

Weathering the Years: Insurance in Oregon



Oregon storms that caused the most property damage, based on insured losses

- **Columbus Day Storm (Oct. 11-13, 1962): \$391 million in 2008 dollars**
Still the granddaddy of windstorms, gusts reached 116 miles per hour in downtown Portland. Cities lost power for two to three weeks. Property losses amounted to \$55 million in 1962 dollars.
- **Floods and wind (Dec. 11-13, 1995): \$113 million in 2008 dollars**
Wind gusts topped 60 mph in the Willamette Valley. Hundreds of thousands lost power. Dubbed the *storm of the year* by the state climatologist.
- **Floods and wind (Dec. 2-4, 2007): \$73 million in 2008 dollars**
Hurricane-force winds with heavy rain and flooding wreaked havoc in coastal communities. All east-west highways from the Willamette Valley to the coast were closed by downed trees or flooding. Several thousand structures were damaged or destroyed in Clatsop and Tillamook counties alone.
- **Floods and wind (Feb. 8-10, 1996): \$62 million in 2008 dollars**
Days of Pineapple Express rains melted heavy snow packs and flooding submerged the downtowns of Oregon City and Tillamook and prompted disaster declarations in many counties. The Willamette River came within inches of topping its seawall and entering Portland's downtown Tom McCall Waterfront Park.
- **Floods and wind (Dec. 14-15, 2006): \$53 million in 2008 dollars**
This windstorm left more than a quarter million PGE customers in Oregon without power. Gusts at the coast topped 100 mph.

Source: ISO Property Claim Services, a New Jersey-based company that supplies catastrophe loss data to property/casualty insurers and other industry groups. These figures are for insured property losses and don't include, for example, damage to infrastructures such as roads and bridges, the costs of cleanup, or the cost of uninsured losses. Since flooding isn't covered by most policies insuring property, the ISO generally doesn't report damage by floods unless other factors – such as windstorms – are involved. The ISO has kept property loss data since 1949.

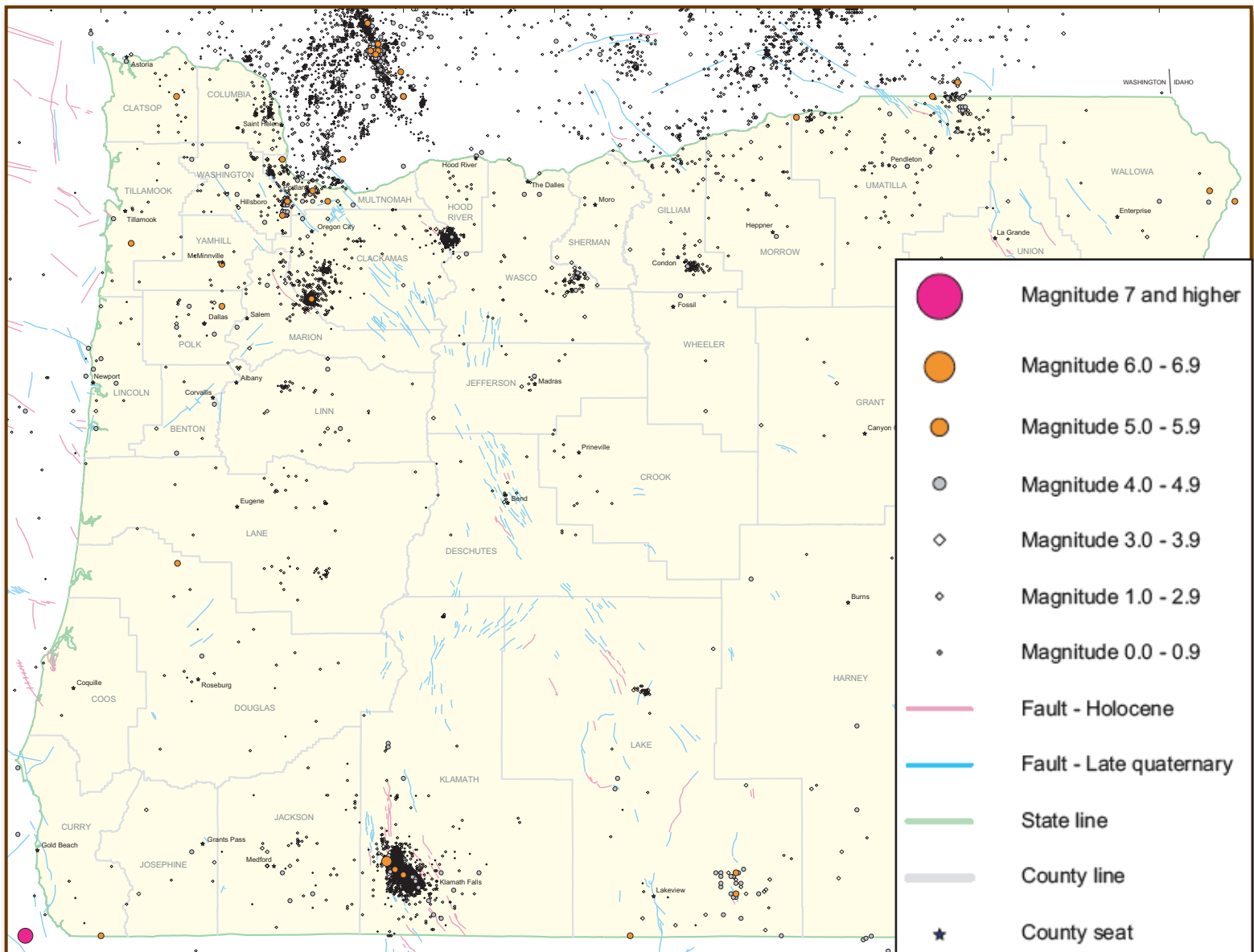
Risk for a major earthquake: The future concern

