

AN INTERVIEW WITH ED LARGENT

PRESIDENT, CEO AND BOARD CHAIR, WESTFIELD

by STEVE DISCHER and ROD TRAVERS



Following is the 45th in a series of interviews conducted for The Interpreter by Steve Discher, Managing Director of The Nolan Company, a management consulting firm specializing in the insurance industry. Joining Steve is IASA's Executive Director, Rod Travers. In this excerpt, we find out more about how Westfield has embraced innovation in order to grow its insurance business.

STEVE DISCHER: Thanks, Ed, for taking time to share your perspectives. Would you start off with a brief introduction to Westfield?

ED LARGENT: We were formed in 1848 by a group of concerned citizens here in Medina County, Ohio – a farming community concerned about the peril of fire. Fire in 1848 could basically ruin a family, a farm; and those local leaders brought in outside experts and sent one of our local leaders to Batavia, New York for 18 months. He worked inside a mutual property casualty company and learned the business. He came back and the group decided to form the company in the back of a local general store.

We were a very small business in Ohio with incremental growth as we got into the turn of the century. Obviously, the automobile showed up, so auto insurance became important and property expanded, and we slowly expanded geographically to neighboring states.

In 1952, the directors authorized \$2,000,000 to build this building, and our surplus at the time was \$9,000,000. I use that statistic to point out the magnitude of that decision and that the leaders of that time realized we were becoming a larger organization with further potential.

Since 1955, you can imagine the conversations, discussions, and the decisions that were made. You've got Korea, the Vietnam War, the energy crisis, massive recessions, social unrest, all kinds of interesting things. Technology exploded just like it is today, and then internally we continued to grow our P&C business, and we started our surety operation which is over 60 years old. Often, I think we believe we're in this time of unprecedented change and technology advancement, and we are. But I'll bet the folks back in 1960 were feeling the same way.

STEVE DISCHER: So how large is Westfield's today?

ED LARGENT: Today we are at almost \$2 billion in premium. We continue to grow and expand geographically. We grew substantially in the 1980s through the 1990s. We were a \$450 million company in the mid-80s, and today we're a \$2 billion company fully operating in 21 states. It's a much larger, more complex organization that spans much of the country with very, very deep roots in that legacy.

STEVE DISCHER: Walking into the building today is remarkable. There's a total renovation and almost a renaissance going on in this office.

ED LARGENT: We recognize what's going on in the world and with industries in the midst of major change. We're embracing that and evolving Westfield and our capabilities.

Flexibility is a high priority for us in the culture. There's a way to persist the culture through physical space. So anywhere you are in our facility, I want you to know you're at Westfield. And I want you to feel our values and what we're about.

STEVE DISCHER: Let's talk about the recent years and how Westfield responded to changes in product or distribution or technology.

ED LARGENT: One change is how customers think, how they're behaving, and evolving and how to meet the needs of the customer today. We're responding to that, and I think the industry is as well. We're an old, mature, highly regulated industry. Because of that our culture is tough to change, but we've embraced that in a big way. We have digital capabilities we're rolling out that we believe will help our entire value proposition meet some of those changing needs. Risk is also evolving and is very different from 30 years ago. There are a lot of examples: the auto line business, regardless of personal or commercial, is in a state of significant evolution, for a lot of reasons. Miles driven has increased, the country's infrastructure is not the greatest, distracted driving, and so on. We have safer vehicles, new technology in vehicles, and we're heading toward autonomous vehicles, but, as an industry, we're without an exact path on how we're going to get there. That's a different world. And then there's cyber which, at some point, may be the biggest risk to all of us. We'll soon be emitting huge volumes of data, and everything we look at and touch will be gathering, capturing updated information.

STEVE DISCHER: Are there a couple of technology examples that are real difference makers for Westfield?

ED LARGENT: I'd say innovation in general is being embraced by the industry in a big way. Silicon Valley did not care about insurance ten years ago, but they do now. There are some very smart folks that understand the latest technology innovations and advanced data analytics, and they're starting to apply knowledge and skills to our business model and our value proposition.

At Westfield, we launched our innovation subsidiary, 1848 Ventures, to develop product offerings beyond conventional property and casualty insurance. We have an innovation engine that is starting to really gain momentum. We're partnering with different people around the country and the world and it's generating some unique and interesting ideas. We are focused on the small business customer initially. None of the ideas are scaled in the market yet, but we're leveraging a design thinking approach that has the customer at the center of absolutely everything. In the last year, we've done more than 250 hours of on-site observation and interviews with business owners and their employees.

