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Albert Reilly's coaching skills helped build company

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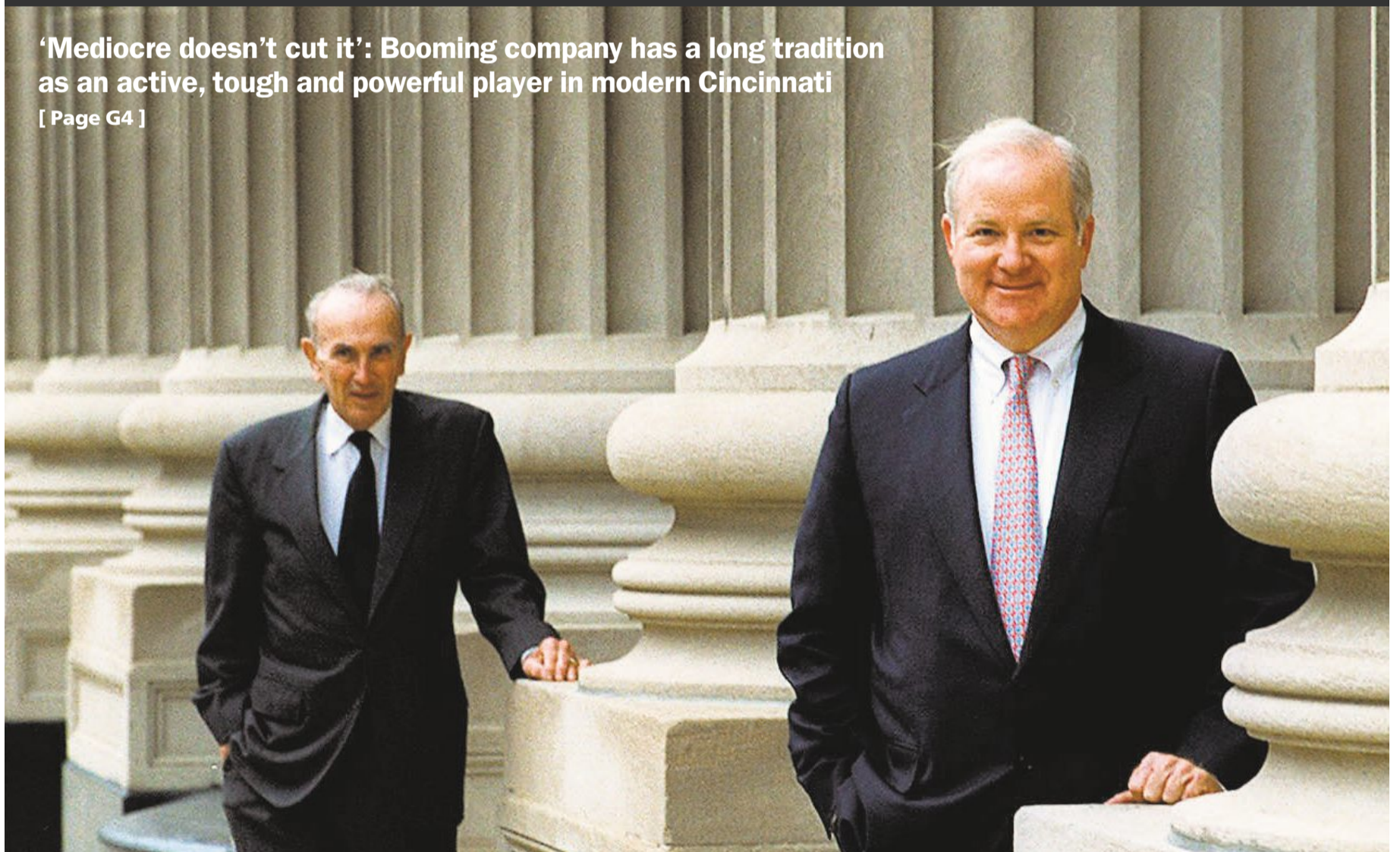
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WESTERN & SOUTHERN AT 125

# THINKING BIG, GETTING BIG

'Mediocre doesn't cut it': Booming company has a long tradition as an active, tough and powerful player in modern Cincinnati

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Western & Southern's leaders have included William J. Williams, left, and current CEO John F. Barrett, photographed Downtown in 1999. THE ENQUIRER/GLENN HARTONG



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## COVER STORY

# Western & Southern at 125: Thinking big, and getting there

CEO John Barrett has led an era of explosive growth for the company, with a big impact on today's Cincinnati



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I will give you a new perspective on local executives and the region's entrepreneurs – and why both matter to you. Find me at LinkedIn, Facebook and jpichler@enquirer.com.

