

SATURDAY INTERVIEW

Investing in Longevity And Security

By MICKEY MEECE

ON Monday, Theodore A. Mathas left his old office at one end of the 13th floor of the New York Life Building to move into the corner office overlooking Madison Square Park. On Tuesday, Mr. Mathas, 41, became one of the youngest chief executives of a Fortune 100 company and the 18th in the company's 163-year history. Not far from his new perch, tens of thousands of Wall Streeters have been losing their jobs, and many, the security blanket of life insurance. He spoke recently about this trend and other challenges ahead. Following are excerpts:

Q. Every day, it seems, there are layoffs on Wall Street and elsewhere. Are droves of Americans being left without adequate life insurance?

A. It exposes a couple of problems. One, people don't like to talk about life insurance, and the second, people say they have it at work. You need to own an individual life insurance policy that has a fixed premium and is portable.

Q. You're not just saying that to get new customers?

A. We've had the No. 1 market share for five of the last seven years, and our life insurance is a very strong and profitable business. I feel like we have a responsibility to help people provide for financial protection. As an industry, we're not meeting the need. It's hard to create demand for it because people don't want to focus on it. Today, only 60 percent of the adult population has life insurance protection, and in many cases, it's not enough to meet their needs. I look at that, regardless of how



GLORIA BAKER

THEODORE A. MATHAS

strong and well we're doing, as a problem and failure that we need to address.

Q. The life insurance industry is an old and staid business. Have there been recent innovations, for example, income annuities?

A. Yes. American retirement security. We identified early on, five years ago, a confluence of events. People are living longer, they have less confidence that Social Security will provide a meaningful and secure part of their retirement and they can't look to companies to provide them with pensionable income. People benefit if we take longevity risk away from them and hold it ourselves. It ensures, for you, that you'll never run out of money regardless of what happens in the market.

Q. There's a big block of customers who care about longevity. How do you prepare for the baby boomers?

A. Inherently with the generation today that is 65-plus, just the concept of security and a paycheck for life has great appeal. But I think with boomers, what they want to know is that they can continue spending the money. They want to know that their lifestyle isn't going to change. We designed some products, one of which is called longevity insurance, which provide for, as opposed to a steady issuing of income during retirement, a back end stream of income that doesn't kick in right away, but later in your retirement.

Q. You have had success overseas with double-digit growth the last several years? Correct?

A. Yes.

Q. Is Mexico the hottest country?

A. Mexico is the crown jewel from the standpoint it is a well-established operation. The growth rates are in the 15 and 17 percent range. The fastest-growing segment is really in India for us. There, we've seen our operation grow in excess of 75 percent a year for two years in a row.

Q. Could you explain how your investment arm was nimble enough ahead of the subprime crisis to change course?

A. We didn't change what we did. We stuck to the basics. We're long-term investors, we take on obligations to policyholders, and we have a \$100 billion-plus portfolio backing those up.

Primarily what we buy is corporate bonds. We have to have a discipline

around doing that. You want to make sure you're not too loaded up in any one credit risk or sector. One of the things that happened in subprime is far too many companies had way too much exposure to one section of the credit market. Even if a bond had a Triple A rating, the quality underneath wasn't good.

You know what? I don't actually think that is some unique insight. I think it's more being willing to look through. Everybody knew that people were getting money on houses where their income was questionable and the house values were over-

stated. If that ultimately backs up bonds, what do you think? Was that a good risk? You don't have to be that sophisticated.

Q. *You also had an advantage of not being publicly traded?*

A. We are a mutual company, we're effectively private, we're not subject to the capital markets, the public markets. That means, if someone came in, which they did, with a proposal and said, "I'm going to cost you some money this year but it's the right thing in

the long run," I was able to say, "Do it. It's the right thing."

I didn't say, go calculate earnings per share and tell me how much my share price might drop and tell me what analysts are going to get on our case, I didn't have to do that. It made it possible to do the right thing. Our business model permits us to do the things that are in the long-term best interests of our policyholders. It doesn't mean we aren't issuing quarter profits. Of course we are. But it means it doesn't take on undue importance in our calculations.

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