A. Glenn Crothers


In the late eighteenth century, northern Virginia’s grain-based slave economy prompted a thriving but risky overseas trade. The merchants who conducted this trade sought to manage their risks by purchasing marine insurance, initially from British and northern U.S. sources. After the American Revolution, however, the expense and inconvenience of obtaining insurance abroad prompted merchants to create local institutions modeled on northern practices. Most notably, in 1797 Alexandria merchants established the Alexandria Marine Insurance Company, an incorporated entity that helped manage the risks of overseas trade during the dangerous Napoleonic Wars, enlarged local sources of capital, and, in turn, played a significant role in stimulating regional economic development. The appearance of this marine insurance company (and others like it) reveals the significant role that financial intermediaries played in the development of the southern slave economies in the early republic.

Prior to 1815 American shippers faced an enticing but dangerous situation. The Napoleonic Wars offered great opportunities for neutral American merchants (and arguably the nation), but the conflicts also increased dramatically the risks of international commerce. American ships were repeatedly attacked and confiscated by the British, the French, the Spanish, the Neapolitans, and the Danes. In the words of one southern merchant, American shippers faced “a thorny bed of adversity and affliction.”¹ Finding methods to manage the risks involved

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¹The question of whether American neutrality during the Napoleonic Wars led to increased American prosperity or simply benefited those directly involved in the commerce

became a central preoccupation of American merchants, and the incorporated marine insurance company became their preferred—though not their only—solution. The development of marine insurance companies became an indispensable infrastructural development in these years, one that enabled American merchants to prosper in overseas trade. As William Gow noted years ago—and historians of early American commerce have largely failed to recognize since—marine insurance became "an integral, almost an essential, factor in overseas commercial transactions" of the era. Moreover, the new insurance companies of the post-Revolutionary period played an important role in providing capital resources for the economic development of American port towns.

Of course, there was nothing new about the idea of marine insurance in the 1790s. Insurance on vessels and cargoes had first appeared in the fourteenth and fifteenth centuries among Italian merchants, and by the seventeenth century it had become a regular feature of overseas commerce in England. By the early 1700s, the English marine insurance market was centered in London at Edward Lloyd's Coffee House. According to historian Keith Thomas, the development of marine insurance reflected a larger shift in the intellectual and cultural life of the Western world, away from an acceptance of fate and chance and toward a greater reliance on the powers of human reason to control the natural and social environment. Though early marine insurance policies were often akin to wagers on particular voyages because the character of the insured played as great a role in deciding the specifics of a contract as mathematical models of risk, nonetheless, as insurance developed over the course of the eighteenth century, merchants developed confidence in their ability to protect themselves against misfortune. Better map-making skills and navigational instruments and expanding information networks about overseas markets enabled brokers and underwriters to turn marine insurance into a thriving business that few merchants involved in overseas trade failed to employ. In short, merchants' commercial success became closely linked to the growth of statistical solutions for reducing risk on the high seas.


The same process of modernization took place in America. By the mid-eighteenth century the prosperity of American farmers and merchants alike had come to depend on the complex trade that developed between the mainland British colonies, the West Indies, and Europe. As the American colonies’ overseas trade grew, American merchants emulated the example of their British counterparts and soon developed their own marine insurance facilities. The new marine insurance firms also acted as financial intermediaries, mobilizing capital that in turn generated further economic development. And as more Americans were drawn into the expanding market economy, they became increasingly familiar with mathematical techniques and statistical information. As commerce and insurance expanded, so too did “numeracy.” Indeed, familiarity with arithmetic and statistics soon became a distinguishing characteristic of the new American republic and its citizens, at least in the northern states.


4The best introduction to the economy of Britain’s American colonies remains John J. McCusker and Russell R. Menard, The Economy of British America, 1607–1789 (Chapel Hill, 1985). As they note on page 10, “Discussion of the economic history of British America begins with a recognition of the overriding importance of overseas trade. Almost the entirety of colonial life was linked with overseas trade.”


In contrast, the southern states appear to have been left behind in this new modernizing and commercializing economy. In this region, historians tell us, the market economy and the modernization that accompanied it took a back seat to more traditional concerns: honor, slavery, and community. However, the presence of financial intermediaries—both banks and insurance companies—in the South complicates the image of a "precapitalist," or premodern, South. Southern merchants and planters played a significant role in the development of American marine insurance. Private brokers established businesses in major ports like Norfolk and Charleston in the 1750s and 1760s and incorporated firms appeared in Baltimore, Norfolk, Charleston, and Alexandria in the 1790s and 1800s. The region's commitment to slavery did not—contrary to the contention of many historians—dampen its enthusiasm for, or interest in, financial intermediaries committed to economic development. This essay explores the development of marine insurance in the colonial and early national South, particularly the efforts of the merchants of Alexandria to develop and maintain a reliable source of marine insurance. Most significantly, in 1797 the town's merchants created the Alexandria Marine Insurance Company, an incorporated entity that became a reliable source of insurance for the town's growing volume of shipping during the perilous but lucrative years of the Napoleonic Wars. The story of marine insurance in this Virginia port points to the limitations of the traditional picture of the slave South and reveals the significant role that financial intermediaries played in developing the slave economies of the post-Revolutionary era.

Marine Insurance Sources before 1797

In the early-eighteenth century, most American merchants obtained marine insurance in London from Edward Lloyd's coffeehouse.


Lloyd's began not as an insurance brokerage but rather as a gathering place, where merchants and seamen transacted business and obtained commercial news from Lloyd's numerous overseas correspondents. The systematic collection of commercial information, however, made the coffeehouse a natural setting for the conduct of marine insurance. As a result, marine insurance soon became the primary business conducted at Lloyd's, and hundreds of individual underwriters set up shop there. Moreover, its network of widely dispersed agents soon enabled Lloyd's to offer insurance to merchants throughout Great Britain and its possessions.9 In Virginia, for example, Archibald McCall of Tappahannock acted as an agent for Lloyd's underwriters in 1784, as did Alexandria merchant William Hunter. Indeed, as late as 1797 Alexandria merchant James Wilson, operating as an agent for Lloyd's, was offering marine insurance to Virginia shippers, as were Lloyd's agents in Baltimore and Norfolk.10

Despite the presence of English agents in America, obtaining insurance from London was, in the words of one Philadelphia merchant, "not only... tedious and troublesome, but even precarious." American merchants purchasing insurance in London needed to employ an agent, over whom they generally had little control and who charged a commission for his services. Equally problematic, American merchants often found providing proof of loss and collecting claims made on foreign underwriters difficult and time consuming. The solution, first offered by John Copson of Philadelphia in 1721, was to open a local "Office of Publick Insurance on Vessels, Goods and Merchandizes," in which the "Underwriters be Persons of undoubted Worth and Reputation." Copson's insurance brokerage, according to early insurance booster Francis Rawle, "proved abortive," and it was not until 1748 that another Philadelphia merchant, Joseph Saunders, ventured into the insurance business. In Boston, the first local insurance offices appeared in 1724, when notary Joseph Marion opened a brokerage. A second Boston insurance office was opened in 1739 by Benjamin Pollard. New York merchants, slower to establish their own facilities for marine insurance, did not open their first office until 1759.11

