

North Carolina Mutual – Building a Future Legacy Upon a Foundation of Tradition

The Life Insurers Council membership is rich with companies of all sizes from a variety of backgrounds from all over the world. The primary thing they all have in common is their commitment to serving the needs of the underserved in our communities. I have written a lot recently about some of the creative strategies that have been developed in order to meet the needs of the underserved including fraternal benefit societies, Takaful, microinsurance, and the funeral industry's response to increased cremations. In this article, I'd like to feature a single company whose distinctive and inspiring history – along with their incredibly bright future – epitomizes the potential as well as the pitfalls of penetrating this market.

It's impossible to describe North Carolina Mutual without using a lot of "THE"'s. They are THE oldest life insurance company chartered in the state of North Carolina. They are THE oldest and THE largest insurance company in the United States with roots in the African-American community. They have recently transferred their historic documents to North Carolina Central University and Duke University in what may be THE largest assemblage of African-American corporate material in the nation. And they are widely referred to as simply, "THE Mutual".

But what may be THE most interesting thing about North Carolina Mutual is how they have leveraged their brand in such a way that many of the common problems plaguing small face life companies have been resolved. For example, while growing a small face life business has often been characterized as "a nickel at a time proposition", NC Mutual's challenge has not been to grow, but not to grow too quickly. They have successfully transitioned their field force from the traditional home service market to broader middle market products and increased their productivity per agent more than six-fold in the process. And they've figured out a way to generate plentiful leads for their agents without resorting to expensive direct mail lead generation that promise easy insurance regardless of health.

Perhaps the best place to begin telling the NC Mutual story is at THE beginning. The company was organized in 1898 by seven men who were active in business, education, medical, and civic activities in the Durham community. In order to truly appreciate the daunting challenges faced by these early visionaries it's important to note that this founding was less than three decades from slavery. Even more remarkable, John Merrick, the company's first President, was a former slave who learned to read and write in a Reconstruction School. Merrick came to North Carolina and became a brick mason. During a lull in construction, he learned the barber trade and ultimately owned several barber shops, some of which catered to wealthy white men in Durham. As his barber shops prospered, he expanded into real estate and was also involved in the Royal Knights of King David, a fraternal benefit society that planted the seed for the establishment of a

mutual benefit society that could serve the needs of the emerging and much overlooked African-American community.

Dr. Aaron McDuffie Moore was The Mutual's first Treasurer and second President and is also credited as one of the initial founders. Dr. Moore was the son of free parents and after teaching high school for several years went on to become the first Black person to practice medicine in the city of Durham. He became a person of tremendous influence in the Durham area and was instrumental in starting a drug company, a hospital, and a library.

The company's third President was Charles Clinton Spaulding who began his career as a part time agent with the company and held virtually every position at one point or another, including janitor. Spaulding is credited with building upon the success of his predecessors and growing the company tremendously during those important early years.

In hindsight, it's easy to see how the diverse skills of these three individuals paved the way for the development of a remarkable enterprise. Between Merrick, the self-made visionary, and Moore, the well-respected and highly educated physician, along with Spaulding, the tireless salesman, they had all of the necessary skills to cover every critical function for a successful insurance operation.

The impact of NC Mutual on the Durham area was profound. As a result of the company's success, other leaders in the African-American community were inspired to try their entrepreneurial hand, resulting in the formation of Mechanics and Farmers Bank in 1907 and Mutual Community Savings Bank in 1921. Together, these companies formed the core of a robust business district in downtown Durham that would come to be known as "Black Wall Street".

Amassing talented leadership is a skill that continues to define NC Mutual to this day. James H. Speed Jr., the company's President and CEO since 2004, has a resume that reads like something out of a movie. The son of a laborer and a homemaker, James grew up in the small town of Oxford, North Carolina. When he was three, his mother suffered a stroke that left her paralyzed on the left side of her body. She persevered and became the driving source of inspiration that continues to influence James to this day.

James attended the segregated Orange Street Grade School in Oxford where he quickly showed a gift for math. He exploited his natural math ability by putting himself through North Carolina Central University with profits made from playing cards while working his summer job in a resort area. In fact, he didn't even know student loans existed until his senior year of college, having paid cash for his tuition prior to that. After graduating, he was accepted at the highly competitive Atlanta University MBA program where he received the distinction of "Student of the Year". He was ultimately hired by the international accounting firm Deloitte & Touche where he was determined to become the first African-American partner of a Big Eight accounting firm. Coincidentally, while at Deloitte & Touche, one of James' clients was North Carolina Mutual. Just before receiving the offer to become a partner, James left D&T to take a job with the fast food

company, Hardees, eventually achieving the position of Senior Vice President/CFO/and Treasurer.

After accomplishing so much, so quickly in his career, James began to add up his professional achievements and balance them against all of the missed soccer games for his teen-age daughter. Ever the astute accountant, James quickly concluded that the math didn't add up and took early retirement in order to focus his attention on his family. For the remainder of his daughter's scholastic career, James didn't miss a single soccer game, despite the fact that NC Mutual began trying to woo their former accounting auditor out of retirement with consistent consulting contracts. Ultimately, James helped develop the strategic plan that he was later hired to implement when he accepted a full-time position with the company in 2003.

