Insurance Times: History is on the side of region's mutuals As merchants went to sea, farmers ventured to the city and travelers replaced their horses with motorcars, they counted on mutual insurers for protection

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It was June 25, 1914 when fire sparked at a leather manufacturing plant in Salem, Mass. Carlos Faunce watched from two miles away as flames spread quickly across the city fueled by the hot, dry and windy day.

"…In less than a half-hour from the first sound of the alarm, dwellings a quarter of a mile or more from the start of the fire had burned absolutely flat," Faunce, then president of Holyoke Mutual Fire Insurance Company, wrote years later of what he saw.

A day later, Holyoke Mutual staff began processing claims from the catastrophic blaze that destroyed 1,300 buildings, left 15,000 people homeless and caused $15 million in property losses – a tremendous figure at the time.

The account comes from Salem State College Professor John J. Fox's compilation of a history of Holyoke Mutual he wrote to celebrate the company's 150th anniversary in 1993 – Insuring the Future: The Holyoke Mutual Insurance Company in Salem. It illustrates a simple example of why mutual insurers historically formed – to protect member policyholders in times of tragedy.

Today, Holyoke has removed "fire" from its name and offers a diverse selection of coverage beyond its initial roots. But the company's board of directors has resisted the larger trend to change further and demutualize, or reorganize so the company can gain the right to offer stock.

"Our board felt mutual policyholder ownership is … the right way to keep going," said Douglas C. Ryder, Holyoke Mutual's president since 1990.

"That was our tradition and where we came from."

In the beginning

Mutual insurance has a long history in the United States, going back to the founding of The Friendly Society in South Carolina in 1735, according to the Insurance Information Institute.

While the fledgling insurer went out of business five years later, the concept of mutuality continued to grow. And even though the overall number of mutual insurers has declined in the wake of demutualizations and mergers, the mutuals that remain continue to flourish, industry insiders say.

The reason for their success stems in part from a mutual insurer's basic concept, said Robert Hartwig, vice president and chief economist of the Insurance Information Institute.

"Historically …. Most (insurers) were mutual in origin," Hartwig said, "because what you got together was a group of people or businesses that had something in common.

"They recognized the fact that if you pooled risk the likelihood that an adverse effect would put anyone out of business was diminished."

Many property mutuals like Holyoke and Quincy began their existence by simply offering fire protection for property and business owners.

Other companies like Atlantic Mutual originally covered ships and marine trade, or, like MassMutual, began operations as a life insurer.

A group of New York City ship owners formed Atlantic Mutual in 1842 to give themselves improved insurance protection, according to the company Web site.

Atlantic Mutual claims to be the oldest mutual marine insurance company in America.

At first, Atlantic Mutual insured merchant sailing ships as they traded throughout the Far East, the West Indies and South America. Atlantic Mutual also insured the Titanic and the Andrea Doria, according to the Web site.

Today, Atlantic remains a mutual insurer but with a national reach offering lines including commercial, marine, surety and property casualty.

MassMutual Financial Group began its history 150 years ago in Springfield, Mass. as the Massachusetts Mutual Life Insurance Co.

Writer J.F. Fenster details the company's history in an article featured in the June 2001 edition of American Heritage magazine.

George Washington Rice, a Springfield entrepreneur, founded the company after working for Connecticut Mutual Life Insurance Co., one of many mutual start-ups at the time.

Fenster cites legend that Rice launched the company in Springfield "partly out of a feeling of rivalry with Connecticut common to southern Massachusetts in those days.

"He didn't see why Hartford should have two insurance companies (Aetna and Connecticut Mutual) while his hometown had none," Fenster wrote.

The era saw increasing change as farmers left their livelihoods to take jobs in the city. Rice formed Massachusetts Mutual to tap into this market and give workers a means to care for their families if they did, according to a 150th-anniversary publication released by the company this year.

Rice died unexpectedly, according to MassMutual, so his cousin, Caleb Rice took over and served as the company's first president.