The Oregon Department of Geology and Mineral Industries produced this map to show earthquakes in Oregon from 1841 through 2002. The state's most active areas are Portland and Klamath Falls.

About 20 percent of Oregonians carry earthquake insurance, according to 2009 data from the Oregon Insurance Division. Earthquake insurance is not part of homeowner policies and must be purchased separately. Find information about earthquakes and insurance at http://www.insurance.oregon.gov/consumer/consumer-tips/4845-5_earthquakes.pdf.

To see a large-scale view of the color-key detailing of the Oregon map below, go to

<http://www.oregongeology.org/sub/earthquakes/eqEpicentermap.htm>.



Brief histories:

Some of Oregon's oldest surviving insurers

Verboort farmers still insure themselves against fire

Back in 1902, a group of Catholic farmers formed the Verboort Benevolent Society of Oregon to help each other out in case of fire. More than a century later, the Hillsboro-area organization still insures farmers and a few others against fire.

"We're kind of proud of it," Pres. Gary Vandehey said.

The organization provides fire coverage to about 150 members. Vandehey, a retired green-bean and blueberry farmer, has served as president of the Verboort Benevolent Society for more than 20 years. He is a descendant of the Dutch families that founded the Verboort community between Forest Grove and Hillsboro in the late 1800s.

Insurance operations are straightforward. Vandehey keeps paperwork in a piece of luggage and a cardboard box. The other officers also have copies, so if one house burns down the paperwork isn't lost. The single-page policy states the basics: How much a barn is worth, how much a house is worth, and so on. The bylaws are written on the bottom.

If premiums on the three-year policies don't cover all the losses, members are assessed based on the amount of coverage they purchase. Most buildings aren't of commercial size.

"We've had fires but no major ones lately," Vandehey said.

Although the community may best be known for its annual sausage and sauerkraut festival, the Oregon Insurance Division knows Verboort as home to one of the last fire insurance entities of its kind.

