

LONDON LLOYDS AND THE PUBLIC.

CONDITIONS OF TRUST DEED—NO PROTECTION TO PUBLIC—SECURITIES HELD BY LLOYDS COMMITTEE USELESS IN CASE OF UNDER WRITER'S BANKRUPTCY—PEOPLE GOING TO LLOYDS FOR INSURANCE BUY "A PIG IN A POKE."

The Manchester *Policyholder* continues its strenuous attack upon London Lloyds. In a new article now to hand it analyses the conditions of the deed under which all premiums are placed without apportionment in a Trust Fund. It points out that this fund may be used in precisely the same way that any insurance office uses its premium revenue. The money is not set aside for the settlement of claims, there is no stipulation as to its maintenance or replenishment, but it is used for the payment of any expenses whatsoever. Furthermore, says the *Policyholder*, "under the trust deed and the guarantee therefore policyholders have no standing or right of action and again it comes to this, that the committee of Lloyds may say they hold £3,000,000 of securities, but it is useless to the policyholder if the particular Underwriter against whom he has a claim is a bankrupt or is unable to pay." People taking a Lloyds policy are "buying a pig in a poke," says the *Policyholder*, for they have no means of ascertaining the financial position of the men to whom they are giving credit."

CONDITIONS OF THE DEED.

The *Policyholder*, in discussing this matter, says in part:—

We now turn to the conditions of the deed under which all premiums are placed, without any apportionment, in a Trust Fund. In America, where the British insurance offices do such a large business, the insurance companies are compelled to deposit with the authorities the proportion of the premiums necessary to meet the unexpired liability, and, further, to maintain a proper reserve for unpaid claims, etc. If these trust funds are depleted by any sudden call upon the Company's resources, the authorities require that the impairment shall at once be made up, or, as an alternative, that the Company cease trading in the States.

After the San Francisco disaster, for example, the offices not only had to pay claims, but they had to furnish additional security as well. Investments had to be sold in this country, and some shareholders had to face a call upon their shares to meet these demands. Thus it will be seen that the trust fund is a real safeguard for the American policyholders.

When we saw that under Schedule 8 of the Assurance Company's Act Lloyds Underwriters, wishing to avoid the publicity of an annual return to the Board of Trade, must pay all "premiums without apportionment into a trust fund," we assumed that the fund would be under the control of responsible trustees and subject to conditions similar to those adopted in America.

An examination of the Trust Deed shows, however, that after the premiums and other monies have been paid into the fund they are to be used "for the payment of any losses, claims, returns of premiums, re-insurance premiums, and/or for the payment of any expenses whatsoever, including any salary, commission, or other remuneration in connection with the conduct or winding up of the business, and/or in the payment of profits of the business." This

means that these so-called trust funds may be used in precisely the same way that any insurance office uses its premium revenue. The money is not set aside, as in America, for the settlement of claims, there is no stipulation as to its maintenance or replenishment, but it is used for the payment of any expenses whatsoever. There is no more security than there would be if instead of Trust Fund the words Banking Account had been used.

CONTROL OF THE MONEY.

This important point being established, we now come to the question of the control of the money, and who is to see that it is used properly.

It is generally known that the members of Lloyds usually operate in groups, and many members of groups take no active part in the business, some have no office or connection with the city at all, but merely take profits when they can, or pay claims when they arise, if they are able to do so. It will be noticed that the wording of the Trust Deed confirms this, for it carefully points out that, whilst all parties thereto are underwriting members of Lloyds, they "underwrite there in association, but not in partnership, with each other," which means that each Underwriter is responsible for the sum placed against his own name, and nothing more. It does not matter to him whether the other members of the group are millionaires or men of straw.

The underwriting for the group of members is "conducted and managed by one of the number called 'the Agent,'" and this agent has considerable power under the deed. Each Underwriter agrees that the premiums and monies received shall be held on trust by not less than two trustees, one of whom shall be the agent. These trustees may themselves use the money for any of the specified purposes, or may, at their absolute discretion, pay the same to the agent for the purpose of being so applied, without any liability on the part of the Trustee (other than the Agent) to see to any such application, or for any misapplication thereof. It is specially set out that the trustees may accept as sufficient the statement of the agent as to what sums are from time to time required to be paid out of the Trust Fund without requiring the accuracy of such statements to be verified, and they incur no liability for any inaccuracy so long as they act on the information of the agent.

Apparently trustees may invest any part of the fund from time to time, but the investment must stand in the names of not less than two, one of whom shall be the agent. There are no conditions as to the class of investments to be selected, provided the agent agrees with the Underwriter, but at the request of the Agent the investment must be realised. All interest and dividends must be paid to the Agent to be applied by him as may be arranged between him and the Underwriter. But the trustees shall not be required to see to the application thereof.

POLICYHOLDERS NO STANDING OR RIGHT OF ACTION.

To the policyholder, however, the eighth clause of