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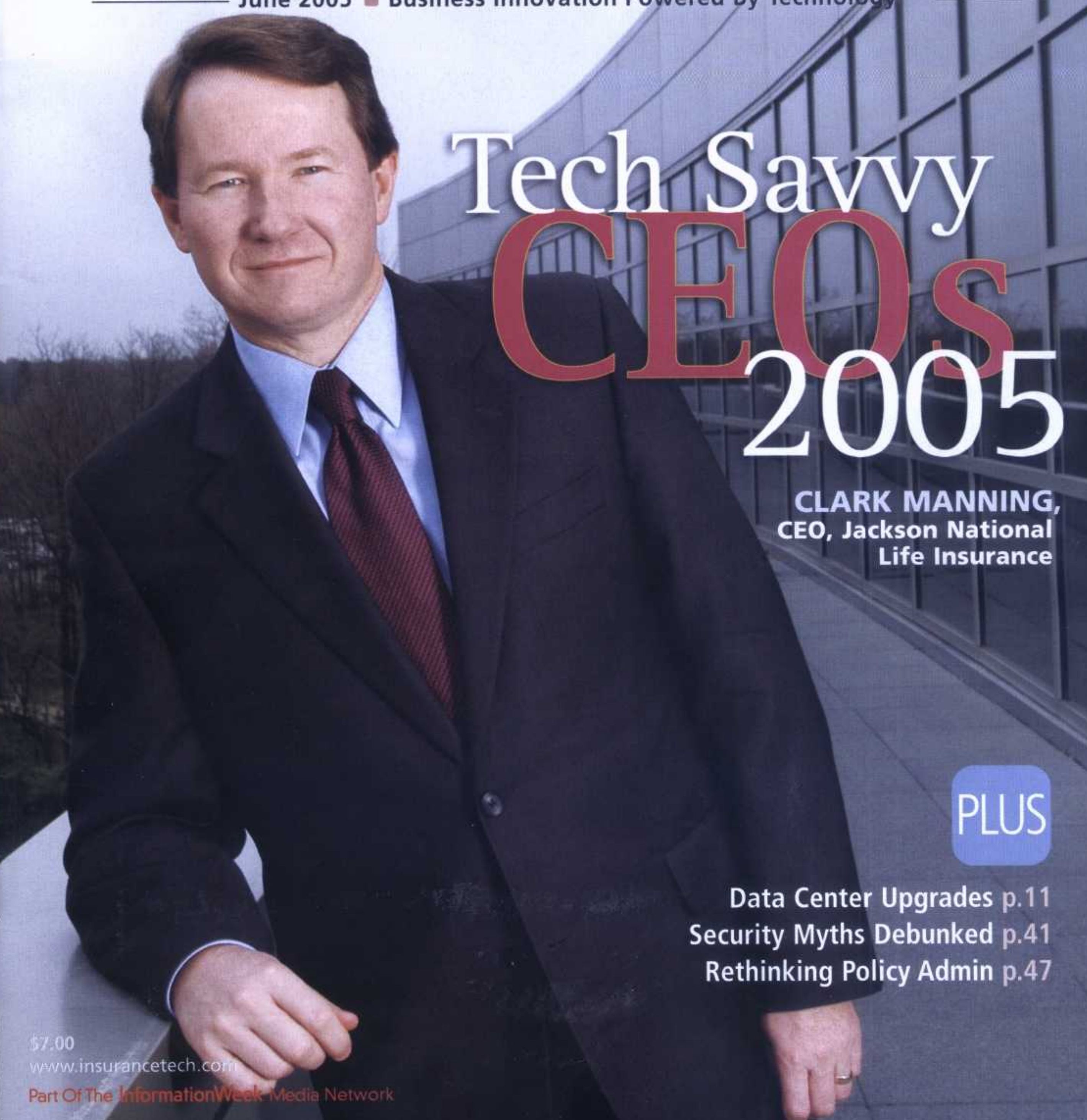

Tech Savvy CEOs 2005

CLARK MANNING,
CEO, Jackson National Life Insurance

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Tech Savvy CEOs 2005

Balancing

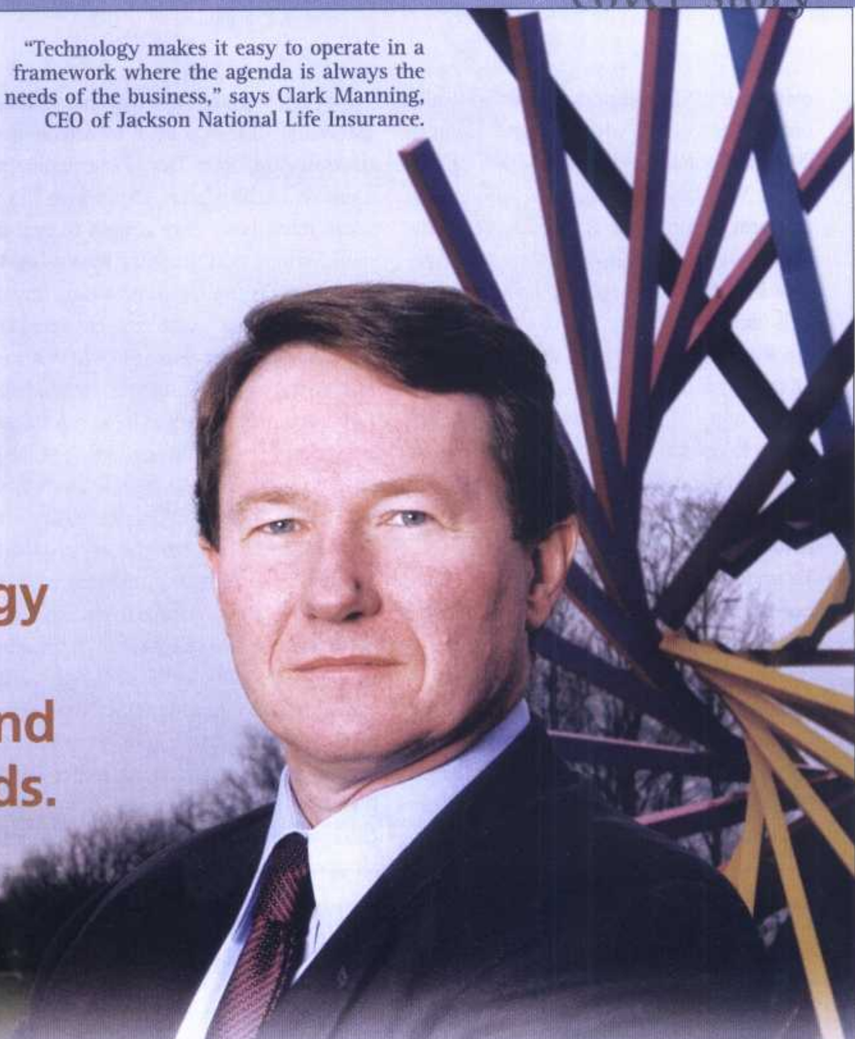
By Wendy Toth

ONCE UPON A TIME, an acceptable answer to the question, "What is the sign of a great CEO?" might have been, "One who makes the job look easy." But nightmare headlines covering the AIG, WorldCom, Marsh and Martha scandals have dispelled the notion of the CEO's life as a fairy tale. In addition to the traditional pressures of growth and profitability, renewed and more intense regulatory scrutiny is raising the stakes for industry CEOs in terms of transparency, accountability and results — transforming the CEO's throne into more of a hot seat.