10 Virginia Journal and Alexandria Advertiser, 11 Mar. 1784; Columbian Mirror and Alexandria Gazette, 15 Apr. 1797.
All the early offices operated according to the model established by Lloyd’s. Like their English precursor, the first American brokers drew up policies for shippers that recorded the vessel, captain, intended destination, and premium. Various individual underwriters, generally local merchants, were then invited to subscribe for whatever portion of the policy they wished. The policy was concluded when the full amount was underwritten. This was, then, an informal and unregulated method of insurance, enlisting multiple local underwriters for each policy. The system made marine insurance more readily available to small American shippers and provided a new investment opportunity for merchants, who seized the opportunity in significant numbers. Historian Howard Gillingham, for example, identified twenty-two Philadelphia insurance brokers between 1721 and 1805, and more than 164 underwriters. Smaller numbers of private underwriters and brokers also appeared in the larger ports of the southern colonies to service local marine insurance needs. In 1739, for example, Charleston merchants established a marine insurance association, and in 1769 John Benfield opened an insurance office in the city. As John McCusker and Russell Menard point out, “business intermediaries,” such as insurance brokers, provided “considerable savings for colonial merchants” by increasing the “availability of locally negotiated insurance for ships and cargoes.”

Still, the supply of capital in colonial port towns was often too limited to fill all local needs. This was a particular problem in southern ports like Charleston and Norfolk, Virginia, where many of the arriving vessels were owned by London merchants shipping goods to resident English factors. This certainly was the experience of Norfolk merchant Charles Steuart. In the early 1750s he purchased all the insurance he required from London brokers (and, less frequently, Bristol brokers), such as Edward Parish, George Keith, Richard Smith, and James Buchanan. His orders to London included insurance on cargo shipped from Virginia to the West Indies, and from the West Indies to Virginia or England. For manufactured goods shipped from Great Britain to Virginia, Steuart generally requested the merchant or manufacturer shipping him the goods to obtain insurance for the cargo. So established was

12 Gillingham, Marine Insurance, 42–63.
13 Bridenbaugh, Cities in the Wilderness, 360; Bridenbaugh, Cities in Revolt, 287; McCusker and Menard, Economy of British America, 347–48.
14 Bridenbaugh, Cities in Revolt, 93.
16 See, for example, Steuart to “Mr. Dunlop,” 24 Aug. 1754, Steuart to George Campbell, 13 Sept. 1755, Steuart to Thomas Knox, 13 Sept. 1755, Steuart Letterbooks, HSP.
the practice of purchasing insurance in London that Virginia merchants like Steuart often had “general orders” for insurance that only required the London merchant to be informed of a prospective voyage.17

During the French and Indian War, Steuart’s insurance-purchasing patterns began to change. First, though Steuart had generally ordered coverage on all cargo he shipped, the coming of war convinced him that no vessel could sail without insurance. In October 1755 he ordered £500 sterling worth of insurance on the sloop *St. Andrew* and its cargo, sailing from Norfolk to the West Indian island of Nevis, from London merchants Thomas and John Mills “if there is a war when this gets to hand.”18 Steuart was not alone in seeking insurance on the vessels and cargoes for which he was responsible. Philadelphia merchants, for example, made certain that “practically every vessel of any size which left that port was well insured.” The increased demand for insurance led to a sharp rise in premiums throughout the British Atlantic. In Norfolk, Steuart was, by the late 1750s, quoting rates of 12 to 15 percent for vessels sailing without the aid of convoys from Virginia to the West Indies, double the rates prior to 1755.19

The sharp rise in premiums led to the second of Steuart’s purchasing innovations, which was to seek insurance from alternative sources. In 1755 and 1756 he ordered insurance, both for himself and for a variety of Virginia planters and merchants, from London-based merchants William Bowden and James Buchanan. By 1757, however, he reported to Bowden that “the Merchants in Norfolk . . . have lately fallen into the way of insuring in Philadelphia” because the “Premiums are generally lower.” Steuart reported that he had “formerly refused orders” made on Philadelphia brokers but had now decided to “apply to those that are disengaged.” “We think,” he continued, that “25 Guineas from hence to London is an excessive premium, much greater than the risk and which no trade can bear.” And if the Philadelphia market did not pan out, he reminded Bowden that “[i]nsurance is done considerably lower in Glasgow.”20 Though Steuart did not abandon the London market entirely, for the duration of the war he acquired most of his insurance from Philadelphia broker John Nelson and Glasgow broker James

17 Steuart to William Bowden, 15 June 1752, Steuart to John Mills, 24 Aug. 1754, Steuart Letterbooks, HSP.
18 Steuart to Morton & Campbell, 12 Oct. 1755, Steuart to Thomas & John Mills, 15 Oct. 1755, Steuart Letterbooks, HSP.
Dunlop. Indeed, by early 1759 Nelson was actively soliciting orders from the Norfolk market.21

Still, if American and Scottish brokers filled more of the insurance needs of colonial merchants, they did not replace London brokers. Steuart, for example, continued to order insurance from his London correspondents into the 1760s, and as late as 1786 Lloyd’s insurance premiums were advertised in Virginia newspapers. Even northern merchants did not abandon English sources of insurance entirely, in part because of a 1720 English law that prohibited the establishment of new marine insurance corporations. Thus, when merchant Thomas Riche sought insurance on his schooner Sally George sailing from St. Croix to Philadelphia in 1762, his brokers, Thomas and James Franklin of New York, obtained it in London. Indeed, according to historian Douglass C. North, British control of the American marine insurance market continued into the nineteenth century, making this commodity a “debit item” in U.S. balance of payments. In short, English sources of marine insurance remained important in both northern and southern ports.22

As a result of their continued dependence on English insurance, American shippers faced a difficult situation during the American Revolution. In 1775 the Royal Navy established a blockade of the New England coast, extending it to the southern states later in the year. Though the blockade did not halt all shipping, it “seriously disrupted” American coastwise and overseas trade. According to historian Richard Buel, the British blockade of the American coast, seizure of large numbers of American merchantmen, and capture of key port cities triggered a collapse of American trade during the Revolutionary War. Equally significantly, American merchants could no longer tap British sources of marine insurance, and the insurance that was available was extremely expensive. Still, the high profits of wartime commerce induced large numbers of American merchants both to risk overseas voyages and to

21 Between June 1757 and June 1759 Steuart placed eleven orders for insurance on Nelson in Philadelphia, six orders on Dunlop in Glasgow, and four orders on Bowden or Buchanan in London. On Philadelphia orders, see Steuart to Nelson, 5 May, 25 Sept., 12 Nov., 14 Nov., 18 Dec. 1758; 1, 3, 8 Jan., 26 Feb., 10 May, 16 June 1759. On Glasgow orders, see Steuart to George Campbell, 30 Mar. 1758; Steuart to Capt. Paterson, 12 May 1758; Steuart to Dunlop, 12, 16 June, 29 July, and 19 Sept. 1758. On London orders, see Steuart to Bowden, 11 Oct. 1757, 30 Jan. 1758, 6 Nov. 1758, and Steuart to William Croydon, 6 Apr. 1758, Steuart Letterbooks, HSP.

pursue a range of strategies designed to lessen the risks. For example, American shippers sought out marine insurance in other North American, European, and Caribbean ports. When these sources became unavailable or unreliable, merchants developed schemes of what Buel calls "self-insurance": they created expanded partnerships to share the risk and raise capital; they divided shipments among several vessels; they armed the ships' crews; and they built smaller and faster vessels. In general, the high premiums and the difficulty of obtaining traditional insurance forced merchants to adopt novel methods of coping with the risk.  

