

War Risks Insurance

could not provide us with a breakdown of those figures as they affected Canadian shipping.

Mr. Macdonnell (Greenwood): I understand it was said in the previous debate that the margin in connection with ships was sufficient to pay the losses on property in the United Kingdom.

Mr. Sinclair: That is not so. The property losses were covered by an entirely different insurance plan, as was done in this country. The next inquiry by the hon. member for Greenwood was about the United States scheme. Congress has now authorized the secretary of commerce to offer insurance or reinsurance against war risks for United States vessels. The arrangements are still under discussion with the shipping group which will form these pools.

The hon. member also asked the reaction of the private marine insurance firms to this scheme. Here in Canada we have three principal marine underwriters. The president of each of these companies has been informally advised of this reinsurance proposal in connection with the shipping sector and each has expressed himself as recognizing the necessity and desirability of this development. Of course no private insurance company will take war risks of this type. It was felt that the location of these facilities in Canada would be a help in the settlement of losses to Canadian ship owners. This scheme has been approved not only by the ship owners but by the Canadian maritime commission.

The minister was asked why we did not continue as partners in the British pool instead of going on with our own plans in the event of hostilities. I think there are three principal reasons for that at this time. First, by running such a pool of government insurance here in Canada it will permit the valuations placed on ships to be more in line with Canadian values. There was some trouble with Canadian owners during the last war in connection with settlements because the United Kingdom valuation of ships was quite a bit lower than Canadian valuations. That is certainly true today.

The second problem, and hon. members will realize that it is quite serious, is raised by the fact that Canadian ship owners would expect settlement in dollars. If they were working with a United Kingdom pool they might have some difficulty since the major part of its resources would be in sterling.

Third, Canadian ship owners themselves felt it was preferable to have the pool and reinsurance handled here in Canada close to their own head offices. The marine insurance people also agree with that because some of

the claims made may be due to private insurance risks and settlement will be easier if both the war risk insurance and private insurance are a Canadian settlement.

One hon. member asked the connection between ship insurance and cargo insurance. This insurance does not relate only to cargoes carried in Canadian ships. In the end the cargo insurance may be the bigger field. A Canadian shipper may send cargo in a Belgian bottom and while the ship itself would not be insured, under this plan, the cargo could be.

Then the minister was asked what the aggregate liability will be. The ship owners who have so far signified that they would like to participate in this pool have shipping assets totalling at the present time \$115 million.

Then it was asked: Why is an insurance scheme desirable since many other war risks are not insured? An insurance scheme is desirable because the premiums are accepted as a proper component of freight and cargo rates; and as Canadian ships will be used by shippers of other countries as well as by Canadians, an insurance scheme is a mechanism whereby the users of the Canadian fleet will bear the full cost of operating the fleet in wartime including the cost of losses by enemy action.

It was asked: Will the scheme be self-supporting? Our scheme is based very closely on the British scheme and, as I have said, they had a net revenue in the end of £111 million. It is planned to have a quarterly adjustment of the premium, as was done with the British scheme during the last war.

The minister mentioned the advantage of a reinsurance scheme as compared to direct government insurance, in that it would not require the setting up of any new bureau of government. The ship owners themselves, through their mutual insurance co-operative, are providing the skilled management which is necessary for marine insurance. Therefore the arrangement is beneficial both to the government and to the ship owners.

It will be noted that in the bill power is also given to enter into direct insurance arrangements despite the fact that reinsurance was found to be the best practice. That is intended to give authority, if it should be necessary, in connection with aircraft. Aircraft constitute a new field which was not covered during the last war by either the British or United States governments. If hon. members look back they will remember that international air lines were not developed to the extent they are now; as a matter of fact they were barely developed. There is