

# Life insurance division fuels uptick at M Financial

Financial services firm's 'innovative' approach pays off in a banner year in 2007

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M Financial Group's 75-percent sales growth last year has the surprise factor of a septuagenarian marathoner crossing the finish line first.

That much growth in a single year could be expected from a five-year-old company. But for a company that's set to celebrate its 30th anniversary this October, it's amazing.

## M FINANCIAL GROUP

### CHIEF EXECUTIVE:

Fred Jonske.

### WHAT WE DO:

Financial services.

**REVENUE:** \$837.6 million.

**EMPLOYEES:** 195.

M Financial is owned by its members, a consortium of insurance and financial services firms across the

United States.

While the group adds new firms regularly, M Financial's increase in 2007 sales, to \$2 billion, was almost entirely through organic growth. The group added just four new members in 2007, and none of them added a full year's results.

M Financial now has 118 member firms. Life insurance was the biggest driver for M Financial's big growth spurt in 2007. Premiums increased 73 percent over 2006, to \$1.6 billion.

The concept of small insurance firms banding together to negotiate better pricing on financial products, and compete more effectively against big companies,



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M Financial CEO Fred Jonske says the company's diversification strategy will continue to fuel growth.

dates from the 1970s, the same decade when M Financial started up.

But M Financial has some features that make it unusual, said Ed Budd, executive director of the Society for Insurance Research, based in Indianapolis.

One is the group's re-insurance arm, M Financial Re. Re-insurance is sometimes referred to as "insurance for insurance companies."

Eighty percent of M Financial's business last year was life insurance, and M Financial Re invests \$30 million per year in the insurance business. The resulting revenue helps to support the 180 employees at M Financial's corporate headquarters in Portland's Pearl District.

"Doctors will form groups with a captive re-insurer," Budd said.

But for an insurance group, the strategy is "innovative," he said.

M Financial also differs significantly from other insurance groups in its focus on wealthy individuals. This focus means member firms offer all kinds of other services besides life insurance, including long-term care insurance; the new wealth management services, just launched last year; and retirement and estate planning.

The focus on wealthy individuals also prompted M Financial to create an in-house, private brokerage firm to buy and sell equities for M Financial's wealth managers and for other investment activities. The brokerage firm is another innovation that Budd thinks may be unique to M Financial.

But M Financial's other business lines

grew nicely too. The group's disability insurance sales grew 30 percent, and long-term care increased by 19 percent. Annuities, 401(k) plans and corporation-owned health insurance grew by 33 percent.

CEO Fred Jonske said M Financial's future growth will depend on continuing with its diversification strategy.

"Life insurance is the beachhead, and we'll continue to defend that," Jonske said.

But other areas show great promise, particularly retirement plans, which are increasingly important for an aging population.

M Financial first distinguished itself by designing life insurance and other financial products for its wealthy clientele, selling them under the brands of established insurance carriers like John Hancock, Prudential and Lincoln Financial Group.

The group has since moved on to create employee benefit plans for executives. For example, some of the member firms offer 401(k) plans and deferred-compensation plans.

The latter resemble 401(k) plans, and are designed for highly paid individual employees who want to save more of their pay, tax-free — and get an employer match — than is allowed under 401(k) plans.

Member firms of M Financial all own shares in the corporation. Members run the gamut from firms that sell life insurance exclusively to those that concentrate on corporate benefit plans to those that do all of the above.

One of the member firms is located within the Portland headquarters. That's M Benefit Solutions, which distributes and administers corporate-owned life insurance plans and bank-owned life insurance, a highly specialized product.