As a result, technology has become something of a modern-day white knight. Already recognized as the bringer of business intelligence, improved profitability and enhanced customer service, technology's role as provider of transaction processing accuracy and reliability has become heightened in regard to regulatory compliance. Now more than ever, being an effective CEO means being able to use the strength and flexibility of technology to balance the ever-shifting complexities and demands of the financial services environment.

PHOTO BY BRIDGET BARRETT

"Technology makes it easy to operate in a framework where the agenda is always the needs of the business," says Clark Manning, CEO of Jackson National Life Insurance.



Act

Tech-savvy CEOs leverage technology to balance cost, communications and regulatory demands.

Put simply, technology facilitates the dissemination of information, according to Jim O'Connor, former executive vice president of Bank of America's commercial insurance subsidiary, Fleet Insurance Services, and a current partner of employee benefits consulting firm Egan, Amato & O'Connor (Manasquan, N.J.). "A CEO must use technology not only as a means of communication but also as an essential tool in the speedy dissection and analysis of information," he asserts. Basically, a strong technology platform can serve as the eyes and ears of the company as well as the informant. "It is also essential to the efforts of full disclosure and in the analysis of information for financial management and compliance," continues O'Connor.

Surrounded With Talent

While the latest trend seems to be operational-minded CEOs appointed by boards that want a chief with the ability to run the back office as well as the more visible parts of the business, today's top CEOs probably are finding that it is as much about the people with whom they surround themselves and the way they adapt to the changing business environment as it is about their own backgrounds. Clark Manning, CEO of Lansing, Mich.-based Jackson National Life Insurance (JNL; $61.6 billion in total assets) and the carrier's former chief actuary and COO, says, "Because of my background, I have a good understanding of how we make money and back-office attributes, which helps a lot in difficult financial and regulatory environments. But what is critical is being surrounded by talented distribution people and IT people who understand the business."

True leadership means having a vision for the future and "thinking from a stewardship perspective about what is going to be the fundamental basis of competition in five to 10 to 15 years," says Bill Pieroni, GM of IBM (Armonk, N.Y.) Global Insurance Industry. "That being said, you won't make it in the long run unless you operate your business effectively and efficiently along the way," he adds.

Both a CEO's visionary stewardship abilities and bottom-line business management abilities are impacted by the firm's technology investment. "While under investing in technology isn't going to kill you this year or next year, it has implications over the long term," says Pieroni, who believes that consistent technology investment year over year rather than boom-and-bust, cycle-based investment is a characteristic of a winning CEO.

The benefits of steady technology development for insurers are evident in JNL's proprietary broker-dealer back-office system, which was rolled out in 2002 and enhanced in 2003 with a proprietary Web-based transaction processing platform, according to JNL's Manning. "This system has accommodated any more-recent inquiries from regulators, and because it is automated, we are able to respond quickly and demonstrate that we are on top of our business, data and customer situations," notes Manning. "Technology makes it easy to operate in a framework where the agenda is always the needs of the business."

Knowledge Is Power

To understand the business' needs, CEOs need more than information — they need to understand that information. This creates a challenge for vendors such as insurance and claims services BPO solutions provider Cambridge Integrated Services Group (Greenwich, Conn.), which helps its clients' CEOs stay tech-savvy by giving them the ability to be power users of information.

"When working with a client, such as an insurance CEO, we seek to create power users of data," says Tracey Carragher, president and chairperson, Cambridge. "Power users must have easy access to real-time data," she says. Carragher points out that technology is the key to providing raw data and turning that data into contextualized information, which provides CEOs with the knowledge to run a business successfully.

"Not staying plugged in to the different operations of their businesses is what has gotten a few CEOs in trouble in the past," says Egan, Amato & O'Connor's O'Connor. "I don't mean CEOs should be micro-managing, but rather regularly engaged with their leadership teams and able to understand the decisions that are being made in their businesses," he continues. "Technology can help with these lines of communication."

For that communication to be effective, "Technology's organizational structure must be driven by the strategic intent of the CEO, which should be driven by the intent of the company," says IBM's Pieroni, who suggests that an insurance CEO should steer technology in the direction of three primary areas: core insurance capabilities such as policy administration and underwriting — which are the "cornerstone" of regulatory functions — followed by distribution and products. "Very few insurers are, I think, exhibiting the longer-term vision and leadership and investing discretionary dollars in this core," he asserts.

Long term doesn't have to mean predicting the future, but rather being keenly aware of what is going on in the present. "The world is shrinking," observes Cambridge's Carragher. "Today's CEO must know what's happening in the company, from India to England, in a few seconds," she says. "He or she must have access to the real-time data to stay informed and make decisions while bringing an analytical mindset to the interpretation of this information as well as the ability to find the interrelationships that occur between it." ■

Inner Peace

In good times and bad times, Clark Manning keeps Jackson National Life on track with a commitment to core IT ideals.

✧✧✧ By Wendy Toth

GIVEN THE confluence of events, the story of Clark Manning's relationship with his company could have been an American tragedy. When Manning was named interim president and CEO of Lansing, Mich.-based Jackson National Life (JNL, $61.6 billion in total assets; an indirect subsidiary of London-based Prudential) in June 2001, he was handed the reins of a company coming off the best sales year in its 40-year history and the Dow Jones Industrial Average was nearing 11,100. But, as he transitioned to the job on a permanent basis in September 2001, everything changed. The Sept. 11 terrorist attacks caused fear across all walks of life, business slumped and the economy entered a recession.

"When I took over in 2001, the credit and equity market recessions were the worst they had been since the Great Depression, and with a $50 billion balance sheet, we were affected," recalls Manning. But hard times brought out the best in Manning, JNL and their relationship. "I was working with a good company with favorable attributes and we returned to those roots," he says.

Whereas a number of companies were pushed to cut overhead and product development efforts, JNL continued to operate under its usual relationship-based distribution model. "We knew how to make money and we never strayed from that," asserts Manning. JNL focused on its three foundational business ideals: its distribution model, its cost model and presenting a flexible face to the market. And Manning relied on a lesson he had learned when he first started with JNL in 1995 as senior vice president and chief actuary: "You need a superior technical infrastructure" if you want to meet the demands of a profitable distribution strategy — under any circumstances, he says.

Outsourcing was the name of the game when Manning began his career at JNL. The carrier had outsourced its entire technology infrastructure. But rather than maintain the status quo, the insurer made its first technology hire in 1995, appointing George Napoles CIO and chief administrative officer. Napoles "built the entire infrastructure from scratch," according to Manning.

Home Sweet Homegrown

The advantage of developing technology in-house is being able to build it to achieve company-specific goals, notes Manning. For JNL, that meant creating an infrastructure to nurture its three fundamental business objectives: distribution, flexibility and cost.

"Being able to meet the demands of our distribution business model is critical," explains Manning. "Distributors demand a flexible product model and interactions that are not only efficient but correct, and we need to be able to do all of this cheaply."

With a close working relationship and a clear view of one another's capacities, Manning and Napoles have successfully applied JNL's ideals to their technological and business initiatives. "George and I work closely but with a great deal of autonomy because we both have a business needs-based approach," comments Manning.

In 2002, Napoles and his team built a modular platform on which Manning and his team launched JNL's first completely unbundled variable annuity, Perspective II. The entire project took just six months from conception to launch, and in 2004, Perspective was the No. 1-selling variable annuity product in the industry based on net flows, according to Manning.

