

**14th India Virtual Rendezvous 2021**

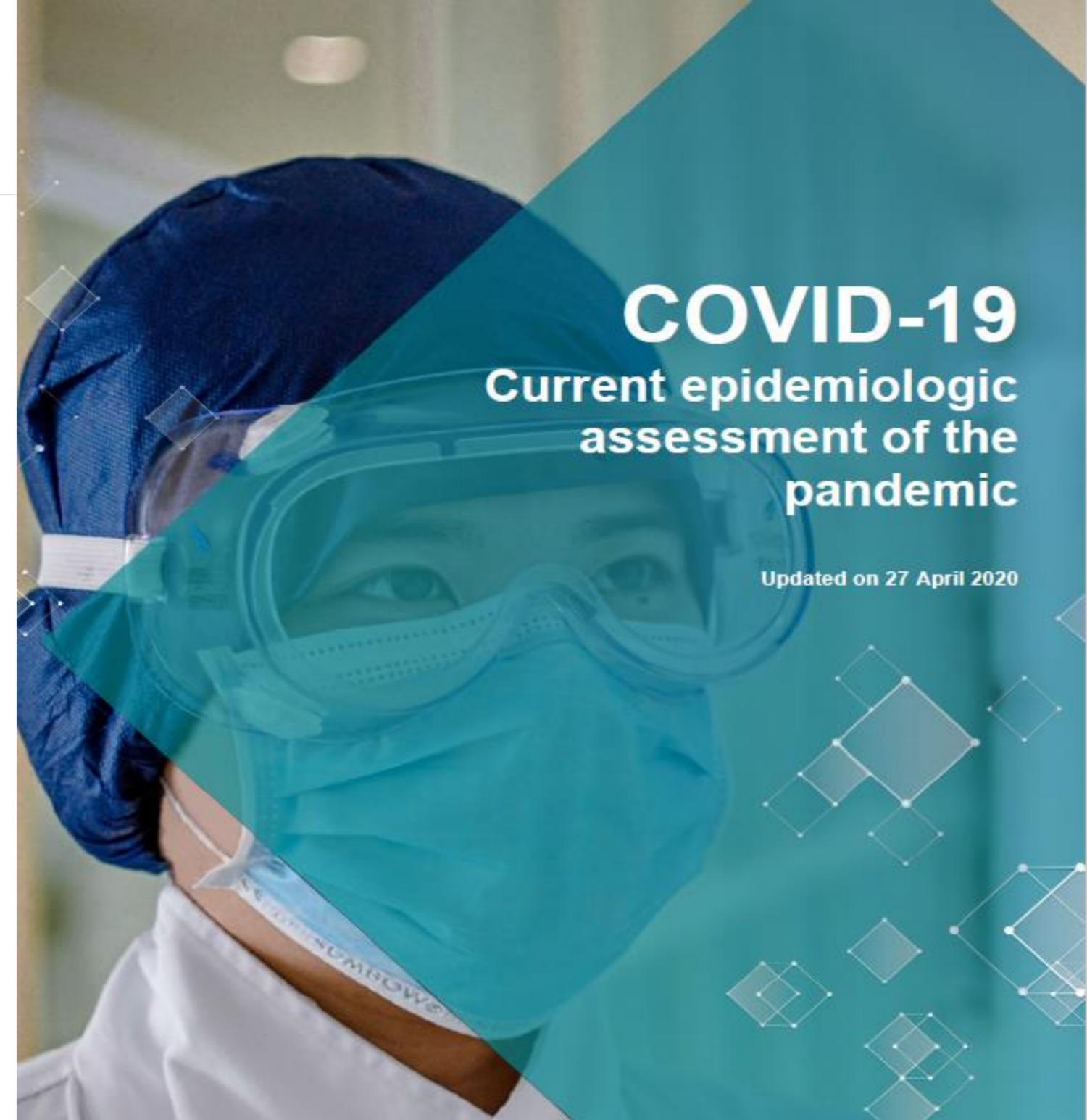
January 20, 2021

***Recap on 2020  
&  
Outlook for the next  
decade***

**Laurent Rousseau  
Deputy-CEO of SCOR Global P&C**

## Recap on 2020

How has the virus shaped the world in 2020?



