

Interview

Providing Guarantees

An Interview with Christopher M. Condron, President and Chief Executive Officer, AXA Financial, Inc., New York



Christopher M. Condron

EDITORS' NOTE Kip Condron began his career as senior vice president at C.S. McKee and Company, a Pittsburgh-based investment management firm, and went on to found his own financial-planning company, Condron Associates, which was acquired by AYCO Corporation in 1985. He joined the Boston Company in 1989 as head of the private client group, and was named executive vice president of Mellon Private Asset Management in 1993, when that firm acquired the Boston Company. After being named chairman and chief executive officer of the Dreyfus Corporation in 1995, Condron was appointed president and COO of Mellon Bank in 1998, and became president and COO of Mellon Financial Corporation in 1999. He assumed his current position in May 2001.

The recipient of a bachelor's degree in business from the University of Scranton (Pennsylvania) where he served as a trustee for two terms, Condron is chairman of the University's President's Business Council. He is also a member and director of the Financial Services Roundtable. In 1999, he was appointed a director of the American Ireland Fund where he also serves as treasurer.

COMPANY BRIEF One of the United States' premier financial services organizations, AXA Financial, Inc. (www.axa-financial.com), offers a range of financial protec-

tion and wealth management products and services through an extensive portfolio of well-known brands, including AXA Equitable Life Insurance Company, AXA Advisors, AllianceBernstein, AXA Distributors, and the MONY family of companies. The firm is a member of the global AXA Group (NYSE: AXA), which has diverse operations in Western Europe, North America, and the Asia Pacific region. AXA Financial, which uses AXA Equitable as the company marketing identity, reported sales of \$10.2 billion and net income of \$1,073.8 million in 2005.

Are you optimistic for growth in all AXA Equitable's business segments? Where do you see most growth coming from?

Yes, I am very optimistic about the growth potential of all of our business segments. Above all, I believe that now is a great time for the insurance industry. Our core products are life insurance products, annuity products, and investment products, but when you strip it all back, we're really in the business of providing lifetime income and death benefit guarantees for people. Now, there are 77 million baby boomers approaching retirement, and our products are able to guarantee income for them and protection for their families. That makes it a great time to be in this business.

The insurance market is crowded with many similar companies. What makes AXA Equitable unique?

First, we should differentiate the insurance industry from the rest of financial services. Insurance is the only financial services sector that can provide the level of guarantee that I was talking about just now. It's the only sector allowed to use the word "guarantee" for income and financial protection products. Banks can't do it and investment firms can't do it. So insurance companies are unique in that respect.

We have 6,000 agents who have just finished their most productive year ever. We paid the highest commissions we've ever paid, in total and per person. We have about a 10 percent market share of

that direct distribution channel. In addition, we have about a 9.5 percent market share in the broker/dealer distribution channel for annuities, and a similar share of the bank distribution channel for annuities. In the financial-planner channel, we've grown our market share in the last year from 2.8 percent to almost 4.5 percent. And we have grown our sales by 60 percent in the life insurance third-party distribution channel. All this growth shows that we are offering products that people desire in this kind of environment, where we can provide guarantees. Ours is one of the very few companies that's capturing a significant market share through all those different channels. It's because we're very customer-centric. Every single one of our products is delivered through an adviser, whether it is one of our advisers or an intermediary's adviser. I think that's a very good model for success.

You mentioned baby boomers. In the past, you have talked about "owning the retirement space." What do you mean by that?

When you plan your retirement, you have a host of decisions to make. If you have a defined benefit plan, you have to decide whether you're going to get the joint or survivor pension option, the 50 percent or 100 percent survivor option. If you have a 401K plan, you need to decide whether to take the money out now or leave it in. If you take it out, do you put it in an IRA rollover? What are the tax consequences of IRA rollovers when you die? These are all issues you need to think about if you are planning to protect yourself, and your estate, during your retirement, which is typically 30 years long. This is where we come in. We want to help people make all those decisions. We're not going to provide all the products they need, because we don't offer all of them, but we will be able to help people make really smart decisions at retirement. After all, most people don't have the intestinal fortitude to live through the ups and downs of the stock market without some kind of floor underneath them, and that's how we can help.

Do you think people are fully

aware of all the options open to them at retirement?

No, I'm not at all happy with people's knowledge of what's available to them. There have been a lot of sensationalistic articles written about what's wrong with variable annuities, ranging from bad sales practices to high costs, but not enough has been written about the benefits of annuities. There's a guaranteed income benefit, a guaranteed withdrawal benefit, and a guaranteed death benefit. Of course, all those benefits have a price, but that price works out to be about 1 percent incremental to what you would pay if you invested in an average mutual fund. So the question that people haven't really posed clearly is this: Would you pay an incremental 1 percent to have a guaranteed floor, a guaranteed income benefit, or the guaranteed ability to withdraw a certain percentage from your account each year and never run out of money, and still have a death benefit if you die? We're trying to create an environment in which people can understand these things better.

