

Records of the St. Paul Fire and Marine Insurance Company

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St. Paul Fire and Marine Insurance Co.

IS there a right time to enter into a business venture—or any other venture for that matter? Is there one set of circumstances which can be claimed to be more auspicious than another for such an undertaking?

There are those who might hesitate to risk a new investment or one of expansion in as an unsettled a period as that which the world is now facing. The year 1853, however, the year in which the *St. Paul Fire and Marine Insurance Company* was organized as the *St. Paul Mutual Insurance Company* of St. Paul, Minnesota, was just as doubtful a time for calculation, prediction and anticipation. In the words of the historians, Charles and Mary Beard, "Nothing was stable in the economy of the United States or in the moral sentiments associated with its diversities." The year 1853 occurred in that period of tremendous industrial expansion which was the result of the steady decrease in the area of virgin soil available to farmers and planters. It found itself caught in that time of insurmountable conflicting interests which finally led to the conflict between the North and South.

I am wondering, therefore, if the answer does not lie in the comforting fact that leaders have been found in every age, every period, every generation and that their ability to make an impression upon the conditions of the era is as great as the influence of that set of circumstances which dominates their time.

The early settlers came up the river to St. Paul from neighboring states and from many of those in the East; they came from Canada and from lands beyond the sea. Sometimes they came all the way by boat and at others part of the journey was made overland, on foot through the wilderness. They brought little with them. Among those hardy pioneers who had the courage to settle in an outpost community such as was St. Paul were the seventeen organizers of the *St. Paul Fire and Marine*.

These founders of the "St. Paul" proved themselves to be of that company who are equipped to rise above the difficulties and frustrations

of their time, even in such a primitive community as was St. Paul. They were, as is always true of men of vision and action, not participants in but one venture, but in many. Most of them were associated with successful business activities, were holders of public offices or were practicing attorneys of reputation when they banded together to form the *St. Paul Fire and Marine*. They were men who took an active part in the affairs of the community—economic, social, and political. They were such men as Henry Mower Rice, who, while a sutler at Fort Atkinson, participated in many treaties for the ceding of land by the Indians, who went to the Congress of the United States as a representative of Minnesota territory and commanded the respect of men of letters and culture. There was Alexander Ramsey who was appointed the first governor of the territory, and Auguste Louis Larpenteur who made history as well as his grandfather—who was a friend and admirer of Napoleon Bonaparte—by driving the first spike when St. Paul was surveyed, by being the father of the first white child born in the town, by assisting in the election of the first delegate to Congress. And among these men was Alexander Wilkin, the Company's first president, who organized the first company of the first regiment of the Minnesota volunteers.

It is safe to say then that with such men, and thirteen more like them, the "St. Paul" received an auspicious start as a pioneer in an enterprising business in a frontier country. But one wonders, how, in addition to facing the conditions of the country as a whole, they had the courage to initiate such a tremendous undertaking in a buoyant, noisy, unorganized community as was Minnesota territory, where scenes changed as rapidly as those of a nervously manipulated kaleidoscope.

For at any time of day one of these men might have looked from the windows of the few stores, hotel, or William H. Forbes' trading post hugging the banks of mighty Mississippi to witness a scene which might have made it necessary for him to change an opinion recently formed. Or by glancing from the windows of any one of the few houses straggling up the hill, he could have easily decided that he must reverse a decision.

Such scenes might have consisted of nothing more than a group hurrying up from the wharf where a steamboat had just docked, new arrivals who would materially increase the settlement's population. Or at another time the object which met one's eye might have been none other than a Red River cart in town on a trading trip, mired in a muddy street. Then again it could have been a fur trader with important news, all the way from Prairie du Chien, cold from his trip on the ice up the river. At still another, the Indians peering curiously through

windows or doors to watch the white men at work might have been disturbing. Or the noise of a skirmish could have made one rush out to discover that the sister of the famous Indian "Old Bets" had just been killed on the corner opposite to the one on which the *St. Paul Fire and Marine* subsequently built its first building. Such fights as this, which ended in the Williams H. Forbes' trading post, were not uncommon and could have been more disastrous had fire ensued.

