

LLOYDS LACK OF PUBLICITY.

Underwriters Follow Course under Assurance Companies Act which Prevents their Financial Position Becoming Public—An Example of Preference to Marine Policyholders.

The question of the lack of publicity regarding the affairs of Lloyds underwriters is being again energetically taken up by our Manchester contemporary, the Policyholder, whose proprietor and editor, Sir Harold Elverston, M.P., recently asked questions in Parliament regarding Lloyds compliance with the requirements of the recent British Assurance Companies Act. The underlying circumstances are briefly these:—By the Assurance Companies Act of 1909, Lloyds underwriters were allowed special privileges. They were allowed either individually to make a deposit of £2,000 until all liability under any policy issued had been discharged and to furnish to the Board of Trade an annual statement showing the extent and character of the fire and accident business effected, or, in lieu of complying with these requirements, to place all premiums received in a trust fund and furnish security to the satisfaction of Lloyds committee and to have their accounts audited annually by an approved accountant who will furnish a certificate to the Board of Trade. "Not a single member of Lloyds," says the Policyholder, "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 insurance business effected by him," but 511 members have selected the alternative but more cumbersome method, which, however, avoids all publicity. Why?"

Our contemporary continues:—

All this certainly gives the impression that Lloyds fear the limelight of publicity more than anything else, and it must be remembered that it was only after a great struggle in Parliament that Lloyds secured the alternative method, which they one and all have adopted.

The second answer by the Board of Trade on August 1, gives the public just a glimpse behind the scenes however. What do we find? The security consists of—

	1911.	1912.
Deposits	£228,250	£267,000
Guarantees by non-members of		
Lloyds	353,918	491,530
Guarantees by members	2,487,510	2,885,210

Total £3,069,678 £3,583,740

So the actual cash which Lloyds Underwriters deposited (1912) is the sum of £405 as against the sum of £454 per member in 1911! And the guarantees given by persons who are not Lloyds Underwriters amount to £361 as compared with £706 per member, the rest of the security consisting of undertakings by the members to stand or fall together. Any company writing fire business to the extent of £3,600,000 would consider it absolutely essential that it should have a reserve fund of at least 33 per cent. of the premiums, or £1,200,000. The publication of accounts by every underwriter at Lloyds ought to be insisted upon by the Board of Trade, for here we have a body of men handling over three millions sterling of public money, and, sheltering behind a special Act of Parliament, they are denying to the public all information as to their real financial position.

SOME FURTHER DRAWBACKS.

It must be remembered that buying insurance is different to buying ordinary articles of commerce. In the one case the goods are at once delivered and payment is made, and it does not matter to the purchaser whether the tradesman is solvent or insolvent. But in the case of insurance, the solvency of the trader is a vital consideration, for the delivery of the article purchased may not be required for years. It is most important, however, that when delivery is required there should be no doubt about it being made, and made with promptness.

It must also be remembered that, beyond mutual guarantees, a Lloyds Underwriter is in no way responsible for another member's liabilities. So far as the public is concerned, each of the 511 members is entirely apart from the other underwriters. If a person is insured at Lloyds, say, for £20,000 and the policy is signed by 20 underwriters it constitutes in practice 20 different policies. Some of the twentieths may be paid, some may not; it is a matter of no importance to the signatories, for they are only responsible for their own proportion, therefore in case of a dispute an unfortunate claimant might have to enter twenty different actions. Not a pleasing position, when it is remembered that if the insurance had been in an ordinary company one action would suffice. This important difference makes it still more desirable that every underwriter at Lloyds should publish a statement of his affairs.

A PREFERENCE TO MARINE POLICYHOLDERS.

London Truth calls attention to recent legal proceedings in connection with the bankruptcy of a Lloyds underwriter showing that the committee of Lloyds have given preferential treatment to the holders of marine insurance policies over the holders of fire and accident insurance policies. Truth writes:—

"An underwriter at Lloyds went into bankruptcy, and the trustee sought instructions as to the relative claims of different classes of creditors. The bankrupt had made a deposit of £5,000 with certain persons as trustees for the Committee of Lloyds. The holders of the marine policies claimed that the whole £5,000 was distributable amongst them only, while the ordinary creditors alleged that this £5,000, as well as the other assets, were distributable rateably amongst all the creditors. The Court instructed the trustee to apply to the Committee of Lloyds to decide what were the claims and demands to be satisfied out of the £5,000 deposit. The Committee of Lloyds, having given the matter their consideration, have unanimously decided to direct that claims and demands upon marine and transport policies only, underwritten by Mr. Heathcote, or on his account at Lloyds, are to be satisfied and discharged out of the deposit."

Commenting on these particulars our contemporary says:—"Experiences of this character may lead people to effect their insurance with companies whose financial position is unquestionable, whose accounts can be seen, and who are responsible for the entire amount of the policy. Being attracted to insurance companies of high standing, policyholders will be repelled from trusting their financial welfare to underwriters at Lloyds, who may be strong or weak financially, who may be reckless or may be cautious, who may know something or may know nothing of the risks they underwrite, and who, operating on a small scale, may experience average results, or may sometimes make huge losses, and at other times large gains. In the above case the underwriter owes £21,000, of which £9,000 is due under marine policies, and £12,000 to other creditors. He has assets of £12,000 altogether, of which £5,000 is on deposit at Lloyds. The creditors as a whole do not come in for 12s. out of every 21s., but the marine policyholders get £5,000. In rank as ordinary creditors for the remaining £4,000, instead of there being £12,000 to pay debts of £21,000, there is £7,000 to pay debts of £16,000. The ordinary creditors, instead of receiving 11s 5d in the £, get only 8s 9d, while the marine creditors get something like 15s. in the £. On the figures quoted at the proceedings in Court the results would be as stated; but the expenses of the bankruptcy, including the law costs, have to come out of the estate, and, assuming the estimate of assets and liabilities to be correct, the conditions for ordinary creditors, including the holders of policies other than marine will be worse than stated."

The ordinary creditors referred to above include, of course, holders of fire and accident policies, who will, as shown above, get considerably less *pro rata* out of the bankrupt's estate than the holders of marine policies.

The Canadian Bank of Commerce has opened a new branch at the corner of Superior and Huron Streets, Sault Ste. Marie.