"A strong, flexible technology platform is one of the core attributes you need as a life insurer, and if you outsource, you've given up on being better," contends Manning, who achieves a reliable inner company environment by balancing his actuarial background with both an IT and a distribution staff of industry experts. "It is critical to be surrounded by people who have a well-founded understanding of their areas of business," says Manning. "And it is most important for those people to be able to understand one another. ■

Clark Manning

CEO

Jackson National Life Insurance

"It is critical to be surrounded by people who have a well-founded understanding of their areas of business."

Technology Philosophy:
"A strong, flexible technology platform is one of the core attributes you need as a life insurer, and if you outsource, you've given up on being better."

Hobbies/Pastimes:
Manning enjoys spending time with his five-year-old twins — a boy and a girl.

Last Book Read:
"Conspiracy of Fools," by Kurt Eichenwald.
"I enjoy reading about business disaster, but I don't intend on being in one," notes Manning.

Background:
Manning holds a BBA in Actuarial Science and an MBA from the University of Texas at Austin. Early in his career, he served as a consulting actuary with Millman and Robertson and later as SVP and chief actuary at SunAmerica. Manning joined JNL in 1995 as SVP and chief actuary.

PHOTO BY BRIDGET BARRETT

ONE ON ONE

With Clifford Jack of Jackson National Life Insurance Co.

By Gary S. Mogel

Knowing what motivates the people who gravitate to the various insurance and annuity distribution channels is one of the keys to Clifford Jack's success.

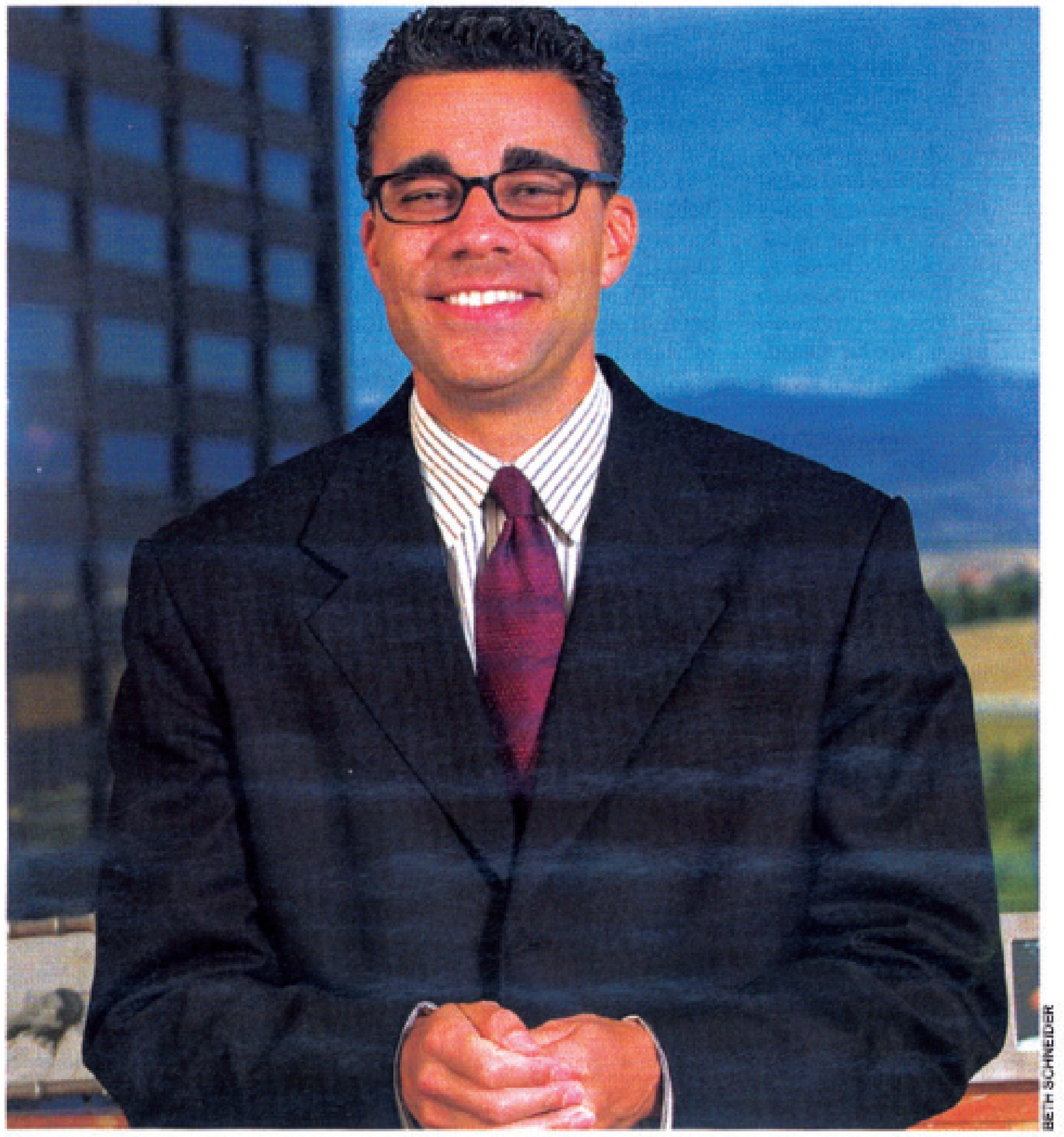
Some agents and advisers value training and guidance; others want to take the ball and run with it. Mr. Jack, 42, Denver-based executive vice president and chief distribution officer for Jackson National Life Insurance Co. in Lansing, Mich., has become adept at knowing which is which.

"Clifford did not come up through the distribution side, but he has a field mentality," said Jason Maples, managing partner of Denver-based Strategic Financial Partners LLC, which manages $100 million. "He has taken a leadership role in product design and pricing, as well as in providing more investment choices to clients."

Such innovation often required "stepping out on a limb," Mr. Maples added, as the insurance industry has "unspoken rules" that make such changes difficult for many to swallow.

But even change for the "greater good" can cause uncertainty for some individuals. In late August, Jackson National decided to "reposition" 16 of its 120 external life insurance wholesalers after finding that clients preferred one point of contact with the company.

"Multiple JNL reps had been calling on some of the same clients, and that caused confusion," said Mr. Jack. "So we decided to consolidate the wholesalers into one unified organization." He added that the 16 external wholesalers are being encouraged to apply for new positions in the restructured operation and that the company expects to expand its wholesaling staff aggressively over the next year.



"Companies are making variable annuities more flexible so that the clients pay only for the features and benefits they want."

Q. *What are Jackson National's primary distribution channels, and which is the fastest growing?*

A. We focus on four channels: independent broker-dealers, financial institutions, regional broker-dealers and independent agents. The largest and fastest growing are the independent broker-dealers, as this channel is attractive because it allows people to set up their own practices absent pressure from outsiders.

These are generally people who don't like having a boss or production quotas that may conflict with their own desires. They want an equity stake in their own practices. We have seen a significant migration of these types of individuals from the more "captive" types of organizations, such as wirehouses and banks.

Our company has a hub-and-spoke retail-distribution model, in which the hub comprises all of the shared services such as legal, compliance, information technology, finance and marketing, and the spokes represent all of the various distribution channels.

It's my job to make sure the wheel turns efficiently. In all, we sell through about 700 broker-dealers, 1,600 financial institutions and 62,000 appointed agents.

Q. *What does the financial institutions channel comprise, and how does it differ from others?*

A. It includes banks, thrifts and credit unions. It usually attracts a very different type of rep. A bank rep values the bank's balance sheet, reputation and brand.

They value the opportunity to service bank-client needs and be part of the synergies of banks' offering more than just checking accounts and other traditional banking services. The tradeoff is that the payouts to bank reps are much lower.

