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JUDGES LODGINGS,
WORCESTER.

3. 6. 36 .

My dear Sir,

Budget Insurance

I had nearly met the
general question of prohibiting
insurance against Budget
risk but come up for discussion
in my debate upon our Enquiry.

The prohibiting of any particular
kind of insurance or the affecting
of any kind of insurance in a
particular way has always
proved difficult. The best
example has been the attempt

to prevent insurances P.P.T. which, though, I think, illegal, continues to be constantly effected because they meet a real need i.e. those cases in which the assured has a real risk but cannot quantify it.

In this connection I am not so concerned with an increase in the rate of income tax as with commodity insurance.

Any one holding a large and fluctuating stock of tea tobacco or spirits in bond might well be unable to quantify his interest in case of any rise in tax

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Even if he knew beforehand how much
the rise would be.

In the case of one Harrison
an underwriting agent in Lloyd's,
who ruined himself and 'hit' his
'names' very badly in 1924, Lloyd's

firstly found some quarters of a
million ^{pounds} to meet the claims and
afterwards prohibited the writing
of risks of the non-payment by
trade debtors of their debts.

The exact form of prohibition
do not know.

A company - "the Trade
Indemnity Insurance Company" was

Subsequently formed to underwrite
such risks but I do not think a similar
Company would be formed to deal with Budget risks.
I believe if Lloyd's were approached

the Committee might prohibit the
underwriting by these members of
Budget risks at any rate so far as
Income Tax or Sur-Tax is concerned
and might devise some scheme for
dealing with commodity risks and
ensuring that some real interest
should be required in the case of
a person desiring to effect
insurance.

But if this cannot be
arranged I doubt if much
harm would be done by

as 'a bet' - which in these cases indeed it was.

My general view is that insurance against an increase in the rate of Income Tax or Surtax might be abolished and that the advantages would outweigh the disadvantages.

If possible I should like to limit commodity insurance to a sum calculated by multiplying the largest average quantity held in bond on the annual account by the amount of the increase in taxation.

But how far in practice such a limitation is possible I do not know.

The Committee of Lords in

141
JUDGES LODGINGS,
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prohibiting the underwriting of insurance against an increase in Income Tax or surtax by law.

I write away from documents but my recollection is that insurance of this kind effected to meet a decrease of income is very limited.

The total insurance this year against Budget Risks of all kinds was only about £30,000 and some of those who effected insurance spoke of it

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Conjunction with some commodity
merchants who insure ought to
be able to give some assistance.

The immediate difficulty
might be met by prohibiting
Income Tax & Surplus insurance
and leaving commodity insurance
to look after itself.

Inquire a somewhat ill-
digested letter in my own
handwriting. I am in

circuit with not too much time
for thought and no facilities for
dictation or the typewriter
Yours
S. L. Porter