

Built for Good Times—and Bad

They saw it coming.

New York Life managers recognized something amiss in the credit markets in early 2007. The signs of an impending meltdown eluded most other observers. Or they ignored them, too focused on the next earnings report.

But New York Life responded, shifting much of its cash flow into safer investments, such as U.S. Treasury bonds. In its *Report to Policyholders 2007*, it noted “that the markets were acting irrationally. ... By August 2007, the credit market problems we had feared were front-page news.”

And by September 2008, the global financial system—and some titans of American capitalism, including AIG—were on the brink of collapse as the financial crisis deepened.

“The quality of our investment team allowed us to sniff out the problem,” said Matthew Grove, a New York Life senior vice president who oversees core life insurance, retail annuity and marketing functions for its Insurance and Agency Group. “The other part is being a mutual. Because our focus is on permanence rather than optimization of quarterly results, we lean toward making conservative, no-regrets decisions for the long term. Our goal is to be here for the next 100 years.”

New York Life's 2008 report to policyholders was titled, *Built for Times Like These*. A decade later, the company proudly stands ready for “the next 10-year or 100-year flood,” thanks to prescient vision and decision-making as well as the mutual operational framework, Grove said.

Headquartered in its namesake building in Manhattan, New York Life is the nation's largest mutual life company.

“We think of our secret sauce as a combination of mutuality, financial strength, our career agency system and our focus on life insurance,” Grove said. “When you're a consumer making a long-term investment like buying life insurance, you want a carrier that you have confidence in that will be around for that time period. With the level of financial strength we have, you can be pretty confident in that.”

That “secret sauce” has produced 20 consecutive years of growing life insurance sales through its agents. And 2016 was another record-breaking year. New York Life set company standards in life and annuity sales (\$1.3 billion and \$13 billion respectively), dividend payout (\$1.8 billion, a 5.4% increase) and surplus (\$23.3 billion).

Total assets under management grew to \$538 billion.

“What you're seeing is another record year in a history of records every year,” Grove said. “It's really a testament to our ability to slowly and steadily grow the business in a way that is elusive to people who gave up their mutuality and then gave up their career agency distribution systems.”

New York Life has invested heavily in technology and its distribution network to leverage its scale and market advantages. The performance of its core businesses did not force the company to make these investments. But executives think “now is the time,” Grove said.

“I think we will see transformative outcomes for our policy owners,” he added. “We think we can leverage the experience of consumer banking and other industries that have been first movers. We can make leapfrog investments relative to even five years ago by modernizing and bringing digital technologies to our distribution network and customers because of how far technology has progressed.”

Recently, New York Life rolled out a new customer relationship management platform for its agents and relaunched its website.

Another “key strength” is the diversity of its employee base. *DiversityInc* named New York Life one of its Top 50 Companies for Diversity, and *Working*

Mother magazine recognized it as one of the 2017 Best Companies for Multicultural Women.

Thirteen percent of its employees are African-American. Latinos hold nearly 200 management positions and make up 11% of its agents.

“We're a strong believer that diversity drives diversity of thought,” Grove said. “And diversity of thought is a key ingredient in good decision-making.”

“From an external perspective, we made a big investment a decade ago in trying to serve high-need, diverse communities,” he continued. “It is an advantage because our competitors cannot replicate it. If you're a public company and you don't control your distribution, it's hard to get in front of that kind of market.”

New York Life already has. And it envisions its mutuality, combined with its digital investment, to pay metaphorical and literal dividends in the future.

“We think we will be on the forefront of many of the trends in life insurance over the next five to 10 years,” Grove said.



Matthew Grove

