and 56% of the REA's were sold by agents. The Sun Insurance established its first agency outside London in 1710. By 1730 it had 60 agencies, and then 171 by 1800 (Pearson, 2004: 108)

With the international diffusion of the insurance industry around the 1880s, European and American companies started to establish agencies in other countries. This expansion was motivated to a large extent by the need to avoid the growing protectionist legislation, the increase of the taxes levied on foreign insurance entities, and in response to rising administrative expenses deriving from the growing number of brokers and agents without direct control in situ (Pearson and Lönnborg, 2008). In the case of Spain, the Sun Insurance company studied applications from candidates for decades, from 1836 until its decision to establish itself in Spain permanently and the concession of the first agency in Bilbao in 1870.²²

The choice of which cities to establish themselves and their agents in was an essential and decisive part of the growth strategy of insurance companies. A good choice of agencies and agents could determine the results and, as Pearson (2010a) has highlighted, the future success or failure in the region. The main agent in the country, as the leading representative of the company, made contact with the public and personified the company in such a way that his acts had an effect on the company itself and its reputation (Strudwick, 1917: 150). Thus, the activities that he had undertaken previously, his impeccable reputation and his family situation were just as decisive as his knowledge of the business and the market when it came to the insurance company accepting an application to establish an agency.²³ The future agent needed to be familiarised with the history of the line of insurance and he also needed to be familiar with both the laws and the details of policies as well as agency contracts. In certain branches, such as in the case of life insurance, the demands in terms of knowledge of the particular branch were very high. The candidate to become a life insurance agent,

²² However, as Pearson (2010b: 120-121) pointed out, the most common form of entry into the Spanish market for foreign companies was to sound out the market through the reinsurance of already-established insurers.

²³ This was one of the indispensable requirements for the possible agents of insurance companies at any time and in any country. At the end of the 19th century, the Nippon Life, founded in 1889, sought their first agents among individuals of local influence and bankers in order to build their agency network (Yoneyama, 2010).

for example, had to demonstrate knowledge of the elaboration of mortality tables and their application in setting rates for the insurance and calculating the mathematical reserves (Strudwick, 1917: 151-152).

In the case of the Sun Insurance, initial contact was made with the British consul in Cadiz, John Macpherson Bracenburg, with whom correspondence was established, and who was offered an agency, but this did not prosper.²⁴ After this first attempt, the Sun Insurance did not consider establishing an agency in Spain again until the 1860s, although it shared reinsurances or contracted policies directly or through co-insurance with other companies. Applications to establish an agency were made for Barcelona in the person of Guillermo Lielmal (1864); for Madrid, by Julio Vizcarrondo (1866), for Malaga, by Thomas Frederick Howard (1867); for Alicante and with a request for sub-agencies in Valencia and Denia, by its agent in Bordeaux, Wigert & Prytz (1868); for Majorca, by F. Lizardi (1868); for Seville, by Bourcoud & Cia (1869); and for Jerez de la Frontera, by José G. Gordon. Extensive reports on their biography and the current situation in the city were demanded from all candidates, especially with regard to the presence of possible industrial factories with machinery, fuel deposits, forms of construction of buildings and the availability of a fire brigade and its functioning in the city. Some questions were included that focused on the matter of competition. The Sun demanded information on the national and foreign companies operating in the city, their rates and the type of policies customers in this area took out.

These extensive reports provided the company with essential data on the insurance market in Spain, although in the end all the applications were rejected.²⁵ After half a decade of analysing possibilities, finally, on 24 November 1869, an application to establish an agency for Bilbao was received that was eventually accepted on 9 June 1870. The petition was accompanied by an introductory letter from R. G. Cullum, an agent of the Sun in Newport, Wales. The candidate, Ramón Basterra, was the 28-year-old son of a notary born in Bilbao, who had been in England in 1858 and then subsequently, in 1859, had moved to Havana where he remained until 1863, the year in which he returned to Spain. A year later he had obtained the agency of two marine insurance companies: one Spanish, El Lloyd Andaluz, and the other French, La

²⁴ Previous experiences with agents in the British market made offices as the Sun to be cautious with the election of their representatives. Jones (1984: 103-105) describes the difficulties faced by the Standard.

²⁵ We have the questionnaire containing a total of 26 questions presented to José G. Gordon, candidate to an agency in the City of Jerez de la Frontera, on 27 August 1868. Metropolitan Archives, Sun Insurance Company 1.31522-236, pp. 119-132.

Compagnie des Assurances Maritimes. He had two employees and connections in Madrid. In spite of the recommendations he presented, he was required to provide the same information as the previous applicants regarding the city, competition and established premiums. Factors in his favour included the dynamic nature of Basque industrialisation, an adequate knowledge of spoken and written English and his contacts in Madrid, who could help him obtain the licence required by law to establish agencies in other cities. As added value, Basterra was able to offer the existence of special tax laws in the Basque Country, the so-called *fueros*, which were more beneficial than those applied in the rest of Spain.