Q. *Bank reps seem to have a reputation of not being as good at selling financial products as other types of reps — maybe because of the lower payouts you mentioned. Have you found that to be the case?*

A. I think that's more myth than fact. It's too broad a generalization. Banks have in the past been conservative in their offerings of investment products; they tended to prefer the more mature product lines, and so that's what the reps sold.

These days, banks sell just about all products, not just the fixed-rate investments, but they're less likely to sell very risky products such as hedge funds.

Many bank reps are not even employed by the bank. For instance, some reps of JNL work in banks, selling our products and the products of other companies — whatever is in the best interests of the client.

About 20% are our products, and 80% are someone else's. They are compensated based on a percentage of revenue; they are never paid based on proprietary JNL sales.

Q. *What types of firms are in the "regional" broker-dealers to which you referred?*

A. These are firms with dedicated regional wholesale operations. They are in the middle, between wirehouses and independent firms. These regional firms require a different skills set from their insurance company vendors, such as assistance in meeting their technical and interface requirements.

> ### *Snap*Shot
>
> **Clifford Jack,** 42, executive vice president and chief distribution officer in Denver with Jackson National Life Insurance Co. of Lansing, Mich., since 1995
>
> **Career:** 1993-95, senior vice president of marketing with SunAmerica Inc. of Los Angeles; 1990-93, executive vice president and chief marketing officer in Los Angeles with The FiMark Co.; 1987-90, vice president of marketing in Los Angeles with MarketingOne; 1985-87, broker in Los Angeles with Dean Witter Reynolds
>
> **Education:** bachelor of arts in communications from San Francisco State University, 1985

They are generally conservative firms — they want to know how the insurer is going to service them, and they want the insurer to provide training to augment the training they provide to their reps.

Q. *What are the recent trends in variable annuity sales?*

A. The overall trends are transparency and unbundling. Companies are making variable annuities more flexible so that the clients pay only for the features and benefits they want. There has been movement toward features such as guaranteed-minimum-withdrawal and minimum-income benefits.

Insurance companies are focusing on the massive retirement crisis. People have undersaved and had unreasonable investment return expectations that were not met. Variable annuities, which provide guaranteed income in retirement, are a solution for this group.

With all these additional features, variable annuities have become too complicated. But I don't think that the product should be dumbed down. Rather, it should be unbundled.

Q. *Given all the recent reports of variable annuities' being sold to the elderly and other people for whom they may be unsuitable, what sort of screening do you advocate?*

A. We screen the firms that we do business with. Those firms must have suitability screening systems in place. Also, we have a market conduct unit that screens transactions for appropriateness.

Q. *Life insurance sales have been stagnating lately for many companies. What are the trends in this area?*

A. Consumers have more interest in life insurance post-9/11 and with what's going on in the world today. But that hasn't translated into increased sales, as the industry has been flat for many years.

There has been a shift in how people purchase life insurance. Most people used to buy from captive agents. But with the advent of the Internet and career agency forces' being scaled back, there is a much more competitive environment. There are now better rates and access to information.

No-lapse universal-life products are very hot now. But variable universal life has taken a step back due to the choppiness of the stock market. Term insurance is widely sold and accepted by the public, but it's become a commodity.

Q. *Jackson National recently announced a shake-up in its life wholesalers division. What prompted that?*

A. Feedback from clients indicated that they didn't like the dedicated-life wholesaling model. It led to confusion and inefficiencies, because you had multiple JNL reps calling on the same clients. The clients prefer one point of contact for multiple products, so we decided to reposition and combine the wholesaling staff into one organization.

The 16 affected external-life-insurance wholesalers are being encouraged to become candidates for the open positions within the new unified wholesale business. Furthermore, we are aggressively growing our sales force and expect to add more external wholesalers who can service our entire product set over the next year.

Q. *What's the most common blunder that insurers make regarding their distributors?*

A. Offering very complex products. It's extremely difficult for any rep to become an expert in all of them. They are usually generalists and good relationship people.

Insurers need to provide experts for distributors in all channels that are on call to assist them.

Insurers will have to get better at providing support. And they will have to devote a significant amount of time to training and doing seminars.

Using a sports analogy, it's not enough to just be the general manager who attracts good talent and keeps a close eye on finances; you have to be a coach willing to allow the team to maximize their talents, as well as a player willing to roll up your sleeves and contribute.

Q. *What's in the life insurance and variable annuity industry's future?*

A. A continuation of consolidation. The strong will get stronger, and the weak will struggle more. Scale will be very important.

By Julie Gallagher

Around the time of Y2K, "everything that we had was new. It amazed me that more companies didn't buy new as opposed to retrofitting their old systems. We had the ability to start from scratch; there were no preconceived ideas. It was great," says George Napoles, Jackson National Life Insurance Company.

Foundation Building

COMPANY: Jackson National Life Insurance Company (Lansing, Mich., $56 billion in assets).

LINES OF BUSINESS: Variable, fixed and equity-linked annuities and life insurance.

KEY EXECUTIVES: George Napoles, EVP, CIO and chief administration officer; Clark P. Manning, president and CEO; Andy Hopping, EVP, CFO and treasurer.

IT STAFF: 339

IT BUDGET: $46.9 billion

RECENT INITIATIVES: Development of Granite, a broker-dealer back-office administration tool; an electronic order entry broker trading system; and RACe, an annuities application processing system.

PREFERED VENDOR PARTNERS: IBM (Armonk, N.Y.), Xerox (Stamford, Conn.), Cybertek (Dallas) and FileNet (Costa Mesa, Calif.)

GREATEST BUSINESS CHALLENGE?

NAPOLES: "Challenges that are associated with rolling out new insurance products.

Starting from Scratch

George Napoles left his post as head of Cooperative Technologies to build Jackson National Life Insurance's IT department.

Lucky for Jackson National Life Insurance Company (JNL, Lansing, Mich., $56 billion in assets), the word "please" goes a long way with George Napoles. The founder of the consultancy Cooperative Technologies, Napoles only signed on in a consulting capacity when he agreed to help JNL bring its outsourced IT shop in-house. The life and annuities underwriter decided in 1995 to embark upon the project to better align its IT and business goals. But when JNL CEO Bob Saltzman — a former colleague of Napoles — saw the scope of Napoles' vision, he resorted to pleading with the consultant to join JNL full time.

"I kept saying 'no,' but [Saltzman] kept saying 'please,'" recalls Napoles. Soon after, in 1995, Napoles — who is currently JNL's EVP, CIO and chief administration officer — gave in.

> "We know where we want to go and we depend on ourselves to get us there," says JNL's George Napoles.

The task of starting an IT shop that was devoid of the most basic hardware, including PCs, was challenging. But Napoles concedes that once he seriously considered the offer, he didn't require a lot of arm-twisting. "Starting from scratch had a great deal of appeal to me," enthuses Napoles. "I'd been given the opportunity to use everything that I'd learned throughout my career with no encumbrances." The consultancy founder's resumé includes his start as an actuary with Piedmont Life, as well as top IT roles at Pacific Fidelity Life, US Life and SunAmerica.

Despite Napoles' extensive experience, after joining JNL full-time, the IT veteran felt for the first time in his career like a kid in a candy shop. He was not only charged with stocking the IT department with hardware, software and personnel of his choosing — he was also authorized to name his own budget. Napoles' first objective was to find the right people for the job.

