



**An Interview with Gary A. Poliner, President,
Northwestern Mutual**

EDITORS' NOTE Gary (Skip) Poliner was appointed President in August 2010. He is also the company's Chief Risk Officer and serves on the company's Management Committee. Poliner serves on the company's Board of Trustees and is a Board Member of the Frank Russell Company. He joined Northwestern in 1977 after graduating from Duke University School of Law and Dickinson College.

What is it about Northwestern Mutual that has helped it remain so consistently strong?

The strength of the company is a result of the high-quality, well diversified investment portfolio that we have owned over the years. We have between 70 to 75 percent of our investment assets in bonds, but we also own 10 to 15 percent in commercial mortgage loans and 15 percent in public equities, private equities, and real estate equities. The portfolio performs well in just about all economic environments.

In addition, our financial strength is a result of the fact that so much of our business is represented by traditional participating whole life insurance, which is probably the most conservative product available in the financial security marketplace and one that generates, after the initial sale, a consistent stream of renewal premiums. Our persistency rate – the number of policies that are in force at the end of every year – exceeds 96 percent. So even if the economy is suffering, our policyholders who have a need for our life insurance stay with us and provide a steady flow of premiums for us to invest.

Is it challenging to get the message out about your value proposition when there are a number of leading players in the space?

Our financial reps understand the competitive advantages of working with Northwestern Mutual and the first aspect they emphasize is that we remain a mutual company. Twenty years ago, about 90 percent of the assets in our industry were controlled by mutual companies, but many of them changed – they demutualized into stock form. That changed their perspective and their strategies, and we don't think it was a change for the better.

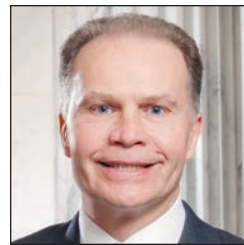
So as a mutual company, owned by our policyowners, we can take a long-term perspective. We emphasize service to our policyowners and product quality, and are not concerned about the conflict between the interests of policyowners and the interests of shareholders.

You've placed an emphasis on measuring risk. Today, when there is such volatility with globalization, how complex has that process become and how have you remained effective in that area?

As a 155-year-old company, we have some simple tenets on how we do business: first, we don't offer products we don't understand or can't properly underwrite for or mitigate the risks for. That goes a long way toward advancing our enterprise risk management process.

Also, even though we're approaching \$200 billion in assets and we're operating in a complex environment, in many respects, we still do business as a small company. The company is very efficient and employees are productive, but there is still a level of close-knit communication and interaction across the company.

We have sophisticated models and do a lot of scenario testing in our risk management group, but we rely even more on the judgment and experience of the senior management team to evaluate those risks and decide on the appropriate approach to manage those risks. ●



**An Interview with Gregory C. Oberland, Executive
Vice President-Insurance and Investment
Products, Northwestern Mutual**

EDITORS' NOTE Greg Oberland is also a member of the Management Committee at Northwestern Mutual. He joined the company in 1982 as an attorney and later he moved to the business side where he had increasing executive level responsibility for a variety of product line and operational areas. Oberland received a B.A. degree with honors from the University of Notre Dame and a J.D. degree with honors from Georgetown University.

Would you give an overview of the range of products that Northwestern Mutual offers today and how it has evolved over time?

We offer our clients a path to financial security through a holistic planning process that integrates insurance and investment solutions. This approach is both defensive and offensive over the arc of a lifetime. The visual we use in talking to our clients is what we refer to as the pyramid of financial security needs. At the base of the pyramid are risk management needs and we have products that protect against unexpected events such as premature death, disability or long-term care needs.

Our financial representatives work with our clients to move up the pyramid in terms of wealth accumulation through annuity and investment products. At the top of the pyramid are wealth preservation and distribution, so after you have protected yourself against risks and have accumulated wealth, you focus on how to preserve and distribute it and we have product solutions to address these needs, including trust services.

With your 155-year history, what has kept Northwestern products so successful?

We wouldn't be as successful as we are from a product standpoint if we didn't focus on building long-term relationships with our clients, which average over 40 years in duration. And our products are designed to deliver value over time.

Our permanent life insurance is a great example. Over the past 20 years, the actual cash value return is 25 percent greater than our nearest competitor. That performance is driven by our investment return over time, the mortality savings over time, and the expense control of Northwestern Mutual.

Our success also comes from our ability to remain relevant to our clients in terms of this long-term relationship by having products evolve to meet their needs.

For many years, we were a life insurance company. In the 1930s, we decided that annuities were a nice complement to the life insurance products we were selling. We then ventured into disability insurance in the late 1960s because we thought protecting one's income was important, and we had the risk management skills to be successful with that product.

We introduced long-term care insurance in 1998, which is going to be a critical product for our clients going forward, and we introduced our trust company in 2001 as people were building wealth and beginning to distribute it.

We refresh our products and will introduce new features, but we don't chase the latest gimmick that can look attractive initially but doesn't provide long-term value to our clients. ●

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