Furthermore, Basterra's application was attractive to the English company from the very start, as it was accompanied by an ambitious plan to establish sub-agencies in the north of Spain: Basterra's plan was to spread out through the Basque provinces (Alava, Guipúzcoa, Navarre and Biscay). It is interesting to note how the applicant to be an agent explained the situation of these provinces to the English just before the Third Carlist War: "*They are considered as a Republic united to Spain by a treaty and forming only one Province. The Spanish monarch being not our King but only what we called Señor (Sir). Governed as we are by special legislation we use not stamp paper we have not any tax upon the commerce (as there is in the rest of Spain)*".²⁶ Beyond the Basque provinces, his proposal also included extending the network of sub-agencies to the commercial city of Santander, with strong links to the Basque Country. The main cities of this region had the advantage of being connected by a rail network and, in Basterra's opinion, they were the most advanced and most peaceful cities in Spain. In reply, the Sun home office accepted the application to establish an agency, although it did so remarking that, for the time being, it would only be established in Bilbao.

However, the Bilbao agent took barely a year to start implementing the proposed expansion process, inaugurating it with the opening of an agency in San Sebastián in May 1871. In the following years, the Sun's man in Spain kept the company informed of the political and economic situation in the country and all aspects related to fire insurance: competition, organisation of fire-fighting teams, rates and fires that had taken place in the country. Likewise, after the great fire that occurred on 6 October 1880, he informed the head office of the cartel created in 1883 and led by the French companies in the fire branch: the *Sindicato General de las Compañías de Seguros*. The Sun

²⁶ Metropolitan Archives, Sun Insurance Company 2.31522-237, p. 9.

Insurance's results from 1870 to 1879 are included in Table 1. In total, the activities in Spain resulted in more than 4,200 pounds profit. The commission was 15% for the Bilbao agent, a third of which Basterra paid to the sub-agents. According to accounts dated 27 January 1873, more than half the business was developed through sub-agents, who in the case of Spain were called "*delegados*".

Table 1. The Sun Insurance's business in Spain through its Agent Ramón Basterra and the network of sub-agents (1870-1879) (in pounds sterling).

	Premiums	Expenses	Losses
1870	135	16	
1871	336	71	
1872	580	106	
1873	532	95	
1874	691	114	39
1875	702	114	
1876	855	139	7
1877	985	164	268
1878	662	146	6
1879	767	125	791
Total	6,445	1,090	1,111

Source: Metropolitan Archives, Sun Insurance Company 3.31522-238.

After a relationship of ten years, the aspirations to extend the network of sub-agencies to the south of Spain provoked some disagreements between the head office in London and the main agent in Bilbao. The reason for the dispute was basically the desire of the agent in Spain to expand the production network to the national level, like the networks designed by the French fire insurance companies operating in the country. The crux of this disaccord lay in Basterra's interest in concentrating his activity in the fire branch, as the distribution of the marine insurance policies of the Lloyd Andaluz had declined in Bilbao as the result of major changes in maritime navigation, with sailing vessels being replaced by steamships in the fleets of the region. This aspiration was opposed by the prudence of the English company concerning the possibility of extending its agency network.

In the first instance, the conflict revolved around the clause on commission. Basterra informed the head office in London that competing foreign companies paid their main agents a commission of 20%, and yet his company only offered 15%. This relatively low commission, therefore, only allowed him to offer potential sub-agents a percentage of 5%. The agent in Bilbao argued that it was complicated to find good agents with this offer of commission. If, on the contrary, he offered them 10%, like

other competitors, his profit margin would be reduced to 5%. Basterra considered this to be insufficient payment for his work, which consisted of examining all the sub-agents' proposed policies and supervising the accounting of the operations as well as transmitting all the information from the sub-agencies to the head office. Finally, these arguments convinced the head office which, as an exceptional measure, increased Basterra's commission to 20%, so that he could offer 10% to the sub-agents and in this way secure good agents for the expanded network.

Nevertheless, the discrepancies continued for several months more, until it reached the point where Basterra took offence and responded that if the company considered that he was not doing his work satisfactorily, it should send a company supervisor to directly monitor the operations in Spain. The reason for conflict on this occasion was the intention, advocated by Basterra, to allow the sub-agents to sign policies directly. The company refused to consent to this request, which once again evidenced the opposing interests of both parties. The agent aspired to increase the distribution of insurance by reducing the requisites, bureaucracy and control in the assessment of risks while the English insurer was not prepared to yield with regard to the monitoring of risk selection and insisted on the final decision remaining in the hands of the head office.

Greater flexibility was demanded of the Sun from Spain. Meanwhile, the head office sought to maintain strict standards of control over the policies sold. The main agent in Spain, established in Bilbao, enumerated a series of norms that he considered to be too rigid and which were assumed to be a hindrance to the growth of the business. Mainly, he criticised the amount of demands that local agents had to meet and the quantity of information they had to compile which were not demanded by competitors linked to associated risks. For example, information was required on the premises neighbouring those that were applying for insurance (the name and surnames and occupation of the neighbours, what kind of deposits they had, etc.). Furthermore, he complained that the Sun did not accept risk in factories, for which numerous proposals had been received, and moreover an additional fee was charged to businesses if they only occupied a quarter of the building.²⁷ For their part, the Sun's managers were not prepared to abandon their requirements, despite the fact that the French and Spanish

²⁷ However, the reluctance of the company to accept other risks than houses or mills was not an isolated case: during the whole nineteenth century, British companies had avoided complex risks when entering new markets. For a narrative on this issue, see Ryan (1984: 46-47; 53).

companies were not so demanding when it came to risk assessment. Finally, the English company yielded on one point and allowed businesses that only occupied a quarter of a building to be insured without any surcharge.

