September 11 “I remember”

“An act of war in peacetime”

By Denis Kessler

On September 11, 2001, just like every other year at the same time, the insurance and reinsurance world had gathered at Monte Carlo. A round table in which I took part that morning had an optimistic tone, no doubt buoyed by the exceptional brightness of the post-season day. I was returning from my traditional lunch in Eze with an Italian reinsurer – who is also a close friend – when we learned together of what was still being referred to as the “accident”. When we arrived at the Hôtel de Paris, we learned that the second tower had just collapsed. A journalist held out a microphone to me and asked: “How much will motor and home insurance premiums increase in France after these attacks?” I replied that his question was obscene.

In Monte Carlo, the atmosphere was one of total crisis, with the 3000 conference participants exchanging the rare scraps of information available other than the horrifying images of the two collapsing towers, which were shown on a loop. Everyone was weighing up the historic import of these events that had hit the world in general and the insurance and reinsurance industry in particular. Emotions were at a peak, particularly as the World Trade Center (WTC) housed a number of insurers and brokers (Towers, Marsh, Aon, etc.), of whom we had no news. At 6pm, everybody gathered at the traditional SCOR cocktail evening, in an atmosphere of apocalypse. More than 150 SCOR employees worked on the 23rd and 24th floors of the second tower of the WTC, and all communications with the US were down. The American insurers present wanted to head home immediately, but all air travel to the United States had been suspended. The events that had been organised were of course cancelled.

In the hours that followed, some learned of the disappearance of loved ones and colleagues, while others finally managed to contact theirs. Thanks notably to the presence of mind of SCOR’s human resources director, all the employees of the Group to which I would be appointed as chairman a year later were safe: they had descended the 23 floors while the tower was still on fire and had run as far as possible from the unfolding drama.

We learned that SCOR had just undertaken, several weeks earlier, to insure 10% of the WTC for a total amount of USD 3.4 billion per event. We did not know at the time that a jury would later decide there had been two events...
September 11, 2001 had major consequences for the reinsurance industry. The financial markets collapsed, revealing an unprecedented connection between shocks to assets and liabilities. We were entering a new era of extreme risks. Two weeks after the attacks, I presented to Laurent Fabius, Minister of Finance and the Economy, an original new facility to cover the risk of attacks, based on a public-private partnership. The pool, Gareat, which has the unlimited coverage of the French State, was created in December 2001, and the market returned to its normal operations.

The direct costs of the September 11, 2001 attacks were estimated at USD 50 billion, borne for the most part by insurance and reinsurance. The indirect costs were even higher. To avoid a recession, monetary policy would become accommodating and would directly contribute to the debt bubble at the root of the current financial crisis. Meanwhile deficits would grow larger, particularly as a result of military spending. Ten years later, we are still suffering the consequences of September 11.

In 2001 Denis Kessler was Chairman of the French Federation of Insurance Companies (Fédération française des sociétés d’assurance). He is currently Chairman & CEO of the SCOR group.