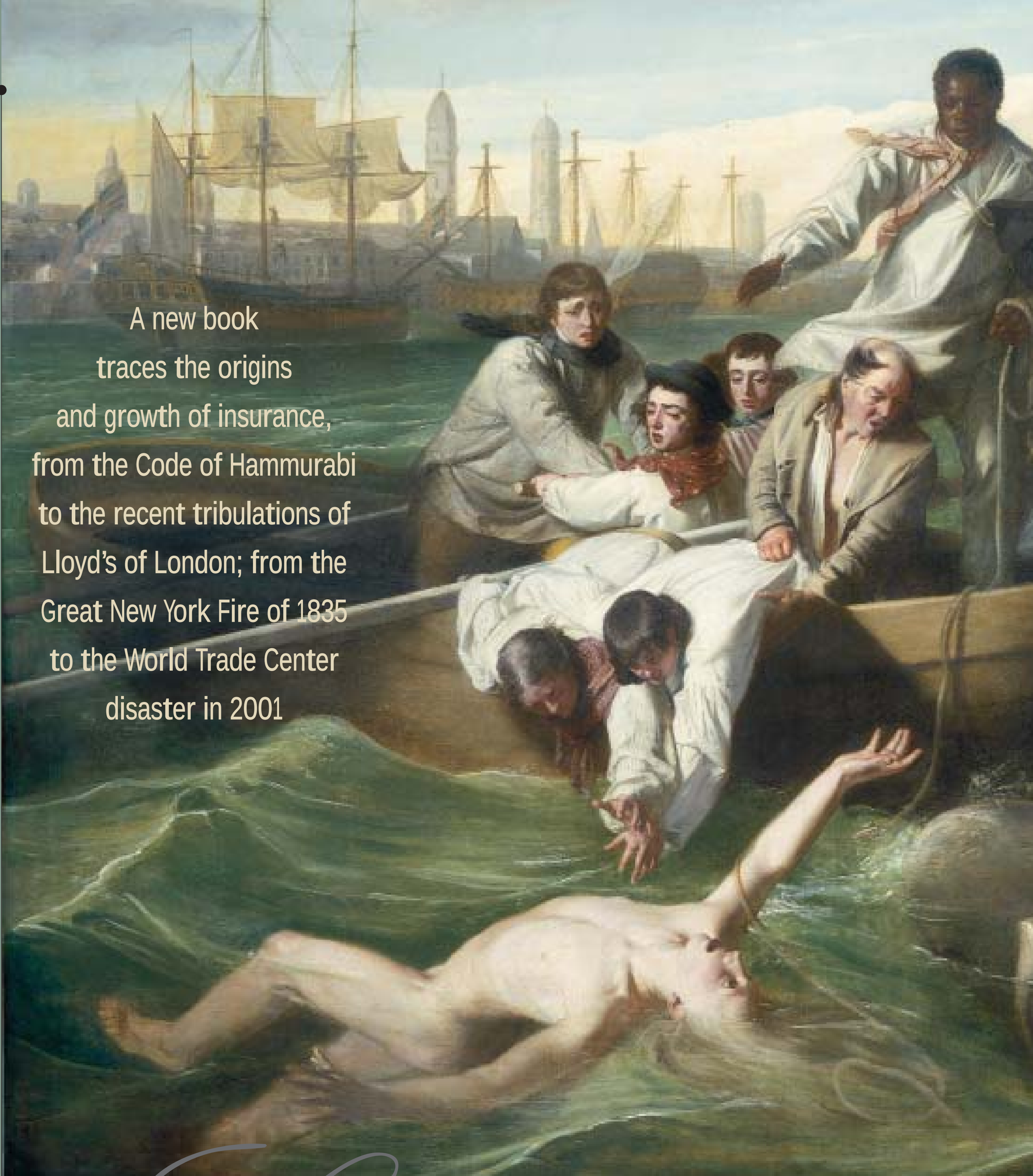

A new book traces the origins and growth of insurance, from the Code of Hammurabi to the recent tribulations of Lloyd's of London; from the Great New York Fire of 1835 to the World Trade Center disaster in 2001

NATIONAL GALLERY OF ART

SPREADING

AUTHOR'S INTRODUCTION

America's early commercial insurance business has been documented by various sources, including many insurance companies whose archives are rich with examples. These histories provide useful insight into conditions of company formations and portray the challenges that forced hundreds of them to fail. But no one source offered an overview of how insurance originated and developed as an indigenous business. To provide the most complete story, I thought it was important to include the origins of the American agency system and the founding of the principal brokerage firms that developed in the 19th and 20th centuries—a business that I had participated in for more than four decades.