After these months of divergence, and with the withdrawal of demands by both parties, the network of sub-agencies was extended. By 1881, the English insurer now had 11 sub-agencies (see Table 2). 50% of the premiums received as payment for the policies sold came from the Bilbao agency, with the next most productive agencies also being the oldest: those in Cadiz and San Sebastián. Reinsurance business only accounted for 12.5% of total premiums. In this year, reinsurance was only provided by the agencies in Bilbao, Cadiz, San Sebastián, Malaga, Madrid and Valencia. By 1894, the main agency had now been joined by 43 sub-agencies, extending the network throughout Spanish territory, with only four of these maintaining the same agent (Table 3).

Table 2. Result of the Sun Insurance Company's network of agencies in Spain in 1881 (in reales)

City	Total Insurance		Reinsurance (of the total)	
	Sum insured	Premiums	Sum insured	Premiums
Bilbao	56,608,261	83,407.82	4,630,000	8,065.22
Cadiz	17,149,444	15,332.44	300,000	150.00
San Sebastián	23,408,400	40,419.15	1,202,000	10,002.72
Malaga	18,056,580	21,155.02	1,800,000	2,052.90
Gijón	2,119,100	1,904.46		
Madrid	1,830,000	1,327.00	450,000	360.00
Santander	1,021,000	947.40		
Seville	431,000	591.46		
Vitoria	396,000	621.00		
Vigo	290,000	243.20		
Valladolid	200,000	215.00		
Valencia	160,000	106.66	1600,000	106.66
Total Insurance	121,669,785	166,270.61	9,982,000	20,737.50

Source: Metropolitan Archives, Sun Insurance Company 4.31522-239.

In 1889, G. S. Manvell, inspector of the Sun Insurance's Foreign Department, visited Spain²⁸. In his report he praised Basterra's work. He considered Basterra to be a person with great knowledge of the business, possessed of great business acumen, extremely hard working and who conducted the Sun's business wisely and with great

²⁸ George Saward Manvell was employed in the Foreign Department of the Sun Insurance from 1864. He was a travelling inspector for this department during the period 1877-92, and then superintendent of the Foreign Department until 1908. This information appears in the reference of the London Metropolitan Archives, MS18314.

success. Nonetheless, he expressed his concern over the Bilbao agent's health and, with it, over the agency's future in Spain. He also included a review of Basterra's employees in his report, although he only had praise for Mr. Borda, a young man of 25 years of age, with knowledge of English and French, good manners and a capacity for leadership, whom he considered to be a useful and valuable man for the future. However, he also pointed out the failings of other employees working in inspection, such as a certain Mr. Conte. In the conclusions of his memorandum, Manvell acknowledged that the Sun's managers were initially fearful for the business in Spain due to the fact that other English companies had failed. To his mind, this was because they did not hire adequate agents and also because the company was badly managed. However, they had come across an exceptional man in Basterra, prudent and blessed with great judgement. In his opinion, Basterra's idea to further expand in the south of Spain should be followed up, and what was most important was to secure good agents, something that Basterra took great care about.

In March of the same year, 1889, the inspector Mr. Conte undertook a tour of inspection all around Spain, visiting Ciudad Real, Cordoba, Huelva, Cadiz, Jerez, Sanlúcar de Barrameda, Seville, Granada, Malaga, Almería, Cartagena, Lorca, Aguilas, Murcia, Alicante, Valencia, Castellón de la Plana, Tarragona, Barcelona, Zaragoza and Logroño. During this trip, the inspector appointed 15 sub-agents in cities where there were none and substituted agents who were not very productive and who showed little interest in the Sun's business, complaining that they only accepted small house and warehouse insurances while rejecting policies for factories. When he had completed his trip, Basterra sacked him "for taking so long to undertake his mission and for discharging it so badly".²⁹

Table 3. The Sun Insurance Company's agency network in 1883 and 1894

City	1883	1894
Main Agency		
Bilbao	Ramón Basterra	Ramón Basterra
Agencies		
Algeciras		Antonio Roca
Alicante		Pedro Pérez Pérez
Almería	R. Ledesma Hernández	Antonio García Sánchez
Avilés		Oria y hermano
Burgos	Juan García María del Rincón	Dionisio Monedero
Cádiz	Salvador Viniegra	Salvador Viniegra
Cartagena		Antonio Pagan

²⁹ London Metropolitan Archive, MS 31522-239, Sun Insurance Company, p. 140.

