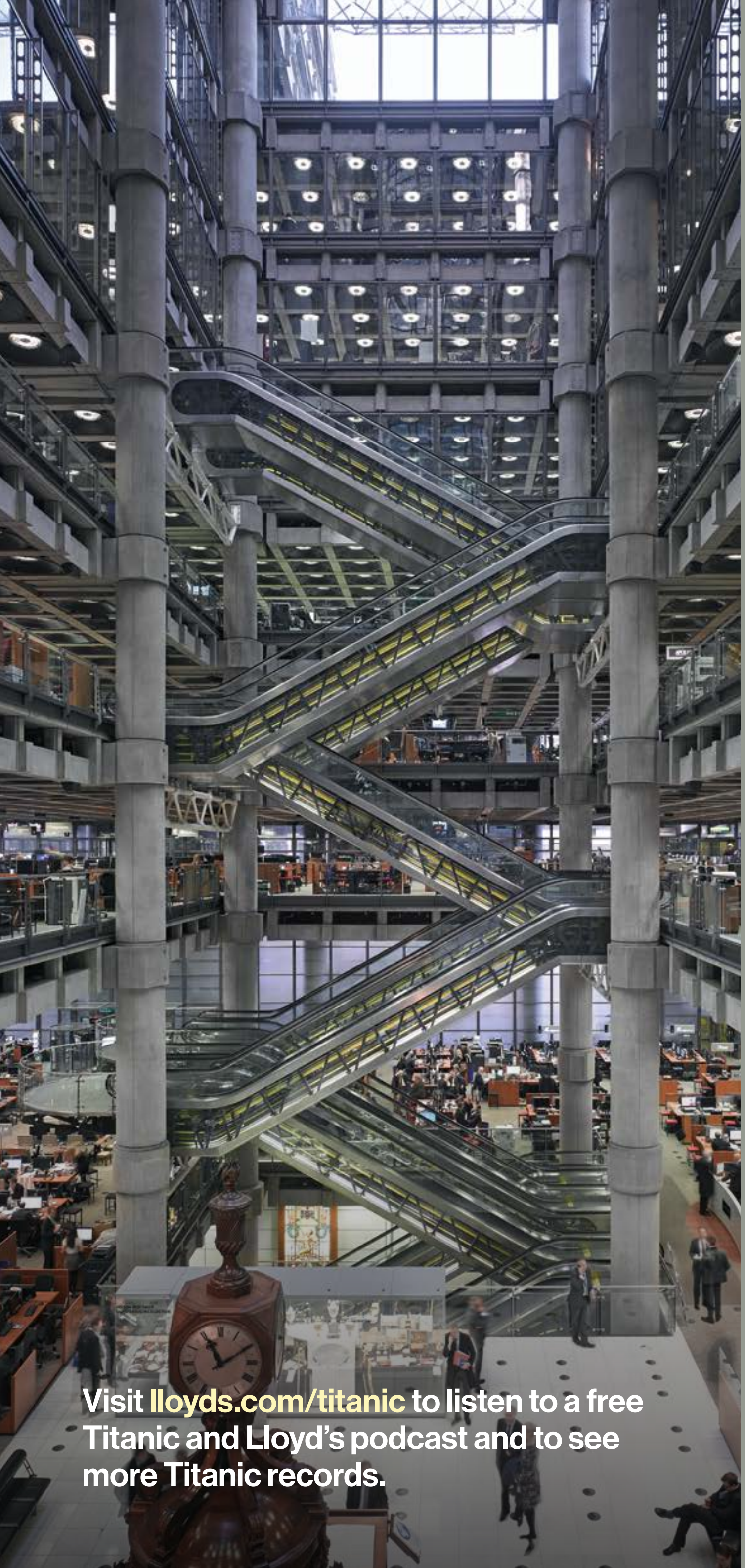


Visit lloyds.com/titanic to listen to a free Titanic and Lloyd's podcast and to see more Titanic records.

