

TELEGRAM & GAZETTE

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Hanover celebrates 160 years

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WORCESTER—The Hanover Insurance Group Inc., one of Worcester's best-known corporate citizens, is celebrating its 160th anniversary this year.

It might seem like an odd milestone to celebrate, not as common as, for example, 150. But a decade ago, when Hanover turned 150, it was in no position to celebrate. It was part of Allmerica Financial Corp., a company that was struggling with its life insurance business and in dire need of change.

For Hanover, the last 10 years have been as important as the first 150. Over the past decade, the company shed its life insurance operations, expanded its property and casualty business, changed its name, extended its reach overseas and rebuilt its reputation.



Frederick H. Eppinger, Hanover's president and chief executive since 2003, said the company's success is a result of the fact that it has stayed innovative. (T&G Staff/RICK CINCLAIR)



Last year, a record year for insured losses, Hanover posted \$37.1 million in profit, down from \$154.8 million a year earlier.

Written premiums totaled about \$3.5 billion in 2011, making Hanover the country's 24th largest property and casualty insurer, according to the Insurance Information Institute.

When Hanover was 150, some industry experts wondered whether the parent company was going to survive. The company's future appears much brighter today.

"The most significant thing about 160 years is the very large change from 150 years," said Michael P. Angelini, chairman of Hanover's board of

directors. "There's a lot of mediocre companies that somehow muddle through. I think what's remarkable about Hanover is the remarkable change in the last 10 years."

Frederick H. Eppinger, Hanover's president and chief executive since 2003, said the company's success is a result of the fact that it has stayed innovative, despite its old age.

"It's that magic combination of relevant, but stable," he said.

To mark the company's anniversary, Mr. Eppinger will ring the closing bell at the New York Stock Exchange today.

Hanover has experienced many changes during its long history, but it has

remained in the property and casualty business since it was founded, and it has been known for making conservative investments.

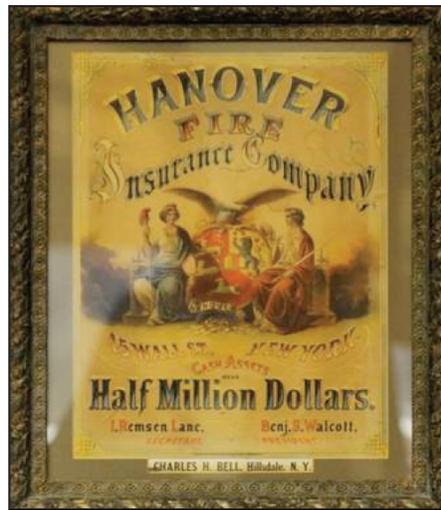
Hanover gets its name from Hanover Square in New York City, where it began in 1852 as the Hanover Fire Insurance Co. Big fires in Chicago and Boston during the late 1800s tested the company, but Hanover survived the fires and continued to build its financial strength. It also came through the Great Depression largely unscathed.

The company came to Worcester in 1969, when it was purchased by State Mutual Life Assurance Co. Together, the companies offered life and property and casualty insurance. In 1995, State Mutual changed its name to Allmerica and went public.

But the life insurance business struggled, and a stock market decline in 2002 triggered hefty losses and layoffs. Allmerica's stock fell precipitously. It hit single digits in October 2002, down from more than \$72 just two years earlier.

When Mr. Eppinger came to the insurer in 2003, he found the company suffering from "deferred maintenance," and employees who were discouraged and scared. Almost immediately, he launched a plan to turn the company around.

"Once we defined a future and we set a goal, I think people rallied around that goal right away," he said. "The energy level, in my view, bounced back very quickly."



Mr. Eppinger, a former executive at the Hartford Financial Services Group and partner at consulting firm McKinsey & Co., refocused the company on property and casualty insurance. The life business was sold in 2005, and the Hanover name replaced Allmerica.

Today, Hanover does business across the United States, and its purchase of Chaucer Holdings PLC of London last year extended its international reach. Hanover's property and

casualty business employs about 5,100 people, up from about 3,800 a decade ago. About 1,825 employees work at Hanover's headquarters on Lincoln Street.

The company sells its insurance products through 2,500 independent agents and brokers.

Hanover received an A rating (excellent) for its financial strength last year from A.M. Best Company Inc., which rates insurance companies.

Led by Mr. Eppinger, Hanover has been active in the community through its charitable donations, and by throwing its dollars and support behind the redevelopment of CitySquare, a project that was stalled for years until Hanover became involved. The demolition and construction project is reshaping downtown Worcester.

"Hanover reflects a responsibility to all of the constituencies of the company, not just the shareholders," Mr. Angelini said. "It's an example for modern corporate behavior."

Though Hanover has made strides in recent years, Mr. Eppinger sees much work ahead. Hanover needs to build a track record of performance, he said.

"It is still a journey," he said. "Half the fun is the journey."