Carril (León)	S. Buhigas y Prats	
Castro-Urdiales		Rafael Ibáñez Maluenda
Cordoba	José Aute y Jover	Rafael Giménez Serrano
Coruña	José Leira	Ricardo Fariña
Ferrol		José Caramelo
Gijón	Macario Menéndez	Marcario Menéndez
Granada	Ricardo Garnier	J. M. Las Heras y C ^a
Haro		Carlos Hegardt
Irún		Plácido Ochoteco
Jerez de la Frontera	Adolfo Aguirre	Adolfo Aguirre Valdés
Laredo		Ángel Flores
León		Fernando Díez Miranda
Lérida		Juan Besa
Logroño		Isidro Iñiguez Carreras
Lorca		Domingo Muñoz
Lugo		Emilio Piriz
Madrid	Vicente Ruíz de Velasco	Liborio C. Sorset
Malaga	Guillermo Alguer Herrera	Guillermo Hernáez
Manresa		Sol Raurich y C ^a
Mataró		Julián Barbosa Arnó
Miranda		Benito Villareal
Murcia		Joaquín Máximo Varó
Oviedo	Miguel Fernández Figares	Jerónimo Martínez
Palencia		Albino Enríquez
Pamplona	Pablo García Abadía	Casiano Díaz
San Sebastián	Gregorio Manterola	Gregorio Manterola
Santander	Alberto Gutiérrez Vélez	José Rodríguez López
Segovia		Federico Larios
Seville	Manuel Le Roy	Antonio Delgado
Tarragona		José María Ricomá
Valencia	Juan Bautista Basterrechea	Vicente Rubio
Valladolid	Lorenzo Cantalapiedra	Ciriaco Planillo
Vergara		Francisco Ubillos
Vigo	González y compañía	Guillermo Curbera
Vitoria	Vicente Beiztegui	Vicente Gil
Vivero		Domingo Franco
Zaragoza	Juan Sancho y Serrano	Pablo Gómez del Moral

Source: Metropolitan Archives, Sun Insurance Company 4.31522-239

It seems, therefore, that the key to the Sun's success in Spain was based on the choice of the company's main agent, which in turn determined a good selection of the distribution network. It should also be added that the balance that the Sun's managers were able to maintain between the expansive ambition of their main agent and the prudent maintenance of a good portfolio to preserve business was also crucial. This control was based on strict risk selection without giving in excessively to the interests of the local network by accepting policies that were easier to secure, and which meant more commissions for the agents, but which increased the risk for the company. The Sun preferred a small healthy business to uncontrolled growth. This option took it to eighth place in the ranking of a very competitive branch in the second decade of the

twentieth century (Pons, 2002). The objective was not to be the leader in the Spanish market but rather to add to the company's overall business.

There are other proven cases of the vital role of the choice of a main agent for the success of a foreign company in Spain. The selection of Juan Angel Rosillo by the American insurer the Equitable Life in 1881 was decisive to its success. However, when his sons inherited the agency, the discrepancies and the opposing interests of the main agents and the head office increased. Finally, this issue, along with other general factors, led the American company to withdraw from Spain (Pons, 2008: 101).

4. The transformations of the distribution systems in the twentieth century: agencies and branches in Spanish insurance

The creation of a network of agencies was a new challenge for insurers who, as well as needing inspectors, had to maintain fluid channels of information with, and control over, the agents. The first key to expansion was the payment of commissions: a high commission for new policies was fundamental, both in commercial companies and mutuals. However, after the extension of the network, companies faced the great challenge of controlling risk selection, curbing administration costs and achieving a balance between the agents' interests in obtaining more income and the tendency of insurance entities to give priority to a healthy portfolio of policies and to carefully and effectively assess risks in order to avoid high claims. Equidistance between both inclinations was not always possible, above all as the network expanded. Over time, national and foreign insurance companies and mutuals opted to establish their own branch offices run by salaried staff, which took on some administrative tasks and assumed control of the distribution network in their area. This decision was accompanied by the acquisition of property in the prestigious centres of the main provinces. This organisational change in the external production network had the incentive provided by the introduction of regulatory changes in the sector authorising firms to invest 25% of their reserves in property.

4.1. The control of agents and the emerging branch system: the Mutua General de Seguros network

The rapid growth of the Mutua General de Seguros in Barcelona from 1907 onwards with the aim of operating in the industrial accidents branch, for example, was based on a

policy of high commissions. At the first meetings of the board of directors, a commission of 40% on premiums for new customers was agreed for members of the mutual and agents who provided the company with new members. This system produced excellent results in the short term with regard to the extension of the mutual's geographical area of influence, the increase in the number of members and expansion into new sectors of activity.³⁰ If the first 250 companies to join the Mutua between the month of its constitution and 1909 are analysed, the rapid expansion of the mutual can be verified. Of these 250 companies, most were located in the city of Barcelona (102), and in Mataró (41), Reus (27) and Sabadell (16). Nevertheless, from the outset the founders' intentions were to achieve an undertaking of national scope.

The success of its diffusion was based on the selection of its first agents and its stability.³¹ During the first years, the mutual expanded throughout Catalonia and also continued to expand nationally, mainly in the region of the Spanish Levant and also in some Andalusian and Galician cities. In 1916 it had agents in 30 localities all over Spain, most of them in Catalonia but also in Valencia, La Coruña, Las Palmas, Madrid, Melilla, Santander, Seville and Zaragoza. The agency network was the system used by the mutual until shortly before the Civil War. Under this system, agents had their own premises and workers who were not directly linked with the Mutua. Table 4 includes a list of the mutual's main agents in 1916.

Table 4. Agents of *Mutua General de Seguros* in 1916.