Back in the mid 1960s, Verboort was exempted from most of the Insurance Code requirements, along with other "patrons of husbandry associations" that

had continuously provided fire insurance since at least 1942. That exemption no longer exists, meaning other homespun operations are unlikely.

Despite the exemption, the Insurance Division annually reviews the Verboort Benevolent Society financial statement, which typically involves a few pages of numbers.



Verboort farming community

If fire strikes, Vandehey and the other two officers inspect the loss and pay the claim. They earn \$15 an hour and get reimbursed for mileage. No one gets a salary but officers earn \$35 for attending board of directors meetings where homemade desserts are served. The annual meeting in February is open to all. Members who have a question about their fire insurance call Vandehey or one of the other officers.

"It's about as close to home as you can get," Vandehey said. 

Sublimity Insurance Company

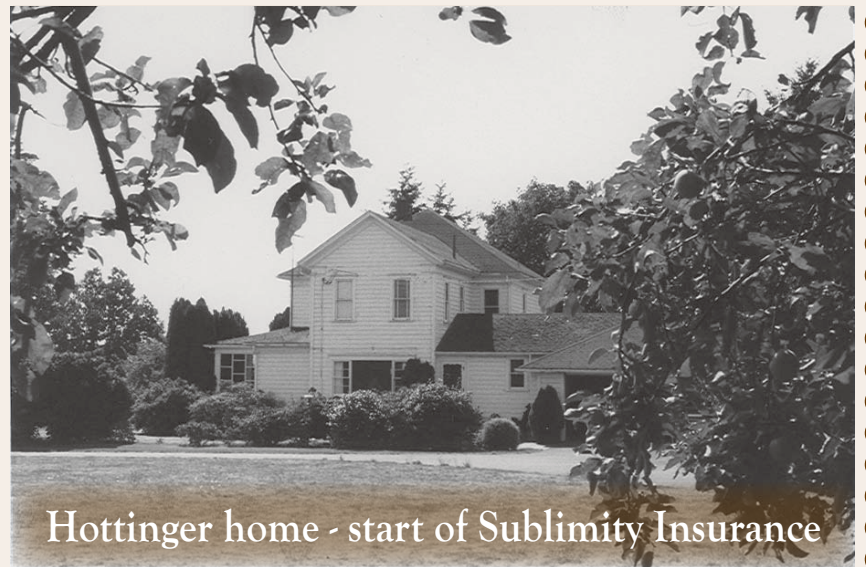
In 1896, Sublimity-area farmers formed the Farmers Fire Relief Association of Sublimity to protect “property against fire and lightning upon just and reasonable terms.” By year-end, 26 policies had been issued for an average annual premium of \$1.40. Fifty years later (1946), Fred Hottinger, son of the company’s founding president, oversaw operations. When the Columbus Day Storm hit on Oct. 12, 1962, Fred loaded his pickup truck with shingles and drove to local policyholders, asking how many they needed. Sublimity survived the storm, unlike several other small mutual carriers that were founded during the same era and couldn’t overcome losses.

Sublimity Insurance milestones


- 1896:** The Farmers Fire Relief Association of Sublimity forms as a mutual insurance company, operating in the home of its first president, Charles Hottinger.
- 1954:** The company is renamed Sublimity Fire Insurance Company.
- 1967:** After 71 years in the Hottinger home, the company moves to its present location at 100 SW Sublimity Blvd.

1972: The company is renamed Sublimity Insurance Company.

1986: Sublimity adds automobile insurance.



Hottinger home - start of Sublimity Insurance

- 1991:** The company enters Idaho.
- 1995:** Rick Budke is named president and CEO (the fifth president in the company’s history).
- 2003:** Sublimity merges with United Heritage Financial Group, of Meridian, Idaho.
- 2007:** The company enters Utah. 



