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Shock of change: Insurance connection to Hartford unraveling

By KENNETH R. GOSSELIN - Associated Press - Saturday, August 1, 2015

HARTFORD, Conn. (AP) - In the mid- to late-1950s, Connecticut General Life Insurance Co. shook the foundation of the city's venerable insurance industry when it built a suburban office complex in Bloomfield - becoming the first insurer to move out of downtown Hartford.

A defensive Connecticut General chief executive promised that the company would still be close by and that the insurer wasn't "running out on Hartford."

Anthem Inc.'s planned acquisition of Cigna Corp. - the successor to Connecticut General - may not be as shocking, considering decades of mergers that have challenged the Hartford area's dominance as a center of insurance.

But the deal is raising fears that greater Hartford again could suffer further erosion of its power base in the industry.

If the Anthem merger is approved, it would erase the Cigna name and place the headquarters of the combined company more than 800 miles away in Indianapolis. The companies say the newer, bigger Anthem would retain a "significant presence" in Bloomfield.

No one knows - not even the companies - how the merger will play out in the years to come. Few see a massive exodus in the cards for Hartford. But there is cause to be wary; the area can ill afford to lose more in employment, philanthropy and corporate leadership.

"Hopefully, Hartford will come out on top, but there is no guarantee," Kenneth O. Decko, the former, longtime president of the Connecticut Business & Industry Association, said.

Decko, who retired in 2006 after working at CBIA for 34 years, including 23 as president, said the pace of consolidation has been accelerating since the early 1980s. The pressure to remain competitive - and keep costs down - has only intensified, Decko said.

Worries about a diminished role for the Hartford area have been churned up as recently as three weeks ago with Aetna Inc.'s planned \$34 billion purchase of rival Humana - threatening to sap jobs and power.

Hartford would remain the headquarters of the combined company, which would be called Aetna, but executives would make no predictions on how Hartford employment would change - even as they declared that Humana's hometown Louisville workforce would not shrink at all and could even grow. And Louisville would be home base for the largest segment of the business, government medical coverage.

Certainly, Hartford - once billed as the country's insurance capital - is still on the radar when it comes to insurers looking for space. The area's storied history in the industry still carries sway and the skills of the workforce remain a plus, said John Boyd, of The Boyd Co., a Princeton, New Jersey firm that locates space for corporate clients, including Progressive and Sun Life.

"But there is an increasing desire to be in low-cost environments," Boyd said.

Even with the move to Bloomfield of Connecticut General in 1957, insurance companies remained key players in Hartford - their corporate and civic roles nearly one and the same.

"So many of the companies and their leaders got their start here," said Donald K. Wilson Jr., a former executive vice president at the Hartford Steam Boiler & Inspection Co. who joined the insurer in the early 1960s. "There was a group of senior management that was very supportive of the city, helped it grow. There was a lot of downtown employment."

Tyler Smith, a Hartford architect and son of the late Olcott Smith, a former chairman of Aetna, said the city's corporate CEOs, or "bishops," all pulled together on local issues under the direction of a powerful chamber of commerce.

"There was a collective corporate clout," Smith said.

That often worked to the city's advantage, particularly in philanthropy, which was heavily focused in the city. But there also were downsides, including support for razing an entire neighborhood to build Constitution Plaza, which ended up struggling for decades.

Wilson, who retired in 1994, said the 1980s ushered in change, as companies shifted focus to larger national - and eventually global - markets, started growing in size and placed increasing emphasis on cost-cutting.

"There were new, younger CEOs who weren't from Hartford," Wilson said. "You had a changing of the guard. You didn't have the same heartfelt feeling for the city of Hartford."

As the companies grew and transformed - Aetna, for example, morphed from a multi-line with property casualty and retirement planning, to a health insurer in the late 1990s - the top management became more removed from the community.

"Philanthropy was not only dollars but leadership," said Nancy Roberts, who retired two years ago from the Connecticut Council on Philanthropy. "One thing I saw that changed was the grant-making, which was much less and the leadership was missing."

In recent years, grants generally have become less focused on communities and more aligned with the corporate interests of the company across all industries not just insurance, Roberts said.

“Although they are still very much involved and employees are encouraged to serve on boards, it’s not out of the CEOs office, as it was,” Roberts said. “It is a very different world now. They are CEOs of the country and CEOs of the world.”

To be sure, there are still grants to arts and other organizations, Roberts said, and Travelers last year extended its sponsorship of the annual PGA Tour tournament in Cromwell through 2024. Travelers, though no longer based in Hartford but still a major employer, stepped in to save the tournament after it almost met its demise with the departure of Buick as title sponsor.

Mergers rarely have come without some fallout on employment, mostly through eliminating overlap of similar jobs meant to save money, critical in justifying corporate combinations.

Figures from the U.S. Department of Labor show that insurers and related businesses in Greater Hartford employ 37 percent fewer people today than in 1990, dropping from more than 60,000 to 37,600. The recession of the early 1990s was rough and the sector’s employment fell until 1996. There was an upswing until 2002 and has been falling ever since.

Experts say those statistics may not tell the entire story, however, since outsourcing by insurers in such areas as IT and consulting may be helping to fuel double-digit employment growth in those areas in the last five years.

How Anthem’s purchase of Cigna would affect employment in Hartford and elsewhere in Connecticut remains unclear.

Anthem has a local subsidiary in Wallingford, Anthem Blue Cross and Blue Shield in Connecticut, with 1,400 people. Cigna is headquartered in Bloomfield and employs about 4,200 in Connecticut.

“I’ve never seen a merger or acquisition that didn’t reduce staff,” Wilson said. “My inclination is that everyone in that business is looking to get big, and that will be good.”

Wilson adds: “It’s still a pretty healthy business, and we still have a pretty big piece of it in Hartford.”