If you want to know how a company survives for 125 years, having exceedingly high expectations for itself is a pretty good place to start.

In 1986, Western & Southern was one of the biggest life insurance companies in the country, managing \$4 billion in assets. The company's strategic planning committee had just met, and then-president William J. Williams asked board member John Barrett what he thought of the future strategy.

"I made a comment to him privately that we had a dynamite plan for the Korean War," said Barrett, who today is Western & Southern's president and chief executive officer. "We chuckled about it, and he said, 'What would you do?'"

A year later, Williams had convinced Barrett, who was president of the Bank of New York (Delaware), to join the company as an executive vice president and chief financial officer. It would kick off a new stage of explosive growth for the company, which turned 125 years old this year.

In recent years, Western & Southern has been known more for high-profile projects like the Great American Tower at Queen City Square and its controversial but ultimately successful effort to acquire the Anna Louise Inn. Somewhat overlooked has been the insurance giant's transformation into a Fortune 500 company that today owns and manages \$65 billion in assets, which include securities and real estate investments.

It's done it thanks to a line of strong, long-serving leaders that includes four members of the Williams family, as well as through acquisition, expansion and aggressively managing risk.

Western & Southern's six life insurance subsidiaries are relentlessly targeting middle-market consumers who make between \$50,000 and \$100,000 a year. Its real estate division is making plans that will transform the southeast quadrant of Downtown.

To hear Barrett tell it, Western & Southern, which generated \$2.97 billion of revenue in 2012, is still in its early stages. "We're trying to build a company that's going to be around for a long, long time," he said.

Barrett's blunt critique of the company in 1986 is particularly notable given that his father, Dr. Charles M. Barrett, was CEO and chairman of the board at the time. Charles Barrett,



President and CEO John Barrett is pictured here in the Great American Tower at Queen City Square. THE ENQUIRER/AMANDA ROSSMANN

who died in 1989, was a giant in the local business community, as well as a nationally recognized doctor who specialized in cancer treatment.

It's notable, but not surprising. Charles Barrett, John Barrett says, taught his six children to have nothing less than the highest expectations. And Williams, whom Barrett considers a mentor, expected big thinking. The Great American Tower was Williams' vision, one he pushed the company to develop even after his retirement. Williams died in 2009.

Barrett wasn't hired just to take Western & Southern to a new level. He had to share the company's long-standing vision of helping make Cincinnati a world-class city.

## Beginning in 1888 with \$1,035.90 in first-year profit

The Western & Southern story starts on Feb. 1, 1888, when William J. Williams, a trained carpenter and mechanic, called 12 friends and businessmen into a meeting and announced his intention to start the Western and Southern Life Insurance Co.

The company's name, according to Gerald E. Moore's 1988 history of the company, referred to Cincinnati's

geographic location in Ohio. The company was incorporated on Feb. 23 and capitalized with \$100,000. It made \$1,035.90 in profit its first year.

By 1957, the company was operating in 24 states and licensed to do business in 39. As it expanded nationally, its work also physically impacted Cincinnati beyond the growing headquarters at Fourth and Broadway.

In 1952, Western & Southern started construction on the parking garage at Third and Broadway that still holds an iconic rotating clock. In 1964, then-president William C. Safford saved Lytle Park, which was directly in Interstate 71's path. The company agreed to pay the costs of putting I-71 under the park in exchange for air rights. In 1973, Western & Southern completed the 580 Building complex at Sixth and Walnut streets.

But the world around Western & Southern also was changing, and, by the mid-'80s the company's culture and strategy needed to change, too. It still put significant emphasis on individual sales calls, prompting Barrett's Korean War quip to William J. Williams.

"We would make the calls in a neighborhood. We had thousands of guys doing it, and they would pick up

the premiums. The problem was, after the Korean War, you had dual-income families, and both spouses worked. There was nobody at home anymore," Barrett said.

"It wasn't the same thing where a guy could go to a place like Mount Lookout and visit 20 homes. That's not going to happen. So we had to work out of that."

