

Insurance Comes to Iowa

Insurance is one of the most stabilizing influences in modern business and one of the most effective methods of socializing economic risk. It is not a phenomenon of recent development. It is an old institution of gradual evolution through the years. It had its origin in ancient maritime trade. It came to America with the Pilgrims, crossed the Alleghenies with the oxcart and the prairie schooner, and came into Iowa with the pioneers. The first insurance in Iowa was fire insurance, in response, no doubt, to the most obvious need.

On December 16, 1837, while Iowa was still a part of Wisconsin, the *Wisconsin Territorial Gazette* contained the following item: "Wednesday last was a sad day for Burlington, and long will it be remembered in sorrow. Its matin light opened upon the ruins of the fairest portion of our village; and now the Capitol, and five of our best store houses, and two groceries are piles of smouldering ruins." This was descriptive of the fire which four days earlier had burned the capitol building and caused great loss to the town of Burlington.

Disregarding prairie fires, it was the most dis-

astrous conflagration that had yet occurred in the Iowa country. Shocked by the calamity, some property owners decided to prevent the recurrence of such a catastrophe. In the same issue of the *Gazette* this notice appeared:

FIRE! FIRE!

Recent events have painfully admonished the citizens of Burlington, of the urgent necessity of taking immediate steps to prepare for the occurrence of fire. They are therefore respectfully requested to meet this evening at 7 o'clock, at the Wisconsin Hotel, for the purpose of considering the proper steps necessary to be taken in the premises.

At the town meeting held in compliance with this notice, George W. Kelley was named chairman and John M. Garrigues was appointed secretary. A resolution was adopted for "the immediate formation and organization of a fire company" to be known as the "Fire, Hose, Hook, and Ladder Company", and James W. Grimes, Morton M. McCarver, and J. B. Webber were named as a committee to solicit membership in the company. John S. David, George H. Beeler, G. W. Cook, G. W. Kesler, George Temple, and Amos Ladd were appointed to raise funds for the purchase of equipment. Moreover, it was recommended "to every house keeper, shop keeper, and others, to procure as early as practicable at least two good

leathern buckets, to be hung up in a convenient place, for immediate use, in all cases of fire." Another resolution named David Rorer, Charles Mason, and Mr. Dickinson on a committee to urge the legislature to pass a law "incorporating the Burlington Fire Company".

Impressed with the necessity for protection against such serious losses by fire, a group of business men proposed to organize an insurance company. On January 10, 1838 — less than thirty days after the burning of the capitol at Burlington — Representative David R. Chance introduced in the Legislative Assembly a bill to incorporate the "Iowa mutual fire insurance company at Burlington". This measure passed both houses of the Assembly with little delay and became a law on January 19, 1838.

The twelve incorporators of this company included some of the most prominent men of Des Moines County: George H. Beeler, Jesse B. Webber, Nathaniel Chase, Jonathan Morgan, James W. Grimes, Levi Moffatt, George W. Kelley, William Janes, Amos Ladd, Isaac Leffler, David Rorer, and John H. Randolph. These men, together with all persons whose property was insured by the company, were constituted "a body corporate and politic in fact and in name".

Having established the corporation in the first

section, the act provided in the second section that the company should "be bound by the same regulations and restrictions, and with the same privileges" as were granted to the Milwaukee and Racine Mutual Fire Insurance Company, which had been incorporated by a special act in the previous month.

The Milwaukee and Racine insurance law contained regulations that, by virtue of its application to the Burlington incorporators, are essential to an explanation of the first Iowa statute. This law provided that every person who should become a member of the company by effecting insurance therein, should, before he received his policy, "deposit his promissory note, for such a sum of money, as shall be determined by the directors." A part, not exceeding seven per cent of the note, should be paid in cash and the remainder should "be payable in part or the whole at any time when the directors shall deem the same requisite, for the payment of losses by fire, and such incidental expenses as shall be necessary" for transacting the business of the corporation. At the expiration of the term of insurance, the note or such part of it as remained unpaid, after deducting losses and expenses, should be returned to the maker thereof. Provision was also made that the company should have a lien on the property insured "to the amount

of his deposit note, or so much thereof as may be unpaid." This was an extreme form of assessment that approached the power of attorney in rate making.

If the available funds and deposit notes were not sufficient to pay claims for fire losses, additional assessments might be made, but no member could be assessed more than one dollar for every hundred dollars of insurance carried by him. Provision was also made that no insurance policy should be operative until application had been made to the company for insurance to the amount of at least \$20,000 and no policy should be written for a longer period than seven years.

The final section of the law prohibited double insurance. It stipulated that if insurance were obtained in this and another company, the insurance in this company should "be deemed and become absolutely void, unless such double insurance subsist with consent and approbation" of this company.

But despite fire insurance and fire protection, fires continued to break out in Burlington. The *Territorial Gazette* for April 7, 1838, announced that on the previous Wednesday night the fire alarm had been sounded. The editor said this is "at any time an 'ugly noise', but when 'darkness is visible,' it is really appalling — and especially

when we know that we are so unprepared to meet it."

This was the situation in July, 1838, when Iowa became a separate Territory. The former Wisconsin legislation remained in effect until July, 1840, unless specifically amended or repealed earlier. Presumably, the incorporation of companies remained valid, and many such special privileges had been granted, though not all were utilized. The charter of the Burlington fire insurance company was not nullified by the change of political jurisdiction.