The Perfect Personnel

"I wanted to have an operation with highly qualified people," Napoles explains. Potential recruits had to excel on an aptitude test, only to be subjected to a rigorous skills test, in which they were asked to answer progressively harder questions, until the prospects were no longer able to answer them, relates Napoles. He adds that less than 5 percent of those who began the recruiting process made it to the final team interview. "Good people appreciate the rigorous recruiting process," he says. "It's like being admitted to a select college."

Today, JNL's IT team includes 339 staff members. The CIO explains that he doesn't have to look to consultants for help making decisions. "We already have that talent in-house," he asserts. "We know where we want to go and we only depend on ourselves to get us there." The most significant vehicles facilitating the journey include IBM (Armonk, N.Y.) hardware, Xerox (Stamford, Conn.) printers, and software from Cybertek (Dallas) and FileNet (Costa Mesa, Calif.), explains Napoles.

But JNL's IT shelves weren't always so well stocked. "It took us three-and-a-half years before we could be proud of our hardware and software," concedes Napoles. And, as JNL's product offerings of variable, fixed and equity-linked annuities and life insurance grows, so too must its IT shop. Though JNL's IT expenses are down almost 10 percent from 2003 — because less development work is required of the shop as it becomes more established — its IT budget has more than doubled since the department was outsourced. Napoles explains that although his current IT budget of $46.9 million is substantially more than the $20 million-a-year cost of outsourcing the department, the insurer is now supporting many more products that require greater levels of IT support than were previously needed.

Napoles considers the challenges associated with new products among his most difficult tasks, but he and his team make it look easy. "Our unbundled variable annuity product took five months," from concept to launch, boasts Napoles. "Very few companies in the industry even offer this product because it is so difficult to implement."

JNL's IT group has also kept busy with the in-house development of its Granite system, a broker-dealer back-office administration tool that ties in to the carrier's newly built electronic order entry (EOE) system, which enables brokers to enter trades paperlessly. Napoles decided to build the system after he was unable to find a solution in the existing marketplace.

JNL took a similar approach with its homegrown Reengineered Annuity Conversion for Excellence (RACe) rules-based system. Napoles explains that the document processing system leverages optical character recognition (OCR) technologies. It cleanses data and has the ability to "learn" from its mistakes. "RACe remembers the correction, and all subsequent applications will use the newly learned information," he says. ■

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ONE ON ONE

With M. Shawn Dreffein of National Planning Holdings Inc.

By Bruce Kelly

M. Shawn Dreffein likes to talk about the technology registered representatives and advisers find when they join one of the four broker-dealers in the National Planning Holdings Inc. network.

"We were able to develop, from Day One, proprietary back-office and front-office systems that have allowed us to increase the productivity of our back-office and front-office representatives," said Ms. Dreffein, 49, who is president and chief executive of National Planning Corp. and National Planning Holdings Inc., an insurance company broker-dealer network with 2,541 reps. NPH is an affiliate of Jackson National Life Insurance Co. of Lansing, Mich.

"Technology, technology, technology is the answer," Ms. Dreffein said.

Although the platform is spread across the firms in the network, each broker-dealer works to keep its own identity, she said.

Ms. Dreffein emphasizes brokers' and advisers' clients, said William Bowman, president of Financial Management Group Inc. of Chattanooga, Tenn. Last year, he switched broker-dealers and became affiliated with Santa Monica, Calif.- based National Planning Corp., for which he is a registered principal.

Ms. Dreffein is "one of the big factors" why he joined National Planning Corp., Mr. Bowman said.

"Shawn is a person of her word," he said. "She actually does what she says she will do."

LINDA FORD

"Broker-dealers have to find technological solutions to help their representatives and their back offices keep up."

Q. *What is your outlook for the broker-dealer network this year, especially as the price of oil is at an all-time high and interest rates rise?*

A. Interestingly enough, I'm probably the most excited about 2005 as I am about any year since we started [in 1998]. The reason for that has nothing to do with the economy, clearly. This year is really what I see as a breakthrough year for the NPH broker-dealers. It's the year where all the visionary items we had come to fruition. Rather than the rep having to print off documents, etc., it will be all electronically stored and transmitted. It truly becomes a paper-free operation for our representatives. It's a breakthrough for both our company and, I think, for our industry. I'm not familiar with other independent-contractor firms that have taken this step.

Q. *Why did you make this move with this kind of technology?*

A. In 1998, when we started, there were certain things that were very clear about our industry. The first was, our representatives and our broker-dealers were operating in an environment of decreasing margins. Secondly, they were operating — as was the home office — on decreasing time. And the third piece of that was, there was only one solution to handle those two strains on the front office and the back office. And that was technology. So where we got lucky was in 1998. It was very clear we were not in a mainframe world anymore but in an Internet-based environment. With the current regulatory environment, it's even clearer today that broker-dealers have to find technological solutions to help their representatives and their back offices keep up.

Q. *What else are you doing for the brokers and advisers this year?*

A. We also launched a service initiative and have brought in professional trainers from our affiliate, Jackson National, that have worked to create extraordinary customer service environments in the variable annuity and fixed-annuity service centers. And we're using those individuals to train at all the broker-dealers all the people on the phones.

Q. *People have told me that you make a strong impact on people you work with — sometimes in a positive way, sometimes in a negative. Often at a brokerage meeting, you are the only woman in charge of a broker-dealer. Are the two factors related?*

A. It comes up, me being a woman. One of the things I'm very fortunate with is that the Jackson National corporate culture is gender blind, color blind. It's blind in all positive ways. Jackson National has taken a very strong position of promoting from within. I sit back, and I'm very grateful to Jackson National for all the opportunities they've given me and the trust they've placed in me. I don't know that you necessarily have that type of corporate culture elsewhere — certainly not at a lot of places I've worked in the past.

Q. *How concerned are you about regulatory issues such as point-of-sale disclosure for mutual funds and variable annuities, as well as recent actions over selling more than $50,000 in B shares?*

A. First of all, I think that compliance is a very important component of what we do. At the end of the day, for our industry to survive and thrive, it has to have extraordinary trust with clients. The more that we can do to enable that trust, I'm in favor of those types of regulations. I also think you have to balance it with common sense. In the initial read that I have done on point-of-sale disclosures, I think the intent is very good. I have no objection to representatives' disclosing compensation. But I think that we also need to take a look at the burdens it places on a representative — and the broker-dealers — at point of sale.

Q. *When you talk to NASD and your compliance people, what is your sense about the regulators? Are they listening to the concern that these potential point-of-sale rules could potentially drastically limit an investor's choice of funds?*

A. The dialogue, I think, has become more constructive and more free flowing than it has been. I think it's evolved. Over the last 12 to 15 months, when really this wave of regulatory inquiry began, there wasn't dialogue. It was pretty much a one-sided, de facto pronouncement. We are starting to have more of a balance now, where the input of the broker-dealers and the impact on clients is being taken more into the equation.

A small example of that was the NASD notice to members that related to block transfers, where they completely eliminated them, and then the industry was in an uproar over that, and then [NASD of Washington] came back with a slightly softer version. It still placed burdens on the industry, and I don't think it necessarily solved the problem. But I think it was the opening of a dialogue, with some understanding of some of the business realities we deal with. The point-of-sale disclosures is going to be a very similar situation. I don't think it's a burden that falls solely on the broker-dealers. I think we need help from the [fund companies], who really are the ones that control the compensation grids and expense loads and all of those other things.

Q. *How responsive are the mutual fund companies to that kind of thinking?*

A. The fund companies have been dealing with their own set of issues as it relates to the regulators — revenue sharing and things of that nature. The fund sponsors are trying, to some extent ... to ease the burden to the broker-dealer. But we're not seeing, as of this point, any real tangible results of their effort. It's hard.

