

*Sachin S. Pandya Abstract*

*This paper studies the rise and fall of the first liability insurance cartel in America. In 1896, a decade after liability insurance for personal injury accidents came to America, the leading liability insurance companies formed a cartel to fix prices and pool loss information. This paper documents the rise of this cartel and evaluates three plausible explanations for why that cartel abandoned price-fixing in 1906: price competition from firms outside the cartel as well as cheating by cartel members; State antitrust law; and the adoption of State solvency regulation of liability insurance loss reserves. In so doing, this paper makes two contributions. First, the paper contributes a completely missing chapter to the historical literature on liability insurance in America. Second, the paper suggests that, in largely unregulated insurance markets, insurers may be motivated to form a cartel to credibly signal that they have less insolvency risk than their rivals.*