There were not only things to see, however, but others to hear, just as stimulating, just as tension bearing, involving as many decisions. In the news which filtered through to St. Paul was word, for instance, of a thriving settlement in western Canada called the Red River settlement. This especially, attracted the attention of the officers of the "St. Paul," who subsequently, in 1866, made the historic decision to appoint an agent to that thriving community, thus committing their Company to become a pioneer not only in Minnesota but in that part of Canada which later became known as Winnipeg. The story is still to be found in a worn and wrinkled copy of *The Nor'-Wester*, a frontier newspaper. In bold face type, the amazing advertisement fairly shouted the good tidings to the outpost—the good news of protection to be bought for a minor consideration. The originally worded announcement signed by the agent, read, in keeping with the informal air which the settlers breathed:

The Undersigned has been appointed sole agent for this Settlement for the above Company and is now prepared to take risks at the most reasonable rates on DWELLINGS, STORES, WAREHOUSES, CHURCHES . . . This is a "bona-fide" company, the Directors and Stockholders of which are many of them personally known to the settlers and businessmen of Red River, as men of first class business capacity, and well known integrity, who would not willingly or knowingly embark on any fictitious or humbug enterprise.

Though the "St. Paul" began with the writing of fire insurance, and though it wrote that in only one state, its home state of Minnesota, for thirteen years, it began to expand shortly after its incorporation as the *St. Paul Fire and Marine Insurance Company* in 1865. With its increased capital of \$500,000, it first expanded the writing of fire insurance into neighboring states, and then in 1872 with such further expansion, it also began writing inland marine insurance. From that time the expansion in lines of insurance kept pace with the expansion of territory. New coverages were added—and are still being added as the increasing complexity of living demands them. In just ninety-two years, then, the "St. Paul" has grown from the company writing in only one state to one writing all over the world; from one writing only

fire insurance to one covering almost every emergency; from one with a capital of \$100,000 to one of \$10,000,000; from one company to one with two subsidiaries, the *Mercury Insurance Company* and the *St. Paul-Mercury Insurance Company*. But this growth was not one of simply adding coverages. As the Company pioneered in a frontier country, so it did in the protection which it offered. The "St. Paul" is known for being the first American company to write, among other lines, hail, personal property floater, and false arrest and malicious prosecution insurance. It is one of the ten largest insurance companies—of those writing fire and marine and allied lines—in the United States, and the largest between Philadelphia and the Pacific Coast. Surely this may be recorded an unusual achievement—to have builded so well, to have laid such a firm foundation in a community of the wilderness, a farming and lumbering community, remote from the industrial and financial centers of the country.

The question which has come up more often than any other regarding the organization of the Company concerns the chartering of a company to write marine insurance in a country which was just emerging from a wilderness, far from the coast in every direction. The answer is the Mississippi River. There were no railroads into Minnesota in the middle of the nineteenth century; all travel, all transportation was by river except that on foot or in Red River carts. It is interesting to speculate on such a phenomenon. Perhaps the early settlers worried over their ability to replace supplies should they become lost or destroyed in transit. But more than likely, the "St. Paul's" early underwriters sensed the possibility of such a contingency first, and saw in it the possible advantages to their business of insurance as well as the value to the community. Still more possible, the captain of some boat, or a business correspondent, no doubt, told them that the companies "down East" were writing this insurance, as well as insurance on the boats themselves. In either event, the *St. Paul Fire and Marine's* first marine business in those early days consisted of inland marine business, and today, though the Company is one of the big writers of ocean marine insurance, it ranks with the four largest in its volume of inland marine writings.

It is impossible to give a detailed history of the *St. Paul Fire and Marine* in a paper of this length, but it is also impossible to omit recital of its excellent performance in two periods of great distress.

At the time of the great Chicago conflagration in 1871, the *St. Paul Fire and Marine* was one of the first companies to pay its losses in full. To be able to do this was as great a source of satisfaction to the Company as to its policyholders in the devastated city. For such prompt

payment not only contributed to the rebuilding of the city, it not only brought comfort and hope to the people, but it established the stability of the "St. Paul" beyond question. This performance was repeated in 1906, at the time of the San Francisco earthquake. And even though the havoc of that catastrophe was more complete, even though the losses were greater, the "St. Paul" not only paid them in full, in the amount of \$1,230,000, but was again one of the first companies to do so. So again their ability to pay promptly not only contributed to the rehabilitation of the community, but earned the Company an enviable reputation throughout the Pacific Northwest.