In developing *Spreading the Risks* as an American business story, I wanted to take into account the social and economic factors that influenced the industry's expansion. Early American insurers were invariably undercapitalized, usually relying on investors who often defaulted on their posted capital notes. If claim reserves were even established, they were frequently inadequate. Underwriting was often confined to a limited geographic area, with a narrow spread of risk and no practical rating system. Horrific conflagrations between 1835 and 1875 highlighted industry weak-

Watson and the Shark, *John Singleton Copley, 1778, National Gallery of Art. Later in life, Sir Brook Watson went on to swim with a different school of sharks in the world of London business and politics.*

THE RISKS

By John A. Bogardus Jr. and Robert H. Moore nesses and ultimately brought about remedies.

Early agents, often working part time, had very limited authority. Gradually, they were employed to open new territories to facilitate growth and improve spread of risk. They became indispensable to insurers.

With the advent of the industrial revolution, insurance came of age. Invention led to opportunity to write new types of risk. Fire insurance premiums swiftly eclipsed marine underwriting for the new nation. Railroads and steam-powered river vessels created a need for accident insurance. By the mid-1880s, various forms of casualty coverage were in use, and by 1887 automobile insurance could be purchased. Casualty insurance represented the largest segment of brokers' revenues by the 1930s.

By the mid-20th century, mergers and acquisitions were fundamental to fueling industry growth and geographic diversification. Consolidation continued apace as insurers, brokers, and agents added capabilities and resources to their service offerings. Between 1962 and 1982, major American brokers acquired hundreds of agencies.

While many of the formative developments and challenges for the insurance industry occurred during the last two centuries, none placed it at the center of the American consciousness as did the terrorist attacks of Sept.11, 2001. Not only was the industry's cost immense in terms of lost personnel, its response to the huge claims from the attacks was immediate. In a matter of weeks, mostly through forming new Bermuda-based reinsurance companies, it raised in excess of $25 billion of additional capacity to offset much of what had been lost. Industry members also worked with the U.S. government to develop a market for terrorism insurance coverage. Reacting to a crisis of unimaginable dimensions, once again the industry responded resourcefully and creatively.

JOHN A. BOGARDUS JR.

EXCERPT FROM THE BOOK

FROM HAMMURABI TO LLOYD'S OF LONDON

RISK—THE POSSIBILITY OF LOSS—is as certain as life and inevitable as taxes. Accidents occur, fires ignite, rains fall, catastrophes happen. "Acts of God" interrupt our lives daily. While we cannot prevent these, we can compensate or be compensated for them. Managing risk—improving one's position in the likelihood of risks—is as old as biological evolution. Minnows swim in schools to improve the odds some will survive the predations of bigger fish. Wolves hunt in packs to reduce each hunter's peril when bringing to bay quarry as large as moose. Risk protection has been a primary goal of humans and institutions throughout history. Intelligently protecting against risk is the essence of insurance.

For millennia, various groups, including benevolent nobles and nervous merchants, have attempted to protect against fortuitous loss. The precursor of insurance—as a separate, specific, and definable way of treating risk—dates back at least 5,000 years to interest rates in Mesopotamia. By 3000 B.C., interest rates were evident in Babylon, the nexus of well-traveled trade routes, which linked population and cultural centers throughout the Middle East and beyond. Caravan operators and traders were at the mercy of acts by God or man, by enemy or friend. They needed loans to purchase goods and finance cargo shipments. In addition to interest on the capital, the merchants also charged a "risk premium" reflecting a venture's riskiness.

Thirteen centuries later, insurance emerged in a form similar to what we know today. The Code of Hammurabi, circa 1755 B.C., offered a basis for institutionalizing insurance. It formalized concepts of "bottomry" referring to vessel bottoms and "respondentia" referring to cargo. These provided the underpinning for marine insurance contracts. Such contracts contained three elements: a loan on the vessel, cargo, or freight; an interest rate; and a surcharge to cover the possibility of loss. In effect, shipowners were the insured and lenders were the underwriters.