Sublimity Insurance today

The Standard

When The Standard founder, Leo Samuel, settled in Portland at the turn of the 20th century, timber was king and the jobs were dangerous. Injuries were commonplace and injured workers couldn't turn to Social Security or workers' compensation for help. Samuel formed the Oregon Life Insurance Company in 1906 to help meet the needs of local customers. At the time, most insurance companies were located on the East Coast. Today, The Standard employs more than 3,400 people in offices nationwide and is the largest private employer in downtown Portland.



The Standard milestones

- 1906:** Oregon Life Insurance Company is founded by Leo Samuel.
- 1912:** The Titanic sinks; Oregon Life pays a \$3,000 benefit to the infant daughter of Titanic passenger Herman Klaber.
- 1916:** Leo Samuel dies and is eulogized in The Oregonian by editorialist Ben Hur Lampman, who credits Leo's fondness for sharing his roses as the foundation for Portland's nickname, "The Rose City." Oregon Life Insurance Company has \$10 million of in-force premium and \$1 million in assets.
- 1929:** Oregon Life becomes owned by policyholders and changes its name to Oregon Mutual Life Insurance Company.
- 1939:** Oregon Mutual Life Insurance Company agents begin selling annuities.
- 1946:** Oregon Mutual changes its name to Standard Insurance Company.



Standard Insurance - 1946

- 1950:** The company's first weather beacon is installed on the Stevens Building roof at SW Park and Washington.
- 1951:** Standard sells its first group policy to the Oregon State Police and Penitentiary Guards.
- 1952:** Standard Insurance Company sells its first individual disability policy.
- 1963:** Standard Plaza is built. Today, it's one of the downtown Portland buildings housing the company's home office. The company has \$1 billion of in-force premium and \$100 million in assets.

Standard Insurance Center, downtown Portland



- 1982:** Standard Insurance Company introduces its 401(k) products.
- 1999:** Standard Insurance Company demutualizes; StanCorp Financial Group, Inc., the holding company of Standard Insurance Company, begins trading on the New York Stock Exchanges as SFG and begins marketing itself as The Standard.
- 2006:** The Standard celebrates its 100th anniversary with volunteer activities nationwide and the creation of The Standard Charitable Foundation.
- 2008:** The Standard's Tannasbourne Campus Office Building in Hillsboro receives Leadership in Energy and Environmental Design (LEED) gold-level certification for environmentally sustainable construction. The company has \$2.1 billion of in-force premium and more than \$14 billion in assets.
- 2009:** The Standard celebrates its 10th anniversary on the New York Stock Exchange. The Standard is Oregon's third-largest, publicly traded company. 

Oregon Mutual Insurance Company

McMinnville businessmen who were disenchanted with the cost of insurance coverage and wanted a company that would be owned by policyholders formed the company, then known as the Oregon Fire Relief Association, in 1894. Initially, former hardware store owner Frank J. Martin rode his bicycle around the county selling policies. He sometimes accepted eggs and chickens, instead of money, to pay for the coverage. Early on, when losses exceeded company funds, policyholders were assessed to make up the difference.

Oregon Mutual milestones


- 1894:** The business is formed as the Oregon Fire Relief Association with \$300 in assets. In six months, 320 members sign on.
- 1896:** Oregon Fire incurs its first insured loss – a \$700 fire loss paid to J.C. Richards. Treasurer Charles Grissen borrowed money on a personal note to pay the entire loss rather than a portion as some had urged.
- 1913:** The company enters the California market.
- 1922:** The company builds a new structure at Fourth and Davis streets for \$63,000. Meanwhile, an Astoria fire destroys 34 blocks, testing the company's strength. The company president and two claims personnel adjust all of the claims. The total damage reaches \$43,000. Because the bank is destroyed in the fire, insurance claims are paid in cash and delivered in person.
- 1923:** The company offers private passenger automobile insurance.
- 1925:** The company enters Idaho.
- 1926:** The company enters Washington.
- 1930:** Oregon Mutual Fire Insurance Company becomes the new name.
- 1955:** "Fire" is removed from the company name. Oregon Mutual Insurance Company adds liability insurance to its offerings.
- 1959:** The company pays more than \$800,000 claims as a result of a major explosion in Roseburg. The blast blows up seven downtown city blocks and kills 14 people. It starts when a fire inside a building supply company ignites dynamite and other explosives loaded on a delivery truck that is parked in front of the building.