However, these wartime innovations were abandoned once peace returned. In the two decades after 1783, American merchants energetically developed domestic sources of marine insurance, believing that it was essential for the conduct of overseas commerce. As a Virginia merchant asserted in 1797, “[T]here [is] no doubt that as long as [the merchant] can get his property insured, so long will he continue to be an adventurer.” In the wake of the war, American shippers returned to their reliance on private underwriters, but problems with this source of insurance remained. For example, either the underwriter or the insured could easily defraud the other. This was particularly difficult for the insured, who had little recourse, aside from multiple lawsuits, when the underwriters were unable to pay a claim. Equally problematic, the low capital reserves of private underwriters forced them to raise insurance rates dramatically in response to news of war or captures. Consequently, in the 1790s American merchants increasingly came to rely on insurance provided by incorporated entities. For some years, private and corporate insurance existed alongside one another. By 1810, however, British observers noted that corporate entities were pushing private underwriters out of the field by deliberately lowering rates, only to raise them after the underwriters had ceased to do business.

Indeed, just such fears of the monopolistic character of corporations led many American to oppose their creation. Still, for merchants seeking marine insurance the advantages were clear. First, as a legal entity the corporate insurer could be more easily sued, requiring only

23 Richard Buel, In Irons: Britain’s Naval Supremacy and the American Revolutionary Economy (New Haven, 1998), esp. 96–106. St. George Tucker’s family-owned mercantile firm, heavily involved in smuggling in Virginia during the war, saw insurance premiums rise to “50 percent of a cargo’s value” by the late-1770s; see Phillip Hamilton, The Making and Unmaking of a Revolutionary Family: The Tuckers of Virginia, 1752–1830 (Charlottesville, 2003), 38.
24 Columbian Mirror and Alexandria Gazette, 25 May 1797.
one lawsuit instead of the multiple suits that were necessary when a policy had multiple underwriters. Second, the larger capital resources of incorporated entities enabled them to assume greater risks and absorb greater losses. Finally, the financial stability of corporate insurers permitted them to establish more stable premiums. And, for those who feared a monopoly, an easy solution was at hand: create two corporations rather than one. As Samuel Blodget put it: “If two baking companies are . . . permitted, where there was but one, bread may be cheaper in consequence.” The same answer could be—and was—applied to the realm of financial intermediaries.26

Not surprisingly, corporate marine insurance first appeared in the northern ports of Philadelphia, Boston, and New York. The Insurance Company of North America was established by Philadelphia merchants in 1792 with a total capital of $600,000. By December 1792 the company had raised $40,000 in subscriptions and began operation. Among the company directors' first acts was seeking a charter of incorporation from the Pennsylvania legislature. Private underwriters, however, opposed the measure, arguing that a chartered marine insurance represented a monopoly. In response, in April 1794 the state legislature, anticipating Blodget's advice, created two chartered insurance companies. Once the precedent of incorporation had been established in Pennsylvania, chartered companies modeled on the Insurance Company of North America began to appear throughout the new nation. Marine insurance companies began operation in Baltimore in 1795, in New Haven and Charleston in 1797, and in Alexandria and New York in 1798. In the next two years eight new corporations appeared in the New England states, and in 1805 the Virginia Marine Insurance Company was established in Norfolk.27

The Napoleonic Wars added new urgency to the efforts of the merchants who created marine insurance companies in these years. In the early 1790s British warships began seizing American merchantmen; between November 1793 and April 1794 more than six hundred American vessels were seized or detained in British ports. Such seizures continued throughout the 1790s and amounted to over $8 million in losses by January 1797, according to one Virginia newspaper report. In the


late 1790s, during the Quasi-War with France, American shipping came under attack by French privateers. Between July 1796 and September 1800, when the United States and France reached the diplomatic accord that ended the war, French seizures, detentions, and condemmions of American ships, cargoes, and crews involved an estimated 2,309 vessels. And the attacks did not stop in 1800. According to the reports of the U.S. secretary of state, between 1803 and 1812 the British, French, Neapolitans, and Danes captured nearly 1,600 American vessels.28

The experience of Thomas McKnight, a sea captain from Alexandria, Virginia, vividly illustrates the dangers of commerce on the high seas in the late 1790s. In June 1798, McKnight set out from his home port in the sloop Polly & Nancy, laden with tobacco for the port of Cadiz, Spain. Thirty days into the voyage, on July 16, his ship was stopped from landing at Cadiz by an armed British vessel. Days later his vessel was captured by a French privateer and carried into the port of Algeziras. Once in captivity, members of McKnight’s crew were beaten and his vessel was not cleared to leave until October, when he sailed on to Cadiz. This time McKnight was allowed to enter the port, and on November 4, 1798, the Polly & Nancy set sail for Alexandria with a cargo of fruit, salt, and wine “in good order and condition.” Three weeks later, however, the crew “perceived some sheathing off the ship’s bottom to float alongside,” and the vessel began to take on water. To make matters worse, on December 10 the ship encountered a hurricane, which destroyed most of its rigging and sails and caused a serious leak. “Thus situated,” McKnight later reported, “we consulted every person on board what was most adviseable to be done.” The crew “judged [it] most expedient to erect Jury Masts and bear away to the West Indies.” On January 10, 1799, the Polly & Nancy came in sight of Antigua, but before reaching land it was “boarded by the Armed Commission Schooner Tickler” and taken into the port of St. John. The fate of the badly damaged ship and its cargo was left to the British vice-admiralty court on the island. In March the court ruled that the cargo should be sold in Antigua, and the vessel dismantled and sold for scrap, with all proceeds going to McKnight.29 McKnight’s experience of being


detained by both British and French vessels was a common one for American merchants during the Napoleonic Wars. Thus could one Virginia merchant lament, “We are used like a ball between two expert tennis players, continually buffed between the one and the other.”

