A GROWING ASIAN FOOTPRINT

Technology is powering Prudential's growth and adding value, says the insurer's CEO Mike Wells. **BY GENEVIEVE CUA**

BT PHOTO: KELVIN CHNG

WHEN Prudential plc chief executive Mike Wells was approached for a senior position at the UK giant's US insurance business in 1995, he was not particularly keen.

Mr Wells, 57, started his career at brokerage firm Dean Witter, and had by then become a managing director at Smith Barney Shearson. Joining Jackson National Life Distributors, which had suffered a ratings downgrade by AM Best at that time and was regarded as a niche player, seemed a contrarian decision at best. Jackson National Life Insurance was acquired by Prudential plc in 1986.

"I was reluctant even to take the interview which is funny, sitting here 22 and a half years later. I didn't see them as the right place career-wise. It wasn't until (then-Jackson chief executive) Bob Saltzman and I sat down, and I spent some time to see the talent coming together that I realised we could do something unique."

Mr Wells joined Jackson as president of its marketing and distribution arm. He became its chief operating officer and was also appointed vice-chairman. Under his watch, Jackson's sales reportedly rose from an estimated US$2.3 billion in 1995 to total sales and deposits of US$15.2 billion in 2009. By 2011, he became Jackson's president and chief executive, and also joined Prudential's board of directors.

In 2015, he became the group chief executive of Prudential plc, after Tidjane Thiam left to join Credit Suisse.

As a student in his youth, Mr Wells did not stand out academically. But what likely set him apart was an innate drive to work even while still in school. "I worked full-time since I was about 15. I was an average student and that's probably a little kind. School was something I knew I needed to do. I don't think I realised the opportunity at the time," he says.

"I was fortunate that the jobs I had in university were fun; I never minded working. I helped manage bars and restaurants in the summer, washing and driving. It wasn't a bad way to spend the day."

Wealth creation

He knew, however, that he wanted to become a financial adviser. "I loved the concept of banking, the creation of wealth and the impact of that in politics and history." After graduating with an economics degree from San Diego State University, he took an earnings cut to join Dean Witter. His business at the time, providing security for hotels and concert venues, was more lucrative. "(The business) was very long hours but very fun when you are college age. It helped because it gave me work experience and most firms wanted two to five years before they'd even talk to you."

He chose to work out of Silicon Valley. "I had this idea that if I were going to be a rookie and didn't have any money, I had to go to a place with young money. So I went to Cupertino. At one end of the block was HP, and the other end was a small company called Apple. The early days of the Valley was fascinating, being on the fringes of it. It furthered my interest in capital markets and business. People worked hard on things they were passionate about. It was a really great place to be."

He was a stockbroker at Dean Witter, after which he moved on to two other firms, immersing himself in the wholesale distribution of savings products, among others, such as variable annuities. "I worked my way up by taking roles that others had typically failed at. It would be a job that had too much turnover and was seen as undesirable by someone with a more accomplished CV than I had."

A career breakthrough happened when he was asked to run Smith Barney's insurance annuities business, an experience he feels was pivotal. "A tremendous amount of authority was given to you, and heavy expectations. It was probably the most important job in terms of developing more balanced business skills. You're expected to act like an owner, and they gave you every opportunity to try.

"One of the bigger challenges we have now in financial services is that we try to de-risk the business. We have to be careful not to limit the development of our people in terms of allowing them to manage risk and make mistakes... I was brought up in the industry at a time when you were allowed to try; it was a very entrepreneurial phase and certainly one of the most important opportunities I was given."

The offer to lead Prudential plc as group chief executive was one that he gave much thought to. "Prudential is a very different company today than when I started. I didn't want to screw up what we spent a couple of decades building. As we started to put pencil to paper, I started thinking about what the next iteration of the company should look like. I started to get excited about the job."

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He adds: "I think people underestimate the size and capability of the firm, the quality of the teams, the footprint and the ability to do lots of things globally."

Prudential's footprint in Asia is certainly enviable. It employs some 14,000 people in the region, and has over 600,000 financial consultants and 15 million policyholders. In the 2017 half year to June 30, Asia accounted for nearly 36 per cent of long-term business operating profits before tax.

The region's share of new business profit is even greater. Asia generated sales of £1.943 billion (S$3.49 billion) in the half-year, which was 53 per cent of group APE (annual premium equivalent) sales of £3.624 billion. Its share of new business profit at £1.092 billion was 64 per cent, up 33 per cent from the previous period.

The challenge in Asia, Mr Wells says, comes from new entrants and foreign competitors whose product pricing may prove unsustainable in the long term. "Only a couple of us are growing; most of the rest see zero growth and are paying out high dividend rates... If you're in a boardroom in the US or Europe, and you don't have growth, you need a pin on the map of Asia, and say to your board members – we're there too. New entrants tend to be fairly irrational in their pricing. The easiest way to get in is to have a high fixed rate guarantee in any market, not necessarily Singapore.

"In the early years no one asks about profitability. Insurance accounting tends to favour those products and gives you a lot of early credit, more than it should. Badly priced products stay a long time on the books; someone down the road will have to deal with it, and it's often not the person who approved it. I'm always leery when someone says pricing is strategic. That basically means it's not profitable."

