



WESTERN NATIONAL INSURANCE GROUP

Fast Growth with a Personal Touch

As Seen in December 2006

TwinCities
BUSINESS

SMALL-BUSINESS SUCCESS STORIES BY PAUL NOLAN

Insurance companies like to put the word out that they're rock solid, good neighbors, and as trustworthy as a best friend. **Stuart Henderson**, president and CEO of Western National Insurance Group, says the Edina-based property and casualty insurer forgoes any cloying claims and lets personal service speak for itself.

The result: Western National has been **beating the industry average of 2 percent growth in premiums a year, and expects 7 percent growth** for 2006, according to Henderson. Its business is half individual and half commercial policies, all sold through independent agents. The company **will finish this year with about \$245 million in direct written premiums** (a measure of premiums paid by customers prior to accounting adjustments), and it has total assets of \$474.4 million, up 10 percent from a year ago.

But even its above-average growth rate won't get the company where Henderson wants it by 2008—writing more than \$300 million in premiums annually. Earlier this year, he spearheaded Western National's affiliation with the Farmers Home Group, a property and casualty insurer based in Bloomington that's been writing \$33 million in premiums a year.

Henderson says affiliating allows the two companies to share resources, profits, and losses, without the long regulatory- and shareholder-approval process

that a merger would have required. Most of Farmers' 40 employees kept their jobs and moved to Western National, which now employs about 350 people.

"All of the studies will tell you that in order to be efficient as an insurance company, you need to write between \$300 million and \$800 million in premiums," Henderson says. He's on the lookout for another affiliation or acquisition to help reach that goal.

The Farmers Home affiliation added a few southwestern states to the list of places where Western National does business. That's important diversification for a company that—**106 years** after it began as the Mutual Creamery and Cheese Factory Fire Insurance Company of Minnesota—still writes about 80 percent of its premiums in Minnesota. It also does business in Wisconsin, Iowa, and North and South Dakota, but getting outside of the Upper Midwest is an advantage. "If you have all of your eggs in one basket, you're beholden to one economy, one political environment, one regulatory environment, and one weather zone," Henderson explains. (Through a Seattle-based acquisition 32 years ago, the company also writes some premiums in Washington and Oregon).

Based on Western National's five-year financial performance, the Ward Group, an Ohio-based insurance-industry consultancy, named it **one of the top 50**

property-casualty insurers in the country in 2005 and again in 2006. Henderson credits that to his employees and agents.

"We rely on being a company that you can have a relationship with, one where a phone is answered by a human when you want it to be," he says. "No policyholder is ever going to speak with the president of Travelers or The Hartford. I talk with our policyholders all of the time because it's the right thing to do. I also tell the agents they can call me anytime. That's a sales tool for them"

The personal approach means Western National's **underwriters review many policy applications on a case-by-case basis**, instead of automating the review process to the extent that larger competitors do. "Nobody [wants to cover] cab companies, but we write a cab company because we know the owner and he's very conscientious," Henderson says.

He says the toughest challenge in a business environment that's increasingly commoditized is to maintain that personal touch while achieving the growth he's after for Western National. "You automate the things that are nonpersonal. The economies of scale are in IT, accounting, and human resources—things the client couldn't care less about as long as you take care of them." **TCB**

PHOTOGRAPHY by JOHN MOWERS