



This insurance company is reinventing itself by integrating its tradition of service with modern growth strategies. CEO Stuart Henderson explains.

Western National Insurance



Healthy Relationships





When Stuart Henderson took over the leadership of Western National Insurance Group (WNIG) in fall 2001, he knew he was heading into a turnaround situation. Not only was the company hemorrhaging revenue as a result of undervalued premiums and massive payouts for natural disasters, it was also weighed down by outdated systems and procedures.

But Henderson knew the company wasn't terminal. Its assets were solid, it had no debt, and perhaps most importantly, its people were ready for a change.

Henderson led that change, and quickly. Within a few years, WNIG was on Ward's Top 50 out of 2,700, an honor roll of the top US casualty and property insurers based on the most recent five years of financials in the areas of safety, consistency, and performance. By 2007, it had earned that ranking three years in a row.

If that isn't enough evidence of WNIG's new lease on life, consider this: WNIG will complete a merger with Farmers Home Mutual Insurance Co. by the end of the year and is actively looking for other opportunities for expansion, including more acquisitions.

"We're looking to grow. It will have to be the right deal—we aren't going to put growth over profit—but we want to get larger for the economies of scale," Henderson said.

Stay focused

WNIG was founded in 1900 as the Mutual Creamery and Cheese Factory Fire Insurance Company of Minnesota. Its first claim was paid in September 1901, for \$5.21, to the West Concord Cooperative. Today, WNIG is still owned by its policy-holders, but it is licensed to do business in

28 states. Its written premiums exceed \$250 million, and its assets exceed \$516 million.

What hasn't changed is the company's focus on relationships. In Henderson's first month on the job, he assembled all of his senior management to find out what kept policy holders coming back, despite the worsened financial situation of the prior few years. The company's products are standard to the industry, its pricing middle-of-the-road, and sales are handled by a network of independent agents. What kept the company's policy renewal rates at more than 90%?

The answer was WNIG's relationship approach to doing business. "If people need something, they know that they can call us. The same with the agents. They've been dealing with the same people for years, so they don't have to keep reeducating people about their business. A single contact knows all of an agent's business," he said.

Building on that strength, Henderson branded the company as The Relationship Company and uses it as a litmus test of sorts to solidify the culture of service.

"We put it in front of our people all of the time. If someone wonders if we should do something, we'll say, 'Well, if you had a relationship with this person, what would you do?'" he said.

The question helps clarify how the company can better serve its policy holders and agents, as well as define its limits. Better service comes from more targeted communication with customers. For example, given that use of seatbelts can reduce the company's—and ultimately the policy-holders'—losses, WNIG developed a program for parents to encourage their teenagers to wear them. For business customers, it developed



return-to-work programs and “how-tos” for the latest OSHA regulations.

Keeping the brand in mind also helps when WNIG needs to tell a customer no. “Being The Relationship Company doesn’t mean that we don’t say no. The difference is that we take the time to talk about our decision and explain it. If you are right, you should be able to make the customer understand why; if they convince you that you are wrong, you need to fix it. That’s the relationship piece,” Henderson said.

Incremental change

A significant part of WNIG’s turnaround has come from updating systems and policies that hadn’t been changed in many years. For instance, Henderson changed the commission policy for agents so that it better reflects individual performance.

Dropping unproductive business lines and increasing premiums helped deal with losses, but the company also started to manage natural disaster risk with better tools. “We now geocode to street level every home we insure, and if we have too many in one area, we don’t write any more policies there,” Henderson said. WNIG is also in the process of implementing an IT system that will replace 30 information systems and streamline policy renewal procedures.

In addition to technology upgrades, Henderson is moving the company to a more performance-based system. Because that transformation is a major change in culture for the company, though, he is doing it incrementally. Senior management’s compensation is primarily performance-based, and they expect to expand the concept more deeply throughout the company. A company-wide profit-share bonus is based on overall company performance.

Part of the transition for WNIG’s senior management is to spend more time on strategic planning, something that’s hard to do when focused on day-to-day operations. To help, Henderson initiated monthly off-site brainstorming meetings, giving managers a chance to take a broader view.

A recent session gave managers a chance to rethink the 25% rule Henderson instituted early on to control expenses by requiring them to be no more than 25% of the premium income. “As a company gets further away from its near death experience, it is easy to become less frugal. So I wanted the managers to sit down and discuss it, despite the fact that we are so financially strong today,” he said.

After having a chance to focus on just that issue, they decided it was a goal they wanted to carry forward.

From the outset, Henderson’s role as change agent has been driven by clear communication. “If you can’t explain to people who have 25 years of experience in the industry why something is the right thing to do, then chances are it isn’t. I’ll tell people what I think we need to do, what the consequences are, and what could go wrong. If people think it makes sense, then it becomes their plan as well,” he said.

Today, the management team consists of what Henderson believes is the best of the past and the future: a team of people with long-term relationships and forward-thinking vision. “We’ve done far better than I ever imagined we could,” he concluded. ■

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