As the Company grew, it was necessary, of course, to change its methods of keeping records from time to time. Further, it must be realized that all methods now in use were adopted because it was decided that they would best serve, not one, but three companies, the "St. Paul" and its two subsidiaries. In addition, it must be remembered that many of the systems in operation are peculiar to the business of insurance.

As some understanding of the anatomy of the "St. Paul" and its two subsidiaries will be helpful in following a discussion of these methods and systems, a skeleton outline is included here.

ST. PAUL FIRE AND MARINE INSURANCE COMPANY

Fire Department

- Underwriting department
- Auditing department
- Loss department

Automobile Department

- Underwriting department
- Auditing department
- Loss department

Marine Department

- Underwriting department
- Auditing department
- Loss department

One Central Filing department serves all departments for expirations.

MERCURY INSURANCE COMPANY

Its arrangements of departments follows that of the "St. Paul" exactly.

ST. PAUL-MERCURY INDEMNITY COMPANY

Automobile Department

Bond Department

Casualty Department

Personal Accident Department

One Auditing and one Claim department serves all three departments.

One Central Filing department serves all departments for expirations.

The Mail Room and the Impaired Record department serve the three companies.

All of the Companies' mail is sorted in one department known as the mail room. It is sorted by companies, departments and certain individuals within the various departments, including the Impaired Record department.

The Impaired Record department contains cards showing adverse information of about five hundred thousand doubtful persons and organizations which might affect their desirability as assureds. These cards are procured from many sources such as other home offices and various commercial bureaus. A code system called "Soundex" is employed for the filing of them instead of the more usual alphabetic method. This system groups together in one place all names which are pronounced alike. Errors in spelling, faulty pronunciation, illegible handwriting and many other factors may produce many variations of names which if filed alphabetically would be widely separated and much time and work would be necessary to make a thorough search. That is, the given name and address on a daily report—might agree with that of a card in file while the spelling of the surname might not. Thus, with "Soundex," there being only one place to look because this system automatically brings all spellings of a name together, the discrepancy would be detected and the record revealed.

If a clerk were filing "Burk" alphabetically this card might be placed hundreds of cards away from "Birk," but with the code system, it is mechanically grouped with all the variations of the family name "Burk," in one place. Some of the many similar spellings are listed.

Berck	Birke	Buhrke
Bercke	Borck	Burck
Berk	Bork	Buerck
Birck	Bourk	Burke
Birk	Bourke	Burque

Practically all new business (with the exception of tornado, hail and some grain dailies) and renewals which come into the office each day go through the Impaired Record department. Fire department dailies are taken directly from the Mail Room and pass through the "Impaired Record" before going to the entry clerks. Automobile, Casualty and Bond department business comes to the "Impaired Record" in the form of abstracts which have been made up from the original dailies in the respective departments. Marine dailies are checked there after being entered in their own department.

In this department fire dailies are checked for the fire records of the prospective assureds, that is as to whether such persons have fire records. Has she had a number of small careless fires, has he a reputation for arson? This is done by making a search of that section of the fire cards in which the name codes. This is done in order to check up not only on the assured, but also to find any of his family who may have had records. The reason for this is that many persons who are themselves unable to obtain insurance on their property because of their unfavorable record try to overcome this obstacle by having the policy written in the name of some other member of the family who has no record. Where a section is too long to warrant taking the time which would be required to make a complete search, a notation "too many" is made on the daily to inform the examiner that because of the great number of cards in the section in which this family name appears, a search has been made only in the name of the assured.

Their checking finished, the "impaired records girls" turn the dailies over to the entry clerks. These clerks—each one of whom has been assigned to handle certain work of a designated state or states—take turns in sorting them, seeing to it that each clerk receives those dailies for which he will be held responsible. When sorted, each clerk examines those of his particular territory for premiums and commercial ratings and passes them on to his examiner. After the examiner determines whether they are acceptable according to prescribed standards, he gives them to his mapper or mappers, who have also been allocated certain states, and who must ascertain whether or not the Company has as much insurance as it can carry on certain coverages in specified locations.