Insurance has always been thought of as a people-driven business. Does technology also play a role?

Yes, technology is critical to what we do. It starts with our ability to communicate with our clients. Technology enables them to have all the information they want at their fingertips. If people have questions about their accounts, we can answer those questions immediately. Technology also cuts down the length of time clients have to spend on the phone before their calls are answered. This ties in with our focus on service quality and client satisfaction. Unfortunately, particularly in the U.S., the quality of service has deteriorated dramatically. Most people can think of a bad service experience they've had in the last seven days. So if you can differentiate yourself by providing what I would call "delightful service," then you have a powerful client retention vehicle.

AXA Equitable is part of the larger AXA Group, which operates around the world. How close is the coordination between the different AXA companies? Is there one consistent message delivered globally, or are the companies more independent from one another?

We have a company-wide mission to double our revenues and triple our earnings by 2012, and we've adopted it in all of our locations. We're working together to try to leverage our knowledge to meet this goal. As a company, AXA was originally created through acquisitions, so a culture has developed based on independent autonomous business units working very well together to leverage strengths. For example, we have been good at leveraging our technology across all the businesses. But, at the same time, we run a discrete business in the U.S., as we do in other countries. If you ask our employees, "Do

you work for a U.S. company?" they would probably say, "Yes, but we're owned by a global company based in Paris." That's a very big distinction that separates us from a lot of our competitors.

On the people side of the business, do you find this industry attracts the top talent?

Historically, the insurance industry wasn't known for attracting and retaining the top talent, although there always was a lot of talent in the industry. But today, because of what we're doing, we've been able to attract some really tremendous people. I'm proud of what we've been able to accomplish here in terms of the

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quality of the people. Essentially, I'm a big people guy, because I think all of the assets go down in the elevator every night. Technology is important, but you can get by without great technology as long as you have great people.

When you look back to 2001, when you were appointed to this role, what in particular excited you about the opportunity?

I was excited by the fact that all the things I'd ever done seemed to come together in this company. So I brought a lot of relevant skills. What I don't think I appreciated as much then as I do now, is how important this industry is to the future of America, and to be a part of that is extremely exciting. When I think about how we're going to protect the assets and the incomes of the baby boomers who are just hitting age 60 this year, I consider it both a tremendous responsibility and a wonderful opportunity. Every single day, we're making decisions that are going to allow our company to be there for our clients 30, 40, and 50 years down the road, and that's what is so exciting.

Have you noticed the role of the CEO evolving over the years? What does that role entail in today's world?

The role probably hasn't changed much, but the accountability that goes along with it has changed, for sure. Historically, a CEO saw himself as being accountable to his shareholders, his board

of directors, his employees, and his clients. Today, you have to add the regulators to that list. That has added an extra layer of accountability and risk, which makes the role different today. Some of that change is beneficial, but some of it just eats up time and costs money.

AXA Equitable has a reputation for good corporate citizenship. How important is that to the culture of the firm – and to you personally?

It's really important to me personally, and it's very important to the company. Five years ago, we took a step back and looked at how we were investing our corporate responsibility dollars. As a result, we decided to focus our resources on our AXA Achievement Scholarships. We formed a joint venture with *U.S. News and World Report* through which we give 52 scholarships of \$10,000 every year, one for each state; Washington, DC; and Puerto Rico. Of the winners, the top 10 kids get a \$25,000 scholarship, a computer, and an internship with us. We wanted to do something good for young people who set and reach goals. We're not after the smartest kids, but rather, we're after the kids who show ambition and drive. They write an essay about what they've achieved, usually outside the classroom. Then an independent third party reviews the applications, and we award scholarships to the students they select. We also developed a program through which we award up to 375 scholarships annually right in the local communities where our employees, financial professionals, and clients live and work. We are going into our fourth year now, and it has been wonderful. Some of these kids are just remarkable. Part of my vision is for them to want to work for us in the future. Then they would become part of the fabric of this company going forward.

You've had a very successful career. Do you take the time to step back and appreciate all that you've been able to accomplish?

Like a lot of people, I don't stop and look back, because I'm always looking forward. At the end of every year, as a company, we try to take stock and reflect on what we have accomplished. We probably don't spend enough time doing that, but at least we try to do it. In reality, we're always challenging ourselves and looking for the next mountain to climb.

Do you ever think of slowing down?

Yes, I think about it, but I also know myself. One of my friends, who is a CEO of a very big company, said to me, "You know, the problem is that guys like us go 100 miles an hour. Someday, we'd like to go 50, but we don't want to go to zero." It's really hard for me to figure out how to go 50. Right now, 100 feels really good. I like the speed. I like the action. When I look to the future, I see so much to do and it's all so much fun. ●