

AIRCRAFT AND BOMBARDMENT RISKS

COMMITTEE'S IMPORTANT REPORT—SOME INTERESTING INSURANCE FIGURES.

The text is now available of the important report made by the Aircraft Insurance Committee which was the basis of the scheme of State insurance against aircraft and bombardment risks in Great Britain, details of which have been recently given in our columns. The members of the committee included, as already noted, two distinguished British underwriters, who are well known in Canada, Mr. E. Roger Owen, general manager of the Commercial Union Assurance Company, and Sir Gerald Ryan, general manager of the Phoenix Assurance Company. While the risk for which the committee were asked to find the insurance remedy is one that, happily, is not likely to be experienced in Canada, there are portions of the committee's report which are of general interest in view of the unique circumstances which called for the committee's deliberations:—

BASIS OF PREMIUMS.

In making a recommendation in regard to the rates of premium which should be charged, say the committee, we have considered a number of alternatives, and in arriving at our decisions we have been guided by two main principles, namely, the necessity of simplicity and the predicated condition of a reasonable contribution on behalf of the insured to the loss.

As regards the latter point, we consider that the sum likely to be received in premiums—the amount of which it is practically impossible to forecast—may be expected to cover the cost of sporadic raids of the kind already experienced. The actual revenue from premiums, especially in respect of private dwellings and their contents, will vary somewhat with the frequency with which these raids occur, for it has been the experience up to the present that after each raid there has been a large influx of applications for insurance. This sum, however, may not prove sufficient to cover the loss which might result from a series of general conflagrations brought about by a successful raid by a number of hostile aircraft on congested areas such as the London Docks. It is impossible to estimate the probability of such event, as it depends upon the number of aircraft which the enemy has available and upon the nature of the defence prepared by the naval and military authorities, and other factors as to which we have no precise information.

ESTIMATING MAXIMUM LIABILITY.

With regard to the maximum liability of the State in respect to aircraft and bombardment risks, though it is not possible to foretell the extent to which the facilities offered by the Government may be taken advantage of, some figures relating to the aggregate amount insured under fire policies may be useful.

According to published returns made to the London County Council, fire insurances in London for the year 1913 amounted to £1,140,652,050. In addition to this, there are certain areas immediately adjoining the London County Council area, such as Crouch End, Highgate, Wimbledon, Woolwich, etc., which may be loosely classed as making up Greater London, and in this enlarged area the total insurances might perhaps amount to £1,300,000,000.

Taking as a basis for calculation the official returns to the Fire Offices Committees, two independent estimates have been made by members of the Committee, and, on the basis of their results, we feel justified in stating that, approximately, the total sum insured (gross) under fire policies throughout the United Kingdom may be taken to be £6,000,000,000 sterling, and the corresponding revenue from premiums to be £9,000,000 sterling. A part, however, of this total is already insured against aircraft risks, and it may be assumed that a part will not be insured at all. On the other hand, property may in some cases be insured for more than the fire value.

The committee give at length their reasons for fixing upon a flat rate for the whole of the United Kingdom. They decided against fixing the rate of premium by reference to the fire rate owing to the fact that fire rates are complex and give considerable weight to the combustible character of the property, and also in view of the fact that fire insurance rates differ according to the class of underwriter effecting the insurance—the tariff and non-tariff fire companies and Lloyds. They also considered it impracticable to make any attempt at scientific "zoning"—varying the rate by districts.

As a compromise, say the committee, we recommend that the insured should be given the option of insuring against aircraft attack alone or against aircraft and bombardment, the rates for the two-fold risk being appreciably higher than the rates for insurance against attacks from air only. In this way, since the two-fold risk will probably only be insured against by people on the East and South-East coasts of the United Kingdom, there will in effect be a differentiation of rate on a broad and very simple basis.

As the risk in the first part of the period of insurance may be expected to be greater than the later part, the short period rates should be considerably greater than the pro rata proportion.

LLOYD'S NON-MARINE BUSINESS.

According to the Manchester Policyholder, recent questions in the House of Commons disclose the fact that last year the security put up by the members of Lloyd's of London for non-marine business was £286,000 by way of deposits and £4,548,000 by way of mutual guarantees by members. As it is stipulated in the British Assurance Companies' Act of 1909, that this security shall never be less than the aggregate of the premiums received in the previous twelve months, it may be assumed, says the Policyholder, that the gross turnover at Lloyd's in 1914, apart from the marine branch, was some four and three quarter millions sterling. "We can only add," says the Policyholder, "that the necessity for Lloyd's underwriters to do what every insurance company does—publish accounts or make a statement to the Board of Trade—appears to us to be greater than ever."

Many a manufacturer with a 50 per cent. "overhead" charge in his business thoughtlessly feels that insurance can be provided him over the telephone at practically pure loss cost.—*P. Tecumseh Sherman.*