

## Timmons Inc.

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From left, Rick Timmons, Bill Timmons and Chuck Timmons at Canal Insurance. Staff/Owen Riley Jr.

Canal Insurance Co. continues to defy the life expectancy of businesses owned and operated by families.

Dr. Joseph Astrachan, an expert on the subject, wrote that 30 percent of family businesses survive into the second generation and only 12 percent remain viable in the third generation. Ernest Doud Sr., in his book "Unraveling the Mysteries of Family Owned Businesses," said such enterprises typically last no more than 24 years.

But as the Timmons family of Greenville celebrates the 65th anniversary of Canal Insurance, the third generation is firmly in charge and business has never been better. Six members of the family's third generation work at the company, with Charles M. "Chuck" Timmons Jr. the president and chief executive officer and his first cousin, William R. "Rick" Timmons III, the secretary, treasurer and senior vice president in charge of investments.

First National Bank of South Carolina capitalized Canal for \$5,000 in 1939 and sold it three years later to William R. Timmons Sr., who acquired what was essentially a "shell" to underwrite commercial automobile policies — for trucks, buses and taxi cabs — for his insurance agency and real estate company.

Since its humble beginning, Canal has grown into an industry heavyweight with assets of \$980.7 million by the end of 2003, and had annual premiums of \$480.3 million. Premiums have more than doubled since 2000 — with 85 percent of Canal's business insuring truckers against liability, physical damages and the loss of cargo. It is one of the largest insurance companies in the United States that specializes in insuring trucks.

"The real estate company and insurance agency is where we started and added a little insurance company. But now the tail is wagging the dog," said Chuck Timmons, the 53-year-old grandson of Canal's founder.

William R. "Bill" Timmons Jr., who recently celebrated his 80th birthday, is the only surviving member of the second generation. He remains chairman of Canal's board of directors and also serves as chairman of The South Financial Group, the Greenville-based financial services company.

Tragic events have twice changed Canal's leadership. The founder was a passenger in a car returning from Columbia on June 22, 1948, when it was hit head-on by another vehicle, killing Timmons Sr.

"He was getting a subdivision approved by the FHA and somebody lost control," said Bill Timmons.

The catastrophe caused Bill Timmons to leave his studies at Furman University and start work in the family business and Charles M. Timmons Sr. to quit his job as an electrical engineer at Westinghouse in Pittsburgh and come home to run Canal's accounting department.

The family promoted T.J. "Pete" Mims, Timmons Sr.'s right-hand man, to president. When Mims retired from active work, Charlie Timmons became president and CEO. He ran Canal's operations until his sudden death at 72 on Sept. 7, 1998.

"Heart attack, at home in bed over the weekend," said Chuck Timmons. "He was still very much the president and never gave a thought to retiring."

Canal's board chose Chuck Timmons to succeed his father as Canal's president. And, like his father before him, Rick Timmons directs Canal's investments and oversees the family's real estate investments.

"My father was a tough and no-nonsense businessman. He was an operations guy. What I learned from him was patience, which is one of the things every young person learns one way or the other" Chuck Timmons said. "And I learned all the aspects of the operations of an insurance company — from the underwriting to the collection of money to the investing of the money to the claims."

The Timmons cousins view their grandfather as a visionary businessman who saw great potential in the post-World War II trucking industry when others did not. They say they

learned the business from their fathers and are executing a tried-and-true plan that has carried the company through the tumultuous cycles of the insurance industry. Through it all, they have never strayed from their core business of underwriting policies for truckers, with their sweet spot the independent operator with 10 or fewer trucks.

"In the late 1930s and early 40s, Southern states were passing legislation to make sure truckers had insurance. My grandfather envisioned that these truckers, who had been considered gypsies in earlier days, would come to be a reputable business and in need of insurance. He was anticipating demand," said Chuck Timmons.

Timmons Sr. was selling policies from other insurance companies and became frustrated when so many went broke, leaving him scrambling to place his clients with strong underwriters. That's when he came up with the idea of buying a company to underwrite his policies.

Kirk Goeldner, Canal's executive vice president and chief operating officer, said that Timmons Sr. devised a "brilliant strategy" 65 years ago.

"It was a contrarian strategy then, and it still is today," said Goeldner, an industry veteran who has worked for giants like Zurich Property & Casualty and Royal & SunAlliance. "Even today, this is a less desirable segment of business for most of your insurance companies. You have to be a specialist.

"What Mr. Timmons did is the kind of thing you go to MBA school to learn these days. It was cutting edge — finding a market, targeting that market, building your business around a customer group and knowing that customer better than anyone else. He was years ahead of his time."

With Mims and Charlie Timmons running the business and expanding its agency network nationwide, Bill Timmons concentrated on investing the premiums and driving the family's real estate business.

To this day, Bill Timmons considers his greatest business accomplishment the purchase of 90 acres at Pelham Road on what is now the north side of Interstate 85 in the 1950s for \$500 per acre and sitting on it for years.