If the dangers to shipping caused by the Napoleonic Wars formed a strong motive for creating homegrown sources of insurance, the changes in the Chesapeake economy in the post-Revolutionary era were an additional spur to action. After 1780 farmers and planters in northern Virginia largely abandoned the region’s traditional staple, tobacco, and shifted to grain production. This switch, in turn, sparked broader economic changes: the construction of transportation links to bring backcountry grains to the port of Alexandria; the development of milling, distilling, brewing, and baking industries to process the new staples; and the growth of urban settings to accommodate these new economic ventures. The port of Alexandria was the primary beneficiary of these regional changes. In 1784, 24,400 barrels of flour were inspected at the port; twenty years later that figure rose to over 180,000 barrels, more than half of which were exported overseas. The result was a sharp rise in the number of vessels leaving Alexandria for foreign ports; the number peaked at 185 in 1803, with a corresponding increase in the need for marine insurance. Thus, the development of the regional economy helped to convince local merchants that they needed indigenous sources of marine insurance.

The Alexandria Marine Insurance Company

The structure and success of the various Philadelphia marine insurance endeavors provided a model that Virginia merchants emulated when they created their own chartered companies. In Alexandria, the first Virginia port to create such a company, personal contacts were the main conduit for information about the financial innovations of northern merchants. The first president of the Alexandria Marine Insurance Company, William Hartshorne, migrated south from Philadelphia in 1775 after marrying Susannah Saunders, daughter of Joseph Saunders, who was one of Philadelphia’s leading insurance brokers before the Revolution. It is also highly likely that inveterate “projector” Samuel Blodget, one of the founders of the Philadelphia-based Insurance Company of North America, influenced the decisions of Alexandria

30 Alexandria Advertiser, 17 Apr. 1798.
merchants. In 1791 he moved to Washington, where he promoted a va-
riety of speculative financial schemes. Blodget was particularly enthusi-
astic about insurance companies. In *Economica*, his statistical survey
of the United States, he praised chartered insurance firms because their
shares represented a lucrative investment for both the wealthy and
those of more modest backgrounds, and because their stocks func-
tioned as negotiable notes in the cash-poor United States.32

More important, however, Alexandria merchants had dealings with
both private and corporate Philadelphia insurers. In August 1787, Wil-
liam Herbert and Jonathan Potts, who would both later be elected di-
rectors of the Alexandria Marine Insurance Company, sought a £4,300
policy from Philadelphia broker Benjamin Fuller for goods shipped
from Alexandria to Philadelphia on the sloop *Charming Sally*. Fuller,
however, was unable to find underwriters willing to subscribe for the
full amount and had to contact New York broker George Pollock for the
remainder. It took more than two weeks to write a policy that was ac-
ceptable to forty-six underwriters from both Philadelphia and New
York. Similarly, in August 1793, Alexandria merchant William Wilson
sought insurance in Philadelphia for the ship *Eliza* and its cargo of
tobacco bound from the Virginia port to Bourdeaux. Wilson initially
wanted to insure the vessel "by the Year if it can be done at under
Twelve Pcent," reflecting his desire to avoid frequent costly and time-
consuming requests for insurance covering each voyage. However, he
also recognized that getting long-term insurance for European trade
might be difficult. As a result, he authorized his correspondent, Phila-
delphia merchant David Clow, to purchase insurance for the voyage at
"6 Pet." if long-term insurance was unavailable. Two weeks later, Wil-
son had not heard whether Clow had obtained insurance for the *Eliza*.
Dropping requests for annual insurance, he wrote to Clow, pleading with
some urgency that "[i]nsurance may be done as expeditiously as possible.
The Ship having Sailed about ten days ago." By mid-September Wilson
had still not heard whether insurance had been obtained and could
only "hope you have Effected Insurance on our Ship Eliza & Cargo."33

Other Virginia merchants faced similar problems in obtaining in-
surance through private underwriters in northern and British ports.
Like Wilson’s uphill struggles to obtain insurance, their difficulties were
in part a product of the slowness of communications between distant
ports. For example, in December 1793, Alexandria merchants James

32 Montgomery, *History*, 20; Blodget, *Economica*, 158, 200. On Blodget’s various invest-
ment schemes, see Cohen, *Calculating People*, 166–67.
28 Aug., 11, 16 Sept. 1793, Andrew Clow Business Correspondence, 1784–1796, Claude Unger
Collection, HSP.
Taylor and Robert Jameson requested insurance in London on the vessel *Favorite*, bound from Port au Prince to Europe. The captain of the ship, Samuel Brown, was authorized to obtain insurance through Andrew Clow’s English partner, Joseph Hadfield, who was supposed to send vouchers confirming the policy to Clow in Philadelphia. Uncertain that Brown would be able to obtain coverage in London, Taylor and Jameson also purchased “conditional Insurance” in Baltimore. In fact, the Virginia merchants never received notice of the London policy, despite repeated requests, because Clow had died in the fall of 1793. Months later, after the *Favorite* and its cargo had been seized by a British vessel, Clow’s executors demanded that Taylor and Jameson pay their portion of the London premium. “We do not,” they responded, “consider ourselves in any Respect Parties in the Insurance you mention.” Having paid for insurance in Baltimore, the Virginia merchants were not willing to expend further money to secure London insurance after the fact. The bankruptcy of private underwriters could also complicate matters for merchants. Andrew Clow expected to wait “two or three years before” he and his Virginia partners would be paid for the loss of the ship *Mary* because of “several of the writers on the policy . . . having got into Embarrassment and some having failed.”

Despite the problems, Alexandria merchants did not entirely abandon private underwriters. Between June 1796 and February 1798, for example, private Philadelphia brokers Shoemaker and Berrett insured $1,700 worth of cargo for two schooners, the *Commerce* and the *Hope*, sailing from Alexandria to the West Indies, and $1,800 worth of cargo for two vessels, the ship *Columbia* and the brig *Six Brothers*, bound from Norfolk to Martinique and Lisbon, respectively, without any apparent difficulties. Still, incorporated insurance companies appear to have absorbed a growing portion of Virginia’s marine insurance market. In the years between 1792 and 1797, for example, the Insurance Company of North America (ICNA) wrote seventy-six policies totaling approximately $350,000 for Alexandria and Norfolk merchants seeking marine insurance, without having to tap or collect from multiple underwriters or having to seek additional capital outside Philadelphia.

34 James Taylor and Robert B. Jameson to William Crammond and John Leamy, 16 Dec. 1793, 6 Jan. and 16 May 1794, Clow Business Correspondence, HSP; Andrew Clow to David Maitland, 1 Aug. 1793, Andrew Clow & Co. Papers, 1784–1836, Hagley Museum and Library, Wilmington, Del.

35 Shoemaker and Berrett Insurance Policies, 1796–1797, HSP; Ruwell, *Eighteenth-Century Capitalism*, 73–74. In all, Shoemaker and Berrett wrote 166 policies worth over $130,000 between 1796 and 1798 (the collection is misdated). Thus, the Virginia policies represented just over 2.4 percent of the total policies written. In contrast, the seventy-six Virginia policies written by the Insurance Company of North America represented 5.5 percent of the 1,390 policies written by the company between 1792 and 1797.
and closely connected, could only be impressed by the increased ease with which insurance could be purchased and claims collected from the chartered firm, and the growing volume of policies sought from the ICNA reflects the rise of confidence in this source. Certainly, by 1797 Alexandria merchants had years of experience dealing with foreign and domestic sources of marine insurance and were ready to develop their own resources based on a model that their experience showed to have worked well.