**COVID-19**

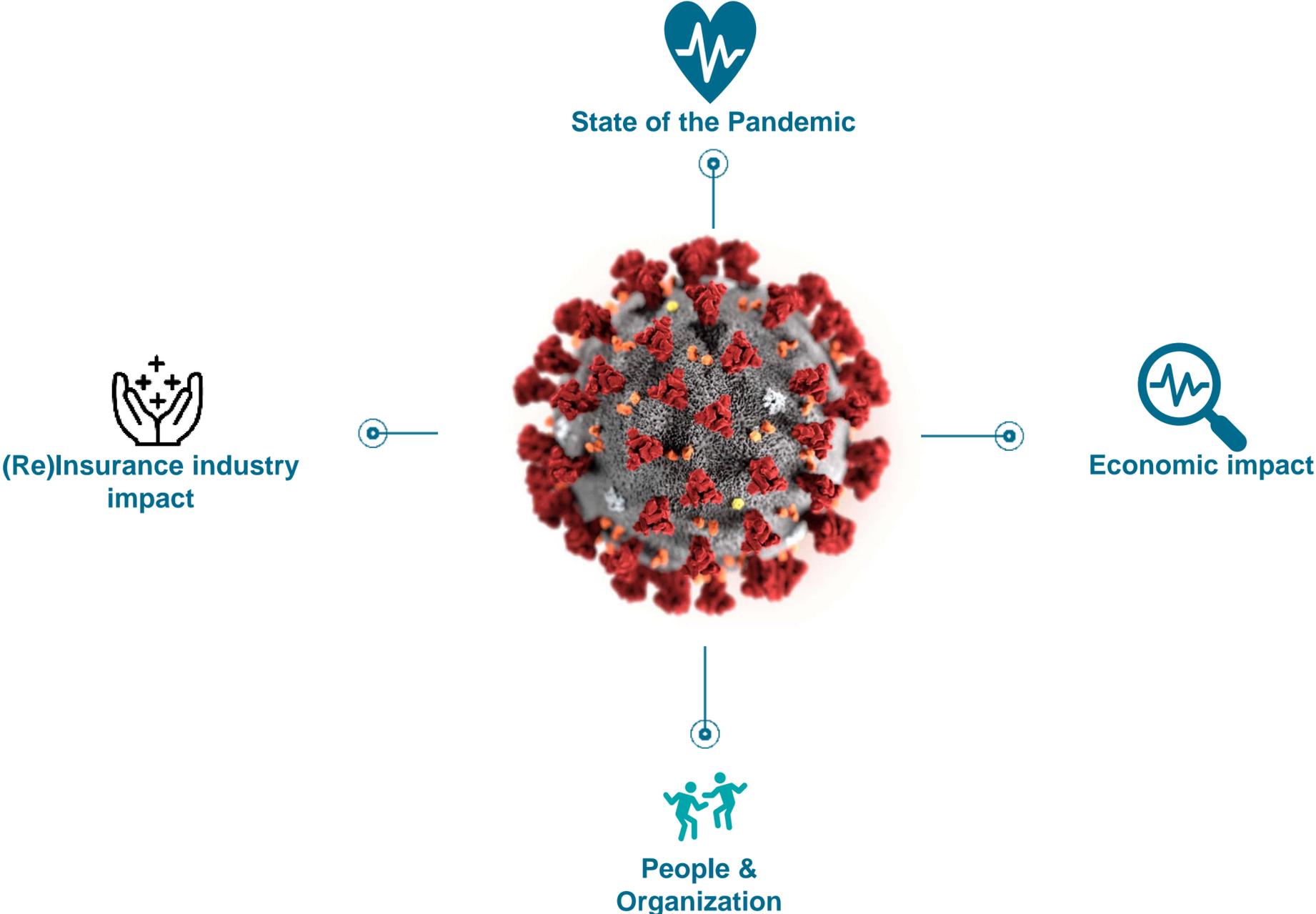
Current epidemiologic  
assessment of the  
pandemic

Updated on 27 April 2020

**[CLICK HERE](#)**

to access our regularly updated memo on COVID-19

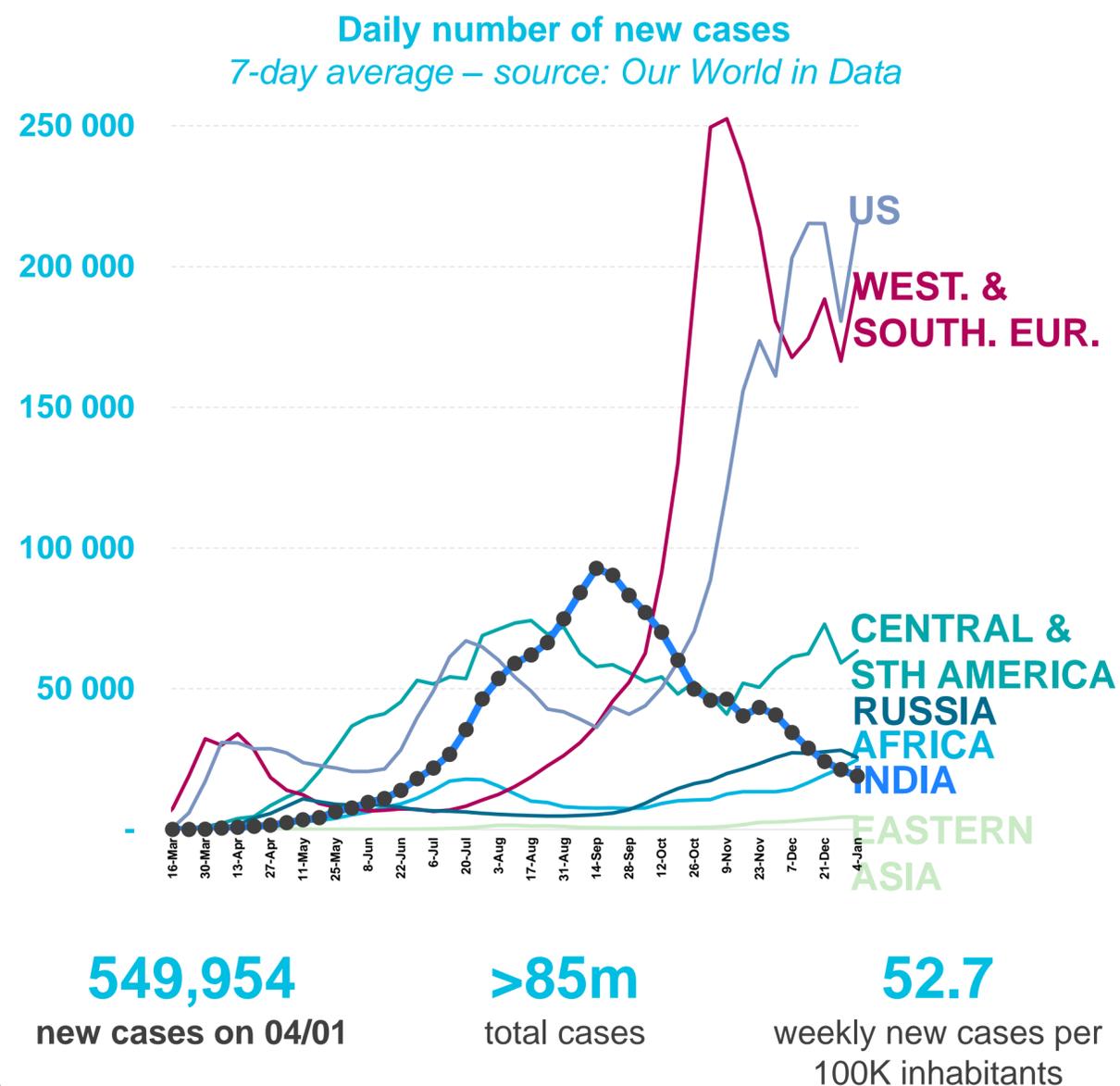
# How has the virus shaped the world in 2020?