- 1962:** The company weathers the Columbus Day Storm despite 11,000 claims that result in more than \$4 million in payments. Claims are so numerous that, often, roof damages are measured, estimated, and paid immediately in cash. Several customers replace roofs for less than their insurance payments and return money to the company with a "thank you."
- 1987:** Western Protectors Insurance Company is established as a wholly owned subsidiary, offering automobile insurance in Idaho, Oregon, and Washington, and homeowner insurance in Oregon and Washington.
- 1994:** The company celebrates its 100th birthday by opening a time capsule set in the cornerstone of the building, which was erected in 1922.




Oregon Mutual today

- 2005:** New corporate headquarters are constructed at 400 NE Baker St. The new quarters connect to the historic building at Fourth and Davis streets. 


First American Title Insurance Company of Oregon

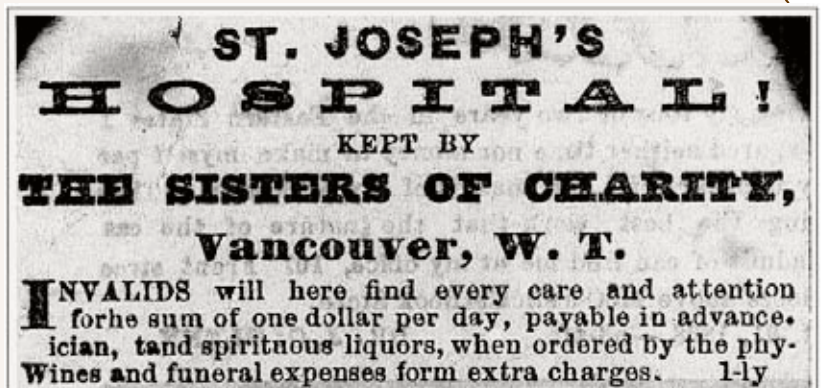
Started in 1937 as the Abstract and Title Insurance Company and operating primarily in Multnomah County, the company's growth spurt began in 1966. That's when the stock was acquired by a small group of people who were previously with another company. The new owners constructed title plants for Washington and Clackamas counties and began acquiring agents for other counties. Title plants are an index of records about properties; they provide a record of property ownership and other matters affecting the title. At the time, the Oregon Land Title Insurance Association inspected and approved title plants. They are now approved by the Oregon Insurance Division.

First American milestones

- 1937:** The business incorporates as Abstract and Title Insurance Company
- 1957:** Drops "abstract" (a history of transactions affecting a tract of land) from its name
- 1966:** Top company salary is \$20,000
- 1968:** Purchased by California-based First American Title Insurance Company.
- 1979:** Starts using the assumed business name of "First American Title Insurance Company of Oregon," which is more in line with parent company.
- Today:** The company has direct operations in 19 of Oregon's 36 counties and agencies that issue policies in 15 others. 

Other Oregon insurance histories

- State Farm started issuing automobile policies in Oregon on April 1, 1930, eight years after the company was founded in Bloomington, Ill. By the end of that year, the company had 765 auto policies in force in the state.
- Probably the first policy issued by Northwestern Mutual in Oregon was No. 35488, a \$5,000, 10-year endowment contract issued in June 1868, on the life of John Gates. Gates was a machinist with the Oregon Railroad & Navigation Company and later became Engineer-in-Chief of his company and then mayor of Portland.
- In 1945, 12 years after it was founded in Eugene, Pacific Hospital Association (later named PacificSource) insured 4,500 working men and women at a cost of \$2 per month. — *PacificSource Health Plans*
- Oregon Physicians' Service (OPS BlueShield) was formed in 1941 when local doctors contracted with logging camp and sawmill owners to provide medical services to the workers. Northwest Hospital Service was incorporated the same year and later became Blue Cross of Oregon.
- In 1869, when the Sisters of Providence invited people to pay \$1 a day in advance for medical care, no one could have known how revolutionary and forward-thinking this was. Today, more than 150 years later, Providence Health Plans continues the work of its founders — helping to provide access to health care in all the communities we serve. 