## A change in approach: Sales through banking

While Barrett's banking background was unusual for an insurance company, it proved critical to Western & Southern's next stage of growth. After graduating from the University of Cincinnati in 1971, Barrett went to Wall Street and landed at the Bank of New York. According to a New York Times obituary, the bank's president and CEO, Carter Bacot, had transformed it from an \$11.5 billion institution into a \$60 billion powerhouse in part by focusing on global securities processing. Bacot died in 2005.

"I learned from him the importance of returns on everything you do," Barrett said. "One time he said to me, 'John, why do we want to make 15 percent return on the banking business when we can make a 30 or 35



# COVER STORY

percent return on the processing businesses?”

On New Year's Eve 1983, Barrett and an assistant went to Delaware to start the Bank of New York (Delaware). Four years later, it had \$4.6 billion in assets and more than 1,000 employees. Barrett used his banking experience to change how Western & Southern sold its products. The company started to market its insurance and annuities through the banking system, which allowed it to reach customers more efficiently.

Barrett also spun out the company's real estate division into Eagle Realty Group and its investment department into Fort Washington Investment Advisors.

“We said to them, ‘Guys, we want you to make money away from the company,’” Barrett said.

In 2012, Eagle's mortgage loan production volume exceeded \$360 million, while Fort Washington's non-affiliated assets under management crossed \$10.3 billion, up from \$7.5 billion the year before.

## After an unpopular fight, ready for new projects

The city felt the impact of Western & Southern's evolving strategy. Charles Mecham, retired chairman of the Great American Communications Co., told The Cincinnati Post in 1990 that Barrett had quickly become the pre-eminent young leader in Cincinnati, and he predicted Barrett “would be a real force in shaping Downtown and Cincinnati.”

Mecham was prophetic. In 2011, the \$400 million Great American Tower at Queen City Square opened, dramatically reshaping Cincinnati's skyline as the region's tallest skyscraper. That same year, Western & Southern opened the Residence Inn by Marriott, the first hotel Downtown in 27 years.

More changes are coming. Earlier this year, Western & Southern settled a high-profile dispute with the city and Cincinnati Union Bethel over the Anna Louise Inn in Lytle Park, which provides safe and affordable housing for single women. After unsuccessfully attempting to buy the property, Western & Southern sued to block the inn's \$12 million renovation, financed by state and federal tax credits.

The two-year fight ended in May when Cincinnati Union Bethel agreed to sell the property for \$4 million. A new facility is under construction on Reading Road.

The episode was a public relations headache for the company, and critics of the deal have singled out Barrett. With the dispute settled, though, Western & Southern is now poised to start developing the southeast quadrant of Downtown. The company is considering a new headquarters, new hotel or condominium development in Lytle Park, conversion of Broadway Parking Garage into residences, and a slew of restaurants, including one in the former police station at 314 Broadway.

It also recently bought 170 acres near the Cincinnati/Northern Kentucky International Airport, which Barrett is hoping will attract new companies into the region. He said companies in states like Illinois and California, with higher corporate tax rates, should be prime targets for economic development officials here.

Today, Western & Southern has a workforce of 3,700 employees, about

## ABOUT W&S

» Western & Southern Mutual Holding Co.: Mutual insurance holding company. Sole shareholder of Western & Southern Financial Group.

» Western & Southern Financial Group Inc.: Holding company. Sole shareholder of the Western & Southern Life Insurance Co. and the Lafayette Life Insurance Co.

» Western & Southern Life Insurance Co.: Whole life, juvenile term life, critical illness, accident insurance and personalized needs analysis.

» Western & Southern Life Assurance Co.: Universal life, fixed annuities, term life, single premium life, retirement strategies and personalized needs analysis.

» W&S Agency Group: Life insurance, annuities, mutual funds, retirement strategies and health insurance products.

» Insurance Profillment Solutions LLC: Comprehensive fulfillment services for banks and insurance direct marketers.

» W&S Brokerage Services Inc.: Broker-dealer for field agents selling mutual funds, variable and indexed annuity products, and variable universal life.

» Columbus Life Insurance Company: Universal life, variable universal life, survivorship universal life, indexed universal life, term life, fixed and immediate annuities, and retirement and business planning.

» Eagle Realty Group LLC: Real estate investment management, commercial property management, multi-family property management.

