

SCOR Annual Conference

3 & 4 October 2019

The acceleration of Hubs, Networks & Connectivity

How to ensure sustainability of insurability and its development?

Opening Remarks

Laurent Rousseau

Deputy-CEO of SCOR Global P&C

Navigating the title of SCOR Global P&C's 2019 Annual Conference

Looking for the common thread

“

The Acceleration of Hubs, Networks and Connectivity

how to ensure the sustainability of insurability and its development

“



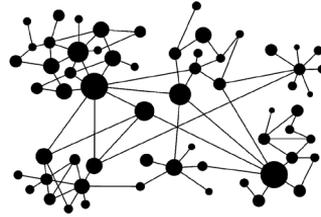
- Linking key economic and business themes to the business of reinsurers
- Unpacking a few key concepts

How Networks work: how to characterize networks?

Interconnected systems of people or things

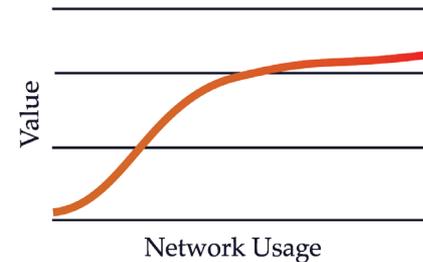
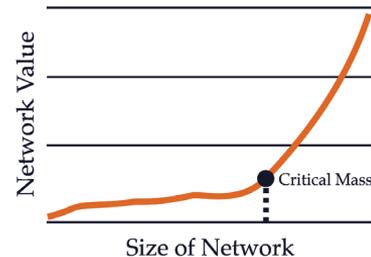
Shape of a network:

- Clustering: homogeneity / irregularity
- Density
- Directionality



Value of the network:

- Exponential (Critical Mass) ... to... Asymptotic



SCOR Global P&C has identified 3 major themes at the heart of economic and (re)insurance activity



Hubs, Networks & Connectivity

Traditional Networks...

- Growing hubs
- Accelerating Real-time connected networks
- Increasingly volatile geopolitical environment
- Increasingly fragmented and interconnected supply chains



Intangible Economy

... transformed by Technology

- Dematerialization of “old” industries
- Growth of “new” industries
- Intangible assets’ growth,
- Automation and robotics
- Emergence of new vulnerabilities



Sustainable Development & Energy Transition

... and managed in a sustainable way

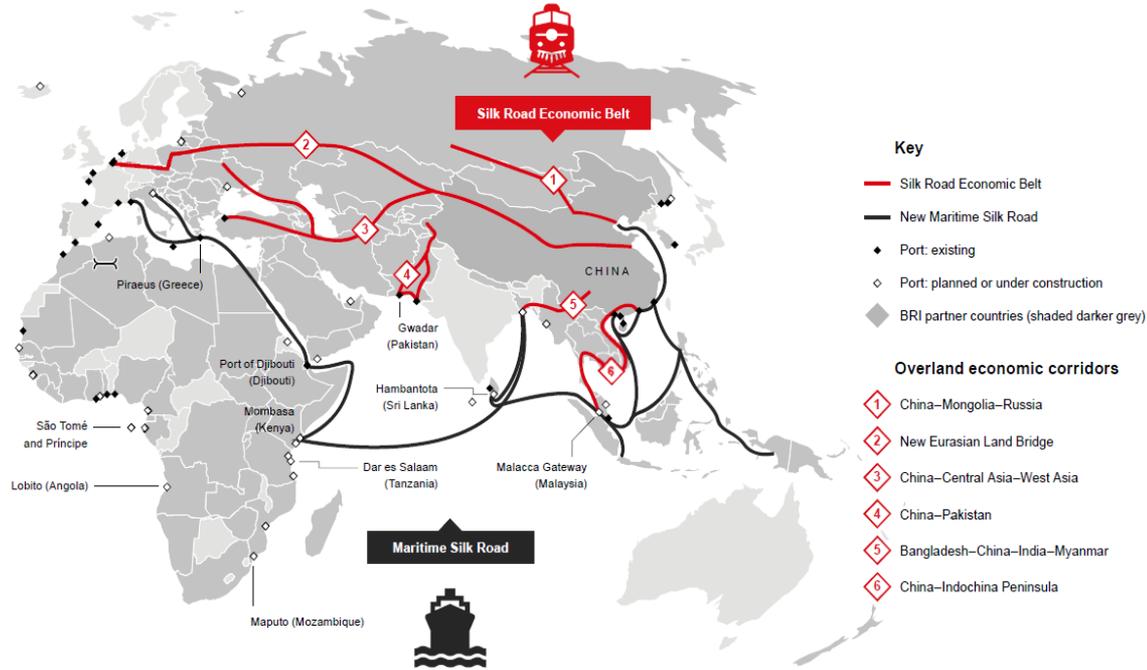
- Accelerating climate change
- Changing demographics
- Pressure societies’ stability pillars: Food, Water, Health, Energy, Infrastructure
- Increased focus on “way of doing things” (Corporate & Social Responsibility)

The Conference will cross these 3 themes in a consistent manner



Traditional “brick & mortar” infrastructures

Belt and Road economic links and corridors



“We have agreed to act on the principles of high standard, people-centred and sustainable development, align our cooperation with universally accepted international rules and standards, follow the philosophy of people-centred development, and pursue coordinated progress in economic, social and environmental dimensions »

Xi Jinping,
Press Conference of The Second Belt and Road Forum for
International Cooperation, 27 April 2019

Technology has given a new dimension to “Networks effects”

A key driver of financial value

Stock Market valuations: « creative monopolies¹ »?