The petition that seventy-three “merchants and traders” of the town sent to the Virginia legislature in fall 1797 clarified the reasons for such a chartered firm. In the past few years, the petitioners noted, the export trade of Alexandria had risen sharply, and these “[e]xports are chiefly if not altogether insured.” Insurance, then, was a necessary cost of doing business, and though, the petition continued, “something in the Insurance Business is transacted among the merchants of the Town,” it was not significant enough to meet the needs of local commerce. Consequently, “a great deal of the Insurance belonging to the Town is done to the Northward and in Europe,” a practice that “drains a large Sum of money” from Virginia and “is attended with . . . additional Expence and many and great Inconveniencies.” Specifically, obtaining insurance in another port was more expensive, requiring the employment of an agent who charged a commission for his services and the “advance [of] the premium upon the Execution of the policy.” Insurance purchased elsewhere was also more unreliable. Merchants had less control over policy terms, and collecting a claim or settling a dispute from afar often involved additional “Expense, Fatigue and Loss of Time.” The creation of a chartered marine insurance company would solve these problems. Instead of draining wealth, the business would attract capital to Virginia from European and northern merchants who traded in the town, and would make writing policies and filing claims more efficient and less expensive. Finally, insurance “effected at Home . . . can have a Credit of six months for payment of the premium,” which, the petitioners concluded, is “an object of great Magnitude in an extended Commerce.”

The legislature responded favorably to the petition, and in January 1798 it incorporated the Marine Insurance Company of Alexandria, following guidelines suggested by the petitioners themselves. The new company possessed a capital stock of $250,000, divided into $20 shares, and could begin operation when six thousand shares ($120,000) had been sold. Stockholders elected fifteen directors, who then appointed a

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36 13 Dec. 1797, Alexandria City Legislative Petitions, 1778–1809, Library of Virginia, Richmond, Virginia (hereafter LV); Alexandria Advertiser, 13 Sept. 1797.
president to oversee the day-to-day operations of the company, including writing policies and setting premiums. Unlike most corporate charters of the period, the legislation explicitly granted the directors and the president limited liability, though it required them to “make a full and fair” report of the company’s business and pay stock dividends every six months. The charter also directed the managers to invest the company’s capital in Alexandria bank stock, which was not surprising, since many of the early directors of the insurance company also managed the town’s bank. Just as notably, the charter enabled the company “to lend money upon bottomry and respondentia,” enabling a ship owner to borrow money or mortgage the vessel in order to finance a voyage. Thus, the merchants created the firm to be a financial intermediary that would increase the supply of commercial capital available in northern Virginia.37

The Marine Insurance Company of Alexandria garnered substantial support in the port towns of Virginia. Sales of shares, conducted at Alexandria’s recently established merchant coffeehouse and advertised in Virginia’s major commercial centers, began in early February; by March 20 enough stock had been sold to enable the company’s supporters to announce that elections for fifteen directors would be held in May. The first slate of directors, elected in late May, included thirteen of the town’s leading merchants. The stockholders elected as the final two directors “gentlemen of known respectability and influence” from Fredericksburg and Richmond, because individuals in both towns held “a very respectable stock.” Whether there were investors in other Virginia port towns is unknown. However, it is clear that they followed the creation of the Alexandria company closely. Indeed, Norfolk merchants soon emulated their Alexandria counterparts and incorporated the Virginia Marine Insurance Company in 1805. Aside from raising the capital stock to $400,000, the Norfolk firm followed the Alexandria corporation in all important particulars.38

37 Shepherd, Statutes at Large, vol. 2, pp. 89–92; Alexandria Advertiser, 13 Dec. 1797, 20 Jan. 1798. The act was also published in the newspaper on 8 Feb. 1798. On the establishment of banks in Alexandria, see Crothers, “Banks and Economic Development.” On the question of when limited liability was extended to the shareholders of chartered companies, see Edwin J. Perkins, American Public Finance and Financial Services, 1700–1815 (Columbus, 1989), 116–17, 373–76, who concludes that most early corporations lacked “de jure” legal protection until the 1820s, but “de facto, American investors” were rarely “exposed to personal liability.” Ship owners who borrowed money upon “bottomry and respondentia” used the value of their ship (bottomry) or its contents (respondentia) as security for the repayment of the money; see Lord Chorley of Kendal, Arnould on the Law of Marine Insurance and Average, 2 vols., 14th ed. (London, 1954), vol. 1, nos. 242–43, 289–90.

38 Alexandria Advertiser, 8 Feb., 20 Mar. 1798; Columbian Mirror and Alexandria Gazette, 22 May 1798. The thirteen Alexandria directors were William Wilson, William Hartshorne, William Hodgson, James Patton, Richard Conway, William Herbert, John Potts,
And little wonder. The Alexandria firm was successful from an early date. The first action taken by the directors was to appoint William Hartshorne president of the company. Despite his Quaker faith and opposition to slavery, Hartshorne took an active role in Alexandria’s economic and political life after his arrival in 1775. His “general hardware and all purpose store” sold a variety of imported manufactured goods and purchased the agricultural products of the northern Virginia countryside, and his flour mill was one of the largest in the region. Hartshorne also supported the development of the region’s transportation infrastructure, investing in and acting as both a director and the secretary of the Potomac River Company, incorporated in 1784 to clear the Potomac River between Alexandria and Fort Cumberland, Maryland, more than two hundred miles upstream. He also invested in and was elected a director of the Bank of Alexandria, which was incorporated in 1792 with a capital of $150,000. His presidency of the marine insurance company, then, represented an extension of his commitment to developing the economy of northern Virginia, an economy in which 20 percent of the total population was enslaved. Moreover, this same commitment was shared by his fellow directors.39

Under Hartshorne’s direction the insurance company soon turned a profit. Though company financial statements are not extant, and the public announcements of dividends paid every six months are incomplete, it is still clear that the early years of the company were profitable. Between 1799 and 1804 dividends averaged 6.9 percent, never falling below 5 percent and even climbing to 12.5 percent in July 1801. Though not as attractive an investment as Alexandria bank stock (which averaged 9.7 percent between 1795 and 1805), returns on the marine insurance


39 Crothers, “Projecting Spirit,” 35–37, 103–67, 310–72, 499; A. Glenn Crothers, "Quaker Merchants and Slavery in Early National Alexandria, Virginia: The Ordeal of William Hartshorne," *Journal of the Early Republic* 25 (Spring 2005): 47–77. The shared commitment to the region’s economic development is best seen in the large number of individuals who invested, like Hartshorne, in a variety of the region’s incorporated companies. Merchant and slaveholder William Herbert, for example, was a director of both the Marine Insurance Company and the Bank of Alexandria, as were William Wilson and William Hodgson. John Potts was a director of the Marine Insurance Company and the Potomac River Company, and Richard Conway was involved in all three corporations.
stock were still higher than the legal usury rate of 6 percent. Certainly, an active market in marine insurance stock soon developed in Alexandria, and Alexandria brokers and merchants bought and sold the stock on a regular basis. Like bank stock, marine insurance stock represented a reasonably reliable investment with a generally good return. Though the lack of company records makes it impossible to determine exactly who invested in the insurance-company stock, it is clear that many planters viewed such investments, in the words of Charles Lee, as a “most desirable purchase.” In the early nineteenth century, northern Virginia planter George Carter, for example, invested heavily in insurance and bank stocks and recommended them to his nephew because of their solid return. Moreover, unlike the region’s bank stock, which cost $200 a share, the $20 insurance-company stock undoubtedly attracted a broader range of investors. As Samuel Blodget noted in 1806, the “small shares” of insurance companies enabled the “poorer classes” to make a profitable investment.

