

Interview

The MassMutual Advantage

An Interview with Roger W. Crandall,
President and Chief Executive Officer, MassMutual



Roger W. Crandall

EDITORS' NOTE Roger Crandall has been President and Chief Executive Officer of Massachusetts Mutual Life Insurance Company (MassMutual) since January 2010. He was elected Chairman of the Board, effective December 28, 2010. Prior to his appointment as CEO, Crandall served as President and Chief Operating Officer of MassMutual, beginning in December 2008, at which time he also joined the board of directors. From June 2005 to November 2008, he served as Executive Vice President and Chief Investment Officer of MassMutual, and was also appointed Co-Chief Operating Officer of MassMutual in June 2007. Crandall joined MassMutual in 1988 and held several positions in the company's Investment Management Department before joining Babson Capital Management LLC, a MassMutual subsidiary, where he ultimately served as Chairman. Crandall, a Chartered Financial Analyst (CFA), is a graduate of the University of Vermont with a bachelor's degree in Economics. He earned his M.B.A. from the Wharton School of Business at the University of Pennsylvania.

COMPANY BRIEF Founded in 1851, MassMutual (www.massmutual.com) is a leading mutual life insurance company that is run for the benefit of its members and participating policyholders. The company has a long history of financial strength and strong performance, and although dividends are not guaranteed, MassMutual has paid dividends to eligible

participating policyholders every year since the 1860s. With whole life insurance as its foundation, MassMutual provides products to help meet the financial needs of clients, such as life insurance, disability income insurance, long-term care insurance, retirement/401(k) plan services, and annuities. In addition, the company's strong and growing network of financial professionals helps clients make good financial decisions for the long term.

Were you surprised at both the speed and severity of the economic crisis, and can you talk about the effect on the industry?

The breadth and severity of it surprised me along with many others, and it has highlighted how interconnected the major financial institutions in the world were. It spread much more quickly than I, or some policymakers at the time, would have thought. Yet I'm pleased to see that the life insurance industry came through this crisis remarkably well.

That said, there was a real difference in how companies performed. At MassMutual, one of the great advantages in being a mutual company is that we can focus on long-term fundamental financial strength. That enabled us to not only come through the crisis strongly, but to actually grow throughout this period.

How important is the differentiation in this space, and can you highlight what makes MassMutual unique?

As a mutual company, we operate for the benefit of our policyholders. The clarity of mission has long been a significant differentiator for us.

Up until the crisis, it had been a long time since many people had seen so many well-known financial institutions get into serious difficulty. We have the ability to show people that we don't have to balance return for shareholders with the best interests of our policyholders; we can focus on that one constituency – the policyholder. The mutual structure really started to make sense to people and we've clearly benefitted from that new-found perspective. This is demonstrated in the growth of our core product, which is participating whole life insurance. According to LIMRA's research, we've grown sales at 26 percent over the past three years while the overall industry has grown 3 percent, so we've been able to take significant market share in that product.

Is your product offering going to remain relatively consistent, or do you foresee opportunities to broaden into new product categories?

It's not as much about totally new products as making sure customers and potential policyholders understand what our broad range of products and services can be used for.

Fundamentally, we protect against unexpected events. Some of those are mortality events, but we also protect against longevity risk – which can include outliving your assets – or the risk of being disabled and unable to work. Our protection products can help clients solve those problems. I'm not sure you need a new product as much as you need to be able to show clients how your products can work for them.

We will continue to have some product changes. But much of our work is making sure our financial professionals understand their clients' needs and show them how the products we have can meet those needs.

Will the growth you talk about be primarily organic or do you foresee additional growth opportunities either through acquisition or other areas?

For us, it's most likely to be organic. Where we've made acquisitions in the past, it tends to be as strategic investments outside of our core domestic life insurance business.

One of the challenges with acquiring a life insurance company are the questions around an installed base of business, the capacity to produce new products going forward, or the distribution you might get. However, it can sometimes be very difficult to look at an existing block of business and get comfortable with the underwriting that led to its creation, simply because you did not underwrite it. Over the long term, we believe it makes more sense to underwrite our own business than buy blocks of existing business.

We're always going to look at opportunities to see if they make sense, but generally, we like organic growth a lot.

How is technology impacting the personal relationship between your agents and their clients?

Despite the explosion of technology and all the ways people can now get information, when they're making significant decisions that

MassMutual headquarters in Springfield, Massachusetts

affect their financial future, they still want to work with an expert to help them make good decisions. So we need to make sure our agents have the tools they need to interact with clients in whatever way our clients want to interact with them. We've already made numerous technology and process enhancements that have improved efficiency and reduced cycle times, and we continue to look at emerging technology to help make it easier for our agents to best serve our policyholders.

For MassMutual, is the growth strictly U.S.-focused or do you foresee opportunities internationally?

In addition to our core life insurance business, we have a series of other businesses that we view as strategic business investments, and we run those businesses for the benefit of our participating policyholders.