Within a year, according to the company's historical timeline, MassMutual had 341 life insurance policies in force worth more than $370,000.

The company paid its first claim -- $1,000 – out to a man who died on a ship heading to San Francisco to look for gold.

Within five years, Massachusetts Mutual had opened offices in 12 locations in Massachusetts, Rhode Island, Portland, New York, Ohio, Illinois and Michigan.

Today, the company calls itself MassMutual Financial Group with more than 8.5 million clients including policyholders, $15 billion in annual revenues and over $220 billion in assets under management.

Its business divisions include OppenheimerFunds, Bermuda-based MassMutual International, and MassMutual Trust, a federal savings bank.

Among the company's more high-profile actions in recent years? MassMutual helped save New York's Chrysler building in the late 1970s and spearheaded a multi-million dollar renovation project.

Former rival Connecticut Mutual became part of MassMutual in 1995 when both companies merged.

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Quincy Mutual Fire Insurance Company formed 150 years ago, in 1851, and like Holyoke Mutual, offered fire protection to member policyholders.

"The only peril that companies back then typically insured against was peril of fire," said Kevin Meskell, Quincy Mutual's executive vice president.

The company's seal contains a Latin message that refers to Quincy's early philosophy.

"We leave the rest to fate," Meskell said is the rough translation.

Quincy kept its original name, but has diversified its product line over time to include homeowners, automobile, personal umbrella liability, boat and personal property (individuals and business owners).

Today, Quincy remains a mutual insurer but has grown in financial strength.

Quincy Mutual expects to finish 2001 writing $230 million in premium, Meskell said, writing 280,000 policies in the New England states plus New York and New Jersey.

In recent times, Quincy has pursued expansion plans of its own, however.

In 1997, Quincy purchased Patrons Oxford Insurance Company in Maine. Patrons was a mutual but has since been reconstituted as a stock company that writes business just in Maine. Quincy owns all the stock, Meskell said.

In addition, Quincy launched a reinsurance operation in London, England a few years ago and also opened a branch office in New Jersey.

As well, Quincy mutual purchased the Burgin Platner and Hurley insurance agencies in Quincy, merging them into a larger agency.

With 300 employees and 500 agencies working with Quincy Mutual, Meskell said the company plans to stay mutual for some time to come.

At the end of the year, he said, "we will probably have something just shy of $400 million of surplus and that's a very adequate level of surplus for a company of our size to do the things that we'd like to do."

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P.T. Barnum – the famed showman and circus operator – added a dash of flair to Middlesex Mutual's early history.

Barnum, who was from Bridgeport, Conn., served on the Middletown, Conn. company's board of directors from 1884 through 1892.

A centennial history of the company published in 1936 and compiled by N.E. Davis – with a low-key approach -- only hints at that element, however.

The account says Barnum "brought an interesting perspective to the board," as well as "a good deal of levity," said Middlesex Mutual CEO Jim Matschulat.

Barnum aside, however, the Middlesex Mutual Assurance Co. focused on a conservative business philosophy for much of it history.

The personal lines mutual began writing automobile insurance only in 1986 and has pursued expansion just in the last decade.

The company, Matschulat said was "firmly rooted in the land of steady habits."

Hartford, Conn. developed as the state's center of commerce in the 1800s, and business leaders launched a number of insurance companies there to take advantage of the growing economic life.

Hartford's boom essentially planted the seeds for Middlesex Mutual's birth, said Matschulat, CEO for 18 years.

Middletown, Conn.'s business leaders formed the insurer in 1836 so their community could have its own insurance company, too, Matschulat said.

"They felt the need to have a company of (their) own."

In its first century, company managers watched as major disasters like the San Francisco, Chicago and New York fires hit and taxed the resources of larger insurers in nearby Hartford.

Middlesex Mutual's board of directors reacted accordingly by remaining conservative and keeping their focus on insuring homes and small businesses, Matschulat said.