» Fort Washington Investment Advisors Inc.: Investment management capabilities, including fixed income, public equities, private equity and multistrategy portfolios.

» IFS Financial Services Inc.: Fixed, variable and income annuities, mutual funds, life insurance and wealth preservation programs.

» Integrity Life Insurance Co.: Fixed, variable and income annuities.

» National Integrity Life Insurance Co.: Fixed, variable and income annuities and life insurance.

» Touchstone Investments: Mutual funds subadvised by seasoned institutional asset managers.

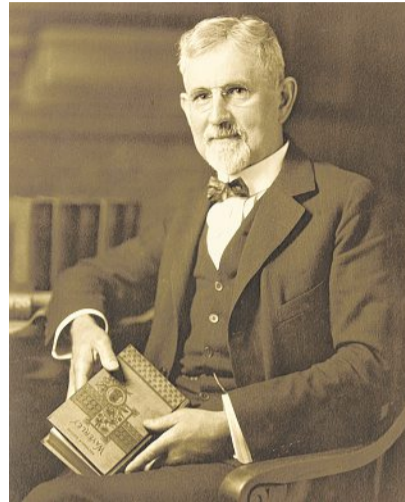
» W&S Financial Group Distributors Inc.: Fixed, variable and income annuities and life insurance.

» The Lafayette Life Insurance Co.: Whole life, term life, fixed and indexed annuity products, indexed universal life, and pension products and services.

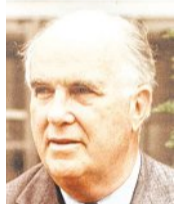
2,000 of whom work in the region. It's in the middle of almost every economic development conversation in Greater Cincinnati. And Barrett isn't apologizing for pushing the company's culture of high expectations into the city. He says it's what the company has done for 125 years.

“The city's potential is unlimited. We try to be supportive of everything, we really do. We are tough graders,” he said. “Mediocre doesn't cut it. That's the problem with so much of what goes on today. People are just happy to get it done. We like to get it done right.” ■

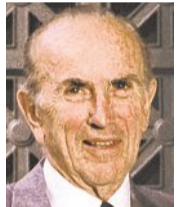
## 125 YEARS OF WESTERN & SOUTHERN: GROWING WITH THE CITY AND BEYOND



» **1973: Charles M. Barrett** named president. By the end of that year, assets rise above \$2 billion. Company completes **580 Building** at Sixth and Walnut.



» **1984: William J. Williams**, son of Charles F. Williams and brother of Charles M. Williams, named president. Named CEO in **1988**. Company grows to \$27 billion in assets during tenure.

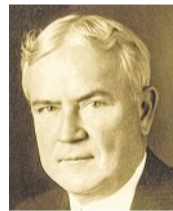


» **Feb. 23, 1888:** The Western & Southern Life Insurance Co. signs incorporation papers in the state of Ohio. Dr. Frank Caldwell is named president. **William J. Williams** is the founder.

» **1910:** A power struggle ensues between the board and Caldwell. In March, the Kroger Co. buys a 50 percent stake in the company at Caldwell's behest. One month later, brothers William J. Williams and Charles F. Williams buy stake back from Kroger and buy out Caldwell. William J. Williams becomes president.

» **1989:** John F. Barrett named president.

» **2002:** The company begins sponsoring the annual tennis tournament in Mason. Today it's called the Western & Southern Open.



» **Nov. 24, 1930:** William J. Williams dies. He is considered a pioneer of industrial insurance in America. Brother **Charles F. Williams** is elected president in **1931**.



» **1950: Charles M. Williams**, oldest son of Charles F. Williams, named president. Charles F. Williams dies in **1952**. During the decade, the company continues national expansion through acquisition. Company starts construction on the parking garage at Third and Broadway in **1952**.



» **2011:** The **Great American Tower** at Queen City Square, and Residence Inn by Marriott open.



» **2013:** Company settles two-year dispute with Anna Louise Inn and purchases the property for \$4 million. Begins to review plans that may result in new condos, restaurants and a new headquarters in southeast quadrant of Downtown.

» **1957:** William C. Safford named president. Dr. Charles M. Barrett, medical director since 1951, named vice president. By **1960**, company has \$1 billion in assets. In **1964**, Safford tells the city Western & Southern will pay to tunnel **I-71 under Lytle Park**.