By 750 B.C., this practice was common, and risk sharing was refined into a concept known as "general average," which became a fundamental doctrine of maritime insurance. General average is a partial loss falling on all interests in a maritime venture; all parties share, on a pro rata basis, a partial loss that affects them all (e.g., jettisoning of cargo to save the vessel). In Athens, this risk-sharing principle led to the birth and growth of the first insurance exchange.

After Greece declined, Rome continued such practices and also advanced early forms of life insurance. Rome's fall, circa 450 A.D., nearly took the precursors of insurance with it, but vestiges continued throughout the Middle Ages in merchant and artisan guilds. These provided forms of member insurance covering risks like fire, flood, theft, disability, death, and even imprisonment. During the feudal period, early forms of insurance waned as travel and long-distance trade declined; but transportation, commerce, and insurance would reemerge in the 14th through 16th centuries.

In fact, marine insurance appeared in Italian port cities as early as the twelfth century. And, the Hanseatic League actually produced detailed regulations for marine policies used in Lombardy by 1300. Venice became an insurance center. Policies (derived from the Italian word *polizza*, meaning a promise or undertaking) were given to those insuring marine risks. Shipowners and merchants offered policies to individuals who signed their names and recorded risk percentages at the bottom of the contract, hence becoming known as "underwriters."

Other early European underwriting examples abound. Evidence suggests that a bank in Bruges, Belgium, also offered insurance in the twelfth century, but the first organization formed specifically to write commercial insurance there dates from 1310. After merchants paid a percentage of the risk, the Bruges Chamber of Assurance covered their goods.

Marine insurance developed haphazardly in Britain. Italian merchants insured 14th- and 15th-century London exports, which suggests they were the ones who brought marine insurance to Britain. In the next century, policies providing the basis for the British Admiralty Court's first civil actions were written in Italian and adapted from the 1523 Ordinance of Florence. In 1574, Queen Elizabeth I granted Richard Candler the right to establish an insurance office in the Royal Exchange Building; the office could prepare policies and register them for a fee. Also, English law began dealing with insurance in the 1601 Francis Bacon Bill. Throughout the seventeenth century, marine insurance was written primarily by shippers and traders as a sideline.

Fire insurance probably originated as a commercial product in Hamburg and other German cities during the thirteenth century. When London's Great Fire took place in 1666, however, there was no fire insurance in Britain. Shortly thereafter, Nicholas Barbon, a former doctor, opened an office to underwrite such protection. Others joined him in 1680 to start The Fire Office, the first joint-stock company for fire insurance in London and perhaps the world. Renamed The Phoenix Office in 1705, initially it insured buildings but not furniture, fittings, or goods.

Although Spain had life insurance by 1100, this type of policy evolved slowly and was introduced elsewhere in Europe during the 1700s and 1800s. England's first recorded life policy dates from 1583. Under the sponsorship of "friendly societies" (similar to fraternal orders in the United States), such insurance grew quickly. However, sparse vital statistics and lack of actuarial science caused many early life insurers to fail. The present form of life policies originated with England's Society for Equitable Insurance on Lives and Survivorship founded in 1762.

English insurance "brokers" appeared in the seventeenth century. Shipowners sent clerks to solicit signatures for risk participation; the clerks performed a "broking" function (i.e., they placed risks with underwriters). Becoming skilled in analyzing risks and locating insurers, some branched out and indepen-

NICOLINO CALYO, ***THE BURNING OF THE MERCHANT'S EXCHANGE, NEW YORK, DECEMBER 16TH AND 17TH, 1835,*** MUSEUM OF THE CITY OF NEW YORK BEQUEST OF MRS. J. INSLEY BLAIR dently provided insurance advice.

As capitalism developed, English institutions changed fundamentally. The middle class gained power through its mobile cash and credit resources and challenged the nobility whose wealth was rooted in land. In this context, coffeehouses became popular; London's first opened in 1652. In less than fifty years, the city had 3,000 coffeehouses that had become hubs of social, intellectual, and business life.

By 1688, merchants and others who wrote insurance as a sideline gathered at Edward Lloyd's Coffee House. Actively trying to attract seafarers, it soon became a commercial center. Lloyd's auctioned various items and was particularly hospitable to shipping interests. When Edward Lloyd died in 1713, his son-in-law, William Newton, succeeded him; the Coffee House subsequently passed through many hands. Although marine underwriters gathered at Lloyd's in the early 1700s, it is impossible to pinpoint when it became a true insurance marketplace. Most likely, Lloyd's developed gradually as it offered more comprehensive news of world shipping.

