

## LONDON LLOYDS AND THE PUBLIC.

**STARTLING DISCOVERY BY MANCHESTER AUTHORITY—GUARANTEES NOT WORTH THE PAPER THEY ARE WRITTEN ON APART FROM COMMITTEE'S GOODWILL—COMMITTEE'S EXTRAORDINARY POWERS—PUBLIC INTERESTS ENTIRELY OVERLOOKED.**

That not only do London Lloyds underwriters observe the utmost secrecy regarding the financial resources which are available to meet their commitments in fire and other forms of underwriting in which they compete actively against the regular companies who are compelled by legislation to give publicity to their position besides making large deposits, but also that the mutual guarantees by members which form apparently over 90 per cent. of these resources are not worth the paper they are written on, apart from the goodwill of Lloyds committee is the charge made by the *Policyholder*, a reliable Manchester insurance journal which has devoted much attention of recent years to London Lloyds and now returns to the charge. The present sweeping indictment is based upon the fact that by the guarantee agreement, the committee may, at their sole discretion, release any guarantor from all liability under an agreement upon such terms as they shall think fit, or may even put an end to the agreement, and repay to the guarantor the moneys which have been contributed and no one may question their action. Action by the committee is binding on the guarantors and on the Society and on all claimants.

### LLOYDS SPECIAL TREATMENT.

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

Whilst an ordinary company transacting fire and personal accident insurance business has to deposit £20,000 with the Board of Trade, and annually submit a return giving particulars as to the extent of the business, reserves in hand, etc., the Insurance Act of 1900 specially provides that a member of Lloyds shall only deposit a sum of £2,000, as against a sum of £20,000 otherwise required, and that he should furnish each year a statement "showing the extent and character of the fire and accident business effected by him."

If this arrangement had been obligatory we should have been completely satisfied, but under Schedule 8 the Act provided an alternative thereto, the alternative being that—

(a) All premiums shall without any apportionment be placed in a trust fund (in accordance with the provisions of a trust deed).

(b) And in addition underwriters shall furnish security which shall be available solely to meet claims. Security may be furnished in the form of either a deposit or a guarantee, or partly in one form and partly in the other.

The underwriter is also compelled to submit his accounts to an approved auditor, and to lodge with the Board of Trade, not the accounts themselves, but an auditor's certificate.

It will thus be seen that the Act compels full publicity where life and employers' liability business is transacted, and permits Lloyds Underwriters, at considerable trouble, to avoid publicity if they only write fire and ordinary accident business.

### SECRECY AN ESSENTIAL.

Secrecy seems to be regarded as an essential by the members of Lloyds, for, in the first place, they avoid those classes of business where the law of the land says there must be publicity, and in the second not a single Underwriter has elected to place before the public, through the medium of the Board of Trade, a "statement showing the extent and character of the fire and accident business effected by him," but 511 members have selected the alternative and more cumbersome method, which, however, avoids all publicity. Why such determination to avoid the searchlight of publicity?

To-day it is practically impossible to obtain any information as to the financial position of the members of Lloyds or their business transactions, although the veil has been slightly lifted through questions asked in the House of Commons. It has been disclosed that the security consists of:

Deposits . . . . .	£ 207,000
Guarantees by non-members . . . . .	491,530
Mutual guarantees by members . . . . .	2,885,210
	£3,583,740

It is stipulated that the security shall always be equal to the aggregate of the premiums received in the previous twelve months. So it may be taken that the gross turnover in 1912 was about three and a half millions sterling.

### EXTRAORDINARY POWERS.

If the underwriters had complied with the Act and published accounts each would also have been required to deposit £2,000, and the total sum would have been £1,022,000; as it is, the actual deposits amount to a comparatively small sum, and the "paper assets" in the shape of guarantees to £3,376,000. The value of the guarantees is consequently a matter of public interest, and the terms of the guarantee agreement are also a matter of public interest.

It will be noticed in the first place that the liability of each guarantor is strictly limited as against all creditors to the sum set against his name, but within the limits of this stipulation, however, they appear to be severally liable as between themselves to make good the contributions of any defaulter or defaulters. The interesting feature of the agreement is the schedule attached thereto, for it entirely affects its value from the standpoint of the general public, and we have never seen any document in which such wide powers are vested in any responsible body of people.

### VALUE OF GUARANTEES DEPENDENT ON COMMITTEE'S GOODWILL.

The Committee of Lloyds have absolute discretion as to the admission or rejection of any claims, and "nothing in the agreement shall be deemed to confer on any person or policyholder whatsoever any right, title or equity of claim to participate in the moneys to be paid by the guarantors...or to compel the Committee to enforce the agreement or to render any account of the moneys received." This means that,