Property Insurance

The Great Fire of London in 1666, which destroyed more than 13,000 homes, is considered to be the origin of property insurance as we know it today. The devastating effects of the fire converted the development of insurance from a matter of convenience into one of urgency, a change of opinion reflected in Sir Christopher Wren's inclusion of a site for 'the Insurance Office' in his new plan for London in 1667. in 1681, entrepreneur and economist Nicholas Barbon with 11 associates, founded the first fire insurance organisation, the "Insurance Office for Houses," at the back of the Royal Exchange to cover brick and frame homes after a succession of failed fire insurance schemes. Initially, his Insurance Office covered 5,000 households.

Following this first successful venture, several businesses of a similar nature were established in the decades that followed. In order to avoid and reduce the damage caused by conflagrations on properties they had insured, each firm initially employed its own fire department. They also started giving their clients "Fire insurance marks." These allowed the insurance provider to positively identify properties that had taken out insurance with them and would be posted clearly over the front door of the property. One such notable company was the Hand in Hand Fire & Life Insurance Society, which was established in 1696 in London's St. Martin's Lane at Tom's Coffee House. It was set up as a mutual society, and for 135 years it ran its own fire department, shaping firefighting and prevention in significant ways. With roots dating back to 1710, The Sun Fire Office is the oldest property insurance provider currently in operation.

This approach was quickly revealed to be seriously flawed because rival brigades frequently overlooked burning structures after they learned that it was not covered by their company's insurance. Eventually, a compromise was reached wherein all insurance companies would contribute cash and equipment to a local authority tasked with evenly stationing firefighters and fire protection equipment around the city to respond to all fires. The issue was not totally resolved because the brigades continued to favour saving insured structures over those with no insurance at all.

The first insurance firm to provide fire insurance in Colonial America was established in Charles Town (modern-day Charleston), South Carolina, in 1732. Benjamin Franklin helped to popularise and make standard the practice of insurance, particularly property insurance to spread the risk of loss from fire, in the form of perpetual insurance. In 1752, he founded the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire. Franklin's company made contributions toward fire prevention. In addition to issuing warnings about specific fire risks, his company declined to provide insurance for specific buildings where the risk of fire was too high, such as all wooden houses.

Business insurance

At the same time, the first insurance schemes for the underwriting of business ventures became available. By the end of the seventeenth century, London's growing importance as a centre for trade was increasing demand for marine insurance. In 1687, Edward Lloyd opened a coffee house on Tower Street, near the London docks. The shop became known as a place for gossip on topics including the plague, the Great Fire of London, the ships sailing in and out and what they carried. Gamblers placed bets on whether they would arrive safely or not. Edward Lloyd began to assemble a network of reporters and informers, and create a newsletter full of information about port comings and goings known as "Lloyds List". If someone wished to insure a ship, insurers in the coffee shop would draw up a contract and sign his name underneath – hence the term "underwriter".

These informal beginnings led to the establishment of the insurance market Lloyd's of London and several related shipping and insurance businesses. In 1774, long after Lloyd's death in 1713, the participating members of the insurance arrangement formed a committee and moved to the Royal Exchange on Cornhill as the Society of Lloyd's.

Accident Insurance

The concept of "accident insurance" first appeared in the late 19th century. This functioned similarly to modern disability insurance. The first company to offer accident insurance was the Railway Passengers Assurance Company, formed in 1848 in England to insure against the rising number of fatalities on the nascent railway system. It was registered as the Universal Casualty Compensation Company to:

> *...grant assurances on the lives of persons travelling by railway and to grant, in cases, of accident not having a fatal termination, compensation to the assured for injuries received under certain conditions.*

The company was able to reach an agreement with the railway companies, whereby basic accident insurance would be sold as a package deal along with travel tickets to customers. The company charged higher premiums for second and third class travel due to the higher risk of injury in the roofless carriages.

Life Insurance

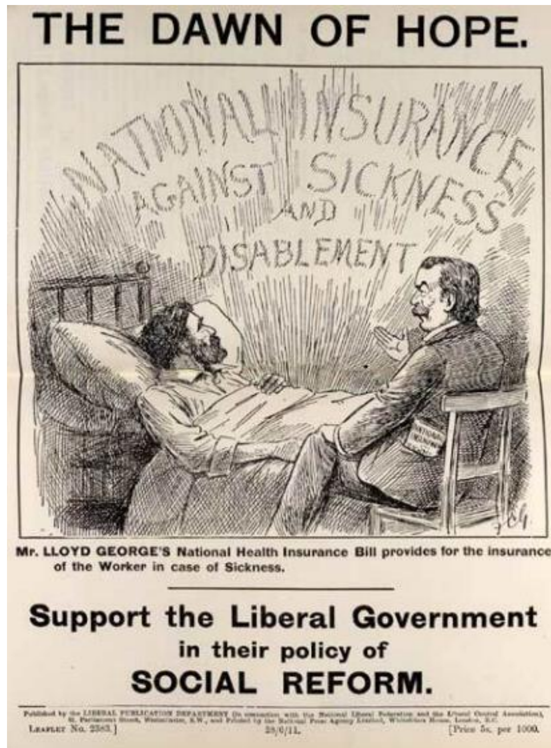
The first life insurance policies were taken out in the early 18th century. The Amicable Society for a Perpetual Assurance Office, established in London in 1706 by William Talbot and Sir Thomas Allen, was the first company to offer life insurance. According to the first life insurance plan, each participant paid a fixed annual payment per share on one to three shares while taking into account their age, which ranged from twelve to fifty-five. At the end of the year a portion of the "amicable contribution" was divided among the wives and children of deceased members and it was in proportion to the amount of shares the heirs owned. Amicable Society started with 2000 members.