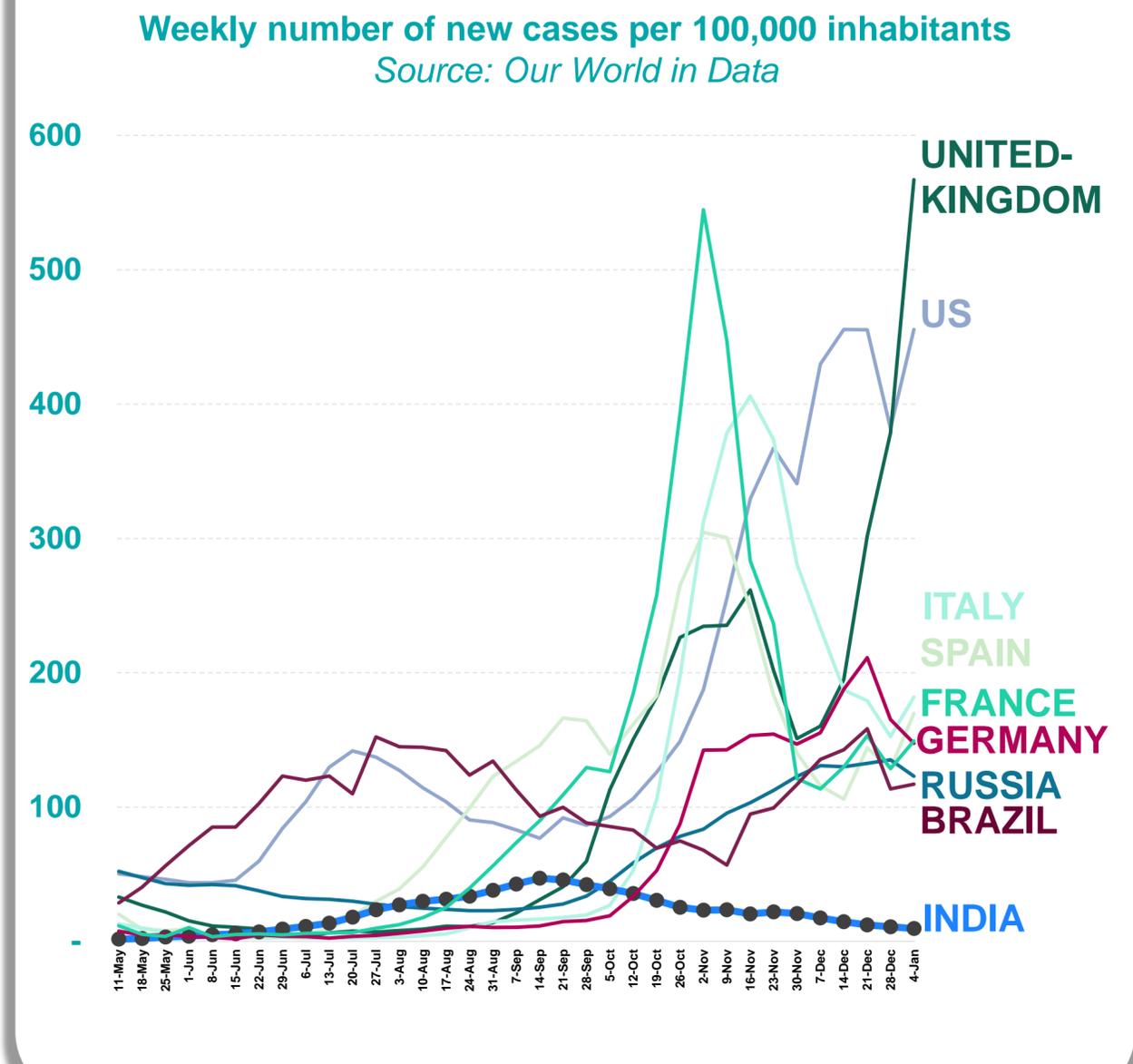


# More than 85 million confirmed cases have been reported globally since the beginning of the pandemic including more than 1.8m deaths

## NEW CASES BY REGION



## INCIDENCE RATE BY COUNTRY



Around 550K new COVID-19 cases were reported globally on January 4th (**620K on a weekly average**). After having reached what looked like a plateau around the Summer, the number of new cases has started to increase again, mostly linked to the deteriorating situation in the US and Europe, now representing ~34% and 35% of global new contaminations, respectively.

The UK currently clearly stands out as the area where the pandemic is the most dynamic, which might be due to the lately detected mutation of the virus that has made it more contagious.

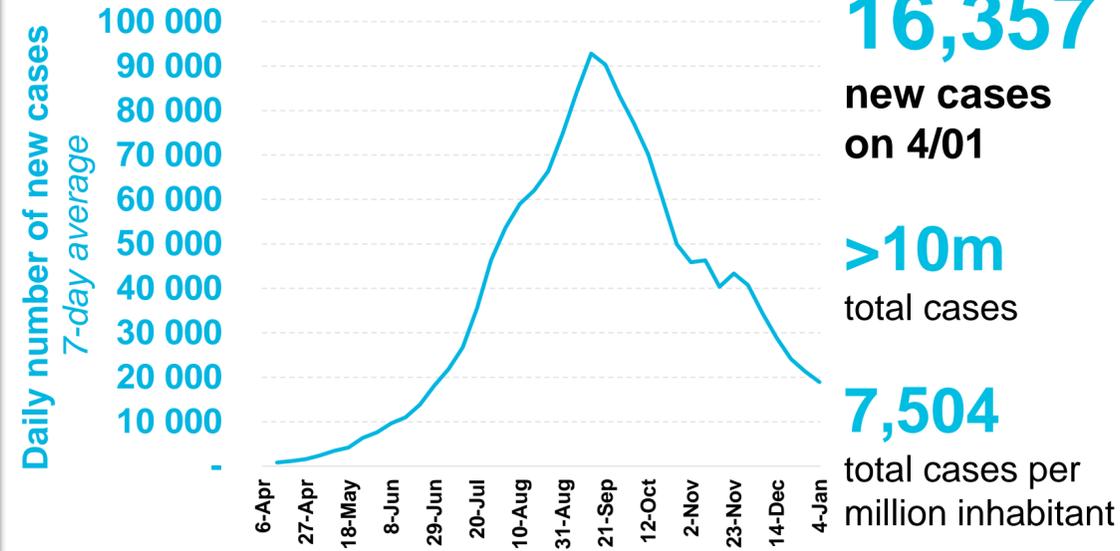
Contaminations in other European countries remain at a high plateau.

