

Hartford's insurance image takes a hit with Travelers-St. Paul deal

Copyright. InsuranceTimes™ © 2003 by M&S Communications, Inc. All rights reserved. November 25, 2003

HARTFORD — It's hard for many to imagine this insurance capital of the world without its historic leader, Travelers, and industry veterans feel the city's proud insurance tradition may be in trouble following the news that Travelers has agreed to merge with St. Paul.

"When you think about another Hartford-based business leaving, it's kind of devastating to the city and the state," says Warren Ruppap, executive vice president of the Independent Insurance Agents of Connecticut, articulating the feelings of others.

The \$16 billion stock deal will create the nation's second largest commercial property casualty insurer, to be known as The St. Paul Travelers Companies. Only American International Group is bigger in commercial lines.

The combined company will be a Minnesota, not Connecticut, corporation. It will be one of the largest financial services companies in the U.S. with total assets of \$107 billion, shareholders' equity of \$20 billion, capital of \$26 billion and net written premiums of \$20 billion. "We are absolutely convinced we are far better together than we ever would be alone," said Jay S. Fishman, the chairman and chief executive of the St. Paul.

The two firms' books of business and geographic distribution complement rather than overlap each other such that Travelers says no big layoffs are necessary. In fact, Hartford could see a net gain in employment from the deal, according to the companies.

The merged general commercial and personal lines units will be based in Hartford. The familiar red umbrella logo and name Travelers will still be used. Douglas G. Elliot will serve as chief executive of these Hartford-based businesses.

But senior management and St. Paul's

signature specialty commercial lines will be based in St. Paul. And that hurts. At the same time they are down-playing job losses, executives are saying they hope to show savings from the merger of up to \$225 million by 2006. They hope to realize these savings in underwriting, information technology and other areas, not in personnel.

The possibility that no jobs will be lost, at least in the short term, is some consolation but it still hurts industry insiders that Hartford will no longer be the headquarters and that management shots will be called from St. Paul.

"It seems like now The Hartford is the only major company that's still here....Aetna is going away and Travelers is going to be very different. I never thought it would occur... It used to be that Hartford was the insurance capital of the world but now it is some place out in the Midwest," IIAC's Ruppap said.

More than Hartford's image as the insurance capital is at stake.

"I think it's a negative thing for consumers, and it's a negative thing for America," said John Scanlon, vice president at Stone Agency in Meriden.

The Stone Agency represents both St. Paul and Travelers, meaning Scanlon will lose a market. That doesn't sit well.

"Isn't America supposed to be all about competition?" he asks. "Now there's no competitive market...It really gives consumers and independent agents one less market to work with to acquire competitive pricing."

Hartford Ties

Fishman, the chairman and chief executive of the St. Paul and the man who will head the new company, at least has some Hartford ties. Fishman left Travelers for the St. Paul in 2001.

Robert I. Lipp, chairman and chief

executive of Travelers, will serve as the company's executive chairman until Jan. 1, 2006, when Fishman is expected to add the chairman title.

Lipp and Fishman vowed to keep a Hartford presence.

"We are committed to maintaining a strong presence in both St. Paul and Hartford, where the two companies have long played meaningful financial, civic and philanthropic roles in their respective home cities," they said in a joint release.

But Scanlon has his doubts.

"This definitely puts us (Connecticut) on shakier ground because it will no longer be Travelers corporate headquarters.....," he noted.

Charles J. Clarke, president of Travelers, will become vice chairman of The St. Paul Travelers Companies. Douglas G. Elliot, currently chief operating officer of Travelers, will become chief executive officer of the combined general commercial and personal lines businesses. T. Michael Miller, executive vice president and chief executive officer of Specialty Commercial at The St. Paul, will become chief executive officer of the combined specialty insurance operations. Marita Zuraitis, chief executive officer of The St. Paul's commercial insurance operations, will become executive vice president of the combined company, initially focused on the integration process. Brian MacLean, executive vice president of claim at Travelers and Timothy M. Yessman, chief executive officer of claim at The St. Paul, will both become executive vice presidents in the combined claim operation. John A. MacColl, currently vice chairman of The St. Paul, will continue as a vice chairman of the combined company. □