<i>Location</i>	<i>Agent</i>	<i>Location</i>	<i>Agent</i>
Alicante	Germán Oliver	Manresa	Canonjía Hermanos
Alcoy	Rafael Gras	Martorell	Miguel Tolosa
Badalona	Ramón Perejoan	Mataró	Martín Fargas
Barbastro	Feliciano Carmen	Malaga	Domingo Fernández
Berga	Juan Rosal	Melilla	Jaime Roldós
Catellfullit	Vicente Pagés	Olot	Lorenzo Pagés
Cee	Perfecto Castro	Reus	Jaime Muntané
Coruña	Guillermo López	Sabadell	Felio Carol
Ferrol	Enrique Braguetas	Santander	Gregorio Cisneros
Granada	Vicente Vaquera	Seville	José López Jiménez
Granollers	Manuel Esquins	Tarrasa	Simeón García

³⁰ The diversification of the members was a generalized strategy performed by mutual societies. Butt (1984: 166-167) has noted a similar trend for the Standard Life in the 1930s.

³¹ In the first year a deposit was required from the agents. This practice had disappeared by the 1930s. The board of directors decided in the meeting of 30 January 1934 to refund this deposit to Señor Guiriguet, the agent in Berga and one of the most senior agents, as it was no longer required at this time. Some agents spent their whole working lives in the company: F. Carol in Sabadell, E. Vicens in Barcelona, M. Fargas in Mataró, S. Doménech in Reus, T. Camps in Granollers, J. Rosal in Berga and, outside Catalonia, J. Piñango in Valencia and J. Moré in Madrid. Some of them were even agents of the Mutua until their death, as in the case of M. Fargas, who served the company until 1931.

Hospitales	Pedro Borrás	Tortosa	Juan Bustos
Logroño	José Prieto	Valencia	Sociedad Anónima Gras
Las Palmas	Joaquín Pérez	Valls	Antonio Aluja
Madrid	Juan Moré	Zaragoza	Eduardo Ciña

Source: Minutes of Board of Directors of 26 March 1917.

Agents were responsible for hiring their own staff, channelling policy proposals to head office, collecting premiums and sending their income on a regular basis. This staff was not linked to the mutual by any more than an agent's contract and the receipt of a commission. Exceptionally, the mutual paid for some improvements in the main offices such as, for example, installing a telephone, or took on some functions such as propaganda distribution by means of hiring "grooms" in some agencies with a salary of thirty pesetas a month.³² However, the administrative tasks were controlled from the head office, where the Mutua concentrated all its organisational operations. In 1920, the Mutua had 27 workers at its head office. At this time, the work in this office was organised into departments.³³ The portfolio and correspondence department was responsible for external production and organisation. The staff of this department comprised a manager, two employees working as agents-producers who performed the work of inspectors by organising and visiting the fifty offices that the Mutua had at this time. Another department was for fees, with a large staff who prepared the receipts at the end of each quarter. In the accounts department, the current accounts of members were monitored and processed. The premiums collected, compensation paid and expenses run up were all entered in their books. In this way, the balance of each policy was known annually for the share out of the surplus, and also to assess the need to increase or, where appropriate, reduce the premium charged.³⁴

The first step taken by the Mutua General de Seguros towards the creation of branch offices was in 1927. The old agent in Madrid did not meet the mutual's expectations in this area. In exchange for a generous pension, an agency was created in Madrid with its own staff. The experience first tried out in Madrid started to spread very rapidly in the first half of the 1930s, accompanied by the purchase of buildings for the

³² This system was as old as the creation of agent networks. Before 1850 very few fire insurance agents received a fixed amount over and above their commissions (Pearson, 2004: 281).

³³ Thus described in a speech given on the occasion of the award of a Mutua gold medal for the completion of 50 years of activity in the company. Eduardo Andreu Casas joined the mutual on 19 May 1920 and went on to occupy executive posts.

³⁴ The fee of the member Eugenio Gasset of Madrid was reduced from three per cent to two point six per cent "which is the maximum discount allowed by the results obtained in his contract". Archivo M.G.S. Libro de Actas nº 1 del Comité del Ramo de Accidentes del Trabajo. Minutes of 21 December 1928.

branches being created in the process. By 1935, property had been acquired in Seville, Madrid and Bilbao. The development of a network of branches and the increase in company property was interrupted by the Civil War, and was not taken up again until 1939. By 1942, the Mutua General de Seguros had 21 agencies and 705 branch offices, known as “*delegaciones*”, throughout Spain. These 21 agencies took on some of the administrative tasks, although most of these were still performed by the head office, which by September 1936 now had 101 employees. Of these, the only posts at managerial level were the director, two heads of the accident branch, a head of the fire branch, a cashier and two accountants. The rest of the staff were office workers except five typists, three premium collection agents, a chauffeur, two administrative assistants and a night watchman.³⁵

4.2. The case of Zurich, Hispania and Vita: the problems of shared networks

Just as the importance of the commercial dimension stimulated companies’ efforts to maintain dense distribution networks, the availability of an important network of agents was a decisive factor in the event of takeovers or the merger of several companies. The acquisition of a company with an important network of agents already established enabled exponential growth in production in record time, although this could cause some managerial problems and duplications in the commercial network. This was the case of the company Zurich after the process of acquisition of Hispania, first, in 1915, and the subsequent incorporation of Vita in 1928, which resulted in a large insurance group equipped with a complex distribution network.