It was decades before he began carefully executing a plan of construction and leasing for lodging tenants like Fairfield Inn by Marriott, Hampton Inn and Wingate Inn and restaurants like California Dreaming, Romano's Macaroni Grill and On the Border Mexican Grill & Cantina.

Rick Timmons, 52, said that "in retrospect, the best part of that deal was not in buying the property, but in not doing anything with it until it just got in the way of progress."

Mack Whittle, president and CEO of The South Financial Group, said it is the Timmons family's long-term view of investments that sets them apart from many others in business.

"You deal with a lot of people who are 'traders,' but the Timmonses are very much 'holders,'" Whittle said. "They buy things they like, things they understand, things they have confidence in. They're not your run-of-the-mill business people."

One of Whittle's favorite stories about Bill Timmons was the time he was contemplating hip-replacement surgery.

"He studied and learned about the procedure and about the company that made the artificial hip. So he bought a lot of stock in the company and made a bunch of money on it," Whittle said.

Like his father, Chuck Timmons' bailiwick is Canal Insurance. He started working there after graduation from the University of South Carolina, then interrupted his career for two years for an MBA at Georgia State University in Atlanta.

Whittle described Chuck Timmons, his roommate for a year at USC, as "gregarious, an outgoing person."

It's a trait he carries to work, said Goeldner. After working for large publicly traded companies, Goeldner said he was concerned how he'd fit in at Canal, where the only shareholders are Timmons family members.

"Chuck made me feel like a part of his family. That he has an open-door policy at Canal is an understatement. He'll talk to any employee at any time about anything," he said.

Goeldner gives his boss the credit for guiding the company through a period of explosive growth that began in 2000, when its market firmed up as many competitors stopped writing policies for truckers. Canal brought in Goeldner to run operations, retooled technology and has almost doubled its workforce the past three years.

"Canal was forced to hire and train additional employees at a pace we were not accustomed to," Goeldner said. "We had to bring in some people from outside the Greenville area, the first time Canal had ever done that. We had to integrate them into a very stable, tenured workforce that was not used to having outsiders."

But Chuck Timmons made it all work, Goeldner said, and at the same time upgraded employee benefits plans to reflect Canal's growth and the changing market.

"Five years ago, there were 150 other insurance companies writing truck policies like we write. Now there are 25," Chuck Timmons said. "That's the ebb and flow in our industry."

It is a cycle that repeats itself in the insurance industry. When short-term interest rates go up, insurance companies that had not been writing policies for truckers dive into the niche, attracted by the relatively high premiums — about \$10,000 a year and up for a comprehensive policy that insures against liability, physical damages and the loss of cargo.

What comes next in the cycle is cutting premiums, as more players duke it out for the same group of insurance buyers.

"Our competitors think the bigger the risk is, the more you can cut the price of premiums. We've never felt that way," Chuck Timmons said. "If the price of a widget is X, then it ought to remain that way. But it's part of the competition and cycles of the insurance industry."

Rick Timmons said, "But when interest rates go down, the investment returns aren't there and now they're losing money. The way I like to describe it is that they circle their wagons and say they've got to concentrate on their core insurance operations and get things back in shape.

"Our niche is outside of that circle. A lot of our competitors just went away. When it came time to renew, they told their customers they weren't going to renew their policies. Meanwhile, Canal just stuck to its knitting."

Chuck Timmons said that Canal was "expecting it, we were anticipating the hardening of the insurance market for a year. When it came, it was almost overnight."

What it meant for Canal was a rocket ride for its book of business. The company collected \$197.6 million in premiums in 2000 and \$480.3 million in 2003. Assets rose from \$612 million in 2000 to \$980.7 million at the end of 2003.

The surge in premiums has kept Rick Timmons busy investing.

"In the insurance industry, property and casualty regulations are different than life insurance companies," he said. "Our portfolio is basically fixed- income bonds and equities. The majority of our bonds are in tax-free issues to maximize the returns for the company."

He said that Canal's portfolio consisted of about 31 percent stocks and 69 percent bonds at the end of 2003.

Employees describe Canal as good place to work, with about half of its workforce on the payroll for about 20 years or more. With its growth since 2000, a good number of the company's 240 employees have been there less than four years.

And it has always taken pride in putting up no glass ceilings. As Pete Mims wrote in a book commemorating the company's 40th anniversary in 1979, "Never has <sup>the</sup> women's lib' generated much enthusiasm at Canal. We have known too long that women are the superior beings."

It was in that kind of corporate culture that Doris Hunt made a 46-year career in Canal's underwriting department. She went to work there in 1957, right out of high school, left

briefly in 1965 to work for an insurance agency, returned a couple of months later and retired last week as the company's senior vice president for underwriting.

"I guess after 46 years the most amazing thing to me has been to be a part of the tremendous growth of the company," Hunt said. "From an employee standpoint, Mr. (Charlie) Timmons was a wonderful employer. He brought a sense of family to the business, and all the employees appreciated him."

She said that "Chuck came right along and has done the same things. This is a very successful family-owned business, and the Timmonses have always made their employees feel a part of the Canal family."