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In View

CEO Johnston continues Schiff philosophy at Cincinnati Financial

Premium content from Business Courier by Steve Watkins, Staff Reporter

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When [Steve Johnston](#) took over as CEO of **Cincinnati Financial** Corp. in May, it marked the first time in more than 40 years that no members of the Schiff family ran the company as CEO or chairman.

But he's not far from the company's origins. [Jack Schiff](#) Jr., son of the company's founder, sits down the hall. He vacated the chairman's role in May, but he remains chairman of the executive committee and is a board member. Johnston also talks regularly with former CEO [Ken Stecher](#), who is now chairman and is a 44-year company veteran.

"I have access to all that institutional knowledge," said Johnston, who has worked his entire career in insurance and joined Cincinnati Financial in 2008 as CFO. "We have a great working relationship."

He sticks to the same philosophy that has served the company well for years – valuing the firm's partnership with independent agents who sell its products and aiming to provide great customer service.

Still, Johnston didn't waste any time putting his stamp on the company. Early in his tenure he arranged 26 meetings so he could talk face-to-face with the company's 4,000 employees.

"We're trying to be open in our communications with employees regarding corporate goals," he said.

The result of that is that each employee now has a goal card. The left side lists corporate goals, like improving the company's book value per share, regularly turning a profit on insurance underwriting, expanding insurance premium volume faster than the industry and building investment income. The right side lists departmental goals aimed at helping the company meet those broader goals.

"I think it's been very well received," Johnston said. "I think there's as much enthusiasm as there's ever been. It's fun to work toward a common goal."

Q: What have been the biggest challenges since you took over as Cincinnati Financial's CEO?

The weather. Our policyholders experienced the two most damaging storms in company history last spring. We have 778 field claims associates, and more than 60 percent of them volunteered for storm duty, which means they left home to take care of the claims. Because of that, we were able to respond to all the claims – more than 30,000 of them – with our own people. That gives our policyholders a higher quality claims settlement experience and that is resulting in referrals coming our way.

Q: How has the economy's slow growth impacted the company?

We insure American businesses, and to the extent that the economy has slowed growth for American businesses, it has slowed business for us. The premium initially paid by many businesses is based on a forecast of their payroll and sales at the beginning of the policy period. An audit is then performed at the end of the policy period to determine the actual amounts.

During the depth of the recession, actual business activity was less than the forecasts, and we were returning premium to policyholders based on our audit process. Now as the economy is recovering, business seems to be picking up and audit premiums have turned positive again.

Q: Have catastrophes had a major impact on Cincinnati Financial, and how do you deal with those?

Yes. We use reinsurance to help manage the impact of catastrophe losses. Our reinsurers reimbursed us more than \$220 million in 2011. We pay the claims, then our reinsurers reimburse us. Our long-term relationships with our reinsurers have been very beneficial. With a solid reinsurance program in place, the catastrophes did not materially affect our balance sheet.

Q: How have the markets, including low bond yields and a weak stock market, impacted Cincinnati Financial's investment portfolio?

There has been downward pressure on our investment income, but we also invest in high-quality, dividend-paying stocks that have a high expectation for increasing dividends. Over the last couple of years, the stocks we own have averaged dividend increases between 7 and 9 percent.

Q: Why do you have the career you have?

Totally by accident! I was in college and had been working construction. I had a minor in computer science. I was offered a summer internship in what I thought was computer programming, but it was actually an actuarial spot. I'd never even heard of an actuary. But I needed a job and took the internship with another insurance company as an actuarial trainee.

Q: What advice would you give a new boss?

Ask questions and be a good listener.

Q: What do you do to stay healthy?

I work out at the YMCA. I use the elliptical machine and lift light weights. I used to love to play basketball and I have run a marathon and completed one sprint triathlon, but a recent hip replacement has put an end to the high-impact activities.

Q: What is the best book you've ever read?

"[John Adams](#)," by [David McCullough](#), was a good one. It's a good book on leadership. They were up against great odds during the Revolution. The history and the personal interactions were interesting. The book talks a lot about relationships between [John Adams](#) and [Abigail Adams](#), and between [John Adams](#) and [Thomas Jefferson](#).

Q: What trait do you most value in your friends?

Trustworthiness and dependability

Q: What are some of the most important leadership lessons you've learned?

Leadership by example. They say "rank hath its privileges." Well, our philosophy is more that rank has its responsibilities.

Q: How do you know when it's the right time to delegate – or handle it yourself?

I try to delegate as much as possible. Even when I do something myself, the second time, I try to show someone else how to do it.

Q: How has your leadership style evolved?

As CEO, you're now chief communicator. Earlier in my career, I was more technically oriented. Now it's much more about communication.

Q: What did you learn from other bosses you've had?

The virtues of hard work, persistency, the value of communication, both written and oral. Both [Ken Stecher](#) and [Jack Schiff](#) Jr. have been and continue to be great mentors for me. They have played a big part in making the management transition relatively easy. Bob Bailey (retired board chairman, president and chief executive officer of **State Auto Insurance Co.**) was a mentor earlier in my career and really pushed me to work on my communication skills.

Q: Are you a good time manager? How do you handle time management?

I think so. My "to-do" list is prioritized in quadrants so that I remember to spend adequate time on longer-term issues such as strategy, risk management and communication, as well as putting out the day-to-day fires.

Watkins covers banking and finance, insurance and sports business; produces weekly Investor's Edge page