[Guest Blog: Room for improvement in Michigan, Professor Jay Feinman](https://uphelp.org/guest-blog-room-for-improvement-in-michigan-professor-jay-feinman/)

United Policyholders (UP) and the Rutgers Center for Risk and Responsibility are partners in an Essential Protections Project (EPP). We compiled an extensive database of state law and made recommendations for reforms. The goal of EPP is to give lawmakers templates for legislation that will protect consumers and help maintain competitive and stable property insurance marketplaces in their states.

UP recently received an inquiry from a state Green Party asking about current issues in insurance and suggestions for improvements in state regulation. Neither UP nor the Rutgers Center for Risk and Responsibility engage in political activity or endorse any political party, but we are happy to share the work with others interested in improving things for insurance consumers. (More information is at https://epp.law.rutgers.edu/)

Beyond specific reform proposals from EPP, the inquiry made me think more broadly about progressive social concerns and the role of insurance. Green Party platforms typically include as key values the decentralization of social and economic institutions and community-based economics. Today we mostly think of the insurance landscape as dominated by huge companies—State Farm, Allstate, and the others. But the roots of insurance are very different.

The oldest extant insurance company in the United States is the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, founded in 1752 by a group of volunteer fire fighters led by Benjamin Franklin. The risk of destruction by fire in colonial America was immense, so subscribing homeowners contributed specified amounts to be paid to those unfortunate ones whose houses burned. The risk of fire loss was transferred from the individual homeowner to the Contributionship and shared among its members by their financial contributions.

Later other groups of like-minded citizens and businesses across the country followed the same model. Local insurance companies were formed to provide security for small-town residents and small business owners: City of Waukesha Mutual in Wisconsin and the Indiana Lumbermen's Mutual Insurance Company, for example.

Because these companies were formed by businesses and individuals to share losses, they were keenly aware of their responsibility to pay claims. Hartford Fire Insurance Co. was founded by a group of Hartford, Connecticut merchants in 1810, when fire posed a major threat to homes and businesses. After the Great New York Fire of 1835 destroyed hundreds of downtown buildings including the New York Stock Exchange, Hartford's president, Eliphalet Terry, met his responsibility by driving a horse-drawn sleigh from Hartford to New York to personally pay policyholders' claims.

Today some remnants of that tradition remain. Some companies aim to serve particular constituencies, from farmers in the upper Midwest to physicians and lawyers. What is striking about all of these efforts is that they are collective activity among groups of like-minded people and firms for their mutual benefit—thus the origins of the term "mutual" insurance company. These are not transactions between a self-interested insured and a distant corporate entity. They are, rather, joint enterprises among Philadelphia homeowners, Waukesha residents, Indiana lumber dealers, or practicing physicians. In these entities, participation in insurance is a social activity that involves protecting oneself against calamity and social responsibility, as a member of the community, to contribute for the benefit of fellows who might suffer a loss.

Today, of course, most insurance is purchased through large companies rather than local organizations of co-venturers. The company is the necessary vehicle for collective activity conducted on a large scale. Thousands or millions of insureds are involved, so a bureaucratic apparatus and the incentives of executive bonuses and shareholder profits are necessary to fund and motivate the enterprise. The core of the activity should remain the same, however: collective action of all against the possibility of loss by some. The company should act as a fiduciary with respect to the premiums pooled by each insured and other like-minded people. The company profits from the transaction—that is necessary to motivate it to act at all—but its primary duty is to protect the insured's security.

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