With Mr Denis Kessler, Chairman & CEO of SCOR being a keynote speaker at the 25th EAIC and SCOR turning 40, we bring you an exclusive interview with the man behind the company, his philosophy and his passion for insurance, and what makes this company tick as a major player in the world of reinsurance.

**What do you like to be remembered for in insurance and reinsurance?**
I spend most of my life thinking about risk and uncertainty, insurance and reinsurance! This is a fascinating domain, at the heart of modern society, at the forefront of economic and social sciences. All societies organise themselves to cope with prevailing risks, natural catastrophes, economic uncertainties, technological accidents... I just try to bring my own contribution to the understanding of risks, and the various ways and means to cope with them both theoretically – as a scholar – and empirically – as an insurer and as a reinsurer. Through better individual and collective risk management, we can definitely improve the population's well-being and contribute to social and economic progress.

**What are your most fulfilling personal achievements in the industry?**
I have been active in the insurance and reinsurance industries in very different ways: as a scholar, a university professor, a researcher at the Geneva Association, head of the Federation of French insurers (FFSA), vice chairman of Comité Européen des Assurances (CEA), and as a company senior executive at AXA and SCOR. All these roles have been particularly fulfilling and demanding in their own way.

I am particularly proud to have trained quite a few students who later had quite successful careers. To care for future generations has always been for me the true ambition of any person carrying responsibilities.

**What is the biggest lesson you have learned from your many years in the industry?**
Insurance mechanisms and insurance markets have to be explained as insurance is a highly sophisticated industry. There is unfortunately a low level of understanding among our fellow citizens. And this is true also for governments which usually do not support the development of insurance markets, but prefer to support privileged alternative public or social schemes that are, to my point of view, less efficient and less solvent. The insurance industry has to spend a lot of time explaining its contribution to financial stability and social progress.

**What legacy would you like to leave at SCOR?**
A widespread corporate culture with three dimensions: first, a genuine culture of entrepreneurship, constantly on the move, with creative ideas and pro-active execution. Second, a truly global vision. SCOR prides itself in being a global company, operating in many countries around the world, respecting each market and their players, giving equal opportunities to all employees whatever their nationalities, and empowering managers in charge of each region of the globe. Third, a deep risk management culture, respecting a well-defined risk appetite, carefully monitoring emerging risks, and managing capital to reach the optimal level of solvency expected by our clients.
I would first say that the overall level of profitability is not satisfactory. Profitability is key, because this is the way to generate capital, and capital is one of the key contributors to solvency. In a world where the universe of risks seems to expand – both frequency and severity of risks appear to increase – it is fundamental that the pricing of risks is at the right level to remunerate and attract the capital necessary to back increasing commitments. Solvency is key for our clients: it is fundamental that all contracts are honoured, whatever risks materialise!

Let me underline the fact that around the world, the insurance and reinsurance industries have performed successfully through the severe financial crisis till it is a pity that these industries suffer an amalgamation with the banking industry. Too often, observers and policymakers talk in general about the “financial services industry”. This term includes very different businesses, from banking to asset management, insurance and hedge funds.

This is misleading. The insurance and reinsurance industry leaders spent a lot of time in the last few years explaining to policymakers and regulators that the concept of systemic risk is not relevant for the (re)insurance industry! It seems that this fact is finally widely recognized today. Around the globe, there are discussions on the new regulation framework to be put in place in the wake of the financial crisis, including the Solvency II exercise in Europe. These initiatives are positive, but policymakers should not overreact when drafting these new regulations by putting too much capital constraints on an industry which has proven its capability to overcome a series of financial real stress test! I welcome the concept of “optimal regulation”, and resent the idea of “maximal regulation”.

The (re)insurance industry faces challenges due to the adverse effects of the ways and means used to cope with the financial crisis. Central banks have maintained artificially low interest rates for a prolonged period. This is a major contributor to restore banks’ profitability, but penalises insurers’ profitability by sharply reducing investment income. The low interest rate environment which we are currently in could create additional problems for the (re)insurance industry should it be prolonged. And, if at the end, there is a brutal interest rate shock and potentially a return of inflation due to the excessive monetary creation, the insurance industry will suffer both on the asset side – because it holds a large amount of fixed rate public bonds – and on the liability side because increasing prices will affect the costs of claims especially for long tail lines of business.

What should be the right mentality for an insurance CEO?

There has been significant literature written about KYC: Know Your Client. In insurance, I believe one should focus on its KYR: Know Your Risk, and associate to it the right level of capital and reward. Risks are the insurance and reinsurance industry raw material that we transform. For me, everything starts for an insurance company by strictly defining its risk appetite. This is defined by the management, with the help of the Chief Risk Officer, and endorsed by the Board of Directors. Of course, once defined, a company has to strictly respect its risk appetite in all its business decisions.

