

MARINE INSURANCE IN GREAT BRITAIN

War Risk Rate Dropped After Armistice Was Signed—Cargo Insurance Satisfactory

In the Annual Review of "The Times," of London, England, an interesting review of Marine Insurance in Great Britain for 1918, is given. The following is abstracted:—

An ordinary marine underwriting account may be divided into two broad classes of risks—namely, cargo and other interests for voyage, and the insurance of the hulls of vessels for a period of time, which is generally twelve months. In dealing with the results of underwriting operations this point must be kept clearly in mind when comparing the actual settlements made, because a good deal depends upon the composition of the account written.

One underwriter may have a larger proportion of time business in his account on which the settlements in the first year will be comparatively light, while another underwriter may have a greater proportion of cargo business, on which the settlements in the first year will be heavier. These facts must always be borne in mind when comparing the first year's settlements. Since the beginning of the war there have been added to these two classes of insurance war risk business. Compared with ordinary marine risks, the settlements for war risks are more prompt, for under ordinary circumstances the war risk is a total loss or an "arrival" within a very few weeks. Where underwriters accept a large volume of war risks their settlements are proportionately increased accordingly. The heavy premium income shown by underwriters in the last two years was almost entirely due to war risks, for the high values insured against marine perils were balanced by the risks taken by the government, as, e.g., those for shipments of grain and sugar, which in the usual course would be insured in the open market. The account for 1918 may therefore be divided into three sections, and the first of these may be considered under the heading of war risks.

War Risk Rate

After the armistice was signed the war risk rate dropped to a nominal premium of 2s. 6d. per cent., which covered mine risks. Down to March 7 last the government war risk rate was five guineas per cent., net, and was the rate which had been in existence for nearly a year previously. This rate was a flat rate for all voyages. After March, however, the War Risks Insurance Office decided to quote differential rates for various voyages, and these rates were subsequently amended in April and again in August, the amendments in practically all cases showing a reduction. The government rate controlled to a large extent the rate in the open market, which for the purposes of competition was generally 10 per cent. below it. The amount of premium received for war risks in 1918 will, therefore, be much less than that for 1917, as the business only covered ten months of the year, while rates generally were lower than those in 1917. War risk losses were, of course, less, as the total amount of tonnage sunk by war perils down to the end of October was only about half of that sunk in 1917. Taken as a whole, the results of war business during 1918 proved profitable for underwriters.

Ships Insured for Time

The second section is that of the insurance of hulls "against time." In the ordinary way, an underwriter finds that his first year's settlements on a time account are comparatively light. The second year's claims are the heaviest, while with a moderate settlement in the third year the result of the account can be ascertained with accuracy. A rough estimate may be taken as about 15 per cent. the first year, 50 per cent. the second year, 20 per cent. the third year, and 3 per cent. the fourth year. Underwriters, however, who have records over a long series of years are finding that their average settlements cannot be made to apply to present conditions, for during the year 1918, when the fourth year's claims on the 1915 account should, according to ordinary experience, have been comparatively small, it was found that they were about the average of the third year's settlement

of an ordinary account. The result is that the 1915 time account, which appeared satisfactory at the end of 1917, cannot be expected to close very profitably, while on a similar assumption it may be said that results for the time accounts of 1916-1917 are not very brilliant.

It is rather early to express any opinion on the 1918 time account, except that the losses from collision were abnormally heavy. Total losses due to this cause in 1918 numbered 102, against 66 in 1917, while under ordinary conditions total losses for collision in twelve months would average about 30. To a large extent this was attributed to the convoy system and the extinction of lights, and a further difficulty appeared to have been the camouflage of steamers to deceive submarine commanders, which, on the other hand, deceived mercantile captains manœuvring to avoid a collision. Since the armistice and the consequent abandonment of the convoy system, the total losses from collision became normal once more.

Policy Clauses and Effect

The actual working out of time accounts is very uncertain. Values last year remained about the same, and there were increases in premium of 10 per cent. on renewals, while the 15 per cent. disbursement clause was retained. This clause tends to maintain the values on what may be considered the market value of the steamer. On the other hand, the cost of repairs has been mounting up year by year, and, in addition, necessary repairs are being postponed. All this tends to delay the putting forward of claims, and when they are made the cost is consequently much greater than would have been the case if the repairs had been effected in time.

Two important alterations were made in the institute clauses which took effect during the year. Owing to the decision in the "Florence" case, the clause with reference to sue and labor charges was framed so that any charges under this heading are adjusted in the same way as general average charges. The wording of the running-down clause was slightly altered without making any marked change. The wording in the clause covering returns for vessels laid up was altered so that a reduced return is made when the vessel is under repair, even although she may not be "under average." One important gain by underwriters during the year was that in all renewals the returns for laying up were based on periods of thirty days instead of on periods of fifteen days, a concession which had been made on certain fleets and was common to most "liners."

Cargo Insurance

The account for 1917 in respect of cargo insurances appeared to be running off very satisfactorily, and there is also hope that the result of the 1918 account may be good. This belief is due to some extent to the fact that owing to the sinking of many steamers underwriters on the marine risk secured an "arrival" under their policies, and escaped any claims for general or particular average which would undoubtedly have been forthcoming under normal conditions. The increasing values of commodities also tended to reduce claims for particular average, because consignees were only too pleased to secure delivery when the value of the merchandise at its destination had frequently become very much greater than the insured value in the policy.

Competition and Prospects

Many authorities believe that the series of profitable years experienced by the marine insurance market has come to an end; for it must be admitted that without the profit on war risks, the results would have been very different. New companies have been established, while life and fire insurance companies have entered the field. All these will need premiums to keep up their returns, and the question will soon arise whether there is enough business to give every one a share. While values may be maintained for a time, a period will come when prices will fall and the market will enter on a scramble for business, with rates being cut by the newcomers who have been unable to build up a satisfactory position. The United States is likely to be a strong competitor