The success of the company is particularly striking in the light of the difficulties Virginia shipping faced after its formation. According to the spoliation claims filed by Alexandria merchants for the years 1797, 1799, and 1800, the Quasi-War with France took a heavy toll on the industry. In 1797, for example, seventy vessels that sailed from the port of Alexandria were captured by French privateers. In 1799 sixty-four vessels owned by local merchants were detained, and in 1800 the number rose again to seventy. In comparison, between 1801 and 1805 Alexandria averaged one hundred and thirty clearances per year. In other words, about half the vessels leaving Alexandria during the Quasi-War faced capture, detention, and possible condemnation from the French and British fleets. Moreover, Alexandria vessels carried enormous quantities of commodities in these years, including approximately 95,000 barrels of flour, 135,000 bushels of corn, and 6,500 hogsheads
of tobacco, all of which could be lost when the vessel was condemned by the French or British. “Times are bad,” reported the Alexandria paper in 1799; “the English and French are capturing all they come across.”

Times could be particularly bad if the insured could not collect on a policy, as Alexandria merchant William Hodgson discovered in September 1799, when he purchased insurance for the brig Hope sailing from St. Domingo to a port in Chesapeake Bay. Hodgson reported that the Hope was a 250-ton vessel, six to seven years old and valued at approximately $10,000. With this information in hand, the marine insurance company agreed to insure the vessel for $8,000, and reflecting the dangers of the time, set the premium at 17.5 percent. During the voyage to Virginia, the Hope was seized by a British warship and carried to Jamaica, where the island’s vice-admiralty court condemned the vessel, setting its value at $3,500. The Hope, it turned out, was only 162 tons and over nine years old. When Hodgson tried to collect the full amount of his policy—which an Alexandria circuit court eventually set at over $11,000, including court costs—the company refused to pay, arguing that Hodgson had committed fraud when he misrepresented the value of the vessel and had thereby nullified the policy. In response, Hodgson took the company to court; the long legal battle that followed eventually made its way to the U.S. Supreme Court. In the end, the Court decided in Hodgson’s favor, despite recognizing the fact that misrepresentation of the value of a vessel was an inducement for the “insured to sink rather than to save his vessel.” Still, Hodgson did not receive a final settlement until 1813, some fourteen years after the Hope was captured. For merchants like Hodgson, incorporated marine insurance provided little immediate relief from the risks of the Quasi-War. Still, Hodgson’s experience was rare. There is little evidence that the marine insurance company disputed claims in which the route, value, and size of the vessel were accurately represented. An extant book of 238 policies written between May 1807 and November 1810, for example, reveals that, in the three years spanned by these policies,

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42 French Spoliation Claims, Alexandria, Virginia, Outward Foreign Manifests, 1797, 1799, 1800, Bureau of the Customs, Record Group 36, NA; Columbian Mirror and Alexandria Gazette, 26 Sept. 1799.

By the Marine Insurance Company of Alexandria.

Whereas, upon any kind of lawful goods and merchandize, laden or to be laden on board the good ship Dorchester, or by whatsoever name or names the said vessel, or the master thereof, or shall be called or named, beginning the adventure upon the said goods and merchandize from the loading thereof on board the said vessel at Alexandria, and so shall continue and endure until the said goods and merchandize shall be safely landed at New Orleans, shoreland, the aforesaid allowing days, for the unloading thereof. The said goods and merchandize for so much as concerns the aforesaid, by agreement between the aforesaid and insurers in this policy, and shall be valued.

And it shall and may be lawful, for the said vessel in her voyage, to proceed and fail to, touch and stay at any port or place, if thereunto obliged by the foresaid of weather or other unavoidable accidents, without detriment to this assurance—touching the adventures and perils which we the aforesaid are content to bear, and to take upon us in this voyage, they are of the fates, men of war, fire, enemies, pirates, rovers, thieves, jettisons, letters of mar't and counter-mar't, surprisals, taking at sea, arrests, retardations, and detentions of all kings, princes and people, of what nation, condition or quality soever, hazard of the master and owners, and all other furies, losses and misfortunes, that have or shall come to the hurt, detriment, or damage of the said goods and merchandize, or any part thereof, for which insurers are legally accountable. And in case of any loss or misfortune, it shall be lawful for the aforesaid, their factors, servants and assigns, (and the said assured on his part agrees and engages by himself, his servants, factors or assigns,) to sue, labor and travel for, in and about the defence, safeguard, and recovery of the said goods and merchandize, or any part thereof, without prejudice to this assurance; to the charges whereof we the aforesaid will compound according to the amount of the sum hereby insured. And so we the aforesaid are contented and do hereby promise, and bind ourselves, to the aforesaid, their executors, administrators and assigns for the true performance of the premises, confiding ourselves paid the consideration due unto us for this assurance, by the aforesaid, and at and after the rate of

AND in case of loss, no deduction to be made from the sum aforesaid, except two per cent. The money to be paid in 90 days after proof of loss, and in the said aforesaid the amount of so much of the premium, if unpaid being first deducted, provided such loss shall amount to five per cent. under which no loss or average will be paid, unless general.

N. B. It is understood and declared that in all instances where Insurances are made, except to and from the Isle of France, and British Bills-of-Exchange generally the lapse of twelve months, from the time of failing, or being heard of, shall be considered as proof of loss, and in other instances, twenty-four months. It is agreed that fails, hides, hemp, wheat, Indian corn, Indian meal, peas, or any other kind of grain or feed—malt, bread, dried fish, cocoa and coffee flowing in bulk, tobacco, fruit, and all other articles that are perishable on their nature, and all liquids in casks, are warranted by the assured free from average, unless general; cocoa and coffee in bags, free from average unless above ten per cent. or general, and in case of capture or detention, the aforesaid renounce all claims against the aforesaid, for demurrage, feamens wages and provisions. In all cases of return premium, one half per cent. on the sum aforesaid to be retained by the aforesaid, and it is mutually agreed by the parties to this policy, that no part of the premium shall be returned or abated, on account of any deviation which may be made by the owners, or their factors, from the present voyage, warranted by the aforesaid, free from any charge, damage or loss, which may arise in consequence of a seizure or detention of the property, for or on account of any illicit or prohibited trade, or in consequence of the nature of the goods, or in articles contraband of war. In cases of capture or detention, the aforesaid shall not at liberty, or trade in articles contraband of war. In cases of capture or detention, the aforesaid shall not be at liberty to abandon the property insured to the insurers, until the time of ninety days, after advice being received hereof the said capture or detention, and notice thereof given to the insurers.