British maritime trade grew significantly from 1690 to 1720 and expanded the need for insurance. In 1717, promoters sought government charters for two marine insurance companies—the Royal Exchange Assurance Corporation and the London Assurance. They wanted to eliminate competing corporations, groups, or partnerships from marine insurance. Their chances were bleak until, in time-honored fashion, they offered King George I a bribe. His influence prevailed, and the charters were granted under the 1720 Bubble Act.

The two new companies also hoped to take over most marine insurance handled by individual underwriters. Ironically, under the act, individuals actually received competitive protection from other insurance organizations, which were now outlawed. In fact, the chartered companies wrote mostly fire insurance and for years left the marine insurance market to individuals.

Lloyd's gained considerable prominence by midcentury. Unfortunately, it gradually became infiltrated by persons of dubious character. Gambling was so rampant that when newspapers published names of prominent people who were seriously ill, bets were placed at Lloyd's on their anticipated dates of death. Reacting against such practices, 79 merchant underwriters broke away in 1769 and two years later formed a "New Lloyd's Coffee House" that became known as the "real Lloyd's."

The first Lloyd's Committee was established in 1771 to create and monitor a self-regulating code of behavior. Now a society, Lloyd's was made up of a group of independent men allied by mutual interests. It relocated to the Royal Exchange Building in 1774, where it provided Lloyd's first true underwriting room and where it remained for fifty years. John Julius Augerstein, later called "the Father of Lloyd's," became chairman in 1795 and initiated many organizational changes and efficiencies.

The Captain's Room

LONDON'S FLEDGLING INSURANCE BUSINESS faced catastrophic losses like those of today's insurers—but with a crucial difference. There was no "reinsurance" to spread risks among insurers. (Reinsurance is the spreading of one insurer's risk by selling a portion of it to other insurers.) Reinsurance was illegal in Britain between 1745 and 1864, because it was believed to facilitate gambling by enticing those inclined to wager. The fallacy of this ban became obvious in 1780. French and Spanish fleets captured fifty-five of sixty-three vessels in a consolidated convoy of troopships and merchant vessels of the East India and West India Companies. When this generated an unprecedented loss of £1.5 million, many Lloyd's underwriters defaulted on their obligations.

Fire insurance underwriters also faced challenges. A 1782 act imposed heavy premium taxes that insurers were responsible for collecting. Although Lloyd's underwriters were not subject to the taxes, they subsequently were penalized and not allowed to write fire insurance from 1790 to 1810. After this restriction was removed, a stamp duty was imposed. Such measures dictated that, for many years, Lloyd's wrote little if any fire insurance.

Gradually, Lloyd's became more cohesive and professional. In 1800, its underwriting room was restricted to merchants, underwriters, insurance brokers, and bankers—any of whom needed to be recommended by two or more members. A subscription fee of £15 helped control chaotic overcrowding and eliminate undesirables. Those paying this fee were called "subscribers." After a Trust Deed took effect in 1811, they agreed to abide by a code of rules and become subject to a central disciplinary committee. After 1843, the term "subscribers" applied principally to brokers.

Lloyd's prospered with the British economy. During the Napoleonic Wars, insurance rates generated large profits. Prices of goods moved upwards, benefiting underwriters. In 1811, Lloyd's was London's only marine insurance market. However, with the 1812 Battle of Waterloo, Lloyd's first golden age ended. By 1818, commodity prices and wartime premiums fell as competition heated up from new, powerful insurers. Further, Lloyd's ostensible monopoly on marine insurance was eliminated by decree in 1824, opening up such underwriting to others. Interestingly, nearly all newly formed insurers wrote fire and life insurance, not marine.

Lloyd's suffered a 30-year period of difficulty. It had 2,150 subscribers in 1814, but membership dropped to fewer than 1,000 by 1843; only 190 of these were professional underwriters. As the 1850s approached, things improved, and the last vestiges of the Coffee House also disappeared. Lloyd's then established four subscriber categories: underwriting members, nonunderwriting brokers, Merchants' Room subscribers, and Captains' Room subscribers.

By 1688, merchants and others who wrote insurance as a sideline gathered at Edward Lloyd's Coffee House. Actively trying to attract seafarers, it soon became a commercial center. Lloyd's auctioned various items and was particularly hospitable to shipping interests.