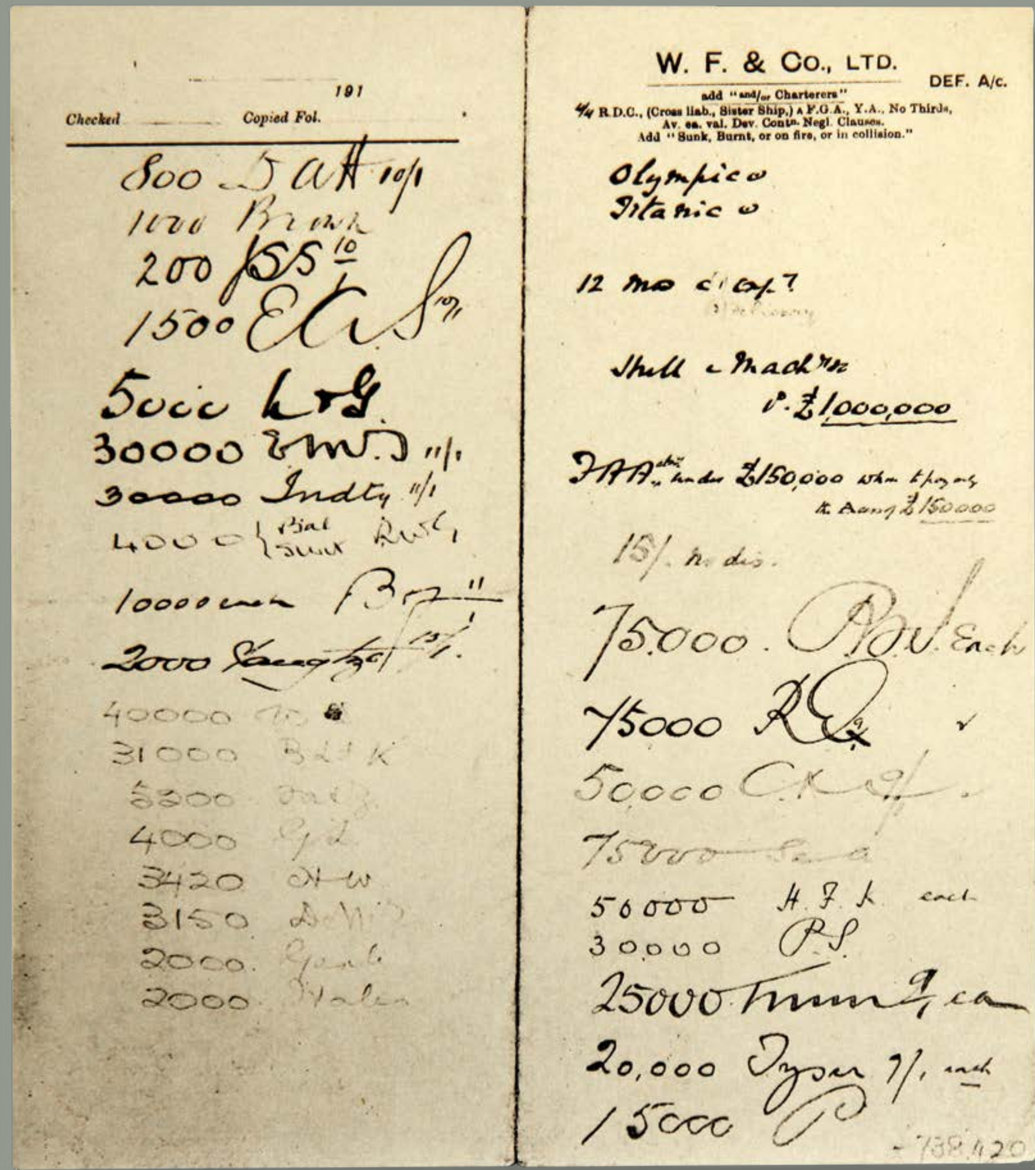


# How the market works: Insuring the Titanic

**The placement slip for Titanic and her sister ship Olympic**

Cover was for 12 months on hull and machinery, valued at £1million for each ship; "FAA (Free from All Average) absolutely under £150,000" – insurers to pay only on damage in excess of that sum. The premium of 15 shillings (75p) was particularly low and amounted to £7,500 per ship. The slip opened on 9 January and by the end of the day brokers Willis Faber & Co had placed over half the risk. Within three days the slip was complete, with some 12 companies and more than 50 Lloyd's syndicates participating in the risk.

The centuries-old term 'underwriter' was coined at Lloyd's, originated by the practice of having each risk-taker write his name under the total amount of risk he was willing to accept at a specified premium.



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800
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W. F. & Co., LTD.