You're dealing with hundreds and hundreds of [fund] companies who feel they may or may not have competitive advantages in certain areas. I think they have a lot of things they have to get over. They're not as motivated, perhaps, and that may be a poor choice of words.

Q. *Part of National Planning Holdings' recruiting strategy has been giving brokers and advisers forgivable notes. That's uncommon in the independent-contractor industry. Could you describe that?*

A. From day one, we have employed a forgivable-note strategy. We really did it for three reasons. First, no matter how well you do a rep transition, there's still downtime. The second purpose is, each of our offices has different needs for what it would take for them to get to the next level. Through the forgivable note program, reps can make those decisions on their own. Last, the obvious purpose is recruiting. You could buy broker-dealers or recruit the top reps from broker-dealers. All four of our broker-dealers have the ability to do it.

*Snap*Shot

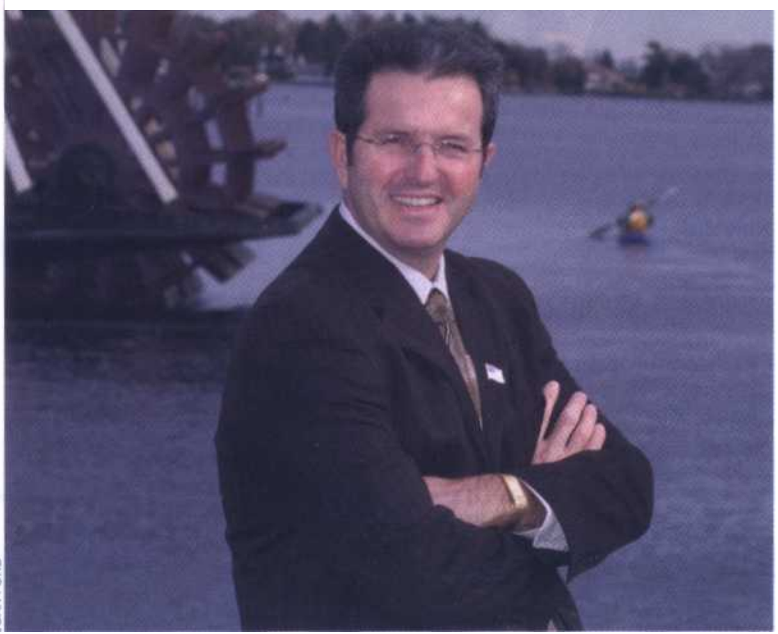
M. Shawn Dreffein, 49, president and chief executive of National Planning Corp. in Santa Monica, Calif., since 2000, and National Planning Holdings Inc. since 2002

Career: 1998-2000, senior vice president of marketing, National Planning Corp.; 1995-98, regional vice president, wholesaler, in Southern California, Jackson National Life Insurance Co. of Lansing, Mich.; 1986-95, vice president of financial services, Financial Network Investment Corp. in Torrance, Calif.; 1983-86, director of advanced markets, E.F. Hutton Life Insurance Co. in La Jolla, Calif.; 1981-83, assistant director of advanced markets, Southwestern Life Insurance Co. in Dallas; 1980-81, associate attorney, Foster Swift Collins and Coey in Lansing

Education: bachelor of arts degree in political science (1977) and juris doctor degree (1980) from the University of Illinois at Urbana-Champaign

A day in the life of an insurance wholesaler

Salesman to planners spends lots of time with clients



JOAN FORD

Tom Connors: *The New Jersey adviser collaborates with Chris Roso*

By Charles Paikert

NEW YORK - On a Friday morning, Chris Rosoff was ready to roll.

His hair was carefully combed, and he looked sharp in his tailored blue pinstriped suit, crisp white shirt, bright red tie and designer suspenders. He had his Big Gulp coffee, his radar detector and Black-Berry/phone were turned on, and the Global Satellite Positioning map in his sleek new Atari gave him directions to his first call of the day, a financial adviser in Toms River, N.J.

Mr. Rosoff's official title is regional vice president for Denver-based Jackson National Life Distributors Inc., a division of Jackson National Life Insurance Co. of Lansing, Mich., which in turn is an indirect subsidiary of London-based Prudential PLC.

He is more commonly referred to as a wholesaler, a salesman who peddles Jackson's life insurance products to financial planners and advisers around New Jersey.

But Mr. Rosoff said he is really a white-collar truck driver, delivering not just products to the planners but advice and information.

Probing for needs

"I need to find out what's going on in their practice, what makes them tick and what's changed in their life," he said.'And what needs I can solve."

"The single most common question I get asked is, how did the biggest fish in the pond become successful?" Mr. Rosoff recounted. "What they should be asking is, what is the guy on top doing to be successful going forward?

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Shadowing a wholesaler

CONTINUED FROM PAGE 2

Those planners, according to him, are employing increasingly sophisticated marketing methods, staying in constant touch with their clients, using people like him for market intelligence and keeping up with the array of new products hitting the market.

Mr. Rosoff's job Friday was to talk up the newest living-benefit features of Jackson's popular Perspective II variable annuity.

One guarantees the principal of a client's investment, regardless of market performance, while the other, available for clients ages 60 to 80, allows annual withdrawals of up to 5% for life, without annuitization. Fees for the former start at 0.90 percentage points, and at 0.65 percentage points for the latter.

"As people are living longer, they need income longer than they thought they'd need it, Mr. Rosoff said.

"But emotionally, it's difficult for them to address the risk-reward equation in their portfolio," he said. "They need to be eating broccoli, and we put a little cheese sauce on the plate so it goes down better."

Mr. Rosoff's first stop was Tom Connors' office in a bland suburban New Jersey office park between the Garden State Parkway and the Atlantic Ocean. Mr. Connors, a regional manager for Poughkeepsie, N.Y-based Gilman & Ciocia, a tax and financial planning firm, was casually dressed, friendly and enthusiastic.

"How you doing, man?" he greeted Mr. Rosoff. "How you been?"

The planner and wholesaler talked about the stock market, investors' using the uncertainty of the upcoming election to put off their financial decisions, and about the best way to advertise.

"It doesn't matter so much how you do it, as long as you did do it often," Mr. Connors said.

He told Mr. Rosoff that he was about to embark on a marketing campaign using the Bill Goode system, which automatically contacts each of his clients every 90 days.

Mr. Connors mentioned that he was thinking of doing a client appreciation dinner, and Mr. Rosoff offered to lead a wine tasting. The price of admission will be bringing someone else along.

Mr. Rosoff gave his Perspectives II pitch using anecdotes, numbers, a Monee Carlo simulation chart that tracks age and payouts, and a newly minted sales kit. Mr. Connors was attentive, asking questions and jotting down numbers on a piece of paper.

He loves the "5% forever" feature. "That's huge," Mr. Connors exclaimed.

He thinks the variable annuity is a good fit for his clients who, he said, are typically in their late 60s and early 70s, with a pension, money in the bank and three to four grown children. They are risk averse but want steady income.

Mr. Connors expects complaints about the product's relatively high fees, but he has a comeback ready: "No one ever went broke paying fees to guarantee their money."

He is convinced that variable annuities are the product of the future.

"This is great news," Mr. Connors told Mr. Rosoff. "Seriously."

At lunchtime, Mr. Rosoff headed north to Red Bank, a gentrified Jersey Shore town that has become decidedly upscale and boasts Bruce Springsteen as a neighbor. Mr. Rosoff stopped at a refurbished Victorian house that is now the office of Neil Piper, an investment adviser representative of Tampa, Fla.-based Invest Financial Corp.

