

Interview

Placing Trust and Confidence in MassMutual

An Interview with **Stuart H. Reese,**
Chairman, President, and Chief Executive Officer,
Massachusetts Mutual Life Insurance Company



Stuart H. Reese

EDITORS' NOTE Prior to being named head of MassMutual in June 2005, Stuart Reese served as Executive Vice President and Chief Investment Officer of the company. Reese previously held leadership positions at several MassMutual subsidiaries, serving as Chairman and CEO of Babson Capital Management LLC, Chairman of Cornerstone Real Estate Advisers LLC, and a member of the board of directors of Oppenheimer Acquisition Corp. Reese joined MassMutual in 1993, coming from Aetna Life and Casualty Company in Hartford, Connecticut, where he served as Vice President and Managing Director, Capital Markets. Reese earned a BA in biology from Gettysburg College and an MBA with high distinction from the Amos Tuck School of Business Administration at Dartmouth College, where he was an Edward Tuck Scholar.

COMPANY BRIEF Founded in 1851, Massachusetts Mutual Life Insurance Company (MassMutual: www.massmutual.com) is a mutually-owned financial protection, accumulation, and income management company headquartered in Springfield, Massachusetts. MassMutual's major affiliates include OppenheimerFunds, Inc.; Babson Capital Management LLC; Baring Asset Management Limited; Cornerstone Real Estate Advisers LLC; MML Investors Services, Inc.; MassMutual International LLC; and The MassMutual Trust Company, FSB.

What is your outlook for growth for each of MassMutual's business segments?

Life and protection is a primary business segment, and our core life insurance product – whole life insurance – is at the heart of our company and our insurance portfolio. The growth prospects for that segment are very strong – in line with current demographic and economic changes – and propelled by growing consumer recognition that whole life can provide protection for those left behind and the flexibility for them to meet a variety of financial needs throughout their lives as well. MassMutual's network of financial professionals helps prospects and customers take that next step.

The asset management businesses make up our next key area, and in this segment, we operate globally with a number of respected investment management companies, such as Babson Capital, OppenheimerFunds, and Baring. Around the industry, the investment management market is going through a relatively tough time domestically at the moment, but internationally, it's a somewhat different story. Short term, our global prospects are growing, and over the long term, the global growth prospects are very strong.

The next area is our retirement business, which is divided into several very different segments with different prospects, including asset accumulation and retirement income distribution. More people are retiring and looking for income, which will result in a huge growth marketplace. MassMutual meets this need with a broad range of retirement products and services distributed through our career agency and third-party professionals and advisors. Importantly, we recently acquired First Mercantile, a bank trust company, to expand our product capabilities. International insurance is an area where we also invest, and all indications suggest it has strong growth prospects. Across the organization in general, we are anticipating strong growth.

In financial services, products and services can sound somewhat similar from one company to the next. Is it challenging to differentiate? How do you define what makes a brand like MassMutual unique?

In every business you have to think about that question. It's nice to have a great brand and name like MassMutual, but there needs to be some real depth to a brand in order to compete effectively. We differentiate ourselves in large part through our people and our services. You

have to make things easier for consumers, and that's what we try to do.

Are young people today excited about coming into the industry? Are you happy with the way MassMutual has been able to build a strong team and retain those people?

We are proud to have been able to recruit and retain talented people in the life insurance business, but we now use methods that are different from what the industry has used in the past. We have to accept the fact that, like all companies, we're going to have some turnover. So we're going to continue evolving the methods that we use to attract and retain talent, such as our newly introduced and very innovative on-line recruitment tool for financial representatives, at www.massmutualcareers.com. We recognize that it requires thinking and acting differently.

Is technology impacting the way you operate or deal with customers? Does it play a major role in MassMutual's business?

We are investing significantly in technology today, for numerous reasons. We want to build our technology from the outside in, because we want it to be easy to use from a customer point of view, which will also differentiate us from our competitors. This is relevant from a cost point of view as well, and it significantly increases our strategic flexibility. Technology is going to continue to be very important, and we intend to stay ahead of the curve within the industry.

You mentioned your global perspective earlier. How much of an emphasis do you place on pursuing opportunities in international markets?

We have large insurance businesses in Taiwan, Hong Kong, and Japan, and we think that the brand is important there. Having said that, in the insurance world, each geographic area really is an island, and you have to start over in every place. While the name may have some value, from a business point of view, there's still a lot of separateness.

In the investment marketplace, we use multiple brand names. MassMutual is in the mix, but other names such as Baring, OppenheimerFunds, and Babson Capital are probably more prominent outside the country. The investment management world is a different world, and those brand names resonate more in those markets.

Is there coordination between those brands, or are they independent entities?

There is coordination. Babson Capital and OppenheimerFunds tend to be in more discrete market segments. So while they do work together, their coordination does not need to be as strong as you at first might expect. Baring, which we've owned since 2005, overlaps with both Babson Capital and OppenheimerFunds, and there is already meaningful and quickly growing work among those three. I expect that to continue.

How about the Cornerstone Real Estate Advisers business?

Cornerstone is a much smaller business, and the real estate world, in most areas, tends to be fairly discrete. But when it comes to mutual funds, there is cooperation. Cornerstone does manage some real estate investment trust [REIT] equity funds and some REIT mutual funds, and OppenheimerFunds works with it on that. I could see more happening in that area, although it's still a fairly small piece of Oppenheimer's business. I could also see some overlap with Baring in the future, but I think that's going to take a while to develop.

Do you focus more on building brand recognition for the whole group or for the individual brand names in each segment?