At the start of the century Zurich, a company specialised in the accident branch, had granted permission for a general agency to Steiner y Gaisset, established in Barcelona and simultaneously a representative of the English Reliance Marine Insurance in the branch of marine and fire insurance. Although a network of sub-agencies was developed on the basis of this Barcelona agency, its activity in Spain was very limited until 1915, when it acquired a company specialised in accidents with Spanish capital: Hispania. This had been founded in Barcelona in 1902 and from then until 1907 it established the technical basis for production and coverage in the accident branch. In 1905, at the management headquarters in Barcelona, the internal organisation had been established, made up of a legal advice service, represented by the lawyer

³⁵ Benítez de Castro (1943: 41).

Salvador Pujadas Masó; a head of contentious matters, Luis de Mena Pita-Bado; the production service, whose head was Alberto Deville y Philip; an accounting service, led by Eugenio Preudhomme y Vidal; and a claims service, with Domingo Aldomà in charge. Besides these departments, there was also a statistics service, headed by Manuel de Villanueva y Marichalar; a reinsurance section led by Julio V. Ritter; a correspondence service directed by José Cordero y Gómez; a fire branch service (Francisco de P. Escuriet Oliver); and a treasury (Víctor Bouefvé y Dettmers), as well as an inspection service (see Table 5).

Agents were sought in different parts of Spain who were part of the external organisation. In some cases, former agents of other companies offered their services, such as D.Y. de Abaitua, a former agent of La Caja de Previsión y Socorro in Bilbao, who was hired to mediate in the Northern Region. By 1905, general agencies had been set up in 34 cities, most of them provincial capitals. Besides these, there were also local agencies with greater density in the towns of the Catalan provinces. Meanwhile, they had also created main offices in Alicante, under the charge of Luis Amérigo, Aragón (Julio López Beo), Coruña (Enrique Rodeyro), Huelva (Mr. Roqueta and Mr. Castillo), Seville and Cadiz (Mr. Natera and Mr. García Luna) and Bilbao (Durán y Cía). Given that the main operations were concentrated in the accident branch, there were also a number of assigned doctors in each main office. These agents and their staff were supervised by a number of regional, production, administrative and special inspectors, as shown in Table 5.

Table 5. Inspection Service of the company Hispania in 1905.

Post	Name	Area
General Inspector	Jorge Boufvé y Boissieux	Almería, Cadiz, Cordoba, Granada, Huelva, Malaga and Seville
General Inspector	Fernando Figueras	Extremadura, Coruña, León, Oviedo, Pontevedra and Salamanca
Production Inspector	Jaime Millet	Aragón, Soria, Navarra and Basque Provinces
Administrative Inspector	Francisco Morera	
Regional Inspector	José Ordeix	Province of Barcelona
Regional Inspector	Epifiano Pérez Montoya	Alicante, Baleares, Castellón, Murcia, Tarragona and Valencia
Special Fire Inspector	Domingo Álvarez Sevillano	
Salary Revision Inspector	Joaquín Fernández Guillen	
Production Inspector in Madrid	Rogelio Macías	Central Spain
Company representative in Paris	Ignacio Olarte	

Source: *Memoria de la compañía Hispania de 1905*, Madrid (1906).

With Zurich's acquisition of Hispania, Zurich's branch in Barcelona and the Spanish company were both specialised in the same branch and both had headquarters in Barcelona. Consequently, as from 1915 they had to coordinate their strategy and the functioning of their distribution networks, both internal (branches) and external (agents). In spite of the fact that both companies remained legally independent, a joint management and strategy was established, which followed instructions sent from the Swiss company's head office in Zurich. This coordination was apparent in cohabitation in the same building, first in the Rambla de Canaletas, until 1925, in Plaza Urquinaona, from 1926 to 1930, and then in the Ronda de San Pedro, until the Civil War. After the exit of the director of Hispania, Julio Roberts, in 1920, both companies shared the management and the highest executive posts. From 1920 to 1923, Conrado Siegfried maintained his dual position as CEO in Hispania, as well as managing director of both companies. In 1923, Jorge Boeufvé and Marco Cusa were appointed as directors of Hispania, and also of Zurich branch.³⁶ The management was centralised in Barcelona, where salaried company employees performed the work of issuing policies, control and payment of claims and other administrative tasks. This basically constituted the internal organisational structure.

The external organisation was in the hands of a network of agents created in most of Spain during this period, supervised by territorial inspectors. The regions with the greatest presence initially, after Catalonia, were Andalusia, Aragón, Valencia, Galicia and the Basque Country. Many of these agencies were occupied successively by members of the same family.³⁷ This was the case, for example, of the family in charge of the agency in Bilbao. The agency was established by Ignacio de Abaitua in 1905, and had been linked with Hispania since that time. The founder was succeeded by his son José María and in 1952 it was still represented by the same family in the person of Salvador Guinea, grandson-in-law of Ignacio. In most cases, agents combined the procurement of policies with other types of work, and they were often employed by more than one company.³⁸

³⁶ Gaceta de Madrid, 15/09/1923, nº 258, p. 1112.

³⁷ An ancestral practice, in which agents who retired frequently recommended their own successors who were usually members of the nuclear or extended family, thus creating a dynasty of agents (Pearson: 2004: 281).

³⁸ Hispania Compañía General de Seguros, 1902-1952

Table 6. Hispania's Network of Agents 1903-1933 (permanently linked and having been linked with the company for over 30 years in 1952).