Mr. Piper and his brother Craig, a financial planner for Nationwide Planning Associates of Montvale, N.J., joined Mr. Rosoff for lunch at the chic Red Bank Bistro in the heart of town.

The Pipers are co-hosts of a Saturday afternoon radio show, "You and Your Money" on WCTC Central Jersey 1450 AM. The listeners, the brothers said, are mostly older.

"Seniors are concerned with three things," Neil Piper said. "Safety, safety, safety."

Chris Rosoff: *"I need to find out what's going on in their practice, "he says.*

The brothers also like variable annuities but don't like hearing constant criticism about the fees. They want financial services companies to rebut the negative press about variable annuities more aggressively.

Neil Piper said he spends "every waking moment growing the practice in the right way." That means, he said, looking for "the right type of clients," identifying their needs, and understanding "where they are emotionally and mentally."

Alliances are critical, according to Mr. Piper, who said he has been working with local banks, insurance companies and accounting firms. "We refer business to each other," he said.

Craig Piper said he makes house calls to build his business. He is looking for "well-tailored" clients, preferably with at least $500,000 in investible assets.

"That's the sweet spot," he said. "Otherwise, I'm just another squirrel trying to get a nut."

After lunch, Mr. Rosoff dropped the brothers off and headed over to a non-descript cluster of one-story office buildings in nearby Tinton Falls. David Collins and Brendan Rochford each head their own planning firms but share office space along with a lawyer.

Mr. Collins and Mr. Rochford are the most seasoned financial advisers on the day's itinerary. They no longer make cold calls, do seminars or send out mailings, Mr. Rochford explained.

"We work off our existing base," he said. "Those clients are trying to protect what they already have; that's why variable annuities appeal to us - the client can have his cake and eat it, too."

Nonetheless, they sit mostly stone faced during Mr. Rosoff's presentation, occasionally asking him questions about commissions, annuitization, fees and the competition.

The payoff

As Mr. Rosoff winded down, the silence was deafening.

"So where do we stand on the business front, gentlemen?" he is forced to ask. "Do we have a place to move forward?"

The two advisers said yes, but theywanted to compare the Jackson variable annuity to similar products. "There's so many options out there," the white-haired Mr. Collins said in a thick Scottish brogue.

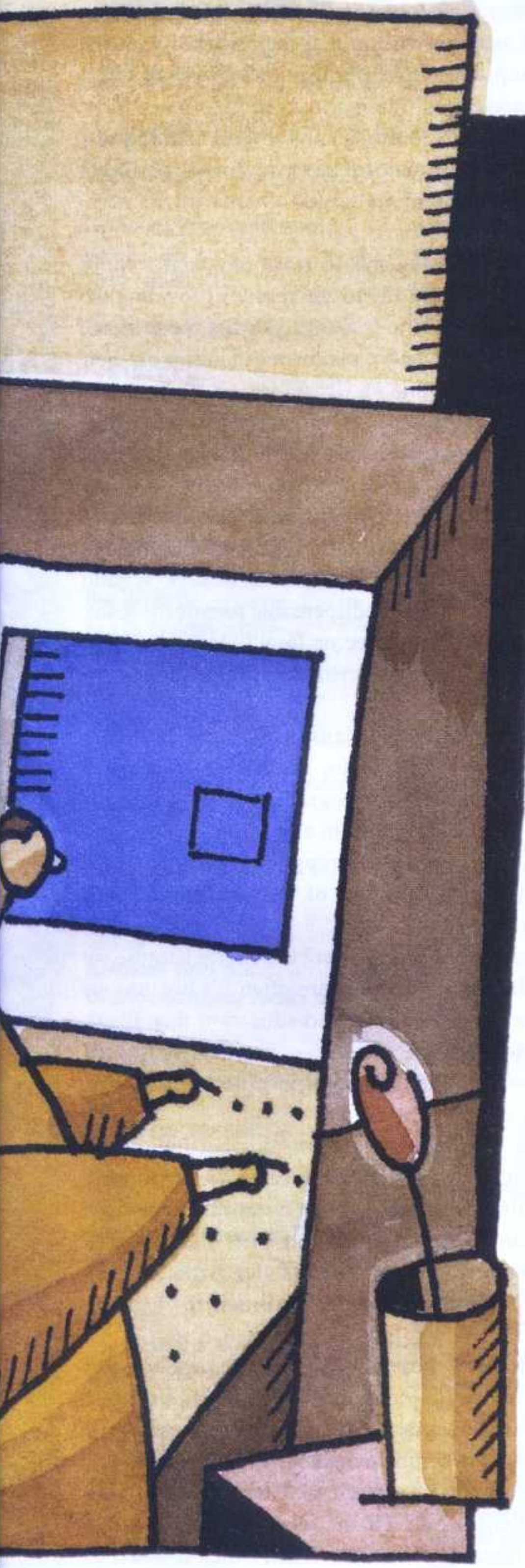
He and Mr. Rochford are more receptive to Mr. Rosoff's suggestion that he help them set up a "beneficiary's dinner," where existing clients invite their beneficiaries to a dinner to meet the advisers. ("It's more difficult to say no to someone in person," Mr. Rosoff explained later.)

Back in his car, Mr. Rosoff plugged his headset into his BlackBerry handheld device and called the home office as he drove, explaining which adviser needs what type of follow-up.

Over the weekend, he hoped to get in some trout fishing.

But he knew that on Monday, he would be back on the road.

When Wholesalers Have You in Their Sights



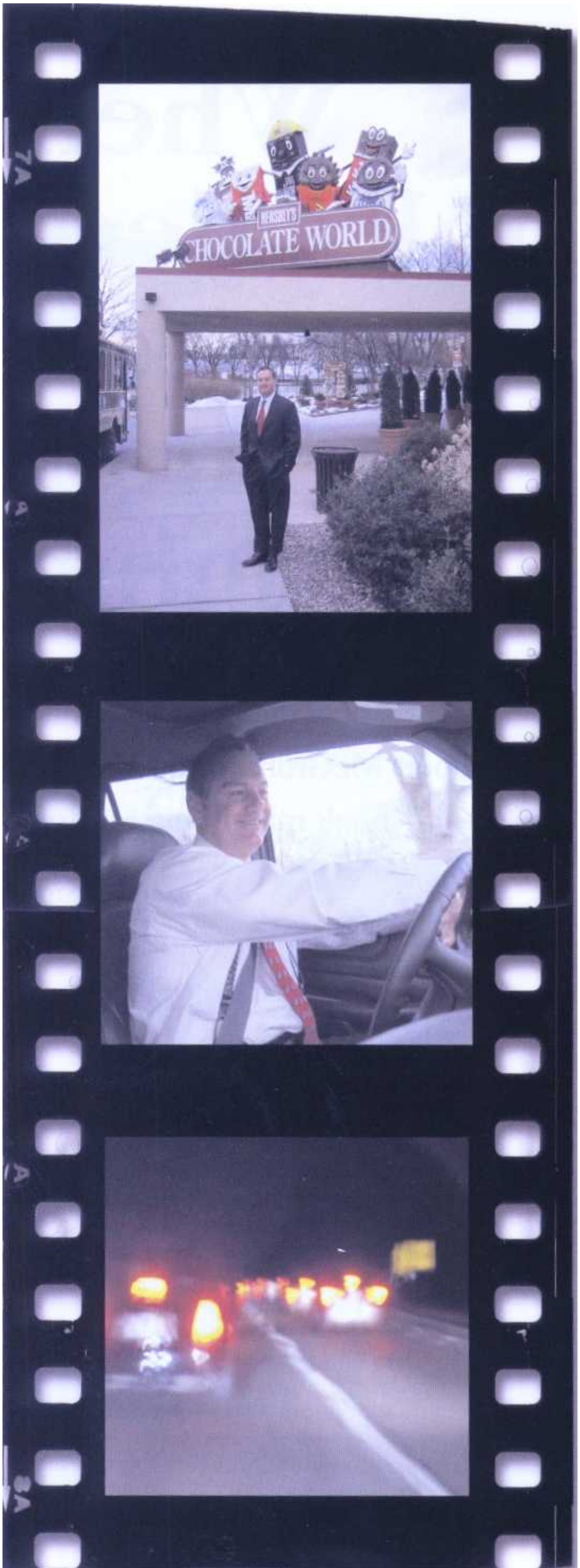
Here's how Jackson National's Robert McGrorty targets - and serves - bank reps in his territory.