Sisters of Providence ad in 1869

Oregon Insurance Division: A snapshot

- **The very beginning:** Insurance regulation starts July 1, 1887, with the Secretary of State as the ex-officio insurance commissioner.
- **Birth of a department:** The Department of Insurance is born Feb. 24, 1909, and not a day too soon. The 1909 Legislature creates the department with an emergency clause so it can tackle problems of the day. The preamble to the insurance code notes that numerous insurance companies are doing business in Oregon without authorization, thus escaping taxes. Also, property owners can't get sufficient insurance and the few companies that are in Oregon "have entered into an unlawful combination by which they are able to enforce such rates as they may agree upon..."
- **The family tree:** The Insurance Department becomes a division of the Department of Commerce in 1964. In 1987, it becomes part of the Department of Insurance and Finance. And, in 1993, it becomes a division of the Department of Consumer and Business Services (DCBS), where it remains today. The department is Oregon's largest business regulatory agency. The DCBS director is Oregon's insurance commissioner; an Insurance Division administrator provides policy direction and manages daily operations.
- **First insurance commissioner:** Sam A. Kozer, formerly deputy in the Secretary of State office, becomes the state's first insurance commissioner 1909. His salary is set at \$3,000 a year.
- **First woman insurance commissioner in Oregon:** Josephine M. Driscoll is appointed insurance commissioner on Dec. 7, 1981. In 1986, she also becomes the first woman president of the National Association of Insurance Commissioners (NAIC), which was founded in 1871 to coordinate the work of the state insurance commissioners.
- **Funding:** The Insurance Division generates its operating revenues from fees and assessments on those it regulates.
- **What we do:** The Insurance Division protects consumers and ensures the financial soundness of insurance companies. In 2008, the Insurance Division's staff of 90:
 - » Received approximately 4,000 consumer insurance complaints and fielded 15,000 questions.
 - » Recovered nearly \$2 million for consumers it helped with insurance problems.
 - » Completed 14 detailed financial exams of insurers in addition to monitoring financial solvency of insurers authorized to do business in Oregon.
 - » Licensed and monitored nearly 92,000 resident and nonresident insurance agents and agencies.
 - » Protected consumers from insurance companies and producers that violated the insurance code by closing 983 investigations that resulted in 84 enforcement actions. As a result of these actions, nearly \$1.9 million was recovered for consumers and more than \$716,800 in civil penalties was collected and deposited into the state's General Fund.
 - » Received more than 43,000 insurance forms of one type or another to review for consumer protection. The division also received more than 1,600 insurance rate filings.



Insurance advocates help consumers

Ethics in life insurance

The Oregon Insurance Division alerts the insurance industry to ongoing issues through various communications such as bulletins and, formerly, circular letters. This circular to the industry offers a straight-forward example.

January 29, 1920

Dear Sirs:

The various life insurance companies, through their National Associations, have all united on a code of ethics to be applied to the transaction of their business with the public.

The National Convention of Insurance Commissioners has endorsed the same code for the guidance of its members in dealing with matters relating to the ethical side of the life insurance business. Good practices are essential to maintain the dignity of the business before the public and are required by the laws of most states for the protection of their citizens.

We desire to be rid of all agents whose practices are not up to the standard set by the adopted code of ethics and cannot doubt your willingness to cooperate in this matter, - they should have no place in the life insurance of today. To that end will you not carefully examine your list of Oregon agents before submitting same to this department for renewal? If there are any whose qualifications are in doubt, drop them now and save both of us further trouble.

Yours respectfully,

A.C.Barber

Insurance Commissioner

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