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## Hometown heroics just part of the job

Frederick Eppinger, CEO and president,  
The Hanover Insurance Group Inc.

BY KENNETH J. ST. ONGE

Three years ago, upon learning Allmerica Financial Corp. had just named her nephew as CEO, Fred Eppinger's aunt, Theresa, sat down to write him a letter. Although long retired, she had spent more than 20 years working at the company. Her brother, Frank, also retired, had worked there more than 40 years. In the letter, she talked of their pride and pleasure that Fred would now head the prominent local company that had been so much a part of their own working lives.

But the letter that Fred Eppinger received also carried a stern warning.

"I have a pension," Theresa wrote. "Don't mess up."

Flash back to the summer of 2003, as the once great Allmerica teetered on the edge of financial ruin, and one can understand how much those words resonated. The company had been reeling since 2001, when a bear market ate up its bottom line. Former CEO John O'Brien had stepped down in Oct. 2002—a week after Moody's bond-rating agency dropped Allmerica's debt rating five notches below investment grade. The company, which had allowed its property and casualty business to languish for years in favor of its variable life and annuities business, posted a loss of \$306 million in 2002. Its stock bottomed out around \$7, down from a high over \$52.

In that interim, leadership of Allmerica fell to a coalition of directors who spent the better part of 2003 searching for a way to revive their languishing company, and the person who could oversee that turnaround. In Eppinger, they believed they had found that person, and the successes the company has enjoyed under his tenure proved them right.

Eppinger, a Holy Cross grad who grew up on a chicken farm in Spencer, says the chance to come back and right the hometown company was a huge draw for him to return.

Allmerica has been reborn as The Hanover Insurance Group Inc. Its new name signals its renewed focus on the property and casualty markets, and its stated mission to become a world class insurance company. Under Eppinger's tenure, the company has taken significant strides in meeting that goal and marked milestone after milestone. Among them:

Completion of the sale of its life insurance business last year to Goldman Sachs for \$385 million; a substantially beefed up its financial and operational foundation; and a consistent track record of beating its core earnings plan since 2003.

The Hanover's shareholders have benefited greatly. In 2006, *The Wall Street Journal* reported that The Hanover had generated the best three-year shareholder return of publicly held property and casualty companies through year-end 2005. It was the same year The Hanover reinstated a shareholder dividend, which had been suspended since 2002. That dividend was increased again last year.

Eppinger says that although he was in the CEO's post when it happened, The Hanover's more than 4,000 employees all share credit for putting together one of the more drastic turnarounds in recent corporate history.

### A vision-based company

The Hanover's success lies in the vision that each employee shares: In short, to be a world class company that combines the resources of a national-size firm with the

expertise and service of a local one. In the company's parlance, it's known as "best of both worlds," and it's a mantra that Eppinger and the rest of the management have hammered into the culture of The Hanover.

As CEO, one of the biggest parts of that job is to mold and articulate the vision of the company, and recruit those who share it. It is a task in which he has taken a keen interest in since coming to The Hanover, and has made it his goal to hire those whom he considers the best of the best in the industry.

"No other insurance company has assembled the group talent we have at The Hanover," Eppinger says.

No one is hired into the top three levels of



CEO Fred Eppinger has been a driving force behind the successful turnaround at The Hanover Insurance Group Inc.

The Hanover before meeting with Eppinger. It's a chance for him and for a prospective employee to get a sense of how the two the employee would mesh within The Hanover's culture. It is that culture—one that fosters

meritocracy, dedication and commitment—that Eppinger sees as the most fundamental key to the firm's success.

To underscore this, each employee receives a copy of a limited edition book called "The Journey" that outlines the vision and strategies of The Hanover, namely: To deliver top-quartile financial performance, to provide top products and services to agents and customers, and to create an organization where outstanding professionals want to be.



It's a vision that has stuck, says Marita Zuraitis, president of The Hanover's Property & Casualty companies, whom Eppinger hired shortly after taking the CEO job.

"Fred had a very clear strategy of what he was trying to build," says Zuraitis. "It's very easy for everyone in the organization to understand and rally around."

J. Kendall Huber, senior vice president and general counsel for The Hanover says that Eppinger has been extraordinary in focusing every employee on The Hanover's goals.

"This idea of cascading goals really comes down to the belief that when people work with passion, they do it not just for a paycheck, they want to feel like they are a part of something bigger. He brings out something special in a lot of people."

### Community leadership is part of the job

A major cornerstone of The Hanover's vision has been the support of community initiatives in and around Worcester.

"We want to be a company that people are proud of," Eppinger says. "It's really important to create an aspect of your vision that is about giving back."

And give back The Hanover has.

### VITAL STATS: Fred Eppinger

**Age:** 47

**Family:** Married, three children, ages 8, and 5 (twins)

**Residence:** Grafton

**Education:** BA, College of the Holy Cross, 1981; MBA, Tuck School of Business, Dartmouth, 1985

In December the company announced that its foundation would donate \$2 million to the construction of a performing arts center in downtown Worcester, called The Hanover Theatre for the Performing Arts.

Troy Siebels, executive director of the center, says that Eppinger's leadership in moving that project forward has been instrumental. "He's a dynamo. I have never met anybody with so much focus. He looked at it and said 'what do I have to do to make this happen.'"

Eppinger has worked diligently behind the scenes to make the center happen, Siebels says. Earlier this month, Eppinger and his wife, Patty, personally donated \$150,000 to the project.

David Forsberg, head of the Worcester Business Development Corp., the driving force behind the new center, says that Eppinger's personal dedication to the project has been striking. "His energy level is incredible," Forsberg says of Eppinger, who is on the WBDC board. "He does big things but has a lot of fun doing them, and his energy and enthusiasm is contagious. He keeps us on mission at the WBDC and that is the most important thing in any organization."

The donations to the new performing art center are just the most recent in a string of big money donations for The Hanover. In 2005, The Hanover donated \$1 million to the UMass Memorial Emergency Care Campaign, and sponsored the Worcester Tornadoes baseball team by acquiring the naming rights to its stadium—widely seen as the anchor that brought baseball back the city. It has also created a significant number of scholarships for local students.

The Hanover's United Way campaign raised more than \$550,000 for that organization last year alone, says Tim Garvin, president of The United Way Central

Massachusetts. Garvin says Eppinger's support of his organization has been invaluable. Recently, Eppinger and his wife hosted a special gathering of supporters at their home, where he spoke of his commitment to the city and the United Way.

"I feel privileged every time I can go over and sit with him," Garvin says. "I leave swimming with ideas because the man is such a visionary. He is brilliant and his brilliance is only exceeded by his caring for the community."

Mike O'Brien, Worcester's city manager says that Eppinger understands the symbiotic nature between a successful corporation and a successful city. O'Brien equates says working with Eppinger is "like Chuck Yeager on a rocket sled ride—controlled acceleration and there's no looking back."

"He is the type of person who wants you to understand and see there is a light at the end of the tunnel," O'Brien says.

The modest Eppinger says that the plaudits and awards he receives are nice, but he looks at it as just part of a CEO's job.

"This award is nice, but this isn't really for me," he says. "It's for our company and what I represent. As a CEO you do lots of things every day, some hard, some fun and some not so fun. My favorite role is how we try to make a difference in the community and I love representing my employees in the community. But a lot of the times it's not me. It's me representing the institution."

"I don't think of myself often as me. I think of myself as representing The Hanover."

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