Each mapper has maps for the states in his territory. These maps are two feet by two feet two, showing streets, alleys and buildings unless the community is too small to have made such a survey profitable. These maps also show type of construction, exposure, congestion, water mains and hydrants. After classifying any risk which the Company assumes, and placing any reinsurance necessary, the mapper makes a notation of it in pencil on the map in its exact location. Such notation is made in pencil so that it may be erased should the policy be cancelled or fail in renewal at date of expiration. This forms a very interesting and efficient record, the most individual one employed in the whole institution. It gives an accurate picture to the Home Office of any fire which might occur on the property which has been mapped. It also takes but a few minutes to discover anything anyone may wish to know about any of these fire risks.

To record the risks in those districts or communities for which no

maps are available, an index card system is employed, and all risks are noted as to town, township and county. If the county is a very large one, they are also indexed by roads, section and range. These cards show as complete a record as do the maps as to location, policy number, amount, type of liability, and expiration date, lacking only the visual aid of the mapping method. And with the maps, these cards form a complete record of every fire risk assumed by the Company.

When the daily reports leave the mappers' hands, they are ready for entering—a procedure adopted for purposes of bookkeeping—and go back to the entry clerks for this purpose, and for filing.

They are filed alphabetically by states, within that classification by cities, which in turn is broken down into an arrangement by agencies and daily report numbers, and they remain so filed until date of expiration. Each one of these segregations is important to the underwriting department for they correspond exactly to the information of the mapping record.

At expiration date, the clerks remove the dailies from the files, make certain notations and take them to a central filing department where they are kept for a certain period. There are clerks in this department who file this expired material, but by month of expiration and within that designation alphabetically by states. For if an expired daily report is needed, the expiration date can be easily ascertained, and the number of expired dailies each month by state are not so numerous but that it would take less time to thumb through them than to expend the effort of filing them according to the current files.

The only material excepted from this method of filing are the loss vouchers which are filed by voucher number just as they are in the current files of the various loss departments, where they are kept as long as the individual departments can arrange space for them. But, as with the growth of the business these expiration files are requiring more and more space, the present method may be discarded entirely in the near future and a microfilm system installed to replace it. For not only are the expired fire dailies filed here, but those of all coverages.

Expiration dates are ascertained once each month by consulting the registers. This is done by the time that expiration notices are written for use of the agents throughout the country.

The Company also has a system for the disposal of obsolete records which has been quite minutely worked out as to class of insurance. The daily reports are filed for from one to seven years after date of expiration. This is also true of the claim jackets and loss vouchers; they are kept for from one to seven years following payment of claim. For instance, no disposals are made from the liability claim files for

seven years unless the claimant is a minor, then they are retained until two years after he has reached his majority. The nature of the coverage governs the period of retention of all records.

It has been interesting for us to note that when it has been necessary for us to refer to our transfer files, it has been for the purpose of replying to some query from the outside—never for our own interest.

The dailies, or abstracts of the dailies, of the other companies and other departments are also checked, as has been said, in the Impaired Record department. For these coverages it is necessary to check for honesty or undesirable reputation of any kind. These dailies, and abstracts, are also taken by the "impaired record girls" when they have completed their checking, to the various departments. In these departments the system is somewhat less complicated than in the Fire department as there are no mappers. In the Marine department examination and entry work is completed before dailies are sent to the "impaired record." In the Automobile department and those departments of the "Indemnity" Company, the dailies are entered and abstracted first. The department examination and work of the Impaired Record department are carried on simultaneously as the examination is made from the dailies, while the "impaired record" works from the abstracts. So when the marine dailies and auto and indemnity abstracts are returned to their respective departments, there is nothing more to be done with them but to see that they are properly filed. The methods of final disposal and filing are essentially the same in all departments.

The only other department in addition to the Impaired Record department and that of the expiration files which serves all companies, all departments, and maintains a central filing system is the statistical department. Its procedure is also interesting.

The accounting is done on I.B.M. tabulating machines which veritably achieve the impossible. The information achieved and kept in this department is so complete that the cards which have been punched by the girls on the key punch machines can be sorted and resorted to produce figures by class, agency, and state. In fact, they can be sorted to show any detail or combined to show any aggregate. These cards are sorted for filing as to company or department, which is broken down, first, as to premiums, return premiums and reinsurance, then by states and finally by major class of coverage. At the end of each month, after they have been tabulated to produce certain information, these cards are resorted and filed by state and individual class within their main classification of premiums, return premiums and reinsurance. There is, however, a little more detail connected with the filing of the loss cards. In addition to being filed by state and class, the cards for

outstanding losses are filed by claim numbers and kept on a daily current basis. That is, cards are removed and filed each day as any adjustments or reappraisals are made on a particular loss. This enables the tabulation department to determine at any time a total amount of the outstanding losses.

