



A 1727 painting shows the galley *Luxborough* burning fiercely with its crew in a lifeboat. Carrying rum and sugar on the last leg of the infamous slave trade triangle, the ship accidentally caught fire on June 25, 1727, between the Caribbean and England. It is very possible that the *Luxborough* was one of the many slave ships insured by Lloyd's of London. Standard Lloyd's policy—at least in 1781, when the infamous galley *Zong* jettisoned its slave cargo in an early case of insurance fraud—was 30 pounds sterling compensation per slave.

Act of 1911. Its goals are to promote the interests of the members of the society and to collect and disseminate information. The information goal seeks public information (news) and private information (reports). News and honesty have been foundational principles since the society's beginnings. Its motto, *Uberrimae fidei* (of the utmost good faith), expresses the need for strict honesty in its dealings. Today, Lloyd's publishes *Lloyd's List and Shipping Gazette*, a daily newspaper founded in 1734 to provide information on worldwide shipping gathered globally by its agents.

Some historic losses incurred by the Society of Lloyd's have been the losses of HMS *Lutine* (1799), HMS *Titanic* (1912), the San Francisco earthquake of 1906, the burning of the airship *Hindenburg* (1937), and, in recent years, the 9/11 terrorist attacks on New York City and Washington, D.C. (2001), Hurricane Katrina (2005), and the Tohoku earthquake and tsunami (2011). The *Lutine* sank with the loss of all aboard and

a large quantity of gold and silver destined for the merchants of Hamburg, Germany. The quick payment of the loss by Lloyd's stamped it with the reputation of a firm that paid its bills. The bell of the *Lutine*, recovered in salvage operations in 1859, now hangs in the atrium of Lloyd's in London, a symbol of the international insurance business. Its reputation was also renewed when its agents in San Francisco were authorized to pay losses after the 1906 earthquake.

The members of Lloyd's have always put their capital at risk to insure ships and cargos. In the 20th century, any number of other insurance risks were included, such as houses, boats, horses, cars, and art works, and even odd risks such as dancers' legs, singers' voices, taste buds, mustaches, hands, and teeth.

Lloyd's has been associated with unethical and illegal practices in its history. From its founding to the end of the slave trade and it insured slave ships—between 1688 and 1807, when the Slave

Trade Act, championed by evangelical Christians led by William Wilberforce, was adopted by Parliament. Previously legal, the business was thereafter both immoral and illegal.

In the modern regulatory world, criminal indictments can occur when new regulations are issued to criminalize what was acceptable practice(s) previously. Lloyd's has had to be vigilant to protect its business from such changes around the world. With electronic financial transactions a growing practice, it also has to be alert to possible financial criminal activity to which it may be an unwitting party. It also has to guard against bribery by any of its agents of business or governmental agents, regardless of their nationality.

Tort Claims

In the 1960s, the carcinogenic nature of asbestos became public knowledge. Numerous tort claims for asbestosis were filed, which began to have very serious financial implications for Lloyd's. The tort claims arose from Lloyd's underwriting insurance on construction using asbestos, in the United States beginning in the 1930s. Lloyd's, realizing that asbestosis claims could bankrupt the company, suppressed the information. In 1968, a secret internal Lloyd's commission compiled the "Cromer Report," advocating expanding the membership of Lloyd's to include nonmarket participants. Membership was increased to include women, wealthy non-British citizens (external names), and minor investors who were called *mini-name* investors. Dangers due to possible conflicts of interest were also cited in the report.

The Lloyd's Act of 1982, adopted by Parliament, gave it the power of self-regulation, which gave its principals tort immunity. Actions by some of Lloyd's agents to reduce or eliminate their asbestosis liabilities included purchasing "runoff" insurance from other Lloyd's syndicates. This concentrated claims in the hands of a few. By 1991, losses were mounting, with external Names (members of Lloyd's) being hit the hardest. In 1995, Chief Executive Officer Peter Middleton admitted that fraud had occurred at Lloyd's and resigned. As heavy legal judgments continued, losses from natural disasters continued to mount. By 1997, Lloyd's was increasingly being supported by corporate financing, as thousands of Names were wiped out, had family breakups, or committed

suicide. Since 1997, Lloyd's has continued to operate as a modern insurance underwriter. It is located on Lime Street in the City of London. It engages in underwriting, which began literally from the practice of Lloyd's principals writing their names on a Lloyd's slip created for this purpose under the risk information about the ship and its cargo.

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See Also: Asbestos; Insurance Fraud; Occupational Carcinogens; Paulson & Co. Inc.

Further Readings

- Gunn, Cathy. *Nightmare on Lime Street: Whatever Happened to Lloyd's of London?* London: Smith Gryphon, 1992.
- Luessenhop, Elizabeth and Martin Mayer. *Risky Business: An Insider's Account of the Disaster at Lloyd's of London.* New York: Scribner, 1995.
- Mantle, Jonathan. *For Whom the Bell Tolls: The Lessons of Lloyd's of London.* London: Sinclair-Stevenson, 1992.
- Raphael, Adam. *Ultimate Risk: The Inside Story of the Lloyd's Catastrophe.* New York: Four Walls Eight Windows, 1995.

Loan Origination Schemes

Loan origination is an ordinary business practice in which a borrower seeks a new loan from a lender. The borrower fills out a loan application for a new loan, and the lender processes the application. The term *origination* is used broadly to include all of the steps from making a loan application to the final disbursement of the loan funds. The origination process may also end with a denial of the loan application. After the loan is granted and disbursed, "loan servicing" is used to cover all collections, communications, and considerations affecting the loan account.

Many people specialize in loan origination. These specialists include commercial lenders and consumer lenders as well as mortgage brokers. The latter loan originators handle loan applications in banks, mortgage originator companies,