From a leadership perspective, what is most interesting about James' story is not how incredibly successful he has been (or how dangerous it is to play cards with him) but how extremely focused and goal oriented he becomes once he identifies what he wants to achieve. Whether it's graduating first in his class, breaking the race barrier in Big Eight accounting, or spending quality time with his family, he has a long standing track record of accomplishing what he sets out to do.

In the case of NC Mutual, this is especially important since, despite the company's tremendous history, the common issues of limited capital, high expenses, and marginal profits that plagued most small face life mutual companies have also affected NC Mutual. These challenges were further compounded by the fact that, as the recognized leader among African-American oriented insurance companies, people were clamoring to leverage the company's brand in order to gain access to this very lucrative niche market. Although this may be a good problem to have, identifying which opportunities offered the most potential became a difficult distraction for a company with already limited resources. Initially, the company's plan was to move more upscale and away from the middle income market that had been the company's bread and butter since the beginning. However, it quickly became apparent that this strategy diluted rather than enhanced the very capabilities that made the company successful. As a result, they have firmly focused on their roots and have reaffirmed their commitment to the market that had made them successful from the start.

Enter Ronald Corlew, VP of Marketing. After managing the difficult – but common – task of downsizing their agency field force, consolidating debits, and closing regional offices, Ron began looking at ways to increase the productivity of their remaining agents. It occurred to Ron that since NC Mutual was perceived as such a significant center of influence by so many businesses who desired access to the African-American market, why couldn't the company's agents leverage centers of influence in their own communities as well? The same logic could equally apply to their marketing and recruitment strategy as the company began to focus on "Cities of Influence" where there was a high concentration of African-Americans. Suddenly, the company's recruiting, prospecting, training, and growth strategies became crystal clear.

The idea of leveraging centers of influence is not new – but the successful execution of this strategy and the impact it has had on NC Mutual’s agents is striking. Even more appealing is the fact that the first center of influence they explored – African-American barbershops and beauty salons – harkened back the company’s original founding and John Merrick’s first successful business venture.

A quick look at the company’s productivity per agent graphically illustrates the immediate impact of this strategy. First year premiums per agent increased from \$22,000 in 2003 to \$58,000 in just one year. By August 2008, the company had launched the program in eleven different regions and established more than 4,000 centers of influence. In addition to increasing sales, the program also generated a high volume of referrals with a six out of ten conversion rate (versus two out of ten industry average).

Consider for a moment how your agents would react within your own companies if their average sales nearly tripled in a single year and continued to increase thereafter due solely to a new marketing and prospecting strategy that your company introduced? These are life-changing numbers that have dramatically improved the economic quality of NC Mutual’s agents’ lives. As a result, many of their top agents have a newly awakened loyalty and appreciation for their chosen company. In fact, when their number one agent received her achievement award she insisted that James Speed and Ron Corlew present the award at her new home so that she could proudly – and tangibly – demonstrate how valuable her relationship with The Mutual had been to her and her family.

NC Mutual’s success with center of influence marketing is especially enlightening because it primarily came about through their ability to execute. They didn’t rely on incredibly innovative or compellingly competitive products. They didn’t require a strategic acquisition or joint venture. They didn’t embark on an aggressive recruitment strategy. And they didn’t invest millions of dollars in a new system, process, or consultant. They simply capitalized on a keen understanding of their niche market that had been honed for more than a century, and then built a business around that insight.

Although solving the marketing issues within a company is important, it is only one of a number of key issues that successful companies have to contend with. Certainly, there are more than enough additional hurdles to keep the talented and creative folks at North Carolina Mutual busy for many years to come. However, it is important to note that there are countless companies of all sizes in a variety of different markets who continue to grapple with resolving marketing issues that North Carolina Mutual no longer needs to consider. For a small mutual company focusing on a single niche market, that is no small feat.

Although there may be a couple of more “THE’s” still waiting to be added to NC Mutual’s long list of descriptions, the company has already achieved an exalted position within our industry. When Marc Morial, President and CEO of the National Urban League spoke at NC Mutual’s 109th Founders Day, his message was powerful and to the point. He said “African Americans need strong companies. America needs strong Black companies. America needs companies like North Carolina Mutual”.

North Carolina Mutual's Center of Influence strategy is remarkable from a business perspective, but the real story is the company's extraordinary relevance and importance to the African-American community as a whole. The company's effectiveness and prominence in their niche market is critical not only to our entire industry but for our country as well. As a result, although this article has focused on the impact their success has had on the company and their agents, the most important effect is taking place in the communities they serve. Therefore, it may be fitting to close by adding one final "THE" and refer to North Carolina Mutual as perhaps one of THE most important life insurance companies in the country, and one who's continued success has the potential to benefit us all.

For more information about North Carolina Mutual, check out their website:
<http://www.ncmutuallife.com/>

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