In witness whereof—The President and Directors of the Marine Insurance Company of Alexandria, have subscribed the sum insured, and caused the attestation of their Secretary, by the said President have subscribed the sum insured, and caused the attestation of their Secretary, to be affixed to these presents in Alexandria, the day of .

$9000

Marine insurance policy, no. 2157, Alexandria Marine Insurance Company, June 21, 1809. This policy insured the cargo of the Dorchester, consisting of thirty slaves valued at $9,000, traveling from Alexandria to New Orleans. Image courtesy of the Virginia Historical Society, Richmond.
the company paid without dispute nine claims totaling approximately $25,000.44

During the Quasi-War, in contrast, the company appears to have been more cautious. In 1885 the federal government passed a law enabling heirs of those who lost ships and cargoes in the Quasi-War to collect compensation. These records reveal the extent of the damage suffered by a few active Alexandria merchants. Hardest hit was George Taylor, whose claims amounted to nearly $160,000, both as an owner of three ships (the *Fair Columbian*, the *Paragon*, and the *Maria*) and as an underwriter on policies for fifteen other vessels. The heirs of merchants Jonah Thompson and Richard Veitch claimed over $22,000 for the capture of their ship *Parkman*, while partners John Cripps Vowell and Thomas Vowell reported losses amounting to almost $27,000 when their brig *Polly* was condemned in 1800. Alexandria merchants and private underwriters Fletcher & Otway also suffered significant damages. Their heirs reported that the pair had lost $27,500 as both owners and underwriters of Alexandria-based vessels. The continuing activity of private Alexandria underwriters Taylor and Fletcher & Otway reflects the cautiousness of the marine insurance company in its first years. Indeed, the company claimed only one loss, amounting to $5,500 during the Quasi-War. As a result, the town’s most active merchants—Thompson & Veitch, Taylor, and the Vowell—still sought and obtained insurance from a variety of northern insurers.45 Some merchants also decided to arm their vessels when they could not obtain insurance. In July 1798 the federal government passed legislation enabling American merchant ships to be armed in order to defend themselves against French attacks. As a result, at least five local merchants placed cannons on their ships, revealing another strategy adopted by local merchants to cope with the rising risk.46

44 Marine Insurance Company of Alexandria: Insurance Policies, 18 May 1807–8 Nov. 1810, VHS. The exact total of claims paid is uncertain because two of them do not specify the amounts paid to the policyholder.


46 The five vessels were the schooners *Welcome Return*, *Neptune*, and *Mount Vernon*, and the ships *Felicity* and *Hannah*; see *Columbian Mirror* and *Alexandria Gazette*, 21 June 1798; 10 Jan., 14 and 23 May, 16 and 26 Nov. 1799. The arming of merchant ships could be an effective strategy. As Richard Buel writes, "Any armament, no matter how small, diminished the chance of being taken, because enemy cruisers came in all sizes." However, merchants who opted to place weapons on their vessels did so at the expense of cargo space, thereby lessening the value of each voyage; see Buel, *In Irons*, 100.
The extant policy book for the years from 1807 to 1810 reveals that in the early nineteenth century the company actively aided Alexandria merchants involved in overseas commerce. During this period, Thomas Jefferson's trade embargo provided the main disruption to trade. As a result, during the fifteen months of the embargo the company wrote only seventeen policies, all but two of which covered shipping between American ports, return voyages from the West Indies, or journeys between Caribbean ports.\(^{47}\) Given the directors' strong interest in local economic investment, it is not surprising to find that the majority of the policies (206, or 87 percent) were written for vessels sailing from or bound to Alexandria. Nonetheless, the company underwrote a variety of voyages, though the majority (121, or 51 percent of the total) were voyages from Alexandria to the West Indies. Of these, fifty-three (44 percent of the subtotal; 22 percent of all policies) included some provision for return voyages either to Alexandria or to another U.S. port. Consequently, policies exclusively covering return voyages from the Caribbean to Alexandria or another U.S. port represented a much smaller percentage (30, or 12.6 percent). Even after the creation of the company, Alexandria merchants often purchased insurance for the return journey at the port of departure. Likewise, the small number of policies written to cover voyages between Europe and U.S. ports (11, or 4.6 percent), between Caribbean islands (4, or 1.7 percent), and between European destinations (2, or 0.9 percent) indicates that, when far from home, Alexandria merchants obtained insurance abroad rather than in their home port.\(^{48}\) (See Table 1.)

Of the remaining policies, forty-four (18.5 percent) covered voyages between American ports and European destinations. Notably, only ten policies (4.2 percent) covered journeys between Alexandria and other American ports, and eight of these were written during the embargo (Table 1). Though it is possible that this lower figure reflected the decision of some merchants involved in the coastwise trade to forgo insurance, the tendency of most of them to stress lowering risk and the continuing dangers of the seaborne trade make this unlikely. Rather, the Alexandria mercantile community exported the region's commodities—primarily grains—directly overseas, instead of participating in the coastwise trade with larger American ports. The implications of direct overseas trade for economic development in the region were dramatic. Grain products shipped to the West Indies and southern Europe (their

\(^{47}\)Marine Insurance Company of Alexandria: Insurance Policies, VHS. The two policies (nos. 2036 and 2039), written to cover voyages between Alexandria and the Caribbean, appear to have been in clear violation of the embargo. The embargo was in effect between 22 Dec. 1807 and 15 Mar. 1809; see Dumas Malone, \textit{Jefferson the President: Second Term, 1805–1809} (Boston, 1974), 469–90, 561–82, 641–57.

\(^{48}\)Marine Insurance Company of Alexandria: Insurance Policies, VHS.
primary destinations) required processing before they were shipped in order to survive the voyage. The result was the proliferation of processing industries (milling, baking, brewing) and urban centers throughout northern Virginia. In short, the ability of merchants to obtain local sources of insurance helped make direct overseas trade possible, which in turn spurred the development of local processing facilities.49

But the links between the undertakings of the Alexandria marine insurance company and the economic development of northern Virginia did not end here. Recent studies have made a strong case for the close relationship between the appearance of financial intermediaries, such as banks and insurance companies, and general economic growth. Growing evidence shows that this was particularly true in the early national United States. As Howard Bodenhorn has recently argued, “Financial intermediaries could and did matter in the process of economic development.” In particular, financial intermediaries “formed an important link” between borrowers and savers, making it “possible for borrowers to obtain more credit and on better terms than they could have had they been forced to negotiate with ultimate savers.” In a world without financial intermediation, borrowers were forced either to rely on their own limited savings or to apply directly to the multiple individual savers with surplus earnings, who had no easy way of judging the creditworthiness of the borrower and thus were less willing to lend large amounts. The creation of financial intermediaries in the early republic increased total savings by improving the return savers could expect on their capital investments. The intermediaries also increased the

49 Ibid. On the economic and urban development of northern Virginia in the early national period, see Crothers, “Projecting Spirit,” esp. 232–309.
opportunities of entrepreneurs to gain access to credit—and in larger amounts—by pooling the capital of savers and making it available for lending. And because they specialized in lending, intermediaries were better able to judge the financial capacity of particular borrowers. In short, early national financial intermediaries “brought savers and investors together,” transferring the unused assets of savers to entrepreneurs seeking capital for a variety of investment projects.50

Though the paucity of company records makes it nearly impossible to chart in detail the financial affairs of any of the Virginia marine insurance companies, it is clear from the promoters’ initial petitions, and from the company charters, that boosters recognized their role in increasing the amount of capital available to fund overseas trade and regional economic development. They did so in a number of ways. At the most basic level, the Alexandria and Norfolk companies transferred funds from those with unused savings (the purchasers of company stock) to merchants who were seeking capital to finance their shipping ventures. Merchants utilized this pool of capital each time they purchased insurance policies from the firm, because these policies were purchased on six months’ credit. That is, premiums did not have to be paid until six months after the policy had been written, enabling merchants to use the money they earned from the voyage to pay for insurance. Indeed, backers of insurance companies argued this was one of the main reasons for creating local firms: merchants could purchase insurance on credit, and at a lower rate, from their local companies than they could from any firm in a port far from home. If there was a claim for losses, the premium amount was deducted from the marine insurance company’s payment to the policy holder.51

The marine insurance companies also increased the pool of local capital available for economic development by investing their money in other financial intermediaries. The Virginia Insurance Company


invested heavily in Bank of Virginia stock, and the Alexandria Marine Insurance Company and the Bank of Alexandria essentially possessed interlocking directorates, thereby ensuring a close working relationship. Committed to promoting regional economic growth, the northern Virginian merchants and planters who invested in these linked financial intermediaries believed they would create the “greatest advantages” for the town of Alexandria, just as similar ventures had promoted economic development in “the large commercial Cities of Philadelphia, New York and Baltimore.” Nonetheless, a growing number of merchants and traders in Alexandria argued that the close association between the bank and the insurance company actually decreased the ability of individuals outside the small group of favored investors to obtain credit. Consequently, in 1802 a new, unincorporated bank, the Bank of Potomac, was established to enlarge the pool of credit.52 The same process of expanding the pool of capital to make it available to a broader range of individuals occurred in the insurance business. In 1801 Alexandria broker Henry Moore announced that he was acting as the agent for the United States Insurance Company, a New York firm. More strikingly, in 1803 broker William Groverman established a local unchartered underwriting firm, the Marine Insurance Association, though the size and success of this venture remain unclear.53

Finally, it is reasonable to assume that marine insurance companies contributed to economic growth by lending directly to local merchants and commercial firms. Though no direct evidence of such loans survives (beyond the insurance policies themselves), it is highly unlikely that either company failed to participate in a lucrative practice when it was permitted to do so by its charter. Moreover, such loans were a common feature of the financial portfolios of northern insurance firms—particularly the Insurance Company of North America—upon which the Alexandria and Norfolk firms were modeled.54

52 Shepherd, Laws of Virginia, vol. 2, p. 91; vol. 3, p. 132. By investing in bank stock, Virginia insurance companies were once more emulating their peers to the north; such investments were extremely common among all early national marine insurance companies; see Ruwell, Eighteenth-Century Capitalism, 106. On the interlocking the directorates, see The Times; & District of Columbia Daily Advertiser, 20 and 21 Jan. 1800, which reported the election of new directors to both the Bank of Alexandria and the marine insurance company. Six of the latter firm’s directors—Richard Conway, John Dunlap, William Herbert, John Janney, J. T. Ricketts, and Jonah Thompson—were also directors of the bank. This, too, was a common practice in antebellum American banking, at least in New England; see Naomi R. Lamoreaux, “Banks, Kinship, and Economic Development: The New England Case,” Journal of Economic History 46 (Sept. 1986): 647–68. On the Bank of Potomac, see Crothers, “Banks and Economic Development,” 32–38.


Conclusion

The economic benefits of this small marine insurance company in Alexandria reveal the need for further investigation of the role of marine insurance companies and other financial intermediaries in larger American ports, where they proliferated in the early republic. Philadelphia, for example, was home to eight marine insurance companies and a large number of private brokers and underwriters by 1810, while New York could boast six, and Boston topped the list with fourteen. Numerous other ports, from Maine to New Orleans, established their own companies to provide local sources of insurance and capital. Samuel Blodget claimed that by 1804 there were forty insurance companies of all types in the United States, with an aggregate capital of over $15 million. 55 Certainly, contemporary British merchants and underwriters were concerned that the rapid growth of American insurance companies was threatening Lloyd’s traditional dominance of the market. A series of hearings held before the House of Commons in 1810 was sparked by the belief among some British merchants that there had been “a great increase in the number of foreign insurance companies on the Continent of Europe . . . and the United States of America.” American merchants, it was reported, wished to obtain lower rates, insure “short voyages on the spot,” “retain the profits of their own insurances,” and avoid paying “a commission for having” policies “transacted by others.” But this wasn’t the only attraction of such companies for American merchants. Indeed, most witnesses reported that by 1810 American insurance premiums were actually higher than those that could be obtained in London through Lloyd’s. 56 Ultimately, it was the broader benefits of marine insurance companies as a ready source of capital for economic development that explain their rapid proliferation in American port cities and the rejection of the British model of private underwriters.

Thus, the growth of American marine insurance corporations was at one level a way for neutral shippers to cope with the economic uncertainties and capitalize on the economic opportunities of the Napoleonic Wars. But what is more striking is that American merchants chose the corporate form for these new financial intermediaries because it provided new sources of capital for economic development. More striking still is the fact that Virginia’s merchants, despite being part of a slave economy, responded to this lucrative but unstable economic environment by emulating their northern counterparts and forming their own marine insurance corporations, both to lessen the risk of overseas trade.

upon which the state’s prosperity depended and to create new sources of capital for promoting regional economic development. The financial intermediaries Virginia merchants created thus helped to stimulate the development of the state’s economy in the early national period in at least three ways: they encouraged a higher rate of savings; they provided an additional source of credit for entrepreneurs; and, by helping to stabilize an uncertain commercial environment and permitting direct access to overseas markets, they promoted the development of processing industries and encouraged urban growth. Virginia’s merchants and planters saw little contradiction between their exploitation of unpaid labor and their novel financial institutions. Economic development, they believed, could take place in the context of slavery, and as long as the markets of Europe remained open to the region’s commodities, it did.