

INSURANCE ASSET MANAGER

INSURANCE FROM THE INVESTMENT ANGLE

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JEFF MARGOLIS: TIMING IS GOOD FOR SOLO RIDE AS ASSET MANAGER ADVISOR

BY ALEX MCCALLUM, EDITOR
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After 25 years working on the inside for asset management firms -- two of them insurer-affiliated -- Jeffrey R. Margolis has taken the plunge and gone out on his own. He is now the sole proprietor of Margolis Advisory Group, Inc., a consulting firm that mainly advises asset management firms, including managers of insurance assets.

Margolis Advisory is based in Roslyn Heights, NY, 20 miles east of Wall Street on Long Island.

"If you have accumulated a good amount of experience, I think it's a favorable time to branch out and start your own firm -- and I have noticed I am not the only one to go solo in recent months," Margolis comments. "After a generation of complacency in the markets, the eruption of the financial crisis in 2008 taught us that many assumptions about investments and managing investment businesses had been incorrect. It's fair to say, I think, that many companies have reacted by searching out for people they can

relate to and trust."

No question that Margolis is a pioneer in the field of insurance asset management. He started in 1983 with Continental Asset Management which eventually was acquired by TCW Group, Inc. in 1995 and became part of Conning & Company in 1999. By 1994, though, Margolis had joined Morgan Stanley Investment Management where he stayed for nine years (1994-2003), heading the insurance asset management business, ultimately becoming global head of the institutional business, before leaving for TIAA-CREF Asset Management.

At each step of the way, Margolis, recounts, he was involved in start-up initiatives. At TIAA-CREF (2004-2008), his final stop before going on his own, he launched an institutional business development program and eventually had more than 30 professionals under his wing.

"The financial crisis opened up opportunities for independent advisors like myself,

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JEFF MARGOLIS: TIMING IS GOOD

and for boutique-size managers willing to commit themselves to the insurance sector," Margolis comments. And while he notes that the insurance asset management field has been dominated by large global firms (the top ten manage 85% of general account insurance assets under management), he believes the crisis has raised issues that could question the standard argument that size equals safety. "Perceived security," he calls it.

The crux of the matter at a time like this, in his view, is for asset managers and for advisors like himself to get close enough in terms of dialogue and trust so they can think through problems and agree on solutions together as part of a single team.

"There were serious flaws in the models that were being used for running investment businesses and investment portfolios, and 2008 helped to uncover them," Margolis says, adding: "As risk measurement methods are re-assessed and the level of interest in outsourcing continues to increase, these and other changes taking place will unques-

tionably alter the landscape occupied by all asset managers, large and small, in the insurance sector," Margolis believes.

The crux of the matter at a time like this, in his view, is for asset managers and for advisors like himself to get close enough in terms of dialogue and trust so they can think through problems and agree on solutions together as part of a single team. "Many, if not most, asset managers have already become less complacent and more aggressive about uncovering the flaws in their own models," Margolis says.

This is good news for the clients, insurers as well as others, who feel the need to outsource part or all of their portfolios. "But this will only work," declares Margolis, "if the asset managers translate their good intentions into successful execution, correcting or minimizing weaknesses, and trying even harder to make the most of opportunities. This is where I feel that I can really help."

Confident and competitive words from a pioneer.

SIMS Conference Update

Jeff Margolis will be moderating a panel at the Senior Investment Managers Seminar (SIMS) to be held Sept. 13-15, 2009, in Boston, MA. The panel session, titled Insurance Companies and Asset Management: Rewards and Pitfalls, is scheduled for 3 p.m., Monday, Sept. 14. SIMS is an annual event organized by the American Council of Life Insurers (ACLI).

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