

USAA, ACE both bolt trade group

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By R.J. Lehmann

The American Insurance Association is losing two of its largest members, as the United Services Automobile Association and ACE Ltd. both have opted to quit the venerable trade association of large P&C insurance underwriters.

AIA spokesman Blain Rethmeier confirmed both companies have notified AIA they will not renew their memberships in the group, which traces its roots to the founding of the National Board of Fire Underwriters in 1866.

"ACE and USAA are excellent companies with their own respective business models and approaches. AIA has benefited from both companies' membership and we will miss their participation," Rethmeier said. "Membership at associations fluctuates year in, year out and it's always unfortunate to lose a member."

But for the AIA, those fluctuations have been trending mostly downward the last few years, as the organization has seen its rolls shrink from 450 members in 2004 to about 350 members today. Insurer consolidation has been the driving force behind the trend, for the most part, but the lost member fees and dues pinch just the same. The losses of USAA and ACE also come on the heels of recent defections by Selective Insurance Group Inc., now a member of the rival Property Casualty Insurers Association of America, and Safeco Corp., which was acquired in September 2008 by Liberty Mutual Holding Co. Inc., itself a PCI member.

Though the AIA is maintaining a brave public face, with Rethmeier telling SNL that the group "remains the pre-eminent U.S. trade association and thought leader for the property-casualty industry," the membership losses are clearly having an impact on how much weight it has to throw around in Washington. According to the Center for Responsive Politics, AIA's total lobbying expenditures fell from \$4.1 million in 2007 to \$1.7 million in 2008, and the group has spent only \$680,000 on lobbying thus far this year. The association's political action committee, never one of the industry's very largest, has taken hits as well. After drawing \$211,308 in total receipts and spending \$207,804 during the 2006 election cycle, AIA PAC saw receipts fall to \$157,641 and spending drop to \$168,564 in the 2008 cycle. Nearly halfway through the 2010 cycle, receipts are at \$53,487 and the PAC has spent just \$53,535.

Beyond the financial hit, the losses of USAA and ACE mean a loss of prestige as well. In ACE, AIA was able to claim the most established writer of the Bermuda market, as well as a company whose primary North American unit, INA Corp., is the oldest stockholder-owned insurance company in the United States. The group also loses the familial connections of ACE CEO and Chairman Evan Greenberg, who served as AIA's chairman in 2008 and who carries the mantle of last scion of the Greenberg insurance dynasty.

ACE spokesman Stephen Wasdick told SNL the company still intends to work with others in the U.S. insurance industry on public policy issues, but that "given the dynamic nature of our global business operations, ACE has determined that the company is better

served by conducting its own issues advocacy for various regulatory and legislative matters."

USAA's loss is even more troublesome from a political standpoint, as it had long been the company best able to mount a sympathetic argument for AIA's key priority: an optional federal charter system for insurers. Serving 6.8 million members of the armed services and their families, many of whom have to contend with re-underwriting their policies each time they are relocated, USAA comes to the topic of state-based insurance regulation from a unique perspective, and can call on the influential grassroots support of its members in making the case for change. In hearings before both the House Financial Services Committee and the Senate Banking Committee, AIA has twice called on USAA's senior vice president of government and industry relations, former Nebraska Insurance Commissioner William McCartney, to make the case for a federal regulatory option.

Where the association goes from here is still a matter of conjecture. Unlike PCI, which lost Allstate Corp. as a member after a lengthy battle over the association's failure to get behind Allstate's top priority of a federal reinsurance fund for natural catastrophes, AIA's defectors have opted out not due to divisive rows over policy, but to simple, straightforward assessments of the costs and benefits of membership.

The group's first priority will have to be to shore up support from its other core members, a group that includes Chubb Corp., Travelers Cos. Inc., Allianz SE, The Hartford Financial Services Group Inc. and Zurich Financial Services AG. A belt-tightening project that started even before former CEO Marc Racicot stepped down early in 2009 — his resume as Montana's former governor and chairman of both the Republican National Committee and the 2004 Bush-Cheney campaign having become more hindrance than help in a Democratic Washington — is also likely to grow even more austere.

Sources close to the situation tell SNL that the AIA's membership team is upping its efforts to land a new big fish, whether it's luring CNA Financial Corp. back into the AIA fold (the company left the group several years ago) or poaching Liberty Mutual away from PCI, a move that could make some logistical sense. Liberty shares some things broadly in common with many AIA members: a major presence on the commercial side of the P&C business, a strong aversion to national catastrophe fund legislation and an international focus that sets them apart from most other PCI members. But the company has never fully been on-board with the concept of an OFC, and with Allstate's departure, it can now enjoy being the biggest fish in the PCI pond, a status it would not necessarily hold at the AIA.

Alternatively, AIA could present PCI with a plan to merge, an idea Racicot's successor, Leigh Ann Pusey, suggested she'd be open to when she took the reins in February. PCI President David Sampson recently told SNL that a merger was "not our focus, right now," but didn't close the door to the idea. With financial services issues still at the top of the political radar at both the federal and local levels, and lobbying resources growing more stretched, the notion of the P&C industry converging toward a single advocacy organization is beginning to look inevitable. *i*