Name	Year	City	Province	Autonomous Community
Tocón Ayala, José	1918	Jerez de la Frontera	Cádiz	Andalusia
Ferrer Guerrero, Manuel	1924	Granada	Granada	
Cueto Martínez, José	1931	Porcuna	Jaén	
Rodríguez Bellver, Rafael	1932	Almonte	Huelva	
Martin Castaño, Teruel	1924	Teruel	Teruel	Aragón
Valentina Luna, Vda. de Catalán	1928	Caspe	Zaragoza	
Blesa Azanza, José y Fernando	1929	Zaragoza	Zaragoza	
Ochoa Lavandera, Nicolás	1918	Gijón	Asturias	Asturias
González Crespo, Wenceslao	1926	Luarca	Asturias	
Llop Pelegrí, Pablo	1928	Palma de Mallorca	Balearics	Balearics
Pirez Bethencourt, Alfredo	1923	Las Palmas	Gran Canaria	Canaries
Zumelzu, Antonino	1903	Santander	Cantabria	Cantabria
Román Del Pozo, Ramón	1922	Daimiel	Ciudad Real	Castile-La Mancha
Moraleda Hidalgo, Francisco	1929	Toledo	Toledo	
Martin, Diego	1923	León	León	Castile-León
Aguado Losada, Jesús	1932	Palencia	Palencia	
Vidal Cesteros, Teófilo	1932	Valladolid	Valladolid	
Celma Comas, Juan Bautista	1918	Tortosa	Tarragona	Catalonia
Plana Mañé, Pedro	1918	Vendrell	Tarragona	
Tresserras Auli, Rafael (from 1933)	1922	Olot	Gerona	
Vidal Camaposada, Antonio	1928	Calaf	Barcelona	
Vives Pascual, Juan	1928	Badalona	Barcelona	
Montaner Beltrán, Jaime	1930	Villanueva y Geltrú	Barcelona	
Valls Torrens, Pablo	1930	Villafranca del Panadés	Barcelona	
Fabregas Santacana, Jaime	1931	Igualada	Barcelona	
Mitjavila Llorens, Agustín	1931	Santa Coloma de Farnés	Gerona	
Salvat Canela, Miguel	1932	Martorell	Barcelona	
Delmuns Dulcet, Ramón and Caralt Comerma, Ramón	1933	Manlleu	Barcelona	
Delmuns Dulcet, Ramón and Caralt Comerma, Ramón	1933	Vich	Barcelona	
Bosshard Moesch, José	1906	Valencia	Valencia	
Vilar Miralles, Javier	1923	Castellón	Valencia	
Planells Cuevas, Nicolás	1928	Requena	Valencia	
Casto Redondo, Badajoz	1929	Badajoz	Badajoz	Extremadura
Rodeyro Moñino	1922	Santiago de Compostela	La Coruña	Galicia
Llorens Ebrat, José and Julio	1931	La Coruña	La Coruña	
Vda. De Pio S. Carrasco	1932	Villagarcía de Arosa	Pontevedra	
Camara Cerrada, Celso	1932	Haro	La Rioja	La Rioja
Martinez Angosto, José	1921	Murcia	Murcia	Murcia
Abaitua y Compañía (Guinea, Salvador –Grandson of Ignacio de Abaitua)	1905	Bilbao	Biscay	Basque Country

Barcaiztegui y Martín de Villarragut, Vicente	1930	San Sebastián	Guipúzcoa	
Calceran Boeufvé, Alejandro				

Source: Hispania Compañía General de Seguros, 1902-1952, pp. 23-32.

The productive activity of these agents was controlled and they received advice from territorial inspectors. Thus, while these inspectors were travelling they fulfilled the role of connecting agents with Hispania and the Zurich branch office in Barcelona. These inspectors, paid employees of the two insurers, met regularly with both companies and received a salary and a series of commissions depending on the production of the province or provinces that were under their supervision.

However, control of the agencies and their portfolios was not always easy. The complexity of this supervision can be seen in correspondence between the branch in Spain and the general management at the head office in Zurich in 1935. The management in Zurich had a project aimed at reforming the control carried out by inspectors and, through them, increasing their control over the agencies. Its objectives included establishing a closer inspection of each agency by means of the inspectors collecting key information from each of them. In the project, in order to increase the authority over the network, a new type of file was proposed in which the following information was requested: a) production of the inspector, total pesetas by branch; b) the agency's portfolio; the number of policies in force and c) for cancellations, the total amount of pesetas. However, those responsible in Spain responded to the central management arguing that compiling these data would complicate the agencies' tasks. In the letter of reply, the current procedure that was followed to prepare the financial statements, the portfolio and the cancellations was explained. Up until this time, the financial statements were prepared through the involvement of several agencies, but only the operations and pesetas produced by each inspector were appraised. With regard to the agencies' portfolios, since 1933 calculating the amount had been done on the basis of "premiums created", which included the annual policy increases and from which the policies lapsed during the year were deducted. To appraise the inspector's work, managers in Spain proposed that, in order to know the increase or decrease of policies in an agency or area, production could be compared with cancellations. In this way, the increase or decrease of the portfolio could be assessed and the results of the work of each inspector would be obtained.

