

Providing a Long-Term Guarantee

**An Interview with Ted Mathas,
Chairman and Chief Executive Officer, New York Life**

EDITORS' NOTE *Ted Mathas has served as Chief Executive Officer of New York Life Insurance Company since 2008 and as Chairman of the Board since 2009. He previously held the title of President from 2007 until 2015. Mathas is a member of the Federal Advisory Committee on Insurance and serves on the boards of The Financial Services Roundtable, the American Council of Life Insurers, the American Museum of Natural History, and the Partnership for New York City.* Mathas graduated with a bachelor's degree from Stanford University, with distinction, in 1989. He received a juris doctorate from the University of Virginia in 1992, where he was a member of the Virginia Law Review and the Order of the Coif.



Ted Mathas

COMPANY BRIEF Committed to inspiring and enabling people to live better lives by helping them take control of their finances, New York Life Insurance Company is the largest mutual life insurance company in the United States and one of the largest life insurers in the world. New York Life, founded in 1845, has more agents than any U.S. life insurer and maintains the highest financial strength ratings currently awarded to any life insurer by all four of the major credit rating agencies. Headquartered in New York City, New York Life's family of companies offers life insurance, retirement income, investments and long-term care insurance. New York Life is a Fortune 100 company.

New York Life has a long history and heritage. How has the company evolved and how has its heritage been maintained as part of the culture?

As a 172-year-old mutual life insurance company that has survived wars, pandemics, and global financial crises, New York Life certainly enjoys a rich and remarkable heritage. This creates both opportunities and challenges for us. On the one hand, we need to identify and preserve the qualities that have made us so successful for so long. However, we also need to continuously evolve and adapt to changes, whether in the economy, technology, or other areas, so that future policy owners can enjoy the same level of trust and peace of mind as those who rely on us today.

The year I became CEO was the first year of the financial crisis, and the significance of balancing what we need to preserve and what we need to change became an important lesson for me.

Financial institutions that had been around for a long time were failing. Longevity alone was not a guarantee for survival.

When we looked at how New York Life did business during other times of crisis, particularly at how our mutual company model guided our decisions, it was comforting to find that our values and business practices during those times were not that different from ours today.

Clearly, some parts of our heritage are critical to our success, but we are cognizant that the company has never lacked the courage to make the changes needed to remain strong, successful, and resilient.

In the life insurance industry, where the success of the business depends on your ability to make and live up to long-term guarantees, mutuality is especially critical.

Unlike a public company, we can hold on to significant amounts of excess capital. This allows us to protect our policy owners during volatile or unfavorable market conditions.

We can also be extremely patient when it comes to investing in our own business. While a public company might have a two or three year time horizon to demonstrate the success of an investment, New York Life can invest in businesses that will benefit our policy owners 10 or 20 years from now.

A good example of this is our \$300-billion global asset management business, which we built from the ground up over the past 20 years or so. By investing in that gradually and conservatively over a long time horizon, our policy owners now benefit from a strong and sustainable business that provides diversified revenue and enhances our surplus, which we can use to improve the dividends we provide to eligible policy owners.

Where is innovation occurring within the industry, and where do you see the most potential for innovation?

Historically, companies tend to innovate when their businesses are being disrupted, and the life insurance industry has seen less disruption than many other industries. Today, due primarily to a combination of long-term low interest rates, evolving consumer expectations, and technological advances, that's changing.

The key areas we see for innovation are within the customer experience, such as the purchasing process. Traditionally, this is not an ideal activity for the consumer. Getting the information we need to make a smart and responsible underwriting decision involves written forms, bodily fluids, and time. These are all areas where we are introducing new technologies and data analytics to make the process more consumer-friendly while ensuring we are making responsible decisions on behalf of current and future policy owners.

Another area within customer experience that is suited for innovation is educating the customer about the product. Digital technology can make our products easier to understand, while helping our agents build stronger client relationships.

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So mutuality is both a differentiator and a strength?

Without question, being a mutual life insurance company, which means being owned by our policy holders and not having outside shareholders, is an advantage for us. That's because the more a company can align itself with its customers, the more it can focus on those customers and the better it can create and sustain a thriving and growing business for the long term.

Do you worry that technology will lessen the importance of human guidance?

We believe digital technology and human guidance can be more effective together than either would be on its own.

For instance, digital technologies can make it easier to engage and educate people about the level of protection they need, why they need it, how it fits into their financial picture, and how working with New York Life delivers value to our policy owners.

At the same time, we believe human guidance is essential when it comes to helping people take the action needed to secure their finances, with life insurance often as a core element. A qualified insurance expert who takes the time to get to know someone, their values, their financial situation, and their hopes and dreams for their loved ones is a resource no computer can replace.