DEF. A/c.

add "and/or Charterers"

4/4 R.D.C., (Cross liab., Sister Ship,) & F.G.A., Y.A., No Thirds, Av. ea. val. Dev. Contn. Negl. Clauses.
Add "Sunk, Burnt, or on fire, or in collision."

Olympic
Titanic

12 mo

Hull & Machy
£1,000,000

FAA under £150,000

15/

75000
75000
50000
75000
50000
30000
25000
20,000
15000

## Welcome to the Lloyd's market

**Lloyd's is a unique insurance and reinsurance market with an unrivalled concentration of specialist underwriting expertise.**

**Much of the business written at Lloyd's is still conducted face-to-face in the world-famous Underwriting Room, which welcomes more than 5,000 people, sees £100m in premiums come into the market and £49.9m paid out in claims every single day.**

**Brokers place their clients' risk with Lloyd's underwriters to evaluate, price and accept the risks. Much of the capital available at Lloyd's is provided on a subscription basis – where Lloyd's underwriters join together as syndicates and where syndicates join together to underwrite risks. Collectively, Lloyd's syndicates insure risks which total more than £35bn in insurance premiums each year.**

**This kind of partnership, combined with the choice, expertise and financial certainty of the market, makes Lloyd's the world's leading insurance and reinsurance platform that develops relevant, new and innovative forms of insurance for customers globally. The market has covered Arctic explorers, international aid organisations, satellite launches and taken on major global risks including cyber, terrorism and the consequences of climate change.**

**And on a January morning in 1912, it insured the Titanic for £1m.**

### Underwriting

Broker Willis Faber & Co came to Lloyd's on 9 January 1912 to insure the Titanic and her sister ship, the Olympic, on behalf of the White Star Line.

Helped by the fact that the ships were universally advertised as 'unsinkable', the policy was subscribed to by all marine underwriters at Lloyd's and by most London marine insurance companies.

Different underwriters took portions of the risk ranging from £200 to £75,000, and by 11 January the slip was complete; the Olympic and the Titanic were fully insured for £1m each. It was the largest marine risk ever, amounting to 20% of the total £5m capacity of the market at the time. (The total insured marine losses for all of 1912 came to £6.75m).

### Reinsurance

During her maiden voyage on 14 April 1912, the 46,000-ton Titanic struck the submerged spur of an iceberg 350 miles off the coast of Newfoundland and went down in the freezing waters of the North Atlantic in just two hours and 40 minutes.

But when Lloyd's opened for business on 15 April, the market heard conflicting reports. On the news that Titanic had struck an iceberg overnight, reinsurance rates rose sharply and reached 60% after confirmation from a Lloyd's coastal signal station that the vessel was sinking. Shortly after this, a reassuring message came from the Exchange Telegraph in New York – Titanic was safely under tow for Halifax. Rates plummeted to under 25% on the news, affecting an estimated £50,000 worth of reinsurance.

Reinsurance is the insurance of insurance. Today, as it did then, it provides a way for insurers and their clients to protect themselves. If an insurer takes on a particularly large risk, they can transfer part of it to another insurer. However, insurance companies can only transfer a portion of their liability and must always keep a share or an interest in the risk. The type of reinsurance being traded the day after Titanic was called "overdue insurance" and it allowed insurers to sell on their liability if uncertain news was received about a ship.

The purpose of the Lutine Bell, which still hangs in the market today, was to inform the market when the ship arrived safely at port, or to confirm it as lost. When the bell rang on the afternoon of 15 April, trading stopped.

When the final reports came in, it showed that more than half the ship's passengers and crew had died.

> "Divided as it is, the loss of the newest of trans-Atlantic liners will not fall heavily on any one man or firm, and today, tomorrow and continuously thereafter, Lloyd's of London will wager you immunity from loss on any proposition you care to submit."

*From an article published in The Denver Post on April 16, 1912*

### Claims

Because of the unique risk-sharing structure of the Lloyd's market, and financial strength it provided, White Star was paid in full within 30 days of the tragedy. Lloyd's picked up a large share of the hull claim, totalling 20% of the market's premium income that year. The life cover sums were significant, however most of these were covered by American life insurance firms.

The Titanic left a profound legacy to maritime safety. Her loss is a reminder that no ship is unsinkable. Despite being one of the largest losses of its time, this is ultimately a human story and one that is summed up by the simple words in Lloyd's loss book, dated 16 April, "The loss of life is very serious".