



04/04/03

# Ye Olde Communicator

## LLOYD'S ENTERS IT'S 324<sup>th</sup> YEAR! A GREAT RESOURCE THEN, A GREAT RESOURCE NOW –

Born of necessity, the World's Oldest and Largest Insurance Market operated in obscurity for nearly a Century. Merchants and Sea Captains negotiating and contracting on the wharves at London worked out plans of sharing each other's perils. Manufacturers and merchants stood to lose a fortune if the ship failed to reach its destination. This invention of insuring each other's risks was nameless and unregulated, but served to give confidence to participants in overseas trading. England, a small European Island, became the dominant world body because of its ships and seamen traveling to all parts of the world.



In 1688, Everett Lloyd, an entrepreneur sensed an opportunity to exploit the business that was being conducted on packing crates. He moved his Coffee House to the wharves and catered to the merchants and sea masters by furnishing paper on which to write. He aided in designing a slip of paper with an explanation of the cargo and ships sailing from London. Under the description of the peril he drew lines for participants to sign their names and to declare the limit of risk on which he was participating. "ON THE LINE UNDER THE RISK WRITE YOUR NAME. Hence, "Underwriter". Then the Parliament took note of this interesting and robust business and decided it had to be regulated. And so the formal and official market,

named after the Coffee Master, Everett Lloyd, became properly titled, "Lloyds of London".

### **From Ships and Cargo to Insuring People**

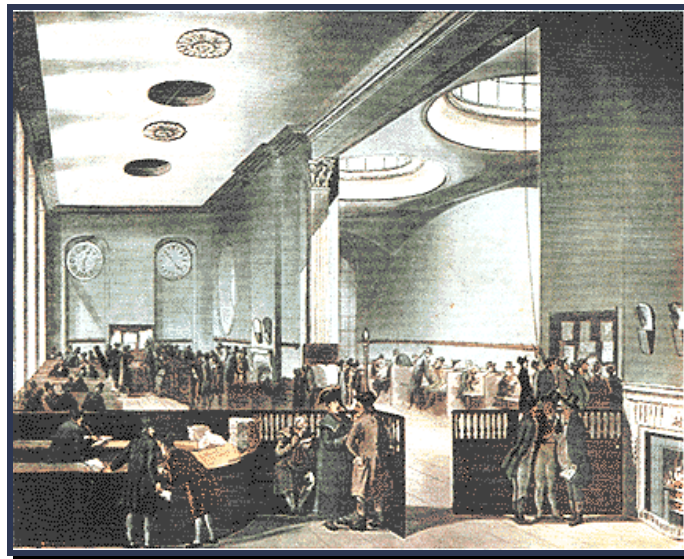
In 1536, a William Gybbons approached the underwriters to negotiate a contract to insure his life for one year. History does not record why he wanted the insurance. The contract provided a \$2,000 benefit (a mighty handsome sum back then) for a single premium of \$80.

Four days before the expiry of the contract Mr. Gybbons died. The Underwriters were irate that he would be so inconsiderate of them. Debate among the underwriters dampened their enthusiasm to insure people. The Underwriters swore to never again insure a human being, but only ships and cargo. This was pretty much their stance until World War II, when out of a feeling of indebtedness to the U.S. certain underwriters agreed to insure THE PIN UP GIRL, Betty Grable's legs for \$1,000,000. This act was the beginning of a slow development in the business of insuring people in a segment called, "PA or Personal Accident Insurance. Petersen International sought out the potential power of Lloyds in 1952 to reinsure large sums of disability insurance and accidental death and dismemberment coverages. In 1977 a program of High Limit Disability Insurance was created.

Today the HLD plans are in substantial demand to supplement the limited coverages available from conventional sources.

During its 324 formal years of continuous operations, the most experienced underwriters on earth, having survived in war and peace, in prosperity and in depression times, everywhere on earth and in space, became the dominant insurance organization in the World. Lloyd's won the admiration of Americans following the 1906 Earthquake and fires in San Francisco. Many affected persons were being put off by their Insurers as to claims payment. The then Chairman of Lloyd's, Mr. C. E. Heath ordered the Lloyd's Insurers to "Pay all Claims". And they did, quickly and fully.

Until recent years, Lloyd's Syndicates have not been rated by rating firms due to the lack of fitting the results into the rating formulas designed for conventional insurers. AM Best and Standard and Poor's conceived the idea of rating the Lloyd's Market as a whole instead of each admitted Insuring Syndicate. Since that time, these agencies have rated the market and extolled the virtues of its solid financial condition. Each policy written is backed by the security of an "A-" rating of AM Best and an "A" from Standard and Poor's.



One Marketplace. 86 Admitted Insurers. 1,300 Underwriting Specialists



\$18 Billion in Underwriting Capacity



Insuring 99% of the Fortune 500 Companies  
93% of the Dow Jones Companies that make up the Industrial Average  
50% of the Global Communications Industry

***NO KNOWN LEGITIMATE CLAIM. HAS EVER GONE UNPAID***

**Step 1: The Annual Audit:** Each admitted Insuring Syndicate is fully audited at the beginning of each new year. The audit must be acceptable to the market's regulators. By comparison, U. S. Domestic Insurance Companies are not required to be audited; they are

only examined tri-annually by a committee of the National Association of Insurance Commissioners.

***PAYMENT OF CLAIMS TAKES PRECEDENCE OVER DISTRIBUTION OF PROFITS***

**Step 2: Premium Trust Funds:** All premiums and reserves are held in the Underwriting account until the end of the policy. The majority of claims are met from these trust funds. The American Trust Fund holds all premiums and reserves in American Banks in U. S. Dollars until the expiry of the policy.

***CAPITAL AMOUNTS ARE REVIEWED ANNUALLY***

**Step 3: Capital Deposits:** Every Insurer must maintain acceptable capital deposits with Lloyds to meet any claims that cannot be fully covered by the Premium Trust Funds.

***LLOYD'S HAS ACCESS TO ALL OF AN INVESTORS OTHER RESOURCES***

**Step 4 Capital Investors** (Individuals who are called names) must pledge their entire wealth behind any risk to which their Underwriters place them.

***MAY BE UTILIZED BY THE COUNCIL OF LLOYD'S TO MEET ANY CLAIM NOT SATISFIED BY THE FIRST THREE SOURCES***

**Step 5: LLOYD'S CENTRAL FUND:** This safety net was created long before any U. S. State Guaranty Fund. These funds may be utilized to meet any claim not satisfied by the prior steps.



In 1973 Petersen International Underwriters became ordained as a "Lloyd's Correspondent", a title first used in the days of sailing vessels which made communications too slow to respond to the insuring of risks. To overcome this obstacle, Lloyd's began a system of contracting with carefully selected local firms to select and bind risks.

Petersen International's interest in Lloyds was different. We were not insuring ships and cargo, but people and their incomes in the event of disability, reimbursement of medical expenses anywhere in the World and other contingencies like non-appearance and kidnap/ransom.

Along the way, giant firms followed us into the field of High Limit Disability Insurance and International Medical Insurance. Most of these firms have dropped out of contention due to a lack of volume. We do not have a volume problem and are enthusiastically open for business each day, ready to aid brokers in taking care of their clients needs. Petersen International has become the conduit to the Lloyd's Market for Brokers and Advisors. Each year our product portfolio expands, underwriting becomes more innovative, service levels are raised all of which enhances broker confidence and satisfaction.

It is the duty of Petersen International to bring the power, stability and prestige of Lloyd's at our broker's fingertips for easy daily use.

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