How did MassMutual end up owning Baring Asset Management, which is a global asset management business with close to 90 percent of its assets under management being non-U.S. and the bulk of them being invested outside the U.S.? We made a decision to take some of the capital and surplus of the company that had been built up from our policyholders paying premiums over the years and invest that in an operating business instead of buying bonds or stocks for our investment portfolio.

Our strategic business investments also include international protection businesses, and those businesses are having a strong year. Asia has come through this cycle well and is leading global economic growth at this point. We've had record sales of single premium fixed annuities in Japan this year, for example. We also have a joint venture in China, which is off to a good start.

While these are important investments for our policyholders, it should be recognized that these companies sell fundamentally different products and they are domiciled and regulated under the insurance laws of the countries where they are located and do business. Life insurance and investments are local products. The rules and regulations around these products differ in every country, including different tax treatments, and different rules around capital and reserve levels.

From a leadership point of view, how critical is corporate responsibility today, and how do you drive it throughout the organization?

It's very important. This company was founded in Springfield, Massachusetts in 1851, and we're still headquartered here. It's our largest base of employees anywhere in the world. Corporate responsibility is a core value at MassMutual and our employees and financial professionals recognize its importance.

We're proud that throughout this economic cycle, we've maintained our high level of corporate giving. Last year, we donated approximately \$7 million to a broad range of causes in this region and where our agents do business, including education, economic development, and arts and culture.

We also encourage our employees to volunteer locally as well as match our employees' charitable gifts. That helps to ensure that a portion of our giving is allocated to their charitable priorities.

Additionally, we've been very focused on economic development in the Springfield area. In the early 1920s, we moved to a larger campus on State Street in Springfield, which is a central artery of the city. We've been working closely with stakeholders in the community and local, state, and federal government officials on the redevelopment of the State Street corridor. We view this as an important means to improve the economic climate in the city and quality of life for its residents.

Education remains the primary focus for us, as we provide a large number of scholarships to local kids from the region as well as paid internships, which we feel is a key part of building a strong future workforce for our company.

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Through our unique LifeBridge program, we've given away more than 11,000 life insurance policies with a \$50,000 face value to income-eligible people. The death benefit from the policy is paid to a trust to be used to provide for the education of their children. It has been a wonderful way for our agents across the country to educate people about the value of life insurance and help those who can least afford it. By giving away life insurance, we educate people about the value of that product, and at the same time, we've been able to make a difference in some families' lives where there has been a tragic early loss of a parent.

Is there a good understanding for those future leaders about the opportunities for a career in the industry, and have you been happy with how you've attracted the talent to match the growth?

We've had record recruiting of agents over the past couple of years – we've grown our agency force from about 3,700 at the end of 2004 to more than 5,000 at the end of 2009.

But what we've been most pleased with is the quality of those people. This downturn has been an opportunity to get folks who might have worked in other parts of the financial services industry to consider the opportunity to be a MassMutual career agent.

The diversity of our agent force has also grown significantly – we've had much stronger recruitment of women and people of color in the past few years than at any other time in the company's history.

Overall, we've been fortunate to attract and retain top-quality employees, whether it's in Springfield or other operations around the country. Over the past few years, everybody has begun to understand more about the value of fundamental security.

What we try to do is make sure people have a work environment where they can do meaningful work and where they can get the opportunity to learn and advance their careers.

When you joined MassMutual in 1988, could you have imagined some 20 years later you would still be with the company?

No. I fully intended to work on Wall Street, but the market crashed in October of 1987 and there were no jobs on Wall Street. I planned to stay at MassMutual for a year or two before going back to New York City and working at an investment bank or a private equity firm.

I stayed because I got a chance to do interesting work, the people I worked with were great, and the Springfield region is a great place to raise a family. In hindsight, it was a great decision.

With regard to the CEO role, was it hard to give up some of that involvement and to step back with all the other responsibilities?

Every new CEO or president has to come to grip with the fact that their ability to directly influence daily activities is smaller than it has ever been – you have to do things through an organization and through a team.

So I try to walk that narrow line of diving into details with members of my team and recognizing that my job is to help set strategy and direction, as well as to be the team and company's biggest advocate.

In terms of the recent announcement of your assuming the role of Chairman as well, how do you define that role and the close coordination with your board?

We have a lead director who is independent and brings everything you would think of an outsider bringing. What I bring to that process is making sure the board is informed – formally but more importantly informally – about all the things that are going on in the industry and how we're positioned to respond.

You have what seems to be a very calm and even temperament. Do you just hide the stress well?

Leading an organization that focuses on the long term helps me keep a proper perspective on things. I'm also very fortunate that this is truly a great company with talented, dedicated employees. It also helps that our board and senior management team are all on the same page with respect to our strategy. We may disagree on how to execute that strategy from time to time, but we have good, collegial discussions that ultimately lead to better decisions. ●