

March 14, 2013
Michael Mckoen, Merrill OR
In Support of House Bill 3160

Thank you members of the Committee for reading my testimony. My name is Michael Mckoen and I used to run a successful potato-packing factory in Merrill, OR until a fire devastated my family business in 2004. Our insurance carrier not only refused to pay, but dragged our good family name through the mud in the process. It was a 5 year, 11 month fight to finally be vindicated and reach a settlement. I still have sleepless nights because of it.

My grandfather started our fresh potato-packing company just after World War II. My uncle and father took it over in 1995 and after I graduated from Oregon State University I chose to join them in 1997. I loved producing a fresh farm product and delivering it to shelves across the United States and Pacific Rim. As many as 2,500 full truckloads per year. It was a source of pride to employ 40 full-time workers and 7 salaried produce professionals. The business was thriving with about 1 million in payroll. We paid approximately \$30,000 in premiums annually to Country Insurance from 1995 – 2004. I got as much coverage as I could buy, including paying extra for a business interruption rider to insure salaries would be covered in case of emergency.

Unfortunately, that emergency came on July 24, 2004 when a high fuel fire broke out in the factory. Set in a rural location, the fire was out of control burning on plastics and cardboard so by the time the fire department showed up, it was a total loss.

Our Country Insurance agent was a personal friend at the time and assured us at the scene “not to worry, you are covered”. The fire occurred on a Saturday, but no one came back to the site until Tuesday. As a volunteer firefighter, I knew the scene needed to be secured, but Country did nothing to help me. On Tuesday, they pressured us to sign waivers immediately, or they wouldn’t even begin to process the claim. We just wanted to cooperate, get back on our feet and get folks back to work. Country then began to inundate us with demands for documents, forced us to give recorded statements with claims supervisors and their paid fire investigators and simply handed us a proof of loss 1-pager with no instructions. In hindsight I now realize this was all a trap they used against us, as they were trying to prove we were in financial trouble, but we weren’t. In fact we continued to pay our premiums and our most essential employees for almost 2 years after the fire. Sadly, the laborers had to be let go when we literally ran out of cash.

About 5 months after the fire the first implication of arson was directed at us and the case took on a whole new life of its own. Not only were we devastated by the loss of our family business, but we were staring down serious criminal charges in a small town where news travels fast and innuendo can catch fire.

Country waited until about 2 days before the statutory deadline to deny the claim. By then we had a lawyer helping us with the criminal defense fight and ultimately the DA in Klamath County handed it off to Jackson Co. after a Klamath Co. ADA took it to a Grand Jury when the DA was on vacation. The court knew the insurance company was just playing hardball; dismissed all charges and issued a letter of exoneration.

We fought hard to maintain the business, even buying product from our competitor to try to stay afloat. But with over \$600,000 out of pocket in legal fees over the 5 year fight, we decided we were too old and too beaten down to try to start all over. If not for my father's other successful farming business, they would have broken us completely. Country took away so much from us, so many years, heartache, jobs and relationships devastated. All to try to save themselves some cash and not pay out what they owed for years of loyalty and premiums.

I don't want this to happen to anyone else. How would another family or business survive a similar case? Mortgage their homes until they lose them? Please hold Insurance Companies accountable so they can never ruin another family business in Oregon with these shameful tactics. Thank you.