# In India, the pandemic has been losing steam since beginning of September

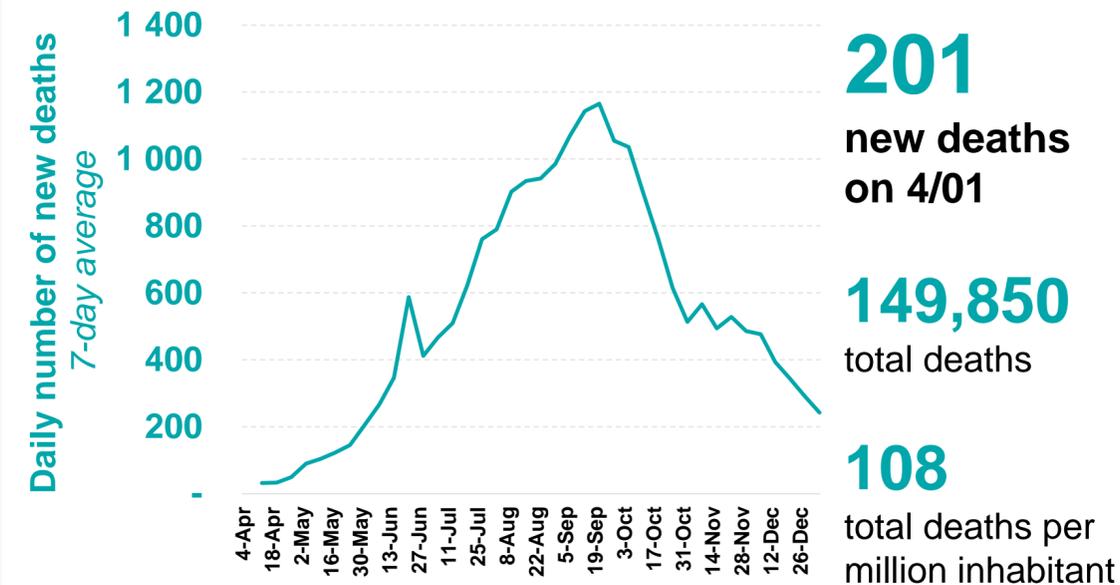


State of the Pandemic

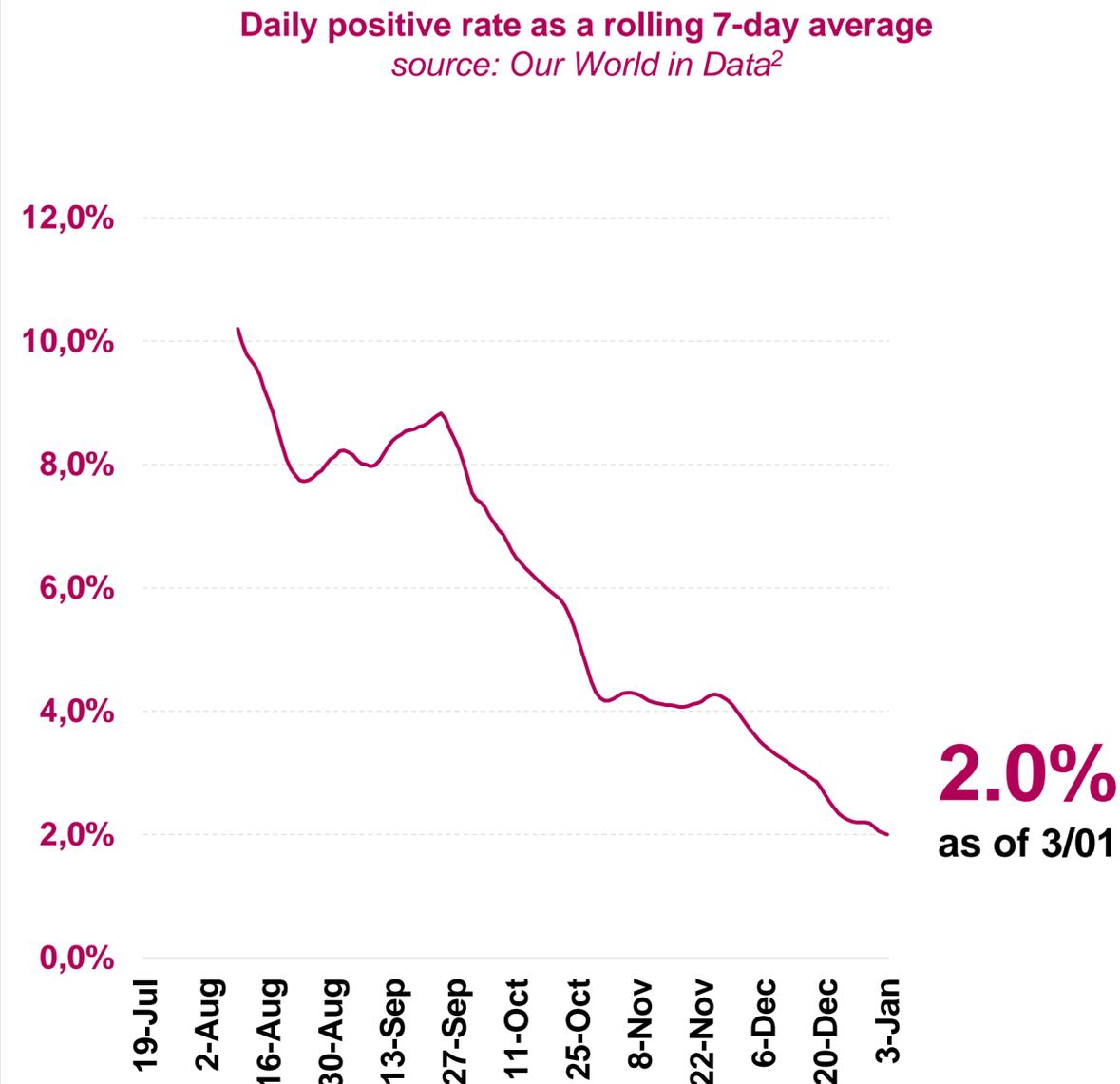
## CASES<sup>1</sup>



## DEATHS<sup>1</sup>



## TESTS POSITIVITY RATE



The tests positivity rate stands at 2.0% on January 3<sup>rd</sup>, decreasing since mid July, which suggests that **the pandemic is more and more under control.**

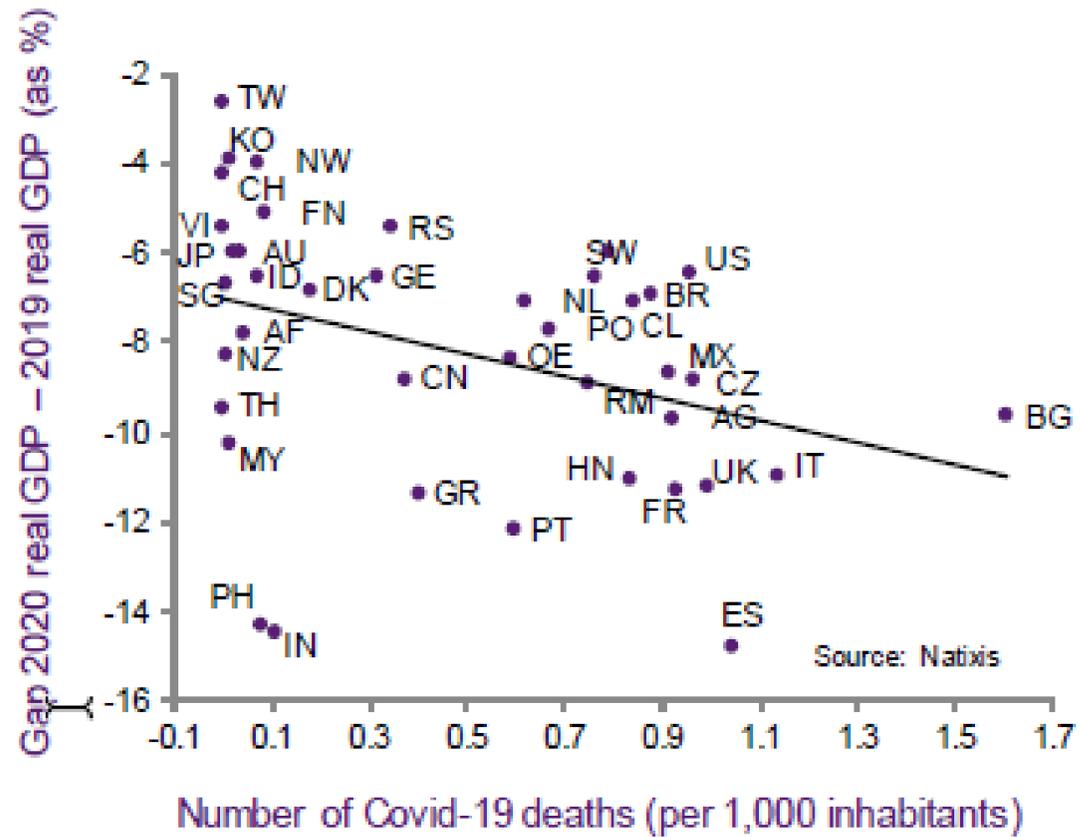
With close to 10m total cases, India remains the **2<sup>nd</sup> country the most affected in the world** after the US (although the number of cases per million inhabitant remains comparatively low).

The number of deaths per million inhabitants currently remains one of the **lowest worldwide**, at least amongst the countries the most affected, standing at 108 (vs. 236 on a global average and 1,112 in the UK for example).