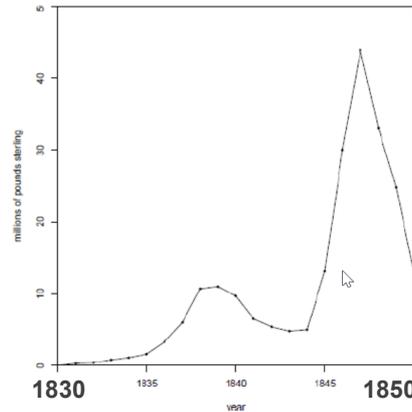
- Driven more by intangible than tangible assets...
- Facebook, Amazon, Netflix, Google



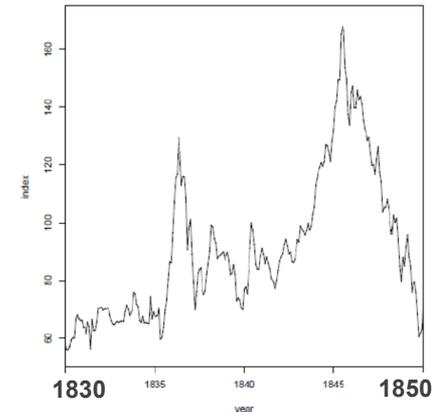
Network & Herd effects²:

- Investors value expected growth of network-driven companies
- Mathematics’ “Avalanche effects”

British railway capital investments



Index of British railway share price



1) Peter Thiel, [Zero to One](#)

2) A. Odlyzko, [Collective hallucinations and inefficient markets: The British Railway Mania of the 1840s](#)

The sustainability imperative

Generating (re)insurance underwriting opportunities

- Education & Information
- Sustainable Finance
- Social infrastructure & Services

- Renewable Energy
- Green Building
- Mobility



- Water
- Agriculture & Forestry
- Recycling & Environmental Management

- Access to:
- Healthcare & Sanitation
 - Access to Nutrition
 - Access to Energy

A number of insurance product opportunities stem from these 3 key themes



Hubs, Networks & Connectivity

- Infrastructure & Construction
- Marine
- Political Credit Risk
- Cyber
- Supply-chain vulnerability



Intangible Economy

- From Property towards Liability
- New risks: cyber, reputation, residual value, Intellectual Property
- Parametric triggers and structured solutions
- From post-loss surveys & settlements to loss scenarios & pre-loss crisis management plans



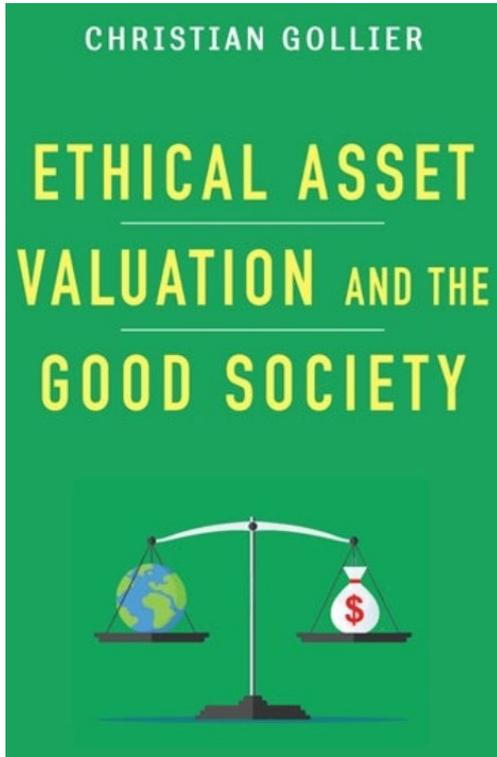
Sustainable Development & Energy Transition

- Natural Catastrophe events
- Accompany energy transitions
- New insurance buyers: NGOs, MLIs¹
- Rise of Corporate, Social Responsibility criteria
- Environmental Impairment Liability

A number of presentations and roundtables in the coming 2 days will be addressing these insurance products

Reinsurers reconcile the short term with the long term

My current reading



□ The book:

- Discount rates define the time value of money
- Financial markets value assets on short term rates, while societal welfare relies on long-term trends: « *most people use short term price signals to evaluate actions with very long-term impacts* »
- « *Reassessment of asset pricing theory, with a strong focus on sustainable development... deeply rooted in public choice theory, welfare economics, and decision theory* »

□ The SCOR Conference:

- (Re)insurers deliver value to clients and society by focusing on strengthening human and economic activities' sustainability
- (Re)insurers create social value by carrying long-term liabilities, whose value is deeply connected to the state of the planet, nature, and human beings...
... and yet deliver sustained returns to shareholders
- Reinsurers' deep expertise in data analysis, risk modelling and risk transfer solutions, as well as their shock-absorbing capability and fundamental function of pooling risks to optimize diversification benefits, ideally positions them to promote insurability and bridge the "protection gap"