On 15 January 1936, the Zurich management met almost all of the inspectors in Barcelona in order to exchange knowledge and ideas, in the style of modern brainstorming in today's companies. The meeting was attended by both old and new inspectors, as well as potential candidates being considered by the company. Some of the surnames can be known from the summary of the meeting: Parrizas, Riera, Nater, Heck, Gracia, García, Bustos, Rodríguez and Olivella. This meeting was held at a time of strong competition from the employers' mutuals, whose creation rocketed when industrial accident insurance became compulsory in 1932-33. The central topic under discussion concerned the need to convince potential clients of the mutuals' internal problems and the risks of taking out coverage with them, concentrating on their low levels of solvency and their administrative shortcomings. Additionally, other matters were addressed, such as the search for new collaborators or the specific difficulties of civil liability insurance.³⁹

The progressive integration of the distribution networks of Zurich and Hispania proved to be one of the group's most important assets in the medium and long term. When Zurich's subsidiary in the life branch, Vita, joined the group in 1927, it took advantage of this network, and this was a determining factor in its early growth.⁴⁰ However, during the first years it was operating, the company ran into certain difficulties that those running the company considered could not be justified by the economic depression of the 1930s, as they were of the opinion that the crisis in Spain was not so severe.

In this situation, those running the company tried to encourage its agents to make the most of the competitive advantages that the company Vita had with respect to competitors in the Spanish market. Noteworthy among these advantages were: a) the influx of new policyholders; b) the profit participation clause, which was paid from 1928 onwards with an interest guarantee (in this year they had been promised 14% interest on the premiums and they had been given 15%); c) a securities portfolio with a yield of 5.25%; d) organisational costs were covered by a fund of 1.5 million Swiss francs paid in by shareholders; e) the technical resources were the most modern

³⁹ Zurich Archive. 1935-1943 Spain-Inspectores, Zurich Archive 36183-1.

⁴⁰ The company VITA was created on 22 December 1922. Its main shareholder was the company Zurich, Compañía General de Seguros contra los Accidentes y la Responsabilidad Civil. It was granted a federal concession on 23 April 1923. Thanks to the initial help from the collaborators of the parent company and then with the creation of its own organisation it expanded its activity and established itself in a considerable number of countries. In 1933, its internal organisation comprised 260 employees, including the general management in Zurich and its diverse branches abroad. Its external organisation was made up of some 250 professional agents and more than 1,300 free agents (Pons, 2015).

available (calculators and accounting and statistical machines) and enabled a relatively small number of staff.⁴¹ The agents' motto should be "promise little and accomplish much". However, one of the main problems in this line was the percentage of portfolio terminations, which was higher in Spain than in Germany or Switzerland. These differences obliged the Swiss head office to demand greater supervision of agents in Spain, who could act irresponsibly by accepting policies that were highly unlikely to be continued over time and tolerating practices of procuring premiums in order to collect the commission for new policies, as Pons has commented (2015: 115).

Prior to the Civil War, the need for greater control of agencies through the way that their production network was organised was already discernable. Whether this was to be through a reorganisation of production or through a reorganisation by regions and areas by means of *delegaciones* or branch offices with the companies' own staff, the objective was to implement a structure that would protect and favour the company's interests by reducing administration and transaction costs while avoiding a lack of control over agents. With time, by now in the mid-century, a further objective arose, which was to decentralise some of the administrative functions that had traditionally been performed by the internal organisation of the companies at their head offices.

5. Conclusions

From the first stages of development of the insurance industry, the choice of the system of distribution has always been a strategic decision with profound effects on the company's results. Whether it was through the use of agents or through the company's own branches, the density and the extent of the distribution networks determined the capacity of insurers to connect with the different centres of demand and to choose the insurable risks of developing economies.

In the Spanish case, the dispersion of the demand and the relative backwardness of insurance with respect to other markets magnified the importance of distribution strategies, to the extent that it became a determining factor in the success or failure of insurers. Indeed, from the late nineteenth century onwards, the development of a network of agents accompanied the main branches of insurance and enabled their growth. Meanwhile, the growing importance of these networks had direct repercussions on the cost structure of companies, who found it necessary to assign increasing

⁴¹ El noticiero de VITA (newspaper sent exclusively to VITA agents//representatives), no.2 of May 1931.

resources to the control of their agents. In this context, insurers opted for different solutions: mutual societies chose to promote the role of members as potential distributors of their products whereas, in view of the changes to the legislation regulating investments, many companies favoured the creation of their own branch offices in order to reduce production costs and maximise the return on their reserves.

Although other instruments were used to sound out the market, the entry of foreign companies into Spain and their long-term results were closely dependent on the agents they chose to organise their representatives in the country. In the case of the Sun Insurance Office, after a long search for a representative for the country, the work of its agent in Bilbao, Ramón Basterra, proved to be fundamental to the company's expansion in Spain. Furthermore, in spite of conflicts between the head office and the agent and their diverging interests, the strategy of specialising in the fire branch and of expanding into the entire territory proposed by Basterra ended up determining the success and the continuity of the company in the Spanish market.

The introduction and spread of the branch system throughout the first third of the twentieth century added complexity to the distribution networks. In the Mutua General de Seguros, the creation of its own branch offices was intended to be a way of reducing the costs of controlling the company's distribution network, while at the same time underpinning territorial expansion to other regions of Spain. In the case of the Zurich group, the shared use of Hispania's sales network and the combination of agents and branches enabled the productivity of the network to be maximised and facilitated the diversification of the group into other business, such as entry into the life branch through Vita.

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