BY HOWARD J. STOCK

FREE CHOCOLATE PROBABLY ISN'T THE MAIN REASON BANK REPS IN Pennsylvania look forward to Robert McGrorty's visits. But the give-away of locally made Hershey bars, in whose wrappers the Jackson National Life Insurance regional vice president carefully tucks business cards, is one of many tools, strategies and value-added bonuses the veteran wholesaler employs to capture the attention - and eventually the commission dollars - of bank reps in his region.

In the battle for market share among product providers, McGrorty is on the front line. And how he wages daily warfare can give bank reps insights into how they might use wholesalers more productively and what these knowledgeable middlemen and women can provide.

One of McGrorty's most effective tools is a program catering to reps' continuing education needs, especially those licensed to sell insurance. In Pennsylvania, reps with an insurance license require 48 continuing-education credits in their first two years, and 24 credits every two years after that. Since reps always seem to be looking for



ways to get continuing ed credits, McGrorty figured that if he became a provider, he would be more welcome among reps. So McGrorty applied and was approved as an instructor, and then worked with the Bisys Group, a continuing-education services provider, to create accredited training courses.

Today, Jackson National runs several training sessions, including a major two-day event for platform personnel at one of its largest clients in the area, Sky Bank.

"Last year, we were able to reach Sky Bank's entire platform program of 150 to 200 reps. By providing the books, doing the lectures and proctoring the tests, we were able to get its entire platform caught up on their continuing education," McGrorty says.

While these events are far from a product pitch, they permit a level of relationship building with attending reps that makes the effort worthwhile.

"Whether I'm in front of reps doing continuing education or a product presentation, it means I'm in front of them and another wholesaler isn't," he says. "A good wholesaler becomes an indispensable part of the team. I visit Sky Bank just three or four times a year, but when I'm there, I bring something of value to the relationship."

Pittsburgh-based Sky Bank, which has branches in Pennsylvania and Ohio, is Jackson National's number two platform program, generating some $35 million to $40 million in annual sales. The bank uses 15 to 20 dedicated reps, but platform reps account for a fair amount of the banks' securities and insurance sales.

"Sometimes our products are the choice because we provide the best rate, but more often it's because we provide resources, training and education that allows us to stand out as a wholesaler. The more educated your reps are, the better their abilities will be," McGrorty says.

To help Sky Bank's platform reps become better salespeople, Jackson National created VAPPS, a variable annuities platform service system that provides no-cost support. This program puts the insurer's products on view and cements ties with licensed personnel who can steer business to Jackson National.

In addition to providing product knowledge and support, much of McGrorty's efforts are aimed at helping bank executives meet their goals in whatever way he can. At a lunch meeting in Allentown, Pa., McGrorty spent time with Greg Russo, the newly hired head of sales at KNBT Financial Services, a division of Keystone Nazareth Bank and Trust, which is based in Bethlehem, Pa. Russo's bank has three top-level reps, each of whom has done over $1 million in business, but with 41 branches to cover, they are stretched a little thin. What to do?

"In order to reach his targets, he knows he needs more reps," McGrorty says later, "as well as support from vendors. I want to be one of those resources. Reps talk to each other, and if the world is right, I could help him pick up three more $1 million producers."

In exchange for possible help in recruitment, Russo invited McGrorty to speak to his reps.

"At that meeting, I'll schedule more time with individual reps. It's all about being constantly in front of their program with the right angle," he says.

Relationship building also extends to other wholesalers. Since client M&T Bank, for example, sells Jackson National's fixed annuities and Hartford's variable annuities, McGrorty and Kevin Dolon, his counterpart at Hartford's third-party marketing firm, Planco, agree to share the expense of promotional events.

"Dolon and I work together and share budgets when we're not in competition. Where there is competition, I obviously don't want Dolon around. But it's a small industry, and just because we compete doesn't mean we're not friends," says McGrorty, who spent seven years at John Hancock Financial Services before becoming a rep at Harris Savings Bank in Harrisburg, Pa., in 1989. He became program sales manager there in 1994, and a regional sales manager in 1997. He joined Jackson National in October 1999.

McGrorty, who jokes about the inevitable weight gain that accrues from daily client lunches, says he tailors his pitches to whatever time a rep has.

"I have 10-minute, 20-minute, 30-minute, 40-minute and hour-long versions of my presentations. If I go into a meeting and the rep says he has 15 minutes, that's what he gets. A short meeting like that is tough after an hour's drive, but it's long enough to introduce yourself, make a first impression and say, `I appreciate your time. I'll be in touch.' I can then add the rep to the list, and update my system," he says.

Sometimes, McGrorty turns down rep meetings.

"A good wholesaler learns about the [prospect's] business first. With some, their expectations are too high, so there's no point going to the bag - I'm interviewing the rep as much as he's interviewing me," he says.

When *BIC* spent a day with McGrorty in December, he had just reached his stretch goal for the year - $132 million in the volume of annuities sold. His business was split roughly 25/75 between fixed annuities and variable annuities, and he's aiming for a 50/50 split in 2004. While he notes that fixed annuities are plain vanilla products where rates and commissions are driving forces, variable annuities are products where an insurer can add a new wrinkle and sales may skyrocket. For example, Hartford came up with a benefit that which allows customers to invest in an equity-oriented product insured against loss of principal. Jackson National and other firms now offers a similar benefit.

"Whether I'm in front of reps doing continuing education or a product presentation, it means I'm in front of them and another wholesaler isn't."

"There is a lot of competition in our business from American Insurance Group, Hartford and Pacific Life on the annuity side and from Putnam and Oppenheimer on the mutual fund side. It seems we all take turns with the product du jour," McGrorty says.

One of the wholesaler's constant struggles involves retaining those bank reps who consistently generate the most sales for Jackson National. McGrorty has 21 "most valuable producers" - MVPs generate more than $2 million a year in contracts - and 71 "A' reps, whose contracts total more than $500,000. His top five reps generated approximately $25 million in sales last year.

"MVPs get status - they're good at their jobs, and they know it. MVPs have high expectations of a wholesaler's resources, such as due diligence meetings, which can be day-and-a-half long lectures done for compliance reasons, and perks such as personal fax lines and expedited mail services," he says.

Like most other sales executives, McGrorty finds that the top 20% of his reps account for the lion's share of his volume.

"As a result, we look carefully at A-rep retention. In 2003, my rate was about 67%," he says, noting that part of his job involves helping banks bring their "B" reps to "A" level. He added that "C" reps can go either way, but that good wholesalers can uncover diamonds in the rough.