The company now writes about $100 million in annual direct premium and offers homeowners, private passenger auto, small pleasure craft, main street commercial, contractors and small habitational exposure business.

Today, Middlesex Mutual conducts business well outside of its boarders, having expanded into Maine, Vermont and New York. Future plans call for expansion into Massachusetts, Maryland, Delaware and Pennsylvania, Matschulat said.

All of this growth is possible because of Middlesex Mutual's creation of a reinsurance pool with Country Companies Group in Bloomington, Ill. in 1998.

"Middlesex Mutual on its own would not have been able to spread its reach geographically or (develop) new niches," Matschulat said. "But with the strong strategic, operational and financial support we received from the pool we're able to live our strategic dreams."

Small mutuals and other similarly sized insurance companies used to be able to achieve adequate premiums or spread of risk largely on their own, Matschulat said.

But today, with a global economy and increased mergers and consolidation, smaller companies can no longer do so on their own, he said.

That's why Middlesex Mutual joined the Country Companies, pool, he said. Demutualization or converting to mutual holding companies may be two options for mutuals to raise cash and expand, he said.

But the Country Companies' pool helped Middlesex address its premium and risk needs as well as expansion without having to change its corporate status.

"Sound strategy, sufficient resources and cogent leadership is not a monopoly held by stock companies," he said.

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Holyoke Mutual began in 1843, in the back of John S. Williams' law office in downtown Salem, according to Fox's history of the company. He also served as Holyoke's first president, from 1843-1848.

Holyoke issued three of its first four policies to Williams, and the fourth went to resident Stephen Osborne, Fox said.

Williams and other founders named the company as a tribute to Dr. Edward A. Holyoke, one of Salem's early 18th-century residents and "most prominent citizens."

Holyoke was born in 1728 and attended Harvard at age 14, according to the company's history listed on its Web site: www.holyokemutual.com.

The Salem doctor lived to age 100, ran his medical practice for 80 years, and "understood the strong value of community," according to the Web site.

He also stayed very close to home.

"In fact, Dr. Holyoke never once traveled more than 50 miles from Salem in his lifetime," according to the Web site.

Holyoke Mutual focused almost solely on personal and small business coverage in the beginning. But the company dropped "fire" out of its title in 1975 after entering the auto market, thus reflecting its more modern and diverse product focus.

Today, the company also offers homeowners, automobile and commercial insurance. Holyoke does business in New England and New York, has 92,000 policyholders and $70 million in written premium.

But the company has essentially stayed the same course, with some occasional twists and turns to accommodate a changing market along the way.

In 1958, Holyoke Mutual merged with Salem Mutual Fire Insurance and the company helped run off the policies of a failed competitor a decade before.

In the 1990s, Holyoke formed a pooling affiliation with Country Companies Group, joining Middlesex Mutual in preserving mutuality but also taking advantage of a pool with more than $1 billion in writings.

That arrangement gave Holyoke the means to ink a marketing arrangement with North Country Insurance Company in

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, N.Y. – a small regional mutual.
“We would not have been able to do that without Country Company’s backing,” said Susan Cook, Holyoke’s assistant vice president/marketing department manager.
Ryder said Holyoke plans to keep growing and “will review any strategic opportunity that comes along,” but through the “quality of our own products and services” rather than “mergers and acquisitions.”
The board of directors decided a long time ago that any growth will come within the context of mutuality, Ryder said.
“As a mutual,” he said, “you’re under much less pressure quarter to quarter for performance. You can take a longer strategy that may not really be profitable for a little bit of time.”
Stock companies, he said, “are traded under much more pressure in making their plans and setting their strategies.”
Mutuals, he said, offer the best of both worlds.
“While most mutuals want to grow,” he said, “you can (still) maintain that small company, high-service kind of attitude without feeling high pressure that you have to do something about it.”
Mutual insurers, he said, “can stay that way and continue to serve agents and insureds very satisfactorily.”