

Financial firm plans to expand into Roseville, hire 50

Kelly Johnson / STAFF WRITER

John Fobes beams as he stands outside the Point West high-rise that now bears the Northwestern Mutual moniker.

He's equally enthusiastic while giving a tour of the expansive new offices of Fobes Financial Group, part of the Northwestern Mutual Financial Network.

Fobes has reason: business is good these days for his company, and for similar sellers of life insurance and financial services, thanks to Greater Sacramento's growing population, a shift among baby boomers from spending to amassing wealth, and the 1999 federal law that broke down barriers between insurers, banks and securities dealers.

Fobes Financial continues to find new sales opportunities five years after the Gramm-Leach-Bliley Act became law. The reform delivered a turbo boost to business, says Fobes, who has managed the company for two years.

The new sales are helping support growth plans that envision hiring another 50 people and opening an office in Roseville by the end of 2005, followed by more new offices every three years after that.

Fourth in the West: Fobes Financial is Northwestern Mutual's third-largest independent contractor in California — "agency" is an outdated term, Fobes insists — and its fourth-largest in the Western United States. The numbers explain why:

- Fobes Financial's securities business is up 43 percent from a year ago.
- Premium growth tends to range between 5 percent and 8 percent.
- Fobes Financial ended 2003 handling \$77 million in premiums, with 59,533 life and disability policies in force representing \$9.45 billion.
- A sister employee-benefits company — formed in 2002 to sell health insurance, dental, vision and cafeteria plans — expanded its revenue by 237 percent from 2002 to 2003.

It helps to be paired with Northwestern Mutual Life Insurance Co. of Milwaukee, which is among the largest life insurance companies in the United States. Northwestern has historically held the top rating given by insurance rating company A.M. Best Co., and is highly



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John Fobes

Title: Managing partner since April 2002 (with Northwestern Mutual since 1986)

Age: 39

Education: Bachelor's degree in economics from the University of California Berkeley

Personal: Lives in Carmichael with his wife, Cathy, and daughters Emily and Allison

Pastimes: Traveling and skiing

Fobes Financial Group of Northwestern Mutual Financial Network

Business: Independent insurance and financial services contractor to Northwestern Mutual

News: Moved to larger office, ramping up hiring, expanding to Roseville

Founded: 1925

Financials: Handles \$77 million in annual premiums; securities business up 43 percent

Headquarters: 1425 River Park Drive in Sacramento's Point West

Employees: 147

Contact: (916) 929-7200

regarded in the industry.

In 2003 Fortune ranked Northwestern Mutual the world's most-admired company in life and health insurance. At year-end, Northwestern Mutual held \$114 billion in assets and capital, and a surplus of \$7.5 billion. Its five-year compound annual growth rate is 5 percent in net written premiums and 8 percent in total assets.

Fobes Financial's numbers don't surprise Bob Ferreira, Farmers Insurance Group district manager. "Business is going very well," he says, since Farmers

dove into financial services in 2000 following the 1999 reform.

Much of the local growth in insurance and financial services can be explained by all the new houses being built, says Mike Bozzuto, broker and brother of the owner of Bozzuto Insurance Agency in Orangevale.

"There's significant demand for more of those services," he says. "We see that in all lines of business."

Midway between captive and broker: To accommodate its growth, in April Fobes Financial moved to 14,000 square feet on River Park Drive from 8,000 square feet nearby. CB Richard Ellis broker Kevin Sheehan handled the lease. The Sacramento office employs 115 people, but Fobes Financial has staffers working in offices from Fresno to Stockton and in Reno.

The company's territory runs from Bakersfield to Oregon and Reno.

Fobes Financial is one of seven Northwestern Mutual contractors in California. All have exclusive access to sell Northwestern Mutual policies, but they also can sell other insurance companies' products.

If you think of insurance as a spectrum — with a captive agent on one end, such as a Farmers agency that sells only Farmers products, and an independent brokerage on the other, such as InterWest

Insurance Services Inc. of Sacramento, which sells policies from different carriers — then Fobes Financial sits in the middle.

Next comes Roseville: Fobes Financial employs 147 people, up from 95 two years ago. The company plans to hire 15 more this year, including 10 in Sacramento. Next year Fobes expects to hire 36 people, 27 in Sacramento.

“That can continue at least at that pace,” Fobes says.

Four staffers work full time just recruiting new people, he says.

As at other Northwestern Mutual affiliates, turnover is low. Among financial representatives who remain with Fobes for five years, 95 percent will stay for the rest of their careers, Fobes says.

“Agents tend to stay with the company a long time,” says Stephanie Guethlein McElroy, A.M. Best senior financial analyst. “(They’re also) among the best-trained in the industry.”

Fobes wants to open a Roseville branch office by the end of 2005, to employ 20 by the end of 2006. Roseville is family-oriented and has the higher-income-potential customers that Fobes Financial seeks. Besides, he says, a lot of its rivals have moved to Roseville.

He’d like to launch a new office within his territory every three years. Among the list for later expansion are the Highway 50 corridor, Elk Grove and downtown.

Fobes Financial’s market penetration is 3.9 percent, meaning “3.9 percent of the households we want we have,” Fobes says. It keeps more than 95 percent of its clients, mirroring the overall Northwestern Mutual organization.

Business line is No. 2 and gaining: Deregulating financial services works in Fobes Financial’s favor. “Consumers like one-stop shopping,” says Jack Dolan, spokesman for American Council of Life Insurers, a trade group. “Consumers want simplicity.”

Plus local cities are growing, Fobes says, and baby boomers are becoming more focused on accumulating wealth than spending money.

Risks facing the company include frequent changes to tax laws and rising expectations for financial representatives. They have to know more than just life insurance, which raises new education, regulation and compliance issues.

The personal marketplace is the backbone of Fobes Financial, making up 53 percent of its business, Fobes says. The category consists of protection products, such as life insurance, disability and long-term care, and wealth-accumulation products such as 401(k), IRA, Roth IRA and college savings plans.

The other categories consist of:

- The business marketplace, 20 percent. It includes planning for executive benefits, key personnel and business succession. The future, Fobes says, is in this category. It’s rising at the expense of the personal market.

- Estate planning, 17 percent. Fobes Financial works with rich families, along with estate planning attorneys and CPAs, to use trusts and other mechanisms to ensure that estate taxes will be paid.

- Corporate market, 10 percent. In this category, the company uses insurance and securities products to attract and retain top executive talent.

“They’re just a top-class company,” says Dan Staszak, a partner in Willis &

Walsh CPAs in Citrus Heights. His firm sells services to Fobes Financial and receives health insurance through Fobes. Staszak also has life insurance through Fobes.

Fobes Financial’s financial representatives find out what clients need instead of just trying to sell them something, he says.

Fobes Financial is “very much focused on our individual needs,” says Steve Eggert, co-owner of St. Anton Partners LLC, an apartment builder. Fobes provides the company with health insurance and Eggert with life insurance. “They don’t feel like outsiders when we meet with them. They definitely can be counted on.”

“They’re a very high-quality, professional organization,” says Mike Cochran, an InterWest certified financial planner.

Dad came first: When Fobes’ dad started running the company, it had five or six employees. Bill Fobes was managing partner for 31 years.

But Fobes Financial is not a family business, and Northwestern Mutual doesn’t let managing partners pick their successor when retiring.

John Fobes had already put in 16 years with Northwestern Mutual, including work back at Northwestern Mutual’s home office, when he was selected to run this territory.

By 37, he was overseeing 95 people.

Fobes says he enjoys the business because it’s about people, relationships and “building an organization in a changing environment, which is challenging. I like that.”