



## ***SPOTLIGHT***



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### **What is the biggest challenge facing the industry in the next decade?**

The ongoing technological developments – such as artificial intelligence (AI), robots, e-processing, big data and multi-cloud – represent the biggest challenge facing the industry, even though they also create opportunities. They will have far-reaching consequences for (re)insurers.

First, the development and deployment of these new technologies will create new ‘intrinsic’ risks and hence deeply transform our risk universe. I am thinking in particular about the significant rise of cyber risks.

Second, new technologies will fundamentally change the way we *produce* (re)insurance. There is no part of the risk-to-capital chain that won’t be fundamentally altered by these new technologies over the long term, from risk knowledge and modelling to product innovation, distribution, customer experience, underwriting, fraud detection and claims processing. This will result in a positive shift in the (re)insurance industry’s efficiency frontier. Of course, this rise in the sector’s efficiency may eventually have deep consequences in terms of the redistribution of market positions. Adaptability and timely investment in technology are key factors of competitive positioning, especially since the sector may be shaken by agile and nimble newcomers that are not encumbered with the legacy and transitional issues faced by large incumbent companies. The industry is subject to increasing contestability from new players surfing the “technological wave”.

Third, these new technologies – by completely redefining how data is accessed and processed – will transform the way in which (re)insurance supply and demand are matched, both quantitatively and qualitatively. They will enable far wider, more dynamic observability and monitoring, making information available and processable from multiple sources on a highly granular basis, at virtually no cost. These fundamental changes in terms of data collection and

processing capabilities will be a quantum leap for the sector. They will significantly reduce information asymmetry between insurers and insureds, to a large extent preventing strategic behaviors – and rendering the historical concepts of moral hazards and adverse selection quasi obsolete –, they will facilitate access to (re)insurance from multiple platforms and enhance risk knowledge, but they will also improve comparability, resulting in fiercer competition between (re)insurers. Finally, new technologies will lead to a greater congruence and a dynamic adjustment over time between risk and the terms and conditions – or even the price paid – for the insurance coverage of that risk.

The (re)insurance industry will ultimately benefit from this technological revolution. But coping with this major disruption requires timely adaptation and innovation, which means embracing and integrating these new technologies by investing in tools and technology. Openness to change should run deep within both individual companies and the industry. This also means that (re)insurance professionals need to learn how to work alongside these new technologies, which will inevitably affect the way in which they perform their duties.

**What advice would you give a young professional in the industry?**

(Re)insurance is first and foremost a knowledge-based industry. An extremely sophisticated, technical and scientific industry. So, my advice to a young professional would be to “invest” in knowledge, *lato sensu!* Be curious. Never stop questioning. Keep reading, learning, training and exploring. Be mindful of scientific progress and technological advances. Invest to understand the ever-changing risk universe!

A (re)insurer is in sync with all the dimensions of its environment, it is plugged in and reacts to everything that happens in the world. We are attuned to everything, and we must manage the risks and seize the opportunities offered by this constantly evolving and increasingly complex and protean world. This evolution requires constant learning, and inherently creates a lifelong learning process. Given the increasing interaction between reinsurance and the financial world, a young professional should also pay attention to the various financial markets. All of this certainly makes (re)insurance a fascinating industry.