Thus far it has been found expedient to permit each of three major divisions of the institution to devise the method for the filing of their own correspondence, that is, as to whether their needs are best served by a central filing system or by files for each one of their departments. This really appears to be a logical solution for the problems of each division differ from those of the others.

The Marine department, serving both the *St. Paul Fire and Marine* and the *Mercury Insurance Companies* has found a central filing system for serving officers, underwriters, auditors and adjusters to be extremely efficient. The section devoted to fire insurance and that to automobile and indemnity coverages have preferred to operate several filing systems. This decision is particularly understandable for the automobile, casualty, and bond department, for together they not only serve the "St. Paul" and "Mercury" but the *St. Paul-Mercury Indemnity Company*. They also write more classes of insurance than either the marine or the fire departments. One set of files serves the underwriters of automobile and casualty departments; the underwriters of the bond department, however, have felt the need of their own file because of the very individual nature of their business, and the same is true of the personal accident department. The loss and the auditing departments, serving all four of the underwriting departments, operate only one set of files each. The fire department also operates three sets of files, one for the underwriters who serve both the "St. Paul" and "Mercury," one for the auditors and one for the adjusters. The methods of filing for each set of files, however, is the same—all correspondence is filed as are the daily reports, alphabetically by states, which segregation is then broken down by cities, agencies, and daily report numbers. No need has as yet been felt for a more detailed system involving the use of subject headings. It is simple to detect the correspondence of each of the three companies as the "St. Paul" uses white for the original letter with white second sheets, the "Mercury" uses grey with blue second sheets, and the "Indemnity," lemon with pink second sheets.

There are several departments which have not been included in this resume of methods for the reason that their records are used by them alone and are, therefore, not correlated with any other department or with the Company's business as a whole. Also, some files are main-

tained for officers on especially designated subjects in the library. The library itself serves the entire office and all books have been catalogued and classified according to library methods, for which an expansion of the Dewey Decimal system has been used.

Because the methods described above have been found efficient for the keeping of the records of the *St. Paul Fire and Marine* and its two subsidiary companies, it does not follow that they will continue to be adequate. As they have been changed and revised in the past, it is safe to say that so they will be in the future. There is nothing more important than that a business which is constantly having to adjust itself to the increasing demands and new situations of a complicated and critical era maintain an elastic point of view and state of mind. As the *St. Paul Fire and Marine Insurance Company* began, so it continues, ninety-two years later, confident in a period just as unsettled, yet realizing that they must be prepared, now as then, to meet new contingencies and make decisions to bridge the unexpected.

GLOSSARY

Abstract	As used in this paper, a summary of important and essential points contained in the daily report.
Claim department	See Loss department
Coverage	In insurance practice, it is used synonymously with the words "insurance" or "protection". It is what the company promises to do for the policyholder under the terms of the policy.
Daily report	
Daily (dailies)	A blank which an agent fills out and returns to the Company daily, and consists of a copy of the insurance policy written by the agent.
Entry clerk	Clerks who sort, check and enter daily reports in a given territory which may consist of one or more states.
I.B.M.	A trade name, International Business Machines—Tabulating machines used in statistical departments for obtaining any statistical material. Results are achieved by tabulating cards which have been punched on key punch machines.
Key punch machine	A machine on which an operator punches cards according to code, to tabulate vital information.

- Loss (Claim) departmentsThe *St. Paul-Mercury Indemnity* refers to that department which reviews and satisfies claims for losses as their "Claim department", while the "St. Paul" and "Mercury" use the designation "Loss department".
- Personal property floaterCovering all risks to personal property, wherever located—at home or abroad.
- RiskMay refer to the subject matter insured or the chance or hazard of loss.
- Underwriting departmentThe department of underwriters.
- UnderwritersTo the underwriter belongs the function of selecting those risks that will yield a profit.