



Marcia Heroux Pounds

## When the going gets tough, dare to be different

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Once upon a time, young graduates invested in life insurance first, well before the stock market or real estate.

Today, people are living longer and "retirement" can be as long as 30 years. But the insurance industry wasn't responding to that market change with new products; it just kept selling traditional life insurance.

"The life insurance industry squandered its leadership. It failed to recognize fundamental changes in the marketplace," says Bob MacDonald, a maverick in the life insurance industry and author of *Cheat to Win*.

In leading ITT Life and LifeUSA, MacDonald took on stodgy insurance giants by developing alternative products to life insurance. MacDonald says that he was not so much a visionary as he was someone who "didn't accept the rules. I was always ready to challenge and question."

MacDonald is not advocating the type of cheating that felled Enron's and Tyco's former managements. That's "bad cheating," where only short-term benefits are derived and long-term consequences, he says.

"When the odds are stacked against you, the only way to win is to be different," explains MacDonald, who now resides near Key West. "You have to go against the rules that everyone is following, particularly if the rules are dishonest."

MacDonald maintains that the greatest hindrance to innovation and creativity are rules set up to protect the status quo. "Most of the rules we encounter are to control us and limit us," he says.

In the insurance industry, one of the "rules" was that companies did not compete against each other. "They were all selling the same product. No one knew whether it was competitive or not," he says.

When LifeUSA tried to sell universal life insurance -- which combines death benefits with a savings component, some insurance companies tried to have it outlawed by state regulators.

But consumers responded to LifeUSA's new products. In 1999, MacDonald sold

LifeUSA to Allianz Life Insurance Co. for more than a half billion dollars.

MacDonald points to other industry rule-breakers. Federal Express founder Fred Smith went against the rules that all U.S. mail be delivered by the post office. Gannett Co. defied newspaper industry naysayers with a colorful national newspaper, *USA Today* that has resulted in design changes for many newspapers today.

"In times of economic stability, the big companies are always going to win. In times of volatility and change, it's not the big companies that win, it's the good companies," says MacDonald. "Big companies become comfortable in what they've built. They've built the rules to protect the institutions."

Rule-breaking works not only for large companies. "You can have the same kind of influence on your life whether you're running a gas station or you're CEO of a company," MacDonald says.

Managers can make differences in their companies by breaking the rules in a good way. Even if the culture is management by intimidation, lower-level managers can take a different tack: treat employees with respect, communicate with them and build them up, he says. If others see a positive reaction, then the culture may change.

MacDonald sits on the board of two insurance companies, Allianz and Fireman's Fund, and thinks the insurance industry could regain its leadership in the financial world by inventing new products to meet the changing world.

The real opportunity in financial services is the trillions of dollars in individual wealth that is about to be transferred from one generation to another. With longer expected retirements, the next generation doesn't need lump sums, it needs guaranteed ongoing income, MacDonald says.

"The real opportunity is to come up with a method ... to use this for retirement and transfer it as a legacy to the next generation," he says.

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