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Ed Largent

EXECUTIVE CORNER

Let's take restaurant owners. These observations are starting to generate some pretty interesting ideas about how to help restaurant owners solve their biggest business problems. One observation is small businesses don't think about risk the way we do. We talk about risk as something to assume and transfer. They live with risks the day they invest the first dollar in their business, so it's a different mindset. What they're really worried about is people showing up to work, cash flow management, customer demand fluctuations, inventory management, supplier performance, and what's happening in and around their community. We are developing insights about these risks from point-of-sale data, weather, and other data points that start to help restaurant owners' sense, act and learn about their business.

For every 30 ideas we throw out, there's one that's pretty interesting. We hear, "I'd probably pay for that," which is helping make the Westfield value proposition more than an insurance contract.

STEVE DISCHER: Like many of your peers, you've got two core customers – agents and policyholders. How are you thinking about both stakeholder groups?

ED LARGENT: Our agents are our most critical business partner. I've been in the business 33 years, and for a long time, there are those who have been calling for the demise of agents. They were flat out wrong. Business owners want advice. How they want to receive that advice is changing, but they still know insurance is an important decision. They don't always understand it, but if done incorrectly, it could mean their business.

A policyholder may start their research online. But before they push the buy button, the vast majority want trusted, expert advice. I think it's amazing to watch the independent agency channel evolve. Even five years ago, there was still skepticism about whether they could evolve, but they are. You know the same 38-year-old millennial that's running a business is running an agency now. And they're out there digitally, meeting customers where they want to be met, and they're figuring out how to interact with them to provide advice in a different way. They're doing it in a traditional way as well. They're more flexible and nimbler than they've ever been. The leading agencies are investing in those capabilities, they're investing in analytics, and the channel is evolving. They're not going anywhere, and the partnership is stronger than ever with us.

STEVE DISCHER: For the last ten years, we've had a strong economic cycle, and who knows when it will end. What is Westfield and the industry doing to maintain resilience in the future?



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ED LARGENT: You're right. It's not about Westfield, it's about our industry. I'm extremely proud of this industry. It's amazingly strong and resilient already. We went through the biggest recession since the great depression, and we didn't miss a beat. We didn't see an increase in insolvencies. We didn't need bailouts. We are literally built to handle that stuff. There's not some dramatic change that needs to take place.

For Westfield and the industry, the toughest years are due to natural catastrophes. That said, we pay claims and continue to serve our customers while growing.

Separately, around Insurtech and potential disruption, there's a lot of smart people who are thinking about the customer experience, distribution, and how to make our business model more efficient. All that said, the insurance model globally to support risk is rock solid. And I think that's going to be here for a long, long time.

ROD TRAVERS: You mentioned the Insurtech phenomenon. What's your take on the future of Insurtech, considering you have an innovation subsidiary?

ED LARGENT: I think, just like the agencies, if you aren't doing something in the Insurtech space, you're probably sitting around the table with your team asking, "What should we be doing?"

That Insurtech space is not going away. The efficiency opportunity alone in our industry is massive. How we provide customer service compared to Amazon is a big gap. There's a way to fix that. The innovation and the brilliant minds that understand customer experience can help us with efficiency and distribution. I think those opportunities are still there.

STEVE DISCHER: What about talent? What's the elevator speech for why people want to come to work here at Westfield?

ED LARGENT: It starts with working in a noble industry that literally helps society, families, and business owners, and it employs people. We don't exist for any reason other than our customers. So that purpose-driven mission is very important. It's important to me personally, and I think it is a good starting point for the attraction.

Then it's the diversity of the career opportunities within

Westfield. There are more kinds of roles than ever in our organization. You can be a data scientist, an actuary, in marketing, underwriting, claims – and all of those areas are evolving. There's more technology, data, and analytics, diversity of experience that you can get at Westfield. Ohio is a tremendous insurance state, and I give our state regulatory scheme part of the credit for that. We're a thriving part of the economy and the insurance industry is the third largest employer in the state.

Lastly, I would say Westfield puts our people first and puts our money where our mouth is. For our people, that's development and developmental experiences; that's Westfield University and the programs we offer to help develop people and bring their best self to work.



EXECUTIVE CORNER

Compensation and benefits are always part of the puzzle. We still have a pension plan that's healthy and we've got a 401K plan as well. It's a total rewards and development package. But it all starts with us being here for a noble purpose.

STEVE DISCHER: What are the one or two company accomplishments you're most proud of?



