

Kennedy Is Chief Executive And Chairman Of The Board

By David Smallwood
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There is a law of nature that says, "If you do something good for someone, not for selfish motives, but just for the sake of doing good, you will be amply rewarded." The North Carolina Mutual Life Insurance Company in Durham, North Carolina, is proof of that.

Now in its 85th year, North Carolina Mutual (NCM) is the nation's largest black-owned financial institution and self-proclaimed largest black-owned business in the world. Attesting to its position, the company does not compete with other black insurance companies, but rather with white companies in its size range and, in fact, occasionally steers some of its business to other black insurance firms.

In terms of size, at year-end 1982, NCM reported \$80.5 million in income, \$7 billion worth of insurance in force and more than \$200 million in assets. By comparison, the second largest black insurance company, Atlanta Life, had 1982 assets of \$114 million and \$1.7 billion of insurance in force and the nation's largest insurance company, Prudential, had \$66.7 billion in assets and \$482 billion of insurance in force in 1982. North Carolina Mutual ranks among the top 10 percent of the estimated 1,900 insurance companies in America, roughly in the 129th spot.

Staffed by 265 employees in its fully computerized home office in Durham and an additional 1,200 employees in its 40 district and 32 branch offices in 13 states, mostly throughout the South and the District of Columbia (though NCM is licensed to sell insurance in a total of 22 states), the company has nearly 950,000 policyholders. Since its founding the company has paid policyholders more than \$400 million, including more than \$40 billion in dividends in the last 40 years, even though the company almost went out of business trying to pay its very first claim of only \$40.

North Carolina Mutual today has two Washington, D.C.-based insurance subsidiaries, American Capital Life Insurance Company and American Citizens Life, and a third subsidiary, NCM Life Communications, that handles its growing investment portfolio in the communications field.

The current size of the company was probably not even dreamed of by the original founders. Or-



WILLIAM J. KENNEDY III

Chief executive officer

ganized in October 1898 as a benevolent aid association for blacks, the company began operations in 1899 under the name The North Carolina Mutual and Provident Association, a mutual assessment organization.

The company was founded by a group of seven men - Dr. James E. Shepard, W. G. Pearson, P.W. Dawkins, T.D. Watson, E.A. Johnson and the two primary founders, Dr. Aaron McDuffie Moore and John Merrick, who were the guiding lights. Moore was Durham's first black physician and Merrick was an entrepreneur - he operated a barber shop for whites - with a very close relationship to the Washington Duke family who were in control of the American Tobacco Company. Both Moore and Merrick were very wealthy and steeped in the tradition of racial self-help and uplift, a philosophy espoused by the black leader of the day, Booker T. Washington.

In the 1890s, it was common among Durham's black community to collect money at funerals to help the surviving family through the following period of adjustment. Moore and Merrick were especially instrumental in

these efforts and soon realized that there ought to be a more systematic way of helping these people provide for themselves. Thus, the seed of the idea for an insurance company was spawned.

Very simply, Moore and Merrick founded NCM for altruistic reasons; they were not after self-gain. According to current North Carolina Mutual Board Chairman William J. Kennedy III, "They were particularly interested in helping black people in the Durham community. They tried to provide a service for black people that was unavailable to them when the company started. It spread throughout North Carolina into Virginia and Georgia and I guess they never really had an idea that the company would grow as large as it has."

Kennedy explains that the philosophy of NCM has not been to build individuals, but to build a company. "For that reason," he explains, "we are one of the few licensed insurance companies that has not produced any millionaires. Most insurance companies are stock companies, meaning that many of the stockholders have become rich through participation in the growth of the company through their stock.

But we are a mutual, owned by the policyholders, and management has always felt that fiduciary responsibility to do the job to build the company for the benefit of the policyholders. We're at the point now where we can compete salary wise for personnel and that's good enough. We're not too concerned about making a whole lot of money for the management of the company. That has been pervasive in our organization and we have followed the lead of our founders."

Kennedy says the company has made efforts to recruit white agents, but they stay for a short while and leave. Currently,

though, there are some whites in the home office, there is only one white manager among the 1,200 field employees. In addition, only one percent of the company's individual policy business is white, and that, Kennedy explains, is due more to the mentality of the company's agents than the fact that whites don't want to be insured by a black company.

"We could have a lot more white business if we had a different philosophy among our agency staff that there is nothing wrong with asking whites for business. We've had a difficult time trying to encourage them to go after that business and think of it as normal, but we are trying to expand their minds to that point."

In addition to concentrating on those areas for future growth, NCM will also continue to heavily invest in the communications field, Kennedy says. The company owns two cable television installations in South Carolina worth \$1.5 million and has licenses pending for two additional ones. Kennedy says NCM will continue to expand in cable as rapidly as it can acquire desirable franchises. The company also owns an AM and FM radio station in Williamsburg, Virginia, which Kennedy expects to provide the company with a 30 percent return on its investment as opposed to the roughly 12 percent NCM gets on its bond portfolios.

The ultimate goal is for NCM to diversify its investments for a better return.

Traditionally the company has invested heavily in government and industrial bonds, some stocks (particularly utilities), a bit of real estate mortgages, and some CD's and commercial short-term investments that have yielded as high as 21 percent interest, but generally NCM's return on its investments has been below the industry average of seven percent; hence, the move towards more variety in investments such as the communications properties and pension funds. Last year the company had a net investment income of \$12.7 million and a net yield before taxes of 7.5 percent meaning the new investment direction is beginning to pay off. In fact, under the total course that Kennedy has charted for North Carolina Mutual, the dream of two wealthy blacks to help their less well off brethren seems destined to grow longer and stronger into perpetuity. And that's a nice return on investment.

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