

Insurance against Damage caused by Natural Forces  
Report for the United States by Ambrose B. Kelly

Insurance against damage caused by natural forces is, to a great extent, now made available in the United States by private insurers to all property owners who wish to purchase such coverage. For the most part such insurance is furnished by fire insurance companies through the endorsement of fire insurance policies, but a number of special types of contracts are also available. The situation may be briefly summarised as follows:

Residential Property

Until five years ago most residential property in the United States was insured against loss by fire and other specified perils. This includes insurance against damage caused by windstorm, hail, explosion, aircraft and motor vehicles, riot, riot attending a strike and civil commotion, and smoke resulting from the faulty operation of a heating or cooking unit while in or around the premises. The principal natural forces provided against by this endorsement are, of course, the perils of windstorm and related hail. During the period since World War II there has been a tremendous switch from the traditional type of coverage to the Homeowners Policy. In their broadest form these policies provide All Risk Coverage on buildings, private structures and personal property. However, two natural forces which cause a substantial amount of loss, (1) flood (including other types of water damage, such as the backing up of sewers or drains), and (2) earthquake or volcanic eruption, landslide or other earth movement are excluded from the coverage of this policy.

Real Property used in Commerce and Industry

The coverage normally provided by private insurers on such real property includes damage from windstorm but does not include the two natural forces of flood and earthquake. There has been a substantial increase in recent years in coverage written on a so-called "Difference of Conditions" basis under which All Risk protection, including a limited amount of insurance against the perils of flood and earthquake, is provided. Risks located in areas with a substantial flood exposure or in zones where the earthquake hazard is regarded as a dangerous one find it difficult or impossible to purchase such Difference of Conditions Coverage.

Personal Property used in Business

Normally, personal property is insured against fire and supplemental perils, with windstorm the only natural force included. However, it is easily possible to secure coverage on an All Risk basis and frequently such policies include protection against loss from both flood and earthquake.

### Separate Earthquake Insurance

It has been the practice of private insurers in the United States for many years to provide coverage against the peril of earthquake, either on separate Earthquake Policies or by endorsement to a Fire Insurance Contract. The rates for this coverage vary with the location of the property, the character of the ground on which the structure rests, the type of building or occupancy and the degree to which it has been erected in conformity with building codes or ordinances. The cost of Earthquake Coverage in most of the United States, where the hazard is minimal, is comparatively minor and very little such insurance is purchased. On the Pacific Coast, where the earthquake hazard is more serious, such coverage is often purchased. It is normally written with a substantial deductible applying to each building or structure. The experience on Earthquake Insurance in the United States has been excellent, but there is substantial concern over the possibility that a single major earthquake could in a few minutes wipe out the underwriting gains of the past fifty years.

### Separate Flood Insurance

The Congress of the United States is currently considering legislation under which the Federal government would work in co-operation with private insurers in a programme to make Flood Insurance available on residential property. It is recognised that many property owners whose houses are located in areas with substantial flood exposure either cannot or would not pay the premium required on an actuarial basis for their protection. It is, therefore, contemplated that some type of subsidy will be developed to make up the difference between the correct premium and that which will be readily paid.

As presently contemplated, the programme would be administered by private companies who would set up an Underwriting Association through which all business would be pooled. In the event of major catastrophe losses, substantial reinsurance would be available from a Federal government corporation set up for the purpose. It is contemplated that zoning restriction will be adopted at the time that such coverage becomes available, so that it will be impossible to build houses in flood plains subject to almost certain loss. At the moment there are a number of different plans which have been suggested to Congress. Hearings will undoubtedly be held this year and there is every reason to expect that legislation will be adopted within the next five years to establish a Flood Insurance Programme for residential property. Without any question, the programme

adopted will be broad enough to include water damage in coastal areas resulting from tidal wave or hurricane, as well as flooding which is the result of excessive rain and the rising of rivers.

Flood Insurance is now available through the Inland Marine market on museums, libraries, art collections and other special types of property, as well as on property in transit.

### Conclusion

At the present time, it is possible to secure insurance protection for many types of property in the United States against almost all of the natural perils which represent a serious problem. Residential property in areas of known flood hazard cannot secure insurance protection now, but through co-operation between private insurers and the Federal Government insurance programmes for such property are in course of development. It is expected that such insurance will be available before 1970.

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### Third Party Compulsory Motor Insurance Report for the United States by Ambrose B. Kelly

The social problem which results from the heavy toll of killed and injured in automobile accidents has been of concern in the United States for over fifty years.

The first agitation for some method to compel financial responsibility to motor accident victims appeared in Massachusetts in 1916. In 1919 a resolution was passed in that state directing the Attorney General and the Commissioner of Insurance to inquire into the problem, while in 1925 the first Compulsory Automobile Insurance Law in the United States was enacted by Massachusetts.

This statute has now been on the books for over forty years and it has been the subject of bitter attack through most of that period. It is contended that the cost of handling claims has increased because of the known financial responsibility. It is pointed out that insurance costs more in Massachusetts than it does in most other states. It is contended that because of political pressure it is impossible for insurers to secure necessary rate increases.