We're more focused on the individual brands. Having said that, MassMutual is the brand name for our insurance and retirement businesses. So marketing MassMutual in a retail mutual fund industry doesn't have a lot of value.

The U.S. financial markets have been going through some challenging times recently. How much of an impact has that had on your business, and, over the short term, are you optimistic that things will turn around?

There is growing optimism that things will turn around in 2008 for the whole economy. I think the housing market may take well into 2009 to hit bottom and really work through its problems. But the financing markets for housing are working through that bottom now, and we hope they're coming out of the difficult times.

Much of the success of the company can be credited to your core strengths as a mutual company. Will the company be going into any new areas, or are you happy with your current portfolio?

In general, we're satisfied with the portfolio of companies we have at the moment. That's not to say that we may not expand the portfolio by making acquisitions in the businesses that we're in, but as things stand at present, we already have plenty of opportunities for our existing entities to pursue.

Do you think that the investment community has a clear understanding of MassMutual?

We are not a publicly-held company; we are a mutual company owned by participating policyholders. In simplest terms, if you have a participating life insurance policy issued by MassMutual, you share in ownership of the company. My goal is to ensure the interests of our policyholders are taken very seriously. Moreover, the people and firms with whom we do transactional business, such as mergers and acquisitions, tend to know us well as Babson

Capital and other brand names, and I think they're very comfortable with us.

How important is corporate responsibility and community involvement to MassMutual? Do you think all companies should be actively engaged with this type of activity?

I have a strong belief that doing business the right way today will result in long-term prosperity. Corporate responsibility is an integral part of our business strategy. We are part of the community, and like every member of the community, we need to be responsive to the communities in which we operate. In our home office community of Springfield, Massachusetts, for instance, we are the leader in corporate giving.

You have a very diverse group of customers. Is diversity key to building the workforce of MassMutual? Do you feel you've been successful in building an inclusive organization?

The demography of this country is changing, and it's absolutely critical for businesses to change with it. The only way to successfully change as a business is to successfully increase the diversity of your workforce. So we are very focused on that.

How do you define the role of CEO today? How challenging is it to budget your time?

As a CEO, it is challenging to budget your time, especially if you want a personal life. In my view, the CEO should stay focused on the strategy of the company, the development and progression of the executive team of the company, and the working relationship between the whole executive team and the board of directors of the company. Setting the right tone at the top is much more important than trying to be involved in day-to-day operations. CEOs who are overly involved in day-to-day operations prevent the development of key executives, which is not good for the company.

Is it hard to give up some of that control over the day-to-day operations?

It's always hard to let go. But no matter how hard you try to stay involved, you're never going to be able to stay as close to the day-to-day operations as the people who are closer to that business. That doesn't mean that I'm uninvolved. I stay involved in oversight. I ask questions. I watch how the business performs. But I have to let people try to make changes, even if they're different from what I would do.

MassMutual has taken a leadership role in sponsorship. How important has that activity been to the culture of the brand?

It is all about branding. A lot of branding is just name recognition – linking the name to something. We want people to understand that quality is a part of what we stand for. So linking ourselves to events that are perceived to be of quality is a way to do that.

You provide a lot of information to customers on your Web site. Do you see your role as being somewhat advisory?

Our Web site confirms our brand position. Our tag line is "We'll help you get there." The reality is that every one of our clients out there is in a different place. Some of them don't need a lot of help to get where they're going,

but most people out there today are stymied by something and they need or want help. We want to be there for them. Generally, we do that through one of our agents, and we want our agents to be armed with the information they need to help their clients. So it's critical to the success of these businesses to be able to provide individuals with what they need. In many cases, that's going to be a process of education.

How challenging is it to turn the business off? Do you ever manage to get away from it?

I need to get away from it, at least a little bit, on a regular basis. It's important for me, as it helps me gain perspective. I do force the issue, but the ability to force it for any length of time is somewhat mitigated by the onslaught when I return. So I tend to get away for short intervals only. Of course, it's easier to get away physically than to actually become disengaged. But ironically, it is that disengagement you need, more than the physical "away-ness," because that's what helps you refresh. So that's the toughest part. You have to make an effort to make it all work.

You have worked with many people over the years. If they were asked what it's like to work with Stu Reese, what do you think they would say?

I hope they would say that they can always be upfront with me and discuss things openly. Honesty is a critical part of it. I hope they would say that they never have to compromise their integrity and that they can always represent what they think is right and not have to worry. I hope they'd say that I'm always approachable, no matter what the subject is, even if it's bad stuff. I hope they would say that I give them real opportunities to stretch themselves. I encourage that. I hope they would say that I am a team player and I promote team play. I also hope that they would say that I absolutely encourage balance in their lives, because I think it creates balance in their decisions.

Is it just in your nature to be calm, or do you hide stress well?

I'm not hiding anything. I guess it has to be my nature.

Early in your career, could you have imagined that you would be in a role like this for 15 years? Could you have imagined that you would be running the company?

No. I honestly did not envisage that I would be running this company – or any company at any point in time. I have always done the best job I can for the company and stood for the things I thought it was right to stand for. How things play out is always going to surprise me.

What are the key areas of focus for MassMutual, looking two or three years out?

We have to get the right people in place with the right products and services, with the right incentives in place to support our continued growth. It's really all about people. Our employees and financial professionals must remain squarely focused – on the policyholders and customers who place their trust and confidence in MassMutual. Not many companies have been around for 156 years – we are proud of what that says about our experience and stability. ●