The Captains' Room subsequently became a separate club opened to others for an annual fee, but it was not successful. Likewise, the Merchants' Room lasted only 10 years due to the pressure for space. And in 1846, just two member categories remained—underwriters and nonunderwriters; the latter group subsequently would decline to only a few. At midcentury, Lloyd's remained a small institution that provided facilities for marine insurance transactions. Finally, two decades later, the foundation was laid for building a renowned organization.

The Lloyd's Act of 1871 created its first detailed constitution sanctioned by Parliament and established the Lloyd's Society as a legal entity. In essence, this certified the economic importance of insurance. The act defined the Committee of Lloyd's authority and duties, delineated rules for underwriting and nonunderwriting members, addressed punishment of members, and gave the Committee the right to grant admission to the Underwriting Rooms to persons—called "associates"—not engaged in the insurance business.

"Pay All Your Policyholders"

IN THE 1880S, men of exceptional vision and perseverance laid the groundwork for Lloyd's emergence as a creative force in almost every line of insurance. Three men stood out: Henry Hozier, Frederick William Marten, and Cuthbert Heath.

Henry Hozier, an extraordinary innovator, was Lloyd's secretary from 1874 to 1906. After the telegraph was invented, he developed a code signal system for collecting and distributing intelligence worldwide; this permitted the posting of vessel locations at sea.

Frederick William Marten, an underwriter, sought to increase his business in the 1880s by promoting the concept of a large Lloyd's syndicate. Until then, syndicates usually consisted of one or as many as six members (later called "Names") for whom an underwriter wrote business. Marten shocked the Lloyd's community by forming a 12-member syndicate. Large syndicates ultimately helped Lloyd's regain business lost to insurance company competitors.

Cuthbert Heath joined Lloyd's as a clerk at 18. Well educated but hard of hearing, he was encouraged by his influential family to pursue an insurance career, believing it would not entail undue pressure. Undeterred by his disability, he became a marine underwriter at 22 and immediately made his mark by underwriting nonmarine insurance. In time, Heath would become known as the "Founder of Modern Lloyd's."

In 1885, Heath wrote Lloyd's first reinsurance contract for a fire insurance company. He then provided coverage for profit losses caused by fire. Although this prompted vigorous protests from those fearing fraudulent claims, Heath persisted, and other underwriters soon followed his lead.

During an epidemic of burglaries in 1889, he began underwriting burglary insurance. This led to broadened protection under an "all-risk jewelers policy" on personal jewelry, and to the commercially important "jewelers block policy." After the Employer's Liability Act of 1880 and Workmen's Compensation Act of 1897 prescribed employer liability for work-related injuries, the Heath syndicate was the first to offer relevant coverage.

As the 20th century began, Heath was the first underwriter to significantly develop retail insurance. When a smallpox epidemic struck Britain, he offered individuals insurance provided they were vaccinated, thus inducing many to become vaccinated. Heath also played a key role in opening up the American insurance market for Lloyd's. He developed "excess-of-loss" coverage (now a standard form of reinsurance) in response to Hartford Fire Insurance Company's inquiry about catastrophic insurance. Sensing the potential for U.S. business, he established a brokerage for that purpose in 1902.

Heath became legendary in American insurance circles after San Francisco's 1906 earthquake. While many insurers delayed paying claims until they could determine whether policies provided coverage, Heath cabled his claims representatives: "Pay all your policyholders in full irrespective of the terms of their policies." Additionally, Heath wrote Lloyd's first American automobile insurance policy in 1907 and a year later began a close business relationship with Chicago broker Rollins Burdick Hunter.

It is difficult to imagine a U.S. insurance industry without the British experience as a model. Despite Heath's influence and those preceding him, American insurance would develop somewhat differently from that in the United Kingdom, as we shall explore. Many factors contributed to this, among them America's size, geographic diversity, and fierce independent spirit.

Philadelphia: Insurance Capital of North America

WILLIAM PENN FOUNDED PENNSYLVANIA in 1681, and within 20 years its capital surpassed Boston as the most important colonial town. From its beginning, Philadelphia attracted immigrants. With a favorable location, an appealing layout, and benevolent Quaker governance, the city boasted 5,000 residents by 1700. As population grew, so did various industries such as shipbuilding, shipping, and transatlantic trade. These activities helped Philadelphia become the insurance capital of British North America, a position it held for more than a century.

Penn cited insurance several times in his writings. For example, in 1705 he noted that "J. Askew ensured [for] £100, upon thy letter, but the ensurer [went] broke, and the 20 guineas [premium] lost. . . . Ensurers fail much." This reflects a commonly held and well-founded 18th-century view.

