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One of the most controversial naval disasters back in the early 1900s is the sinking of the passenger liner RMS Titanic while on its maiden voyage from Southampton to New York. According to historians, the infamous passenger liner had a collision with an unnoticed iceberg somewhere in the southeast of Halifax. However, there have been theories pointing out that it was not the Titanic which sank. Others noted that it was done on purpose for the insurance coverage of the passenger liner. Even before the infamous sinking, the liner has already received enough doubt and criticism due to the insurance coverage it will require. Like its twin sister RMS Olympus, the RMS Titanic is larger than its Cunard counterparts and that would equate to more coverage in terms of cargo and passengers. Insurance companies back then had argued that insuring the large cruise liner such as RMS Titanic would be a big gamble should anything happen to it. There were some who insured the ship, but not to its full amount. Disbursement of claims was also shared by these companies who have agreed to insure the Titanic, even if there were complications as to the claims.

This paper will be divided into three parts. The first part will discuss in brief the history of the RMS Titanic as to how it was built and its inception. The second part will then expound on the insurance issue and why some insurance companies were reluctant to have the ship insured in their company. This part will also discuss what happened to the insurance money allotted for the liner and what complications arose when claims were brought to the companies that insured the ship. The final part will then point out as to why the arguments of insurance companies over the Titanic have some merits. Even now, the theory about the sinking of the famous liner is still

unresolved due to the status of the wreck and the million questions popping about the incident. To begin this paper, it is proper to understand the conception of the Titanic and why it became the largest and expensive cruise liner in existence.

Background of the Titanic

The owner of the RMS Titanic is the shipping and cruise line known as the White Star Line, formerly owned by the Ismay Family. The company offers regular trips to England and Australia, as well as trips from England to the United States. Upon the death of the first Ismay who owned the company, J. P Morgan bought the company from Ismay's son Joseph Bruce Ismay since the company's other head, William Pirrie, did not think that Joseph Ismay can continue the legacy of his father. Morgan allowed both Pirrie and Ismay to take over the company's ship building division as to assure them that they can still work on the company they have helped built. Aside from the White Star Line, another company was leading the race to cover more routes. By 1906, the Cunard Line launched its premier ships known as the Lusitania and the Mauretania. Both ships were regarded as the biggest, heaviest, and fastest compared to the others. The Mauretania even broke the record for crossing the Atlantic in less time, with a record of four and a half days. In response to this, the White Star's main ship designers spoke in the summer of 1907 to build the plans for a more grandiose ship compared to the Cunard. Pirrie, the head of Harland & Wolff shipbuilders and Joseph Bruce Ismay, then managing director of the White Star sketched three ships: Olympic, Titanic and the Gigantic, which would then be known later as the Britannic. In their estimate, each ship is 100 feet longer than that of the

Cunard ships, 100 tonnes heavier, but slower by 4 to 5 knots to make up with the length and weight .

The Titanic was built by Messrs' Harland and Wolff in Queen's Island, Belfast while they are also working with the sister ship of the Titanic known as the Olympic on March 1909. Olympic was built first and the Belfast workshop was ideal for such project due to the size of both ships. The Olympic was regarded as the heaviest man-made movable object around the time. In comparison with the Olympic, the Titanic was longer by 9 inches, with an average length of over 882. 75 feet. Both ships were also longer than the Cunard Lusitania and Mauretania by 120 feet. Since the Olympic was already built before the Titanic could even be built, the team decided to improve some of the measurements and features of the Titanic. This resulted to Titanic's weight being 1, 000 tons more than Olympic, managing up to 163 additional passengers in the first-class deck alone.

The Harland and Wolff builders have almost 15, 000 employees and 8, 000 of them worked with the Olympic and the Titanic. The work on the ship's keel began on March 31st, 1909. The keel serves as the length of the ship.

Riveting the keel alone weighed at least 270 tonnes alone. After the keel, the frame hull followed, which took until April 1910 to finish. After six months, hull plates were added through the use of a gantry. The gantry even broke a record on its own since it was 220 feet high. Working conditions while making the Titanic was not weather the 4000 labourers would call a good one. They also had to work on the ship from 49 to almost 60 hours a week, including the weekends. They also only earn up to only \$10 dollars and can only eat twice in short times as well. Many casualties have been recorded

upon the building of the cruise liner. Eight deaths such as the death of 15 year old Samuel Scott and 19 year old John Kelly due to falling, John Dobbin due to fallen wood beams and finally, two more deaths due to the riveting process. At least 200 rivets were done in the Titanic each day upon its completion. According to some reports, labourers only get paid for the number of rivets they managed to put in the ship.

Once the keel and hull were fitted, the ship was then tried out to the sea. River Lagan saw Titanic's first trip in the sea, which lasted only 62 seconds. After the trial, it was finally fitted out with all the necessary designs, parts and outfitting. Like its name, the task alone was a titanic one as it took 10 months for the final pieces placed into their respective areas. Once it was done, the Titanic then became the largest moving man-made object in the era. On the advertisements showing the Titanic, it was often compared to the tallest buildings made of that time. The width of the ship was 92.5 feet and it was 175 from the keel to the funnels. Originally, the ship only had three funnels, but a fourth one was added since it was the trend in ships in the day. Once the Titanic is floating at sea, it displaces out 52,000 tons of water. The ship's anchor is also quite heavy as all three anchors were 31 tons all in all. Computing all the fixtures, parts, and the ship's machinery, as well as labour work, the ship's total building cost was \$7.5 million or up to \$150 million at present.

Upon the construction of the megaships Olympic and Titanic, another issue came into the fold. Since the ship is considered the largest of its kind, the insurance coverage the ship would require for the safety of its passengers

and cargo is now the question. Most of the insurance companies agreed that insuring a cruise liner such as the Titanic would require a lot of money to cover for the would-be damages and claims once something happens to the liner. They have admired the ship for its uniqueness. After the incident over the Olympic, the sister ship of the Titanic, ran over a dam after its completion and companies had to pay for reparation and repair fees, many insurance companies feared that the White Star Line is cursed and is a venture they cannot risk. If the ship is somehow wrecked, at least £52 million must be funded by companies. They are also afraid that the White Star Line will replace the Titanic's losses that with Olympic. Some continental insurers also have been weary with the fact that the low premium was a high risk venture for them to even bet on. They also point out that it would be the British market's fault if something happened to the Titanic. There were also insurance companies that had to gape with the things they have to insure such as the hull cover, life insurance, accident insurance, valuable insurance, and cargo insurance.

According to reports, the Titanic is insured for \$5, 666, 820. \$4, 875, 000 is for regular coverage and \$701, 821 is allotted for total losses. Insurances are covered by several European companies and even some American firms. Known insurance companies such as Willis Faber and Co (insured up to £1 million), Atlantic Mutual Insurance Company (insured up to \$240, 000), Commercial Union Assurance Company (insured up to £145, 73, £60, 723 is allotted to registered mail from Europe) and four other large insurance companies. 70 small insurance companies also insured the company, making them part owners of the ship as well. Some of the money, averaging up to

\$750, 000, was handled by the White Star Line for immediate releases. However, the liner was not fully insured by the company given that the amount was quite hard to support to by the British and Atlantic companies who covered it. In some recounts, some insurance companies found the ship unsinkable so they found it reasonable enough to insure half the value of the whole vessel. It was also insured with only a premium rate of 0. 75%. The cargo aboard the Titanic was not insured by the company as it is paid for by the shipper. According to White Star's manifest, the cargo was about \$420, 000. Since the Titanic was built for its more high class passengers, the cargo it allows to be on board is only a few to make up for the quick transportation the Titanic has insured its clients. The Titanic has also a selected range of allowable freighting packs as it only allows high-class packages such as laces, ostrich feathers, wines and even fancy food. The liner also as on board at least 3435 bags of mail according to the Postmaster of Southampton. In an estimate given by the Postmaster in New York, at least 200 bags contained registered mail. Some contained 1000 packages in each bag, making it 200, 000 registered mails and packages.

The Titanic sailed for the first and final time in April 10, 1912 from Southampton, England to New York City. The Titanic, unfortunately, met a collision with a large iceberg just four days later. Many have pointed out that there could have been a major error with the captain's redrawn course, or the fact that there was a human error on identifying the iceberg. Insurance companies who have covered both the passenger insurances and the cargo had been shocked by the time they learnt of the demise of the unsinkable vessel. On the one hand, the sink did do something for the next rulings of the

International Union of Marine Insurance, which then signed the International Convention for the Protection of Human Life at Sea in May 31, 1929 as their response to the Titanic .

The losses in terms of cargo, given the estimates given by the Postmasters, are also in question since some have pointed out that Great Britain is the only one who will be responsible in paying the losses. But, there were a few who pointed out that it can be checked in the registry and replace the ones that have sunk, the problem was remembering the countries Titanic passed into before sailing. Jewelleries were also insured by many passengers like one American who insured it for \$240, 000 . Life insurance companies who also covered for the ship also had some problems as to the identification of the casualties they need to respond to. One of the first claimants for life insurance is the heirs of Ervin G. Lewy, who had a life insurance of over \$20, 000 from Illinois Life Insurance Company . Two of the largest fees insurance companies have to give in terms of life insurance are for the family of Herbert F. Chaffee from North Dakota amounting to \$146, 750 and for the family of John B. Thayer amounting up to \$170, 000 . Other claims have also been met by the insurance companies upon a few days of the disaster. The rough estimate of the fees was up to \$12, 000, 000. Many have contributed to the claims as most insurance companies could not support all the claims given to them. A relief fund of amounting to \$126, 312. 76 was given to the survivors of the Titanic while at least \$17, 655. 37 is given by various contributors in the United States .

Conclusion

One cannot say for certain if the Titanic's disaster was done on purpose or by accident, although the latter is mostly proven at present given the situation of the current ruins of the wreckage. There were also accounts that it was also due to human error as the iceberg was not easily noticed by the handlers. In the end, the insurance companies did have a point over the Titanic's insurance coverage. It was much too big of a risk due to the colossal size of the ship and its prone size is just too risky. There is also a problem that the market could not easily cover a gigantic ship. One can also blame the notion that most companies saw the Titanic as an unsinkable ship which eventually leads to its poor insurance coverage and loss. Eventually, all fears were justified upon the sinking of the ship that it was a major risk back in the day.

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