Second, a CEO should anticipate the future, and create as many options and opportunities. We live in a world of shocks, and protecting a company against those shocks is absolutely critical. The protection should not be excessive, as it would reduce options and opportunities. It should be adequate, and reach the right balance between risks taken and rewards sought.

What are the key weaknesses of the insurance/reinsurance industry today?

What role do France and SCOR play in the industry globally?

We have deep European roots. SCOR is indeed a European company by status (Sociétés Européennes), and a truly global company by nature. Today, we generate less than 10% of our revenues in France, and operate in over 120 countries.

Moreover, we have put in place a “hub organisation” that makes us global: each of our six hubs (Cologne, London, New York, Paris, Singapore and Zurich) has a full local presence with senior executives on the ground, backed by large teams. Those hubs are autonomous and have direct relationships between each other. This enables SCOR to act as a local partner for our clients, while benefiting from a worldwide platform.

I have the pleasure of chairing the Reinsurance Advisory Board to discuss regulatory changes with the European Commission and the Global Reinsurance Forum created to better face regulatory changes on global, regional and local levels, and promote a stable, innovative and competitive market environment.

SCOR is celebrating its 40th anniversary this year. What key changes or developments can the industry expect from the company moving forward?

SCOR recently announced its three-year strategic plan for 2010-2013, called “Strong Momentum”. This plan is the fourth since 2002. SCOR has a tradition of saying what it wants to achieve, and achieving what it had said it would.

They key principles of this plan are that we want the company to:

- Optimize its risk profile by moderately increasing its risk appetite;
- Reach a higher level of security and offer our clients a “AA” level of security; and
- Increase profitability by targeting a return on equity of 1,000 bps (10%) above risk free rate. We believe these are ambitious, yet realistic targets, which will frame our action in the next three years, which are likely to remain turbulent and demanding.

We are confident of the growth capacity of the Group: be it based on its existing perimeter, or on new initiatives we will undertake over the planning period. Altogether, we have identified 10 initiatives that will enable SCOR to spread further its wings, and offer attractive, value-adding propositions to our clients.

In 2008, SCOR entered Brazil and China. What are your plans for these emerging giants? What is your view of the opportunities they are said to have, particularly China? Do they live up to the hype?

SCOR has been supporting the Chinese insurance sector for more than 35 years. China has indeed been a key market for SCOR for a long time now. We obtained a P&C licence in 2008 and in April 2010, SCOR obtained a composite reinsurer licence, enabling it to add life & health reinsurance services to its existing non-life operations. China is a very promising market, and we have been very happy operating in this market, even though it has still some challenges to meet, notably in terms of profitability and risk management. Competition is fierce today, and I wish that the market restores its long-term profitability. I have been myself a keen visitor of China for a long time, and chaired the China-France Committee.

Is there any plan to expand your presence in India beyond having a representative office? What is your view of the opportunities there?

We have a small team on the ground in India, generating significant volumes of business. We are actually the second reinsurer in India after the state-owned company, GIC. India is absolutely key to our Asian presence, and we intend to keep the focus we have been having there for quite some time now: it is a market we enjoy working with.

What are the key challenges of operating in Asia for a European reinsurer like SCOR?

SCOR operates on a longstanding, deeply-anchored business model: it builds relationships with clients for the long term. One of SCOR’s cornerstones is “franchise”. This is a value we fully share with our Asia Pacific clients. SCOR has been operating in this continent for decades, and we have developed a set of unique relationships with longstanding clients.
SCOR bought XL Re Life America last year. Are you looking at similar opportunities in the Asia Pacific region?

SCOR made several successful acquisitions in the past four years. We have demonstrated our strong integration track record, and the Group today still reflects very much this history: we have kept the teams, retained talent all over the world, and more importantly, we have kept the clients!

SCOR sees tremendous growth opportunities in its core business, reinsurance. Those opportunities can be seized organically, as well as through acquisitions. We are not dogmatic, and will follow the route that we view as the most appropriate for our clients, employees and shareholders. We will not depart from the three key principles we have announced with our new strategic plan, “Strong Momentum”: optimised risk profile, higher security, and increased profitability.

This applies to the Asia Pacific region, as much as to any other region in the world.

SCOR operates in more than 120 countries worldwide. Where does Asia stand in terms of how much business it brings to the company, relative to other regions?

In 2009, Asia represented around 10% of our gross written premiums. Life reinsurance represents 7%, while it was only 4% three years ago. P&C reinsurance represents 11%. Given the strong growth witnessed in this region, this contribution should increase significantly over the long term. I personally believe in the tremendous growth capacity of this region!