There appears to be no reference to indigenous American underwriting before 1721. Insurance, limited to marine risks, was modest and awkward. It was underwritten an ocean away by British insurers—they controlled policy terms and prices. Claims took months to be settled. When King George granted charters to two English companies in 1720, it seemed they acquired monopolistic control over marine underwriting, even in the colonies where royal charters applied, of course. However, in 1721, John Copson demonstrated that such controls did not extend to individuals when he announced he would open an insurance office in Philadelphia:

> *Assurances from Losses happening at Sea, are being found to be very much for the Ease and Benefit of the Merchants and Traders in general; and whereas the Merchants of this City of Philadelphia and other Parts, have been obliged to send to London for such Assurance, which has not only been tedious and troublesome, but even very precarious. For remedying of which, An Office of Publick Insurance on Vessels, Goods and Merchandizes, will, on Monday next, be Opened, and Books kept by John Copson of this City, at his House in the High Street, where all Persons willing to be Insured may apply: And Care shall be taken by the said J. Copson That the Assurors or Under Writers be Persons of undoubted Worth and Reputation, and of considerable Interest in this City and Province.*

The advertisement implied a new office like others established later that century. Those with such offices performed brokering duties by finding individuals to underwrite specific risks. Often, they were underwriters themselves.

Copson's venture probably was short-lived, and little is known about it. In *Ways and Means for the Inhabitants of Delaware to Become Rich* (1725), Francis Rawle, a prominent Philadelphian, reported there were no insurance offices in that city then but said, "Now whereas there has [sic] been some Attempts made at Philadelphia [at establishing insurance offices] . . . which dropt and prov'd abortive, (for what Reasons we never could learn). . . ."

Except for the ads, there appear to be no other records confirming the presence of an authentic American insurance office in Philadelphia before 1746. Moreover, earlier Philadelphia references relate to English underwriters. However, there were ample opportunities for enterprising persons to experiment with marine underwriting. Rawle's book devotes a paragraph to advantages of marine insurance for "the industrious Adventurer."

Joseph Marion probably opened the first true American insurance office in Boston in 1724. Four years later, he advertised the availability of fire insurance on household goods in the *Boston Newsletter*—a futile effort because the public didn't appreciate its importance until much later. Marion's *Boston Evening Post* ads appearing late in 1745 read:

> *The Publick is hereby advertised that the Insurance Office first opened in Boston, Anno Dom. 1724 by Joseph Marion, Notary Publick is still held and kept by him on the North side of the Court house, near the head of King Street, where Money upon the bottom of ships and vessels may also be obtained for a reasonable premium. . . .*

Between 1720 and 1740, Europe's demand for wheat and flour increased; Philadelphia's port was busy. By 1740, more than 200 vessels called annually, and marine insurance was pivotal to foreign trade. Like the British, most early colonial underwriters were in shipping, and insurance became an important sideline.

Following the London pattern, coffeehouses emerged as practical and popular places for insurance negotiations and for receiving timely shipping news. In 1754, William Bradford established Philadelphia's London Coffee House (larger than an earlier version)—the center of insurance activity until the City Tavern superseded it about 20 years later. At the tavern, two insurance clerks were on duty from noon until one and from six until eight o'clock each evening. Although spirits were sold, establishments like City Tavern were business centers, similar to coffeehouses. Several catered to insurance interests by making space available for their transactions.

When six underwriters became partners in Philadelphia's Thomas Willing and Company in 1757, America's first group underwriting office opened. A merchant and shipowner, Willing was the cashier; his colleague John Kidd probably had initiated the partnership. Each equal partner could underwrite from £50 to £600 per risk. Apparently, the British permitted this office to operate because it conducted individual underwriting.

The earliest documented underwriting agreement was issued in 1762 in Philadelphia. Seventeen underwriters fixed a 1.25 percent commission rate for brokers, whose duty it was to collect and remit premiums. Claims assistance merited an additional 0.5 percent. Because of competitive pressures, most underwriters abandoned an attempt to standardize premiums four years later. In 1766, 19 underwriters signed "Articles of Standards" for general business conduct, but they proved unworkable and were discontinued.

