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SENATE.

} REPORT
No. 33.

BUREAU OF WAR-RISK INSURANCE.

MAY 2 (calendar day, MAY 4), 1917.—Ordered to be printed.

Mr. SIMMONS, from the Committee on Finance, submitted the following

REPORT.

[To accompany S. 2133.]

The Committee on Finance, to whom was referred the bill (S. 2133) to amend an act entitled "An act to authorize the establishment of a Bureau of War-Risk Insurance in the Treasury Department," approved September 2, 1914, and for other purposes, having considered the same, report it back to the Senate with sundry amendments, and recommend that the bill as amended do pass.

Your committee recommend that the bill be amended in the following particulars:

Page 5, line 22, after the comma, strike out the words "thirty-five" and insert in lieu thereof the words "forty-five."

Page 5, line 22, after the semicolon, strike out the word "and."

Page 5, between lines 22 and 23, insert a new line as follows: "Total destruction of hearing, fifty per centum; and."

Page 6, line 10, insert after the word "insured" the words "for distribution to his family free from liability of debt."

Page 6, line 23, after the word "vessel" insert the words "prior to sailing."

Page 7, line 16, after the dollar mark, strike out the numerals "25" and insert in lieu thereof the numerals "20."

Page 7, line 22, after the dollar mark, strike out the numerals "25" and insert in lieu thereof the numerals "20."

Page 8, line 14, after the word "compensation," insert the words "not to exceed ten per centum of the amount recovered."

Page 9, line 2, after the dollar mark, strike out the numerals "25,000,000," and insert in lieu thereof the numerals "50,000,000."

The purpose of this bill is to create an insurance, the premium to be carried by the shipowner, protecting the master, officers, and crews of American vessels engaged in sailing through dangerous waters against loss of life or personal injury caused by the risks of war, and to give them compensation should they be detained as prisoners by the enemy; to assist in the prosecution of the war by

providing the fullest facilities for insurance against risk of war for vessels and their cargoes destined to countries at war with Germany; to supplement the existing insurance market, stabilize rates, and as a consequence assist the foreign commerce of the United States.

With these ends in view the bill, if enacted, would make it possible for the United States to enter into a reciprocal reinsurance arrangement with countries which are at war with Germany to mutual advantage. Increased appropriations are sought by the bill which are deemed very necessary, and some other slight changes in the law are sought which in the light of experience and the increased scope of the bureau's operations are considered essential. All these matters will be dealt with separately and in some detail in this memorandum.

THE INSURING OF MASTERS, OFFICERS, AND CREWS.

Seamen sailing on American vessels to the war zone are at the present time exposed to loss of life and personal injury, and it is manifestly necessary that these men, on whose services so much depends at the present time, should be encouraged to seek or continue in the employment of such vessels by being assured by the Government of proper and reasonable indemnity in event of loss of life or personal injury by war risks and of compensation in the event of capture and detention by the enemy. The importance and necessity of such insurance through the war zone is so great that the bill provides that when it shall appear to the Secretary of the Treasury desirable in the national interest he may require vessel owners to effect such insurance at their expense. In the event of the owners failing to effect such insurance the bill seeks to give the Secretary of the Treasury authority to effect such insurance at the owners' expense, and in addition a penalty is provided.

It is considered desirable as a further encouragement to the men and for their protection that the bureau should have authority to insure their personal effects, which would make it possible for the men to obtain such insurance at a reasonable cost.

The foregoing explains the amendments to the act of September 3, 1914, sought by sections 2, 4, 5, 6, 7, 8, 9, 10, and 11 of the bill, except as they are herein further explained.

RECIPROCAL REINSURANCE ARRANGEMENTS BETWEEN THE UNITED STATES AND THE GOVERNMENTS OF COUNTRIES AT WAR WITH THE ENEMY.

Under the bill, if enacted, the Secretary may make reciprocal reinsurance arrangements with other governments, thus permitting the fullest cooperation on this important matter of war-risk insurance with the governments of other nations engaged in war with the enemies of the United States. By this means it is hoped to arrive at arrangements with these other governments allowing the sharing of business; in this way dividing the hazard accepted from a vastly increased number of units, which is manifestly a sounder business method and permits the spread of the hazard without increasing the total liability assumed.

The foregoing explains the amendments sought by sections 2-a of section 3, and sections 9 and 10 of the bill, except as they are herein further explained.

THE PAYMENT OF RETURN PREMIUMS.

This provision relating to return premiums is necessary for carrying out the ordinary operations of the bureau; as, for instance, where a voyage on which the premium has been paid is not made. In addition, it seems desirable to make some provision whereby the profits, if any, of certain classes of business, particularly in the case of insurance against loss of life or personal injury, may, on the termination of the bureau, be divided pro rata between those taking out this insurance.

The bureau will now be fulfilling its most important function in assisting in carrying on of the war or the commerce necessary to the prosecution of the war, and should not aim to make a profit from those operations. This is particularly true of the part of the bill relating to personal injury to the men, and it is proposed to fix premiums at rates so that as nearly as can be estimated these rates will represent the cost of doing the business. The provision seeks to make it possible that on the termination of the war any profits which have been accumulated from this source shall be returned to those paying premium on these policies.

The foregoing explains the amendments sought by sections 4 and 9 of the bill, except as they are herein further explained.

APPROPRIATIONS OF PREMIUMS AND SALVAGES TO THE CREDIT OF THE BUREAU—INCREASE IN APPROPRIATIONS FOR PAYING LOSSES AND RETURN PREMIUMS—REPEAL OF PREVIOUS AMENDMENTS TO THE LAW.

Under the war-risks insurance act of September 3, 1914, in its original form, premiums and salvages were to be covered into the Treasury. Congress subsequently in one of the amendments to the act approved March 3, 1917, altered this provision and directed that premiums and salvages "shall be covered into the Treasury to the credit of the appropriation made for the payment of losses and be available for the purposes thereof." In the light of experience it is necessary, as already explained, to provide for the payment of return premiums, hence necessary to broaden the purposes of the previous appropriations both in the part of the law quoted and in that section of same which appropriated \$15,000,000.

The bill, as amended by your committee, provides for an increase of the fund available to \$50,000,000. To properly protect our commerce the bureau must be prepared to accept insurance in the amount approximating the fair value of both the vessel and the cargo, and as a number of losses might occur during the time when Congress is not in session, provision should be made to meet a possible deficit. The necessity for such an appropriation is further explained by the great expansion in the last few weeks of the business done by the bureau and by the further expansion contemplated as a war measure.

The amendment of certain sections of the original act as proposed by the bill and the repeal of previous amendments is considered the simplest and most satisfactory way of accomplishing what is sought to be brought about by the bill.

The foregoing explains the amendments sought by sections 4 and 9 of the bill, except as they are herein further explained.

INCREASE IN APPROPRIATION FOR EXPENSES.

The total expenditure up to date has been about \$60,000, but the monthly expenditure at the present time is at a much greater rate, as the staff of the bureau has been more than doubled. It is recognized that owing to the increasing demands for insurance from the bureau, consequent upon this country entering the war, that the staff must be further enlarged to meet the requirements of the public, and also that the amendments, if enacted, would mean increased business and more clerks to assist in conducting the business, which means added expense.

The foregoing explains the amendments sought by sections 10 and 12 of the bill.

EXTENSION OF PERIOD FOR SETTLING CLAIMS.

The bill seeks to extend the time by two years, as it is felt that the time allowed by the law is insufficient, and this would most surely be the case if the law is amended to permit of the insurance of the crews against risks of war.

This explains the amendment sought by section 11 of the bill.