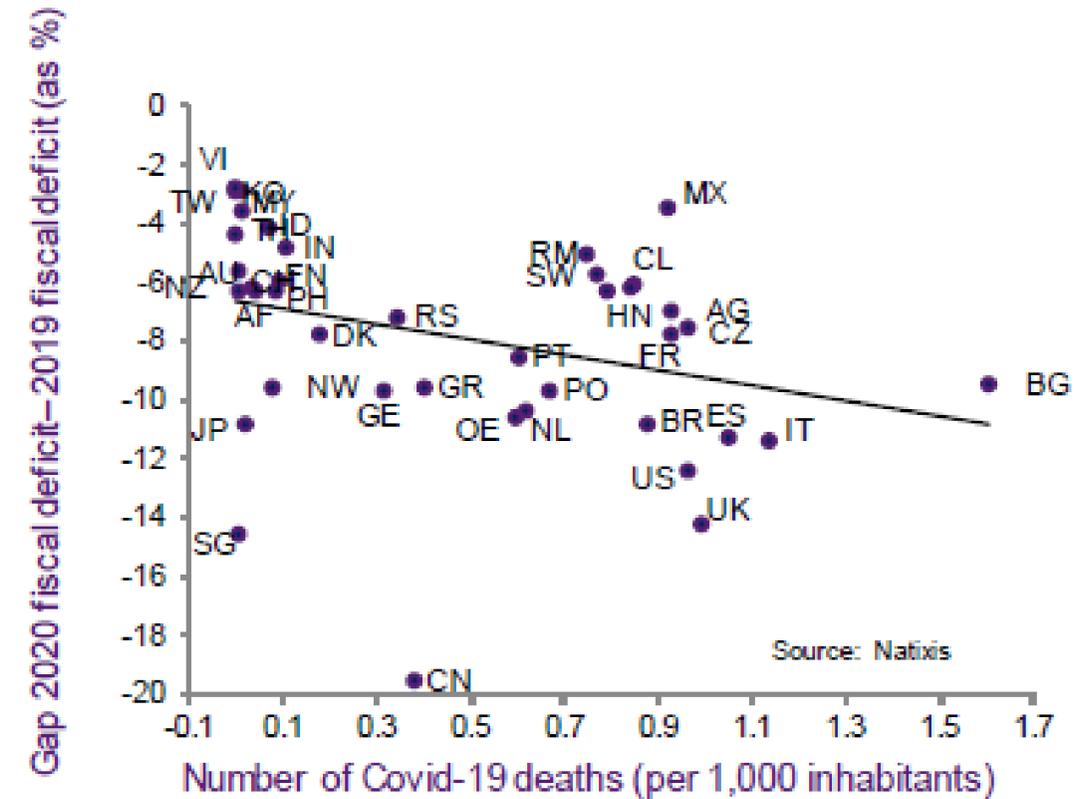


# Understanding there is no conflict between health and the economy

## Number of Covid-19 deaths and real GDP gap



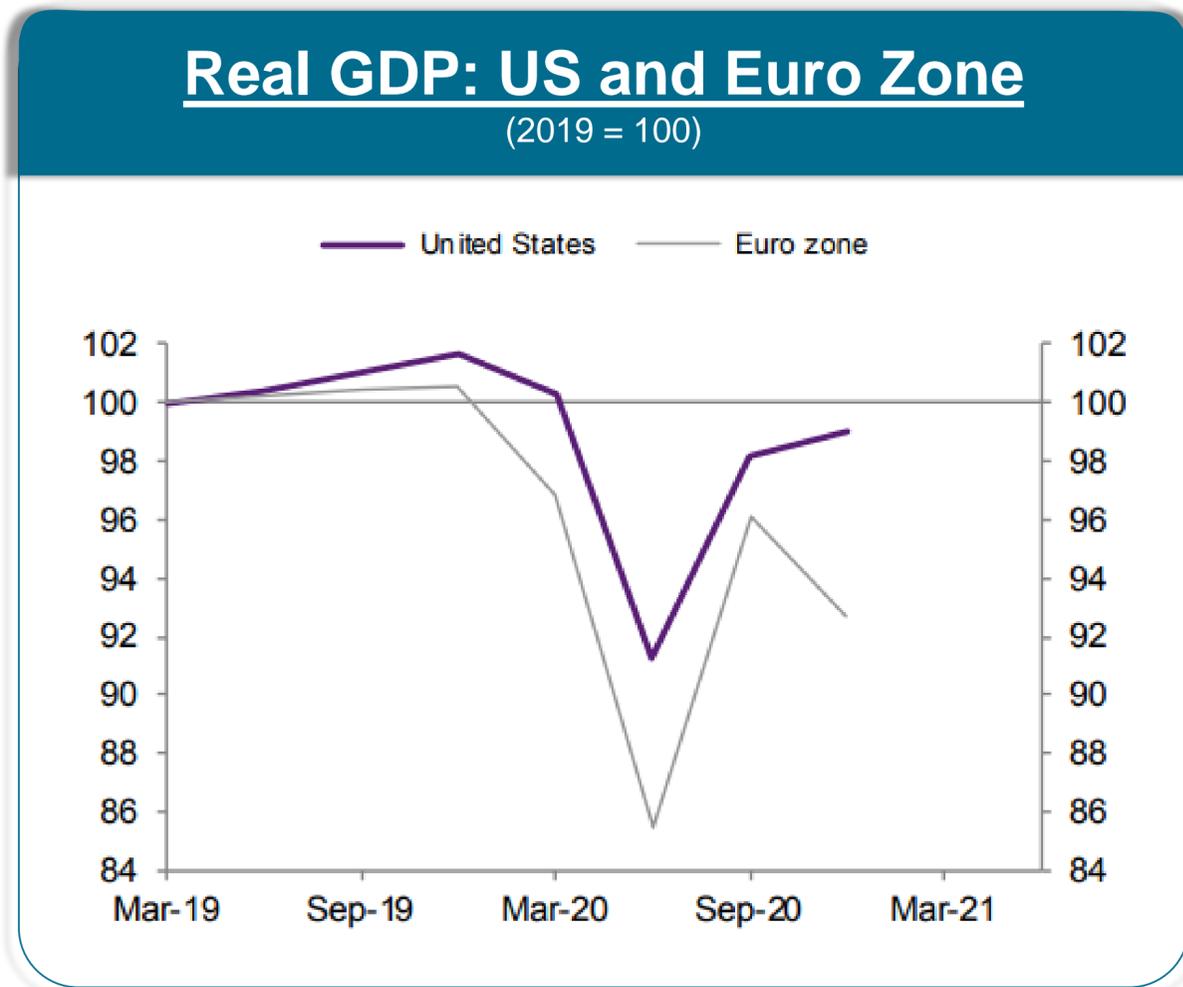
## Number of Covid-19 deaths and fiscal deficit gap



- The above shows that **health and the economy are complementary**: the countries with the fewest deaths from COVID are also the ones that have lost the least growth and have been the least reliant on fiscal deficits.
- Contrary to what is often claimed, a higher number of COVID cases does not need to be accepted in order to save the economy