Although many names of local insurance brokers and agents have survived in Philadelphia, relatively little is known about New York's early de facto brokers, but we do know where they conducted business. The first venue, Merchants' Coffee House, opened at the corner of Wall and Water Streets in 1744. The Tontine Coffee House, named for a kind of insurance lottery, was established across the street in 1791. Marine coverage was the focus; fire and health insurance were not yet significant factors, and the advent of casualty insurance was a century away.

New York's earliest known insurance broker, undoubtedly also an underwriter, was Anthony Van Dam, who placed similar ads in the *New-York Gazette* on August 27, 1759, and the *Philadelphia Gazette* on September 13, 1759:

> *. . . the New York Insurance Office is opened at the House of the Widow Smith, adjoining the Merchants' Coffee House; where all Risks are underwrote at moderate Premiums. Constant attendance will be given from the Hours of Eleven to One in the Forenoon, and from Six to Eight in the Evening by Anthony Van Dam, Clerk of the Office, New York, August 21, 1759.*

Van Dam was subsequently a warden of the Port of New York.

A Ladder to Every House

Fire insurance in the colonies did not develop until the 18th century. Widely scattered and mostly agrarian, the colonists assisted each other in repairing fire damages and replacing losses. In Boston, New York, Philadelphia, and other enterprising cities, authorities mandated elementary safety measures. As early as 1632, Boston prohibited thatched and wooden roofs. Then, after a devastating fire in 1653, the town fathers ordered:

> *That thear be a ladder or ladders to every house within this town, that shall rech to the ridg of the house, which every houshowlder shall provide for his house. . . . That every houshowlder shall provide a pole of about 12 feet long, with a good large swab at the end of it, to rech the rufe of his house to quench fire; that the seleckt men shall provide six good and large ladders for the towns use, which shall hang at the outside of the meeting house. . . .*

In the area that became New York City, Dutch governor Peter Stuyvesant required regular chimney cleaning and inspection by the mid-1600s. And, by 1696, Philadelphia authorities did not permit smoking in the streets; further, households had to have a 12-to-14-foot swab and a bucket. Early versions of fire engines also were acquired; Boston had one in 1653. Philadelphia purchased one in 1718; but 13 years later when it dealt inadequately with a blaze, the city purchased two new English pumpers. New York also received a hand-pumped English model in 1731.

The next year, in Charleston, S.C., an effort to organize a local fire insurer failed; but in 1736 the Friendly Society was established to insure houses and tenements from fire. It was a "mutual society" (i.e., it was owned by its policyholders). After a 1740 Charleston conflagration destroyed more than 300 houses, as well as stables and wharves, the Friendly Society dissolved and an ordinance took effect restricting houses to brick and stone construction.

Beginning in 1729, Benjamin Franklin's *Philadelphia Gazette* often focused on fire protection. Franklin subsequently organized the Union Fire Company, the first of several volunteer organizations. Such companies resembled clubs, mixing social functions with firefighting and striving to achieve civic status. Each owned a fire engine that was hand-filled, pumped, and drawn. Company identity was enhanced by distinctive uniforms, insignias, and unique painting of their engines.

By the mid-1700s, there were more than 2,000 houses in and around Philadelphia—none insured for fire—probably reflecting the difficulty of arranging London-based coverage. The challenge of long-distance communications made it inevitable that local competition would be preferable.

American initiatives often were based on British formats. For example, in 1752, Ben Franklin and others founded the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire. It came to be known as Hand-in-Hand and issued policies for 7-year terms. Hand-in-Hand adopted the rules and practices of England's Amicable Contributionship, one of that country's oldest fire insurance companies. The company became America's first successful fire insurance firm and continued as the only one for 32 years.

As America moved from colonial status to thriving independence, and from an agrarian to a preindustrial economy, the insurance business developed from a handful of men into a significant industry. As the U.S. economy expanded, the industry grew in counterpoint. Insurance became more sophisticated, offering new types of coverage and diversified services for an increasingly complex country.

John A. Bogardus Jr. is an insurance industry insider and the retired CEO of Alexander & Alexander, the world's second largest insurance broker until its acquisition by Aon in 1996. **Robert H. Moore** worked for A&A in various capacities, including serving as president of its Government and Industry Affairs unit. Based on 13 years of research, *Spreading the Risks: Insuring the American Experience* includes notes on sources by chapter, an extensive bibliography, and a comprehensive index.

This article was excerpted from the first two chapters of Spreading the Risks: Insuring the American Experience. *It's published by Posterity Press and is available for order at* www.spreadingtherisks.com *or by fax to PMR Communications Group, (703)759-0233.*