

# INSURANCE

**Joe Montgomery, CFP®, AIF®,  
Managing Director - Investments, Wells Fargo Advisors**

For more insights into American insurance, *Finance Monthly* interviewed Joe Montgomery, the Managing Director - Investments of The Optimal Service Group of Wells Fargo Advisors.

**Q** Since you founded The Optimal Service Group in 1975, what are the three biggest observations you've made in regard to the US insurance sector?

Number one is going to be the environment they're working in. Since interest rates broke in 1981, the decline of interest rates has taken away the ease of making money in fixed income, which predominantly composes many insurance companies' investment portfolios. Subsequently, the decline has continued to make a case for the diversification and the exploration of other asset classes to compensate for the decline in interest rates. Thirdly, it has highlighted the importance of developing the expertise of those who manage their investments such that prior to 1981, we would argue, would have been important but now is critical to the success of these companies.

**Q** What are the biggest trends you follow today and how do these work in growing relationships with your clients?

As a follow on from the second point we discussed, the expansion of the use of asset classes in order to be able to get an

adequate investment return, whatever that may be for that particular company, makes the customisation of the investment process for the insurance company that much more important. Our constant motive to innovate and be ahead of the curve carries over to our diligence in working with our Investment Institute to implement new or broadly underutilised asset classes into our clients' portfolios.



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**Q** What do you find are the considerations your clients commonly fail to make when it comes to insurance? How do you help prioritise the important considerations?

When clients need to drive a business with sales, they normally have a focus on the front end of the business i.e. the bringing in new business, competing and pricing. Because that goes through cycles on the underwriting side, the investment side tends to take a little bit of a back seat. We help prioritise these considerations by functioning as an investment consultant to those companies. By delegating us to this role, we are helping make sure the investment policy is written so that the management of the assets can be done on a long-term basis, while not having an overreaction by management regarding changes to the investments each time there is a shock in the underwriting cycle.

**Q** What are the biggest obstacles you run into in doing so?

The biggest obstacle for most people in

anything is running out of time. They don't have enough time in their day, so they set a priority; frequently because things haven't been broken or they became accustomed to doing well when interest rates were declining. The investment side then does not really become a priority for some companies. Unfortunately, they then realise that a focus on their investments should have taken a higher ranking in their priorities when it's too late.

**Q** Within the institutional consulting sphere, what would you say are the top three insurance challenges and how do you find solutions to these alongside your clients?

It's an interesting combination of time and cycles where people should have enough time to pay attention to the investment side by getting the policies in place before there is a crisis situation. Additionally, because of the decline in interest rates, as mentioned earlier, the constant search for yield is more prevalent now than ever. And because companies had to move away from just the traditional high quality bonds they used, they are now in uncharted

waters which has resulted in a learning curve. The questions many insurance companies are asking themselves now are 'How should we develop the investment expertise necessary to allocate appropriately in today's environment' and 'Should we develop in-house or hire a team externally?'.

Another challenge we see is navigating how portfolios are structured within the highly regulated and restrictive insurance industry. We are able to utilise our knowledge and 28 years of experience in navigating these highly regulated industries to mold a strategic asset allocation that is built with enterprise level objectives and risk as the backdrop.

**Q** You are charter member of both the Barron's Top Institutional Consulting teams and the Top 100 Financial Advisors and have remained on each list. How do you feel such accolades incite confidence in your clients?

All accolades and any honours are appreciated and humbling. As far as our clients, we think the accolades hopefully provide some comfort along with the research they should do before working with us or anyone in this industry. Furthermore, we believe they provide some confidence that our experience and background can add value to our clients' businesses.

**Q** How do you continue to uphold this reputation today?

That's basically a combination of the strength, experience, background and training of our team, as well as our constant due diligence and professional development. One of the big things we are able to do for our clients in terms of adding value to their portfolios is spending the time to look for resources, developing them and then helping determine the best way to apply them.

\* Disclosure #1: Insurance products are offered through nonbank insurance agency affiliates of Wells Fargo & Company and are underwritten by unaffiliated insurance companies. Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC, Member SIPC

\* Disclosure #2: The Barron's Top 100 Financial Advisors rankings are based on data provided by thousands of advisors. Factors included in the rankings were assets under management, revenue produced for the firm, regulatory record and client retention. The Barron's Top 30 Institutional Consultants rankings are evaluated on a range of factors for the Financial Advisor and their team including constitutional assets under management, revenue produced for the firm, regulatory record and number of clients served by the consultant's team. Also considered were the advanced professional designations and accomplishments represented on the team.