When it comes to hiring talent to fill that adviser role, what traits do you find to be most important?

People attracted to the life insurance business often have a strong sense of purpose and a desire to help people, as well as an entrepreneurial instinct. One needs to have a willingness to put oneself out there in situations where one is providing something that is extremely valuable and necessary, but that most people don't like to talk about.

While this remains as true today as it was 100 years ago, new digital capabilities can make the road to success more accessible to a broader range of people than we've traditionally attracted as agents. By mitigating some of the typical obstacles to getting started in this business, our agents have more time to focus on the relationship development elements of the role that help them excel.

How important is it that the diversity of your workforce mirrors that of your customer base?

Having a workforce that reflects the diversity of the families and businesses who rely on us is critical for two reasons.

One is that diverse teams make smarter decisions because they incorporate a range of experiences, backgrounds, and perspectives into the decision process. As we chart the company's course, no team is smart enough to process and synthesize the complexity of the world around them if everyone comes from the same place and shares the same convictions and preconceptions. Having an environment that is open to healthy debate isn't enough. We also need diverse viewpoints to help us weigh all factors.

The second is that as a U.S. life insurance company, our business is built around the demographics of the communities we serve. Today, much of the growth among the young family demographic, who often need life insurance the most, is taking place within diverse communities. To best serve these markets, we need to recruit, train, and develop agents who live there. Some of these agents will eventually become managers who recruit other local agents.

Importantly, this approach not only helps us better serve local communities; it also gives us a strategic edge as we embed ourselves in communities poised for the strongest growth. By executing this process well, we can help ensure our long-term success.

How important are size and scale when it comes to the company's success?

The life insurance industry has been around for a long time, but it's highly fragmented. For instance, New York Life is the market share leader today, and we only have about 8 percent of the market. This is unusual when one looks across other industries.

What's made it difficult for any one company to dominate is that historically it has been difficult to scale distribution in our business.

This is yet another area where technology is changing the game. Larger companies can invest more in agent productivity tools and customer experience enhancements simply because they can amortize their investment across more sales than smaller companies.

The fact that New York Life has the industry's largest network of life insurance agents is a competitive advantage. We are building out our technology capabilities to continue to leverage that advantage in the marketplace today.

How important is it to demonstrate to consumers that there's a relationship between the cost of the product and the value it provides?

The relationship between cost and value is essential in an industry where we're selling our ability to keep a promise based on something that could happen many years from now. We must explain to people why financial strength matters.

It matters because there's peace of mind in knowing we're going to be there for our policy owners when they need us. Regardless of financial downturns, market crashes, or other crises, as one of only two life insurers with the highest possible financial strength ratings, they can feel confident that we will be there for them in 2018 or 2048.

Whether as an employee or agent, we offer the opportunity to be part of an iconic, thriving enterprise driving important innovations for consumers in an area of significant human need and within a values-based culture.

In the absence of differentiation, price becomes the dominant factor, but there are significant differences among companies in our industry. It's just hard to understand this today without someone sitting down and explaining it.

What's your outlook on the talent entering the industry?

The talent that is coming into New York Life has been outstanding because we have an attractive value proposition for those looking for a career. Whether as an employee or agent, we offer the opportunity to be part of an iconic, thriving enterprise driving important innovations for consumers in an area of significant human need and within a values-based culture.

What advice do you have for those considering a career at New York Life?

People tend to focus on "what" they're going to do when they come out of school, but I would argue that is far less important than "why" and "how."

"Why" is about the mission of the company, and New York Life offers an unbelievably powerful "why." We are in a business of social good. Our purpose is to fulfill a very important societal need: to help ensure people's financial security and make sure their loved ones are taken care of financially.

However, "how" is where we really distinguish ourselves. We have a culture here where people can have high integrity, operate with great humanity, and be successful all at the same time. We have a culture that is about service and collective pride – about "we" not "me." That ethos is reflected in how we interact, how we behave, how we treat each other. Our people really enjoy working with each other and our clients, and one can feel this immediately when one becomes a part of our community. ●

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New York Life is a mutual life insurer, which means it is not publicly traded and has no shareholders. References to ownership refer to New York Life's policyowners who purchase its participating products. These policyowners share certain ownership rights, such as voting in board of directors elections and being eligible to share in annual dividends that are declared by the board. New York Life is also the parent company of two other wholly owned life insurance subsidiaries. Policies issued by these subsidiaries are not participating and do not share in these rights.

New York Life has the highest possible financial strength ratings currently awarded to any life insurer from all four of the major credit rating agencies: A.M. Best (A++), Fitch (AAA), Moody's Investors Service (Aaa), Standard & Poor's (AA+), as reported by individual independent rating agency commentary as of 08/09/16.