ED LARGENT: I mentioned being involved in change since the mid-90's. For a 172-year-old mutual, embracing change the way we have for the last 20 years and successfully executing large initiatives is something we're very proud of. I've talked to our board of directors about successful execution; there is no substitute. It's easy to lay out a plan, but actually getting it done isn't easy. And our people are good at that.

We have an aspirational opportunity at Westfield, and it should be an industry aspiration as well with respect to diversity. There's a lot of us in this industry who look similar and come from similar backgrounds. That needs to change. What I share with our team is that diversity is not optional; it is a business imperative. More diverse organizations outperform less diverse organizations. And that runs through all aspects of diversity –and through all levels of the organization.

It's easy to say but very hard to do. It's not just hiring different people but literally evolving our culture so that it is accepting, safe and comfortable for a diverse team.

ROD TRAVERS: IASA sees a blurring of functional lines and the silos continue to come down. How is this affecting Westfield?

ED LARGENT: The Center for Creative Leadership has statistics that says only 20 percent of leadership teams are ready for what's needed in the 21st century business environment. That's compelling. Living in your functional silo, doing your thing, and magically hoping all the pieces come together doesn't work. The problems are more complex. Add technology trends and advanced data analytics into the mix, and it absolutely doesn't work anymore. We need constant cross-functional collaboration; and tapping the energy, knowledge, and experience of literally everybody is needed to solve those problems and to be successful.

It's part of the reason we're redesigning our physical space. We don't want you to have the opportunity to find a silo. Physically you can't do it. You're literally going to collide with everybody. That's different from when I grew up, which was a lot more functional.

You can't sit in your functional silo and become an expert anymore. You can master skills in your area, and that's great. But that alone is not going to make you successful. The way forward is to collaborate and learn from those down the hall and on different floors. Experientially that's how you learn, you integrate experiences into whatever your role happens to be. Which is why I think collaboration and flexibility are so important.

STEVE DISCHER: Could you talk about the changes to the Westfield brand?

ED LARGENT: We felt there was an opportunity to more clearly articulate who we are and what we're all about. It's not different. We've been around for 170 years, and there's a core of what we're about that's

always been there and is still there. At that core is authenticity in caring, which may sound cheesy, but there is no substitute. Part of our differentiator is people who authentically care about you, and that doesn't just happen when it's convenient - it happens consistently.

There's the expertise we have to help families and businesses thrive. Articulating that message is an opportunity. The brand you see today is simply "Westfield." We don't want to only provide a contract related to risk transfer to a business. We want to do more. We want the market to think of us more broadly than the word "insurance."

Insurance has an interesting connotation in our country. We've done a number of focus groups with Westfield and non-Westfield customers. As soon as you put the word "insurance" on the table, their perspective and frame narrows. They don't want to involve their insurance company outside of the contract. That's the reaction. So, the brand and the name are Westfield, not Westfield Insurance. There's a reason for that. We want to get away from the narrow perspective and broaden how the customers think about us.

Another add to our brand is to be a carrier of distinction in commercial lines. We've always had a foothold in small commercial. We're making a massive investment in a completely new platform for commercial lines that will begin to hit the market later this year. It will involve the latest products, pricing sophistication, and technology coupled with process efficiency. We have more than 400 people working on that right now. It's a big investment.

STEVE DISCHER: The pillars around the brand are authentically caring and bringing the expertise to deliver broader value. How's it being received?

ED LARGENT: At Westfield, we care for our customers and give them a real edge - protection plus practical ways to grow and achieve their dreams. With our new brand, it's more than just a new logo, it's shaping our culture and identity. I say this to our entire team: our behaviors and actions are what make the brand.

The logo's nice and people are excited about it, but it's how we act and deliver that brings it to life. We made a video about changing our logo and what our logo actually means. You can view it at <https://youtu.be/b2rW8nBValk>

STEVE DISCHER: What about Westfield in the local community?

ED LARGENT: Helping people and communities during times of need is at the core of what we do. It is a big part of Westfield; it's a big part of the industry and another reason I'm proud of this industry. Our employees are extremely active. A high percentage of our employees are personally active in a community effort. We have a foundation which supports several things including disaster preparedness and recovery, family stability and safety. We donate roughly \$3,000,000 a year back into the community. When you add all our employees' personal passion and effort on top of that \$3,000,000, it's a big impact.

STEVE DISCHER: Ed, thank you for sharing the Westfield story and your thoughts on the evolution of our industry.

To learn more about Westfield, visit westfieldinsurance.com and be sure to watch their latest video ■

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