He concedes that a degree of risk aversion is common in Asian cultures, although there are nuances. "The natural path isn't to go from a bank to a product with equity risk. It's the products in between that tend to make people more comfortable... So it's incumbent on us to produce some risk products that diminish risk but also give them a better return. That's a challenge, but that's what we do. They're not looking for 100 per cent equity participation. They want risk dampened but they want us to manage their total exposure somehow."

While low interest rates are a challenge for life insurance funds, they are paradoxically also a boon. "When consumers are nervous it's a better market for us. Everyone invests when the market is doing well and our products seem less relevant. When savings rates are unusually high our products also seem less relevant becuse you're getting paid more to do nothing. Bizarrely, those are challenges for us. A low rate environment gives us a chance to show the things we can do."

In any case, Mr Wells appears to be developing an affinity for China, thanks partly to his son Jackson, an emerging singer/songwriter who is fluent in Mandarin. Jackson, who is pursuing a master's degree in China Studies at Zhejiang University, has been performing in China since around 2012. The proud father, who has a second son who is an accomplished tennis player and in university, attends some of Jackson's shows in China. "I'm the old guy carrying the speaker. I was photographer in one show but got demoted to roadie," he laughs.

"When I go to his music events, I meet very bright young people in China. I see something different; our corporate world has a formality. I hear their aspirations and concerns. I've been to places where there are 12,000 people there and nightclubs where only 100 people show. It's a very pleasant way to see China."

Meanwhile, Mr Wells sees digital as a great enabler on many fronts, enhancing virtually all aspects of customer service, advice and product development. But it isn't technology for its own sake, he says. "If you think of the cultural shift from a traditional insurance company, we're much more agile, tech savvy and customer-centric. That's going on across the group. I listen to endless presentations about someone having an IT-enabled carpark garage, but the challenge is to integrate that into the actual business.

"It's the convergence of advice when the consumer wants it with the ability to model and work online when they want to do some what-if's, or it's late at night and they're concerned about something."

Reinvesting in the business

Technology, he says, helps staffers to do a better job all across the value chain. "It certainly gives advisers more accurate information about the consumer, enabling them to give better advice. The client doesn't distinguish between the person who gives advice and the person who handles the service line, and how fast we handle claims. That's all Prudential to them. If anyone lets them down in the value chain, they blame everyone in the chain."

Prudential, he adds, spends nearly US$1 billion a year on technology. "That's 100 per cent of the earnings of some of our competitors. We're uniquely positioned to keep reinvesting in the business."

Towards this end the firm has embarked on a number of initiatives, working with fintech startups globally, for instance, through its PRU Fintegrate programme. In Singapore, the firm chose three startups following its Global Fintech Hackcelerator event last year. The three are Kyckr which is developing compliance and customer on-boarding solutions; Moxtra which facilitates business workflows and productivity; and Sqreem which is working on pattern recognition technology.

Prudential also claims to be the first in Singapore to use a cognitive-powered chatbot, called askPRU, that provides real-time information on clients' life insurance plans. The system retrieves data instantly, such as clients' policy cash value and status of submitted claims. Since its launch, calls to the firm's service centre dropped 25 per cent.

Mr Wells is keenly aware of the issues arising from big data as digitalisation begins to permeate all aspects of client dealings. "If you think of the digital agenda, most of that is good for our business. But they also create new risks. I think you'll see different compliance issues emerge. How will you verify accuracy, and protect the data's appropriate use? Will people create tools that challenge the tools you create? At the end of the day, it's always a bit of a chess match. The complexity requires investment and talented people, and collaboration with government and security. Everyone in the value chain – the regulator, government and insurer – will have a stake. We're going into new frontiers."

The issue of data security also grows more complex. "I think people worry about data. Predictive analytics on consumer behaviour are wonderful if you get a similar exposure to the output. But it's not if the risk is asymmetrical – or, if I as a company have more information on you than you as a consumer – that's a risk. Because I may base decisions on that as a company, which I'm not sharing with you. That's an integrity issue."

Prudential has a service called myDNA, where it partners with Prenetics, a gene-testing company. Using a saliva test, the programme tells customers how his or her genes may affect nutrition needs, dietary sensitivities and fitness.

Prudential does not get access to the data. "The benefit we get is that it helps customers to live a healthier life. A less ethical model is for us to keep the data and underwrite off it. I don't think that would be fair," he says.

"myDNA may seem like a simple procedure but it gives an uneven balance of information between parties – I think that's a risk culturally and socially. Does the regulator step in? I don't know. What you want is fairness.

"Insurance is based on the idea that we pool our money and outcomes together, and large numbers make that work. It isn't based on the idea that I have far better information than you do, and you don't understand the pricing. That's not a sustainable business model, and yet big data tends to encourage that."

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Mike Wells
Group Chief Executive Prudential plc

Born in 1960

1983 : Graduated with BSc, Economics, San Diego State University

Began career in 1983 as a stockbroker at Dean Witter before moving into the wholesale side of the industry in a variety of roles at McGinnis and Associates and Smith Barney, raising assets through broker-dealers and representing asset managers and financial product manufacturers

1995 – 2001: President, Jackson National Life Distributors Inc

2001 – 2011: Vice-Chairman, Jackson National Life Insurance Company

2002 – 2011: Chief Operating Officer, Jackson National Life Insurance Company

2011 – 2015: President and CEO, Jackson National Life Insurance Company

Since 2015: Group Chief Executive, Prudential plc