

Northwestern Mutual: Policyowners' Best Interests Take Precedence



**Northwestern
Mutual®**
Foundation



Company name: **Northwestern Mutual**
Location: Milwaukee, Wisconsin
www.nmfn.com
Founded: 1857
Scope: National (U.S.)
Employees: 5,000 home office
(plus 7,000 financial representatives)

Northwestern Mutual targets more than \$1.5 billion for socially responsive investments.

Doing the Right Thing

Although it may sound like a cliché, that phrase has guided the way Northwestern Mutual has done business since its founding in 1857. As a mutual company, Northwestern Mutual doesn't answer to stockholders but rather its policyowners, who share in the company's financial success by receiving policy dividends.

"The mutual structure of Northwestern Mutual brings into alignment the interests of both policyowners and company. Beyond its legal structure, mutuality creates a mind-set that runs deep into company culture and serves as a compass for decision making," says Deanna Tillisch, director of corporate affairs. It is a philosophy that differentiates us from others in the financial services industry and business in general." Whenever the company decides such things as where to invest, how to spend money, or whom should receive charitable contributions, the first question employees ask: Is this in the best interest of our policyowners?

The company's mutual structure also enables it to invest in long-term initiatives while waiting patiently for the return. Freed from issuing quarterly financials and responding to stockholders looking for big gains, Northwestern Mutual has the luxury to address what matters to its policyowners, investment customers, and the world at large: good corporate citizenship.

Investing Responsibly

"We see corporate citizenship as a broad umbrella that encompasses corporate governance, the environment, and social responsibility," Tillisch says.

The three areas often overlap and intertwine, especially in the company's investment operations. Northwestern Mutual targets more than \$1.5 billion, for socially responsive investments. That may translate into funding housing for low-income residents, financing alternative energy sources, investing in green buildings, or supporting economic development within communities where many policyowners live.

Northwestern Mutual, which offers insurance products and advisory services as well as investment products, has the largest corporate foundation in the state of Wisconsin.

In 2008, the Northwestern Mutual Foundation disbursed \$19.5 million in grants to non-profit organizations, directing contributions to three longstanding categories of giving. Each year, organizations and schools providing quality educational programs receive the lion's share of the foundation's gifts, about 45 percent. Health and human service organizations receive 25 percent, while those related to art and culture receive 15 percent. The remaining 15 percent supports a variety of causes, including economic and community development, employee volunteer initiatives, and programs that recognize and support the company's field force.

As Tillisch explains, "We want to help communities in which we do business offer strong educational institutions and programs that allow for life-long learning, provide services that enable residents to be both financially and physically healthy, and offer vibrant arts and culture."

The foundation typically uses a

grant review process to determine charitable contributions. But in 2008, Northwestern Mutual directly engaged policyowners, as well as the general public, in determining how to allocate \$1 million. Through the "Let Your Worries Go" campaign, visitors to an interactive Web site could vote, as many times as they wished, for their greatest "worry," and let it go with a medieval catapult, rocket ship, submarine, or hot air balloon. Using the tally of which worries were most shared by Web site visitors, \$1 million were allocated among four nonprofit organizations: YMCA (\$400,000), Habitat for Humanity – New Orleans (\$250,000), Susan G. Komen for the Cure® (\$200,000), and Feeding America (\$150,000).

Open for Business

In the area of corporate governance, Northwestern Mutual policyowners have the responsibility of electing the Board of Trustees. Northwestern Mutual's bylaws prohibit board members from having relationships with the company that would impair their independent judgment, so nearly all of the trustees come from outside the organization.

"Another key aspect of corporate governance is transparency. That's why Northwestern Mutual established the Policyowners' Examining Committee (POEC) more than 100 years ago," says Tillisch. This unique five-member group annually spends about seven

days at the company's headquarters, where they have unrestricted access to any information they'd like—financial reports, the strategic plan, management structure, corporate performance, and so on. POEC members make recommendations and issue challenges to senior executives, then share their findings in a report that is published in Northwestern Mutual's annual report.

Employees take the transparency ingrained in Northwestern Mutual's culture into other organizations when they volunteer to serve as board or committee members. In fact, the foundation's staff helps match interested employees with relevant leadership opportunities at nonprofit organizations in the Greater Milwaukee area.

However Northwestern Mutual demonstrates corporate citizenship, policyowners certainly benefit from the company's penchant for doing the right thing: The dividends paid to policyowners in 2009 are expected to top \$4.5 billion. In turn, the policyowners remain exceedingly loyal. Northwestern Mutual enjoys one of the highest retention rates in the industry, with 96 percent of policyowners, on average, keeping their policies in force each year.



Northwestern
Mutual®
Foundation