# When will the economic recovery really begin? As opposed to the US and Europe, Asia is already growing again

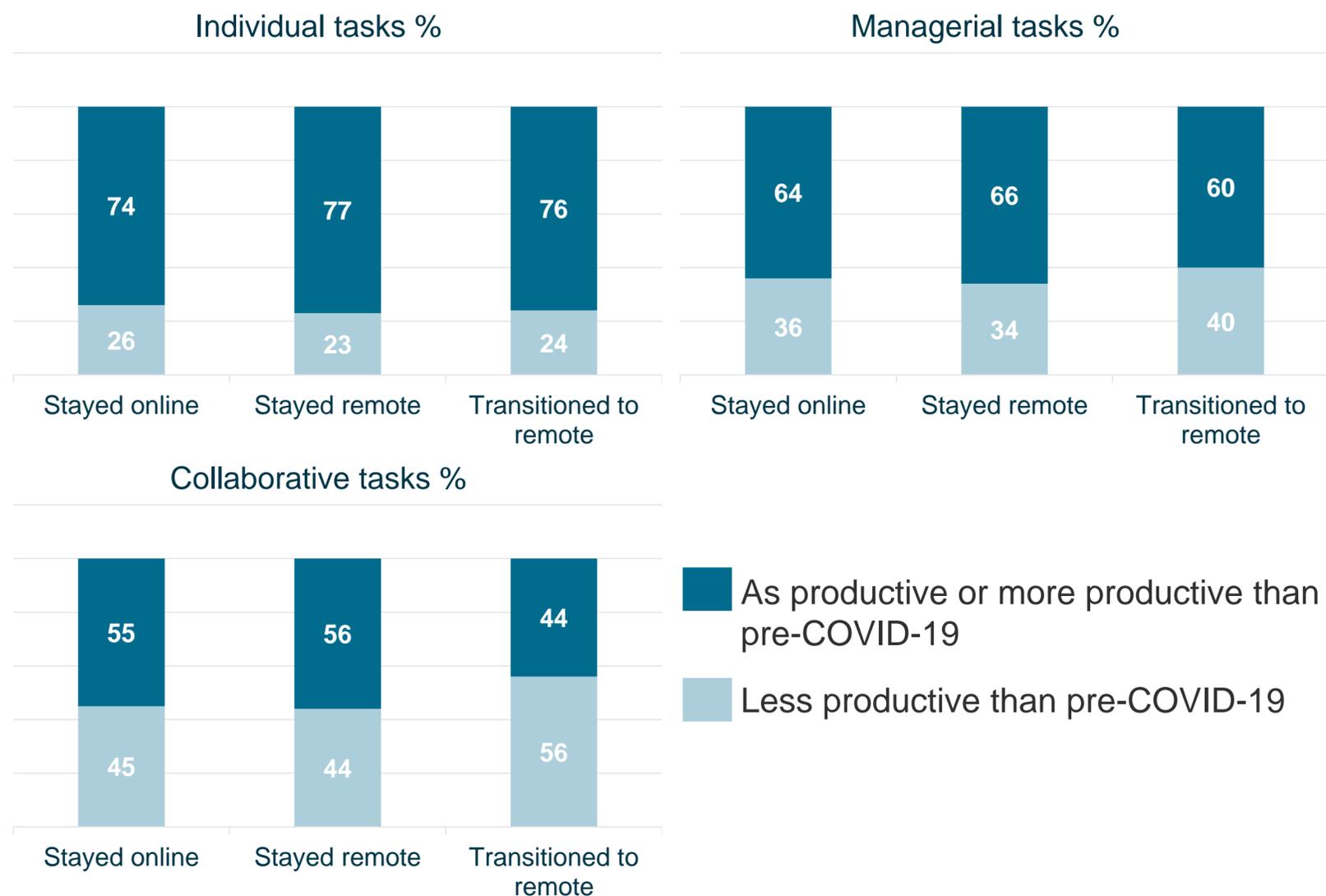


In the United States and Europe, it would appear that, at best, herd immunity will be reached in the summer of 2021, which would point to a first half with a still troubled economy ...

... while in Asia, on the contrary, the economic recovery began in Q2 2020 as the pandemic was already under control

# Working from home uncovered many opportunities, and increased risks

## Work from home and efficiency: not a one size fits all<sup>1</sup>



## Cyber attacks on the rise<sup>2</sup>

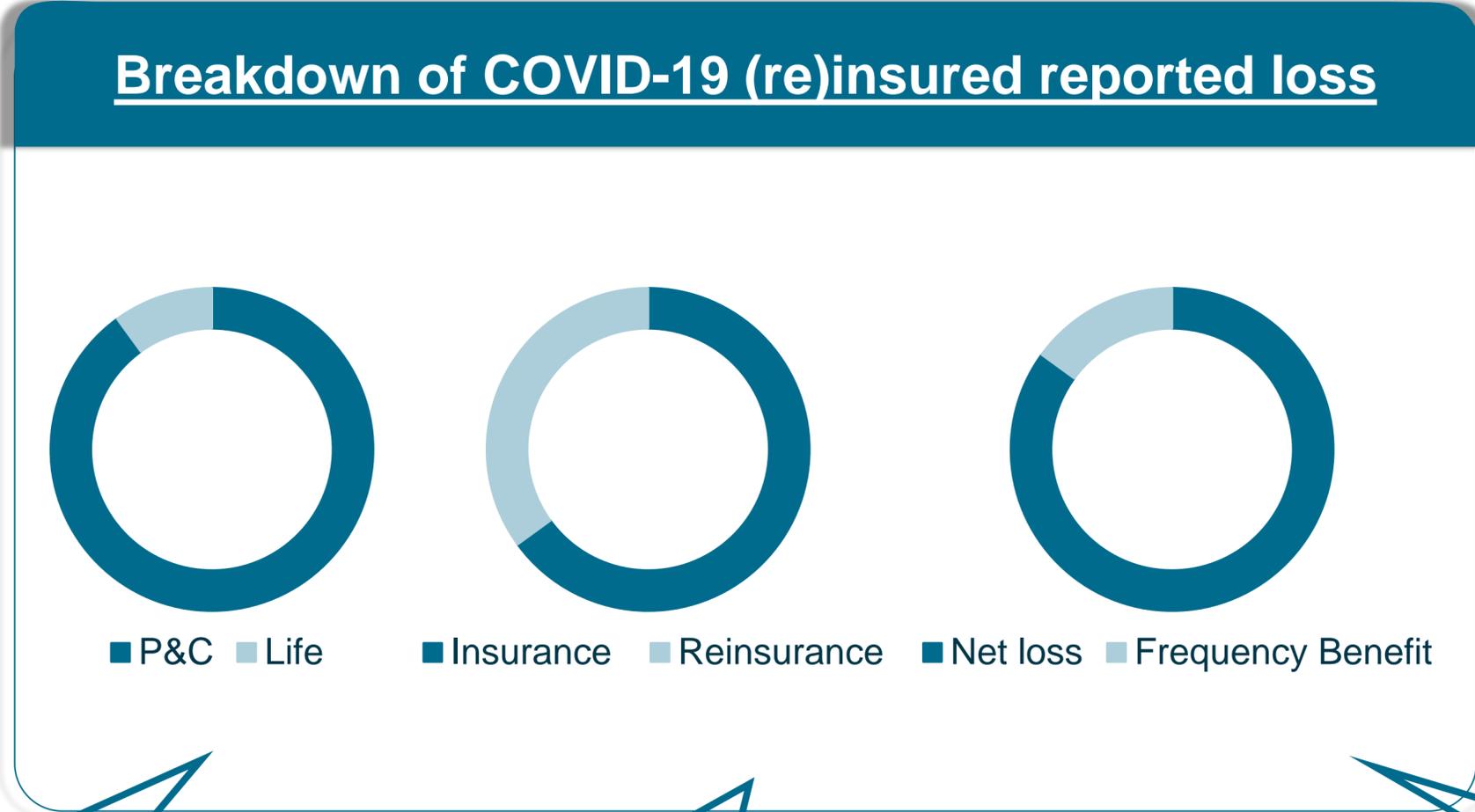


Ransomware attacks:  
x 7



Covid themed emails:  
40% are spam

# The Covid-19 pandemic looks set to be much more of a P&C shock than a Life shock in terms of estimated claims



*This is the biggest 'surprise' of the crisis, because it's the exact opposite of what, broadly speaking, had been anticipated and modelled for pandemic risk!*

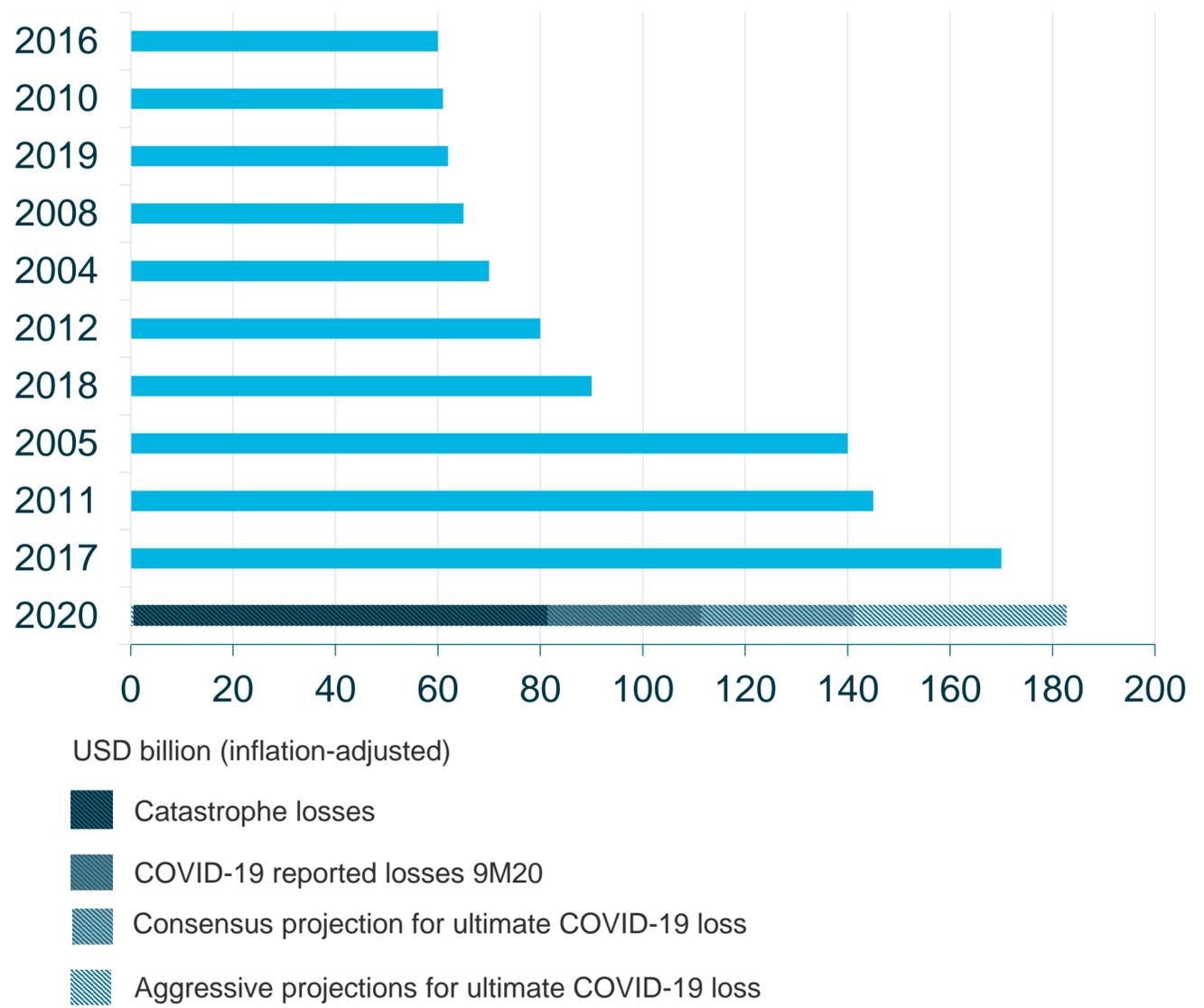
*The Pandemic is still at work – full effects and contractual responsibilities are a complex matter – resolution will take years*

*Difficult to distinguish for a global, systemic crisis what is due to the strict Covid impact*