On December 24, 1838, another fire visited Burlington when a building owned by Amos Ladd was completely destroyed. Apparently the Iowa Mutual Fire Insurance Company, which had been incorporated in January, had failed to become operative. At all events, although Ladd was himself one of the incorporators of the company, the December fire was reported to have cost him a \$1500 loss.

Further evidence that this early company had not become operative is found in the fact that on December 29, 1838, only five days after Ladd's fire in Burlington, Jonathan W. Parker of Scott County introduced in the Council of the Legislative Assembly a bill to incorporate another "Iowa Mutual Fire Insurance Company". This measure

was readily passed in both houses and became a law on January 25, 1839. It had twenty-five incorporators: Isaac Leffler, James Cameron, Amos Ladd, Thomas Cooper, George H. Beeler, David Rorer, Jeremiah Lamson, Jesse B. Webber, S. S. Ransom, William H. Starr, David Hendershott, William M. Devoe, George W. Kelley, William S. Edgar, Thomas S. Easton, Nehemiah Chase, Enos Lowe, Jesse B. Browne, George W. Hepner, L. B. Hughes, Thomas M. Isett, Alexander C. Donaldson, Joseph T. Fales, James Hall, and Thomas Cox. Five of them had been named as incorporators of the first company.

The new law, like the one enacted the previous year, provided for the deposit of promissory notes, for a five per cent cash payment, and for a relinquishment of the notes when the policy expired. It also provided that every member should "be bound to pay his proportion of all losses happening, or expenses accruing" in the company, "to the amount of his premium note".

All buildings insured in the company, together with the right, title, and interest of the assured to the land on which they stood, to the extent of one building lot if in town, or of one acre if in the country, was pledged to the company by virtue of the insurance. This law also prohibited double insurance, and stipulated that the insurance should

not be in effect until policies to the extent of \$30,000 should be subscribed. The final section of this law provided that any future legislature of the Territory, or State, might alter or repeal this act "whenever they considered the public good requires it".

In January, 1840, the law was amended to provide for thirteen directors. The directors named for the ensuing year were: Jesse B. Webber, Hanson E. Dickinson, Nehemiah Chase, A. C. Dodge, Enos Lowe, Arthur Bridgman, Charles J. Starr, William H. Starr, George W. Kelley, Charles Mason, Joseph T. Fales, S. C. Hastings, and Philip Viele. This amendment provided that the board of directors "may at any time delegate to committees of their own members, such portions of their powers and duties as they may deem proper."

Prior to the enactment of this law — on December 17, 1839 — S. C. Hastings introduced in the Territorial Assembly a bill to incorporate the Bloomington Insurance Company, which became a law on January 13, 1840. This corporation, unlike the Burlington companies, was a stock company, capitalized at \$50,000, and stock was sold at twenty-five dollars a share. Moreover, this company was authorized "to insure all kinds of property against loss or damage by fire or other

casualty, to make all kinds of insurances against loss on goods and merchandise in the course of transportation, whether on land or water, to make all kinds of insurance on life or lives, to cause themselves to be insured against any loss or risk which they may incur in the course of their business, and generally to do and perform all other matters and things connected with and proper to promote those objects."

The company was to be managed by nine directors, to be chosen by the stockholders. Pending organization, John H. Richmond, Henry Reece, John W. Brady, Edward E. Fay, Robert C. Kinney, Adam Ogilvie, Hezekiah Musgrove, James G. Morrow, and Irad C. Day were named as "commissioners to open books for subscription of stock and to superintend the business of the stockholders".

The final section of the law stipulated that "this act shall continue and be in full force for the term of twenty years from the passage thereof". But the preceding section provided that the law might be altered or amended by any subsequent legislature.

The Bloomington Company evidently did not organize upon receiving its charter, for in 1842 a law was passed by which it was said the former statute should be "revived". An additional provi-

sion in this act stated that if the company should become insolvent the stockholders would be held individually responsible for the debts of the company. It would be interesting to describe the business of these pioneer companies, but their records seem to have been lost. Perhaps they never wrote enough policies or sold enough stock to become effective. No trace of them has been found in county recorders' offices or court records.

Special acts incorporating the Dubuque Insurance Company and the Farmington Insurance Company were passed in 1842. These were both stock companies, with powers and privileges similar to those granted to the Bloomington Insurance Company in 1840. In 1844 the "DuBuque and Jackson Mutual Fire Insurance Company" was incorporated, but the act presented no new features.

The constitution of Iowa, adopted in 1846, contained a provision to the effect that corporations should not, thereafter, be created by special laws, and a general law prescribing regulations for fire insurance companies was passed in 1857.

Despite the changes of a hundred years, mutual insurance companies patterned after those of 1840 have prospered. Mutual fire insurance companies of Iowa now receive more than a million dollars annually in premiums. And stock companies re-

ceive more than a quarter of a million dollars in premiums.

The modern mutual company does not have a promissory note clause which was commonly found in the early policies. Instead, assessments are made after losses have occurred and the amount assessed is determined by the extent of the loss. Likewise the stock companies have changed to meet new and current needs. But insurance is still one of the great and growing enterprises of Iowa, tracing its origins to the needs and resourcefulness of the pioneers.

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