ECONOMY

The 1001 reincarnations of the incredible Denis Kessler
A singular character, Kessler is feared by both left- and right-wing politicians.
Who really is the man behind SCOR?

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It is the same inner struggle each time. When Denis Kessler shows someone new around his state-of-the-art Paris headquarters, SCOR’s CEO is torn between two conflicting desires. Firstly, he would like to be discreet, in accordance with the French proverb “a secret life is a happy life”. Yet his second, rapidly overriding impulse is to show people around the place at a run, saying “I’ve got the most beautiful headquarters in all of Paris, see for yourselves”.

A stone’s throw from the Arc de Triomphe where the French national anthem is sung (Kessler can hear it several times a week), on the very exclusive and quiet Avenue Kléber, Denis Kessler has raised the flag of SCOR, 5th-leading global reinsurer, like a mountaineer who has had his fill of adventure would on the summit of Everest. During a guided tour of the 6th floor, home to senior management, we can admire the exotic wood terrace affording views of the Unknown Soldier, Kessler’s minimalist office created by leading designer Wilmotte, the total lack of switches (Kessler’s fingerprint is the key to all), the sleek white table for Board meetings worthy of the James Bond SPECTRE terrorist organization, and the global virtual conference room where Kessler is in contact (sound and image) with his “hubs” in Singapore, Charlotte or Zurich via a specifically allocated satellite beam. An informed visitor smiles, “They don’t even have state-of-the-art technology like this at the French President’s Élysée Palace”.

Denis Kessler is a singular character among leading French bosses. Reputed for his free speech (which others would more crudely call his big mouth), this 61 year-old has already lived many different lives. In chronological order, most likely missing some out, he has been: a brilliant student at HEC with Trotskyist leanings who quickly organised strikes to lower tuition fees; an exceptional academic in the field of economics, assisted by his professor and mentor Dominique Strauss-Kahn; the mediocre manager of a Parisian restaurant opened with his childhood friend Eric Izraelewicz who went on to become Director of Le Monde newspaper and who died suddenly last year; a super lobbyist at the head of the Fédération Française des Sociétés d’Assurances; and an explosive and high profile second-in-command in tandem with Baron Ernest-Antoine Seillière at the Medef French employers’ association. His latest reincarnation, in 2002, saw him take the helm of a little-known company, SCOR, which at the time was in a deep coma in an extremely complex sector (reinsurance).

Eleven years on, and it can be said without hesitation that Denis Kessler has successfully turned SCOR around in spectacular fashion. SCOR’s job is to reinsure risks already covered by conventional insurers such as Axa, Generali and Allianz. Last year the company recorded profits of €418 million and revenues of €9.5 billion, four times more than eight years ago.

Rock bottom. By buying out the American subsidiary of Generali, SCOR has even secured itself the leading position in US reinsurance. The operation has also made Denis Kessler one
of the best-paid bosses in the insurance industry: he earned €5.4 million in 2011 – a fixed salary of €1.2 million and the rest in performance shares. “He earned more than Henri de Castries, CEO at Axa. He was quite pleased”, said a close source, “They share a past as they were pitted against each other at Axa. Kessler lost out and remained quite bitter about it.”

Rewind to SCOR’s troubles. After having lost $1 billion in the World Trade Center attacks, the company entered a downward spiral: clients demanded impossible guarantees, bankers cut the company off and rating agencies downgraded its credit rating. “Even if I am stimulated by complex situations, we really had hit rock-bottom”, remembers Kessler. “My job as CEO was like an incredible race”. He recapitalized the group, drew up a strategic plan and axed loss-making subsidiaries.

Kessler, an egghead, former PhD student, holder of the challenging French agrégation in two subjects (economics and social science) and the youngest student admitted to the prestigious EHESS school, fully devoted himself to his new area of study: insurance or the science of major risks. “The Old Testament reads like a small reinsurance contract”, explains SCOR’s CEO. “All the disasters that are suffered like divine punishments are described in it: the seven Plagues of Egypt, the earthquake of Jericho, the Red Sea tsunami and the Flood”. For Professor Kessler, the Lisbon earthquake of 1 November 1755, All Saints’ Day, which inspired Voltaire to write a famous poem, heralds the dawn of modern thinking. “People at the time started to think: God could not have wanted to kill thousands of his faithful servants praying in churches. That is how statisticians came about, replacing divinity and fate with a scientific understanding of the laws of nature.” For SCOR, armies of mathematical whizz-kids provide minute calculations of the probability of a major earthquake in California, of a pandemic like the Spanish flu of 1917 (18 million deaths), of a meteorite hitting the earth, a tsunami in the Mediterranean or an explosion at a nuclear power plant in a populated area.

Dangerous? “We reinvented the company. In relative terms, it’s like the recovery of General Motors or the Chilean miners who were freed from the mine after weeks of suspense. It is a story with a happy ending, just how investors like it”, explains Kessler, a fan of comic books. He goes on to explain how SCOR came through the crisis unharmed. He predicted the subprime crisis, then the liquidity and sovereign debt crises, reducing the company’s exposure to risks. To those looking for a good tip, SCOR is now expecting a rise in interest rates in the short term ...

The oracle of Avenue Kléber has his avid listeners. A well-established lobbyist says that he is “influential due to the power of his intelligence”. Kessler receives a number of the leading figures of global economics. He meets with Axel Weber, head of the Swiss bank UBS, and Larry Fink, CEO of investment firm BlackRock. He also receives front-line politicians including former ministers such as Xavier Bertrand and Bruno Le Maire. They are attracted by his pedigree as an economist like bees to a honey pot. “I am one of the rare academics to manage a major French company”, says Kessler. “In our country, people are put into boxes, isolated in status. It is a major handicap. We could learn a lot from the United States.” He mentions the names of his English-speaking researcher friends, who have spent their professional lives going back and forth between the public and private sectors: Ben Bernanke, Chairman of the Federal Reserve, Mervyn King, former Governor of the Bank of England, Larry Summers, Obama’s main economic advisor, etc. “When you cross over sectors as I did, there is a lot of distrust”, smiles Kessler. “The academics say ‘he has betrayed the cause’. Company directors doubt your decision-making capabilities and ability to act: ‘watch out, he’s an intellectual!’”
Is Denis Kessler dangerous? “He is the man that left-wing sympathizers love to hate. Yet he is feared by all, even on the right”, according to someone in his close circle. He has retained his reputation as a big bad liberal since his Medef days. Kessler is thought to be in favour of a hard-line employer stance, and against all forms of compromise between employers and employees. This description irritates Kessler tremendously. “I said that the pensions system is heading for bankruptcy and its long-term insolvency is now obvious. I said that the French education system was being run into the ground and all the international studies show that France has taken a serious fall. I said that the 35-hour working week was stupid and it has now been proved that we will not overcome unemployment by working less. Seen by someone from another country, these are common-sense observations. In France, there is a form of self-censorship or even omertà that makes me look like an agitator, which undermines what I am saying”. Denis Kessler took a vow of silence long ago. “I have deliberately stood down from public debates for all these years. I have focused solely on SCOR for ten years. I became quite obsessed with this task!” But Kessler spoke up again at the end of last year.

Kessler stepped up to counter Laurence Parisot in her attempt to modify the Medef’s by-laws in order to extend her term of office. Believing that she had poorly managed the organisation and that she had regrettably tended to use her position for her own personal communication ends, he lashed out in Le Figaro newspaper and became very active behind the scenes. “I took this on as I was against the idea of Ms Parisot doing a third term”, strikes Kessler. Highlighting her notable absence at the Medef’s last summer conference, he mocked her current role as a radio columnist for RTL and Europe1. One of his friends told us “For him, it’s as incongruous as him becoming the star of the Moulin Rouge”. Kessler publicly backed candidate Pierre Gattaz, CEO of Radiall, in the Medef election. Employment advisors to the French President and Prime Minister, employee unions and other bodies therefore assumed that Kessler was back within the Medef. “No. have no desire to come back because I am still fully committed to my company across the world”, says Kessler, the father of two brilliant students. “I think that Pierre Gattaz, who is the head of an individual medium-sized family business, is the best embodiment of a business leader backing innovation.”

Kingmaker. While he advises politicians, notably to read up on their political and moral philosophy (“convictions are not enough, we must consider the meaning of the words justice, solidarity, law, etc.”), he appears to be satisfied with his role as kingmaker. Kessler, who fought bitterly within the Medef against the Jospin government at the end of the 1990s, will no longer be on the front line. A close source told us “He is tired of playing the part of the boy who beats up the bad kids in the playground. Everyone is behind him at first, but if things go badly he’s on his own”. Has Kessler lost faith? “For forty years now I’ve been seeing how our politicians, from one term of office to the next, keep our country in procrastination and denial though a lack of lucidity and bravery. The recent so-called pension reform is a prime example of this!” He would have voted for his friend Dominique Strauss-Kahn had he got that far. “Dominique is well aware of international realities. I do not agree with him on everything, far from it, but his understanding of the world would have enabled him to be an influential president in the global arena”. The son of an Alsatian resistant is a close friend of Vincent Bolloré and Serge Dassault, who has recently made him part of the committee entrusted with sorting out his estate upon his death. “Kessler chaired Le Siècle club for a few years, which shows his great influence”, explains one of the members of this very exclusive club. “He is deeply rooted in the establishment and has all its attributes. Yet in his ideas and public addresses, he is resolutely on the sidelines.”