

Mutual Matters

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No matter the method you choose to consume the news these days, it's not hard to see, hear, or read that our country is more divided than it has been in a long time. It seems as if the question "Why can't we all just get along?" is as far from many Americans' minds as New York is from California.

We're lucky that not everyone has pushed the Golden Rule to the back of their minds. There are people — and business sectors — where striving to work together and do what is right for the majority is alive and well. The mutual insurance industry is among those doing unto others as they would have done unto them.



Forming relationships and doing what is good to maintain them has been at the forefront of mutual insurers' priorities since the first company came into existence more than 260 years ago. The examples run rampant within the NAMIC membership. We've included just a few.

Cumberland Mutual Insurance Company

When Cumberland Mutual Insurance Company got its start, it didn't even have a headquarters. The founders would get together at Davis Hotel, which was in

the middle of the company's hometown of Bridgeton, New Jersey, at the school house, or at Potter's Tavern.

"So you know there were a couple of relationships built there at the tavern," **Paul Ritter**, Cumberland Mutual's president and CEO, says. "Back then, relationships were built over cider and ale, which were the drinks at the time."

The company has been a huge part of the Bridgeton and Minerva County communities, building and strengthening more than just insurance relationship for the past 175 years. Not long after its founding, Cumberland Mutual not only

served as an insurance company, it acted as the town's fire department as well. The company has long since passed along those duties, but it solidified its integrity and importance to the community.

Ritter says he doesn't look at insurance policies as business transactions but as partnerships. "You test those relationships when you go through catastrophes, like we did with Hurricane Irene and Superstorm Sandy," Ritter recalls. "We really pulled together as a team. Employees in underwriting and billing helped in the claims department so we could take care of policyholders as quickly as possible. Of course, we worked

many hours of overtime to make sure that we helped everyone who was in need during those events.

“The way I look at it, our relationships are part of a four-legged stool,” Ritter continues. “We have the policyholders, agents, employees, and the community. We’re not just a business, we’re a service organization.”

American Mutual Insurance Association

While the mutual insurance industry is one many people choose as their long-term careers, it does require a bit of a learning curve for those just starting out in the business. **Mark Schmidt**, American Mutual Insurance Association’s secretary/treasurer, found this out six years ago when he joined the small-town mutual and then again when he assumed his current title two years ago.

“What I understood about the mutual industry, I learned from my father,” Schmidt says. “He has been on the board here for ... I can’t remember how long ... but it’s been a long time. He told me about a job opportunity here, and all I really knew was it was a small, local insurance company.”

He learned quickly, though, about the value of relationships within the mutual industry and the importance of close partnerships with third parties, agents, and customers.

American Mutual’s technology and reinsurer partners have kept the company on track for growth and allowed it to offer policies it would not have been able to make happen alone. While those relationships are close, the ones with agents and customers are even tighter.

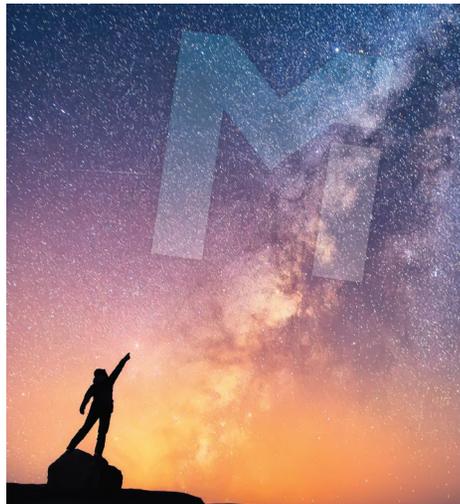
“We know and see each other socially as well as from a business partner perspective,” Schmidt says about the fewer than a dozen agents his company works with. “They know the area we write in. They know our customers.

“Our customers are our neighbors and our friends,” he continues. “We’ve hired more

employees who are from right here in the community. This is more important than just being an insurance business. It’s about being a part of a community and giving back to the communities we are part of.”