Edmund Halley published the first life table in 1693, but it wasn't until the 1750s that the mathematical and statistical techniques required for the development of modern life insurance were available. When James Dodson, a mathematician and actuary, was denied entry to the Amicable Life Assurance Society due to his late age, he attempted to found a new organisation that offered premiums intended to properly offset the risks of long-term life assurance policies. He was unsuccessful in his attempts at procuring a charter from the government before his death in 1757.

In 1762, his pupil Edward Rowe Mores succeeded in founding the Society for Equitable Assurances on Lives and Survivorship. The first mutual insurer in history, it set the standard for age-based premiums based on mortality rates, creating "the framework for scientific insurance practise and development" and "the basis of modern life assurance upon which all life assurance schemes were subsequently based."

Mores also specified that the chief official should be called an actuary - the earliest known reference to the position as a business concern. The first modern actuary was William Morgan, who was appointed in 1775 and served until 1830. The Society performed the first actuarial valuation of liabilities in 1776 and later gave its members the first reversionary bonus (1781) and interim bonus (1809). It also used regular valuations to balance competing interests. The Society sought to treat its members equitably and the Directors tried to ensure that the policyholders received a fair return on their respective investments. Premiums were regulated according to age, and anybody could be admitted regardless of their state of health and other circumstances.

The sale of life insurance in the U.S. began in the late 1760s. The Presbyterian Synods in Philadelphia and New York founded the Corporation for Relief of Poor and Distressed Widows and Children of Presbyterian Ministers in 1759; Episcopalian priests created a comparable relief fund in 1769. Between 1787 and 1837 more than two dozen life insurance companies were started, but fewer than half a dozen survived.



Leaflet promoting the National Insurance Act 1911

National Insurance

Governments started implementing national insurance plans against sickness and old age from the late 19th century. Prussia and Saxony had welfare traditions that dated back to the 1840s, and Germany expanded on those traditions. The foundation for Germany's welfare state was laid by Chancellor Otto von Bismarck in the 1880s with the introduction of old age pensions, accident insurance, and health care. His paternalistic programmes won the support of German industry because its goals were to win the support of the working classes for the Empire and reduce the outflow of immigrants to America, where wages were higher, but welfare did not exist.

In Britain more extensive legislation was introduced by the Liberal government, led by H. H. Asquith and David Lloyd George. The 1911 National Insurance Act gave the British working classes the first contributory system of insurance against illness and unemployment.

All employees earning less than £160 per year were required to pay 4 pence per week to the programme; the employer provided 3 pence and general taxation contributed 2 pence. Employees were therefore allowed to take sick leave and receive payments of 10 shillings per week for the first 13 weeks and 5 shillings per week for the following 13 weeks. Additionally, employees had free access to tuberculosis treatment, and the sick were eligible for treatment by a panel doctor. Maternity benefits were also offered by the National Insurance Act. Time-limited unemployment benefit was based on actuarial principles, and it was planned that it would be funded by a fixed amount each from workers, employers, and taxpayers. It was only applicable to specific, cyclical/seasonal industries, such as construction of ships, and it didn't take dependents into account. By 1913, 2.3 million were insured under the scheme for unemployment benefit and almost 15 million insured for sickness benefit.

This system was greatly expanded after the Second World War under the influence of the Beveridge Report, to form the first modern welfare state.

Before the Social Security Act was passed in 1935, the federal government in the United States did not mandate any kind of insurance for the entire country. With the passage of the Act the new programme expanded the concept and acceptance of insurance as a means to achieve individual financial security that might not otherwise be available. That expansion experienced its first boom market immediately after the Second World War with the original VA Home Loan programmes that greatly expanded the idea that affordable housing for veterans was a benefit of having served. The mortgages that were underwritten by the federal government during this time included an insurance clause as a means of protecting the banks and lending institutions involved against avoidable losses. During the 1940s there was also the GI life insurance policy programme that was designed to ease the burden of military losses on the civilian population and survivor.