Diary of a lifeboat salesman

3 November 1911

My best client, White Star Line, dropped a bombshell on me today. I had been working tirelessly on the lifeboat configuration for their new liner which is due to launch in April from Southampton.

I was hoping that they would order 64 which is the number which the ship is capable of carrying, but they indicated that they would only order 48.

Now I receive a letter saying that they are to carry just 20: 2 wooden emergency cutters, 14 standard wooden lifeboats and 4 canvas lifeboats. They have lost their collective minds!

Unfortunately this is a typical reaction to a loophole in the regulations which allows ships to carry this reduced amount as the number of lifeboats required is based on tonnage and not on passenger capacity.

What possible reason could they give for this insanity you might ask?

They are skimping on lifeboats for the Titanic because:

1) There is a generally held belief that the Titanic is "unsinkable" and that the lifeboats will never be used.
2) Lifeboats take up precious real estate on deck, obscure the view and generally get in the way.
3) Lifeboats don't look good aesthetically!
4) Lifeboats cost money to buy and to maintain. They impact the profitability of White Star Line.
5) Lifejackets are a much cheaper alternative (although it is well known that a person could survive at best for 15 minutes in the Atlantic).
6) Even if the Titanic suffered some calamity it is expected that she would stay afloat long enough for help to arrive since she will be on a well-travelled sea route.
7) There is not enough crew to launch more than 16 boats anyway.
8) This is the standard approach; other large ships are doing the same thing.

Diary of a tail risk manager

30 November 2016

Central banks have conspired to ensure investors have been firmly corralled into the equity and bond markets. Complacency is high, almost as high as valuations.

For example, pension funds, who are generally underfunded, are taking inordinate risk in an attempt to get back to break-even.

My job is to persuade investors that in an unlikely event of the markets suffering a Black Swan event, some protection would come in handy.

Unfortunately I get given the same litany of excuses:

1) There is a generally held belief that central banks have our back as investors and will not let the ship go down whilst on their watch.
2) Tail risk protection causes inordinate explanations at Board and Investment Committee level wasting precious time which could be spent on other more productive activity.
3) Tail risk protection costs in performance every year.
4) We are diversified which should be enough in a stormy environment.
5) Having negative carry funds in a portfolio doesn't look good aesthetically.
6) There will be time and warning enough to sell down our positions.

7) Bonds will come to our rescue.
8) This is the standard approach; other pension funds/asset managers etc. are doing the same thing.

Diary of a lifeboat salesman

15 April 1912

The unthinkable has happened!!!

There were not enough lifeboats as I predicted. Those that were launched only carried about half of their capacity because most people thought there would be enough time for another boat to arrive or that maybe it was a drill!

The ship was overwhelmed much faster than anyone thought possible.

I am racked with guilt that I didn't fight to my last breath with the Captain and the White Star line to make sure there were enough lifeboats in the event of this very occurrence.

Diary of a tail risk salesman

The not-too-distant future

The unthinkable has happened!!!