

Committed to Cincinnati

**An Interview with John F. Barrett,
Chairman, President and Chief Executive Officer, Western & Southern Financial Group**

EDITORS' NOTE John Barrett has served as President since 1989, Chief Executive Officer since 1994 and Chairman since 2002. He is a member of the board of directors of Cintas Corporation, a past two-term Chairman of the Ohio Business Roundtable, and Co-Chairman of The Greater Cincinnati Scholarship Association. In Washington, D.C., he is a director and past Chairman of the American Council of Life Insurers, a member of The Business Roundtable and a trustee for



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Americans for the Arts. He is also a member of the Board of Overseers for the Hoover Institute at Stanford University. He holds a bachelor's degree in business administration from the University of Cincinnati. Over the years, Barrett has served on the following corporate boards: The Andersons (Toledo, Ohio), Cincinnati Bell, Convergys Corporation, Fifth Third Bank and Touchstone Securities.

COMPANY BRIEF Western & Southern Financial Group (westernsouthern.com) is a Cincinnati-based diversified family of financial services companies with assets, owned and managed, of \$80 billion. Western & Southern is one of the strongest life insurance groups in the world with \$10 billion in capital. Over the last 30 years, it has grown from a \$5 billion regional life insurance company into a highly-respected national financial services enterprise.

How critical is culture when you look at the strength and leadership of Western & Southern Financial Group?

Culture is extremely critical. It is the most important pillar of our entire company. Our six pillars are Culture, Capital, Competent (people), Client Focus, Change (ability to adapt to it), and Challenge (to individually get better every day). We adhere to these pillars religiously.

We also have a very stable, tenured management team. We have only had eight Presidents in 131 years. I have been President for 30 of those years. That really helps as far as stability is concerned.

There are companies that need to go through a change. I spent 16 years at Bank of New York. We went through a dynamic change there. At one time it was an old trust bank, and

now it is probably the largest processor of securities in the world. I became a really good friend of the CEO who led that change. He was very generous to me as a young employee. I was able to watch how he changed the culture and the company and knew that I would love to do the same thing if I ever had the chance, with one caveat: I was going to go for top-notch quality in everything we do, not just the most profitable options. If you build a really great company, the earnings will be first rate because of it.

With the impact of technology on the business, do you still define Western & Southern as a people business?

It is still a people business, but the people need the tools. Today, people can do more than they have ever been able to do, so we're trying to be really sensible. We are trying to figure out what we can do more expeditiously than we have in the past. We continue to use standards like return on assets and operating income per full-time equivalent employee because these are good measures of efficiency.

Last December, we concluded a 25-year quest to acquire Gerber Life Insurance Company from Nestlé S.A., which brought 2.3 million clients and 3.6 million policies to our family of companies. Fifty-nine percent of Gerber Life's business is direct to consumer, making them number one by far in the industry. With Gerber Life onboard, we will be able to further serve the middle market without having to add too many people.

Today, we have about 97,000 financial professionals licensed to sell our solutions in the United States. When I joined our company, we had about 2,800.

Was cultural fit essential with the Gerber Life acquisition?

To show how important it was, we were substantially outbid by at least one other very high-quality company, but the Gerber management team and Nestlé's senior management selected us because of our culture. They thought we would be the ideal place for their associates, their 2.3 million customers and the Gerber brand for financial services. We were granted a 30-year right to use the Gerber name and iconic baby logo. Our unique culture is what gave us the edge.

Western & Southern commits substantial time and resources to the city of Cincinnati. Do you view giving back to the community as a responsibility for leading companies today?

Cincinnati is where we are based, and we want it to be a strong city. When I returned 32 years ago, it was a tired city that seemingly stopped thinking about the future the way that I thought it should. The view of city leaders seemed to be that if we grow too much we'll just face bigger problems. Some of the companies that had traditionally led the city had globalized and their interests covered the globe. Others would rather have somebody else improve it and not be as involved directly. We wanted to have a city where we can attract the best people possible, so we decided to lead the effort, and we have. The efforts of my colleagues have really improved the city and people love what is happening.

Will you discuss how you prioritize these efforts and the areas where Western & Southern has been able to make the most impact in Cincinnati?

Let's start with real estate because it is so visible. Our work has certainly enhanced the entire downtown. First, we started with the toughest neighborhood in the early 1990s, which is right next to our largest corporate headquarters (Kroger) and now the hottest area within several hundred miles. When young people move to Cincinnati, Over-the-Rhine (OTR) is where they want to live. It is a short walk to the center of downtown.

OTR is an old German area of Cincinnati where the houses are of Italianate architecture and many of them needed to be renovated, which is now happening on a grand scale. At one time many thousands of people lived there. Back in the 1800s, many immigrants from Europe, who came with nothing, settled in this crowded neighborhood. They were typically German or Irish, and they wanted to work to improve their lot in life so they came here and settled in this neighborhood.

Our goal was to fix it up and make it a cool area. Our head of real estate and I had both spent considerable time in New York at the Bank of New York. We both worked in Lower Manhattan. We decided to try to bring that vibe here.

We started with new, top-quality low-income housing. Then one thing led to another, and people became attracted to living in a cheaper area that was up-and-coming. It just fosters good activity.

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Cincinnati formed an entity called 3CDC, which I helped found and now serve on the executive committee. 3CDC has been able to find new market tax credit money to support its efforts. Western & Southern acquired a substantial amount of real estate in OTR and sold much, but not all, of it to 3CDC at cost so they could accelerate development activities in OTR.

Then we focused on Fourth Street in downtown where we renovated and repurposed several historically significant but deteriorating buildings and built the finest office building in the area in the midst of the financial crisis. It has become the Great American Insurance Company headquarters. We have some space in it, but Great American occupies 60 percent of the building. Two major law firms have another 30 percent, while smaller tenants round it out. The building is entirely full. It's beautiful and 665 feet tall. It led everybody to feel that the city is growing again. Many of our taller buildings were from earlier eras.

We also believed that if we were going to make Cincinnati really attractive, it had to have many of the underpinnings of the greatest cities, and we needed to energize it. So almost all of our Western & Southern senior officers serve on the boards of charitable or civic organizations. We give them the time to do this and we encourage it. If you want to attract good people, they want to come to a city that's vibrant and active. We are well on our way toward accomplishing this.

Did the effort transforming Cincinnati require public-private partnership?

Yes, because there are tax advantaged situations that are not available to private companies, and you really need to have the government partnership. This doesn't just benefit the politicians or partners or their competitors - everybody does better.

Is the story of Cincinnati's transformation well understood?

I think you would be surprised at how many people who run Fortune 500 companies had a stint here earlier in their lives. They are amazed at how far we have come, even though they liked the city they left. It's much more energized now, and this is not just because of Western & Southern. It has taken lots of people, business leaders and politicians alike. There is a very healthy environment that has been fostered along with a renewed pride in the city.

The challenge is that we as a city can do so much more, so Western & Southern keeps pushing for more positive movement. This is an ideal place for some of the companies that are in very high tax environments to relocate to. Cincinnati really has it all. We punch way above our weight class when it comes to arts, entertainment and quality of life. In downtown Cincinnati, there are 10,000 restaurant seats available every night, and the food is excellent.

At one time, this was the fourth largest city in the country and, west of the Alleghenies, it was clearly the pre-eminent city back in the 1800s. We had and have a culture that would rival any city. We have to keep that momentum going.

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What do you tell young people about how dynamic and innovative the insurance industry is today?

We don't have any problem recruiting high-quality talent. They get it because in a good insurance company, you have world-class investment people, world-class technology people, and world-class financial people. The industry attracts folks with those skillsets who are looking to further their own careers. At our company, we have developed the finest culture possible and it continues to get better as we continue to build the best capital position in the industry.

My own thinking is that if we out-dream, out-think, and out-work we will out-perform. I frequently tell colleagues at all levels that at the end of your career we want you to be able to say that you could not have enjoyed your work more, nor have done better, anywhere else.

What has maintained your deep passion for the industry for so many years?

Our industry is unique. It is the only one that can guarantee someone income for life and a death benefit. Almost everybody I know is now no longer part of a defined benefit plan, and social security was never meant to cover your entire retirement. Almost everybody I know worries about this, so it's our job to get in front of them to let them know that we have solutions. I don't call them products. They are solutions because they might solve a number of potential problems. The industry also encompasses the retirement world.

Is being a purpose-driven company critical to attracting top talent?

It certainly is, and that is one of the things I hear frequently from our people. Back when we started doing what we do, that wasn't the primary reason. Now, people want to work for a company that is civically involved. I would not have anticipated that 15 years ago.

Do you take moments to celebrate the wins or are you always thinking about what is next?

I'm always moving on to what is next because I don't want to live in the past. We work really hard to get something done, and I mentally move on quickly after that. Some might want to recognize and talk about the victories. I'm not wired to think that way. I'm always thinking about what's next and what's after that. There is so much more to do and time is short, plus, I find it fun to grow and improve; it is a blast. ●