

## CHAPTER SIX

## Loyal Members in the Postwar Years

The outlook for the American-flag steamship industry seemed brighter than ever when World War II ended. The merchant fleets of most seafaring nations had been decimated by the war. The United States, by contrast, had built far more ships than it had lost. As a result, the United States owned an astonishing 56 percent of the global merchant fleet at war's end. A government booklet, aimed at boosting the morale of returning military personnel, stated brashly that "the United States has become not only the foremost maritime power but the overwhelming giant among shipping pygmies."

But what would the United States do with all its merchant vessels? And would it be able to sustain its newfound advantage? The London-based Royal Institute of International Relations said "the future of world shipping" depended on the answers.



*Times* described as “a peppery man with an active dislike of red tape and stuffed shirts.”

As in the earlier war, the government turned to the American Club to provide P&I coverage on its vessels. This time, however, there was a difference. In what was surely a disappointment for LaBoyteaux, the Club was one of four insurers chosen by the government, not the only one:

- *The American Club*
- *Fireman’s Fund Insurance Company*
- *Fulton P&I Underwriting Agency*, underwriting on behalf of Agricultural Insurance Company, Automobile Insurance Company of Hartford, Home Insurance Company, United States Fire Insurance Company and Westchester Fire Insurance Company
- *Marine Office of America*, underwriting on behalf of American Insurance Company, American Eagle Fire Insurance Company, Continental Insurance Company, Fidelity-Phenix Fire Insurance Company, Firemen’s Insurance Company of Newark, Glens Falls Insurance Company and Hanover Insurance Company

Land noted that each of the four was already writing P&I insurance as of 1941. The WSA used its powers “with proper restraint,” he asserted, by selecting all four to take part in the government program, thereby “avoiding the destruction of the American private insurance market.” The WSA was the dominant buyer of P&I cover during the war, and it would have been difficult for any P&I insurer to have survived without its business. Because the American Club was the oldest and largest P&I insurer among the four, there was some expectation



**ABOVE:** Fireman’s Fund was one of four providers of P&I coverage for government merchant vessels during the war.

**BELOW:** Retired Admiral Emory Land headed the Maritime Commission and the War Shipping Administration, which owned and operated the wartime merchant fleet.



among the Club’s directors that it would receive the biggest piece of the government’s business. However, the WSA divided its P&I coverage equally among the four to avoid taking sides.

Regardless of any disappointment over its limited role, the Club bent itself to the will of the WSA. One way the Club changed was by casting aside the traditional February 20 P&I insurance year. The WSA wanted to buy insurance on a calendar-year basis, so the four insurers, including the Club, switched to a December 31 year beginning in 1942. For whatever reason, the Club stuck with December 31 as the date for membership renewals—out of step with all the other P&I clubs in the world—for the next three decades before returning to February 20 in 1972.

In addition, the Club changed its by-laws to sell insurance to the WSA at a fixed premium, issuing policies similar to those issued by stockholder-owned companies. “The Club had very little mutual business from 1942 to 1946,” John Sandercock, a maritime attorney and former vice president of Shipowners Claims Bureau, points out.

Moreover, the Club gave up some of its independence to work with the government. The WSA program was spelled out in three contracts and 18 amendments signed between 1942 and 1947 and was “very complex,” Henry Bernard said.

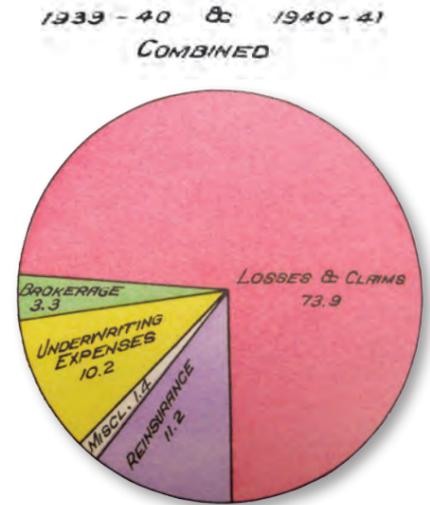
Among other provisions, the four participating underwriters shared equally in each individual loss regardless of which of the four had written the risk and had settled the claim. In a private memo to the Club’s directors, Bernard—who seems to have been a bit of a worrywart, and perhaps for good reason in light of the challenges faced by the Club during the war—complained that this arrangement “has

resulted in the Association losing its individuality and independence and has taken out of the hands of the Directors the freedom of action the Board should have in claims settlements.”

Then there was the delicate question of how much money the four P&I insurers could properly earn by selling coverage to the government in a time of war. The answer: relatively little. The WSA viewed the four insurers as “claim servicing organizations,” not underwriters. It took most of the underwriting risk itself and kept most of the underwriting profit.

The original contract for 1942 allocated 90 percent of any underwriting profit or loss to the government and 10 percent to the four insurers. Each subsequent year had its own formula, giving the Club “a comparatively small interest in the underwriting results” from 1942 through 1946, Bernard noted.

Years after the war was over, when all the claims had been settled and the books on the WSA program had been closed, the government had received \$48 million in underwriting profit and the four insurers had received \$2.4 million, or \$600,000 each. To be fair, the insurers were fully reimbursed for their costs,



**ABOVE:** A color chart in the Club’s minutes shows the breakdown of expenses for the combined 1940 and 1941 insurance years.

**LEFT:** Women at a shipyard pose with signs listing their jobs. By 1943, nearly two-thirds of the shipyard workers on the West Coast were women, replacing men who had gone off to war.



APPENDICES



Directors of the American Club



**ABOVE FRONT ROW:** Kenneth T. Engström, *Cruise Management International, Inc.*, Deputy Chairman  
 Markos K. Marinakis, *Marinakis Chartering, Inc.*,  
 Chairman J. Arnold Witte, *Donjon Marine Co., Inc.*,  
 Steven T. Scalzo, *Independent Board Member*, Michael  
 L. Murley, *Martin Resource Management Corporation*

**ABOVE BACK ROW:** John E. Couloucoundis, *Delta  
 Navigation Corporation*, Martin C. Rechuite,  
*Independent Board Member*, Richard H. Brown,  
*Independent Board Member*, Angelos D. Kostakos,  
*Oceanstar Management, Inc.*, Craig Reinauer, *Reinauer  
 Transportation Companies, LLC*, George Vakirtzis,  
*Polembros Shipping, Ltd.*, Chih-Chien Hsu, *Eddie  
 Steamship Company, Ltd.*

Directors as of June 2016

**RIGHT TOP ROW:**

Panagiotis  
 Christodoulatos, *Ikaros  
 Shipping & Brokerage  
 Co., Ltd.*, James P.  
 Corcoran, *Independent  
 Board Member*, Elias  
 Gotsis, *Eurotankers, Inc.*,  
 George D. Gourdomichalis,  
*Phoenix Shipping & Trading, S.A.*



**RIGHT BOTTOM ROW:** Cliffe F. Laborde,  
*Laborde Marine, LLC*, Katia Restis,  
*Enterprises Shipping & Trading S.A.*,  
 Lianyu Zhu, *CCCC International Shipping  
 Corporation*