Northern Finnish Mutual Insurance Company

Much like American Mutual’s Schmidt, **Kathy Beach** didn’t know much about the mutual industry when she joined Northern Finnish Mutual Insurance Company in 1992. But as she moved up from her original position to co-manager and then to manager, her knowledge of and appreciation for mutuality grew. “The connections are fantastic. I am a people person,” she says. “So, it just fits.”



Beach admits she’s seen the policyholders’ knowledge of the mutual concept dwindle as their average age has become younger. “For a lot of them, it’s more about the price,” she says. “The price aspect often means more to them than the fact that we’re a small, local company that can fit their unique needs and will be there for them when they need something.”

Not long ago, though, Northern Finnish was able to put the “there-for-the-policyholders-when-they-need-something” aspect to use for a particularly tricky claim. The matter took a lot of communication between the company, the agent, and the insured, “but we were able to come to

an agreement that we, the agent, and, most importantly, the insured found to be positive,” she explains. “I’m not sure the same thing would have happened in a stock company.

“We can look at a claim, really talk to one another, and come up with a solution,” she continues. “I think that is an advantage for us. People will remember that.”

Being able to leave that impression is vital. “Just being here for as long as I have, I can tell,” Beach says. “I could tell going from co-manager to manager, that’s what has really hit home ... our customer service. We need to be customer-service oriented and work with agents and policyholders, and we can because of the environment we have.”

Constellation, Inc.

It was just about a decade ago when MMIC Insurance executives began questioning why the organization operated under a stock company structure when its mission aligned better with those of its mutual counterparts.

“We pay dividends to our policyholders and really focus on and serve [them]. Even though the company was a stock company, all of our stock was owned by policyholders,” explains **Bill McDonough**, Constellation’s president and CEO. “There wasn’t a good answer to the ‘Why are we a stock company?’ question.”

McDonough says it became evident that formally reorganizing to a mutual insurer with a mutual holding company was the correct strategy.

“We’re in a market space that is a little unique in that we provide medical professional liability to the health care community,” McDonough says. “There are probably forty companies across the country that are similar in mission.

“We thought it made sense to form a mutual holding company so we could bring companies together to increase scale and share resources such as technology, finance, reinsurance, and other things,” he continues.

Three companies have since joined with MMIC, and each is looked at as a partnership rather than a merger. "We want each individual company to continue to operate in its market," McDonough says. "The success we've had is enough of a track record for others to see how these relationships can work and how the company has grown."

It has been important for the companies involved to tout their mutuality. One way they did this was by creating a unique name for the group. "When we were talking about what we wanted the organization to be, the name Constellation popped up," McDonough explains. "We wanted to be a collection of companies, like a collection of stars coming together for policyholders."

"Part of why we've done all of this is really what NAMIC is all about," McDonough comments. "The tagline we use is 'Together for the common good.'"

ClearPath Mutual Insurance Company

Perhaps the youngest mutual on the books, ClearPath Mutual Insurance Company, under its current name and structure, will celebrate its second anniversary this year. And while transforming from a self-insured workers' compensation fund to a mutual insurance workers' comp carrier was a clear path — hence the name — for the company's decision makers, everyone with a stake in the company is still learning the day-to-day aspects of what it means to be a mutual.

Therefore, one of ClearPath Mutual CEO **Jeff Borkowski's** goals is to help educate people about the mutual concept. At the beginning of the restructuring, what was at the top of peoples' minds was "making sure we were going to provide the same services as we did as KESA [the company's old name]", Borkowski says. "Agents and insureds were more concerned about whether they would

have the same quality of underwriting, claims, accounting, and loss prevention. I say it is going to be better. Plus, we won't have to fight as we had to when we were a self-insured fund to overcome issues such as joint and several liability and the potential for an assessment."

Now that ClearPath stakeholders are beginning to understand that the change is for the better, Borkowski says he wants to play up the mutual aspect of the company. "I have been with more mutual companies than stock, and mutuals have a better relationship with agents and insureds," he says. "That is something we should be promoting so that everyone understands the value of having a partner like a mutual insurance carrier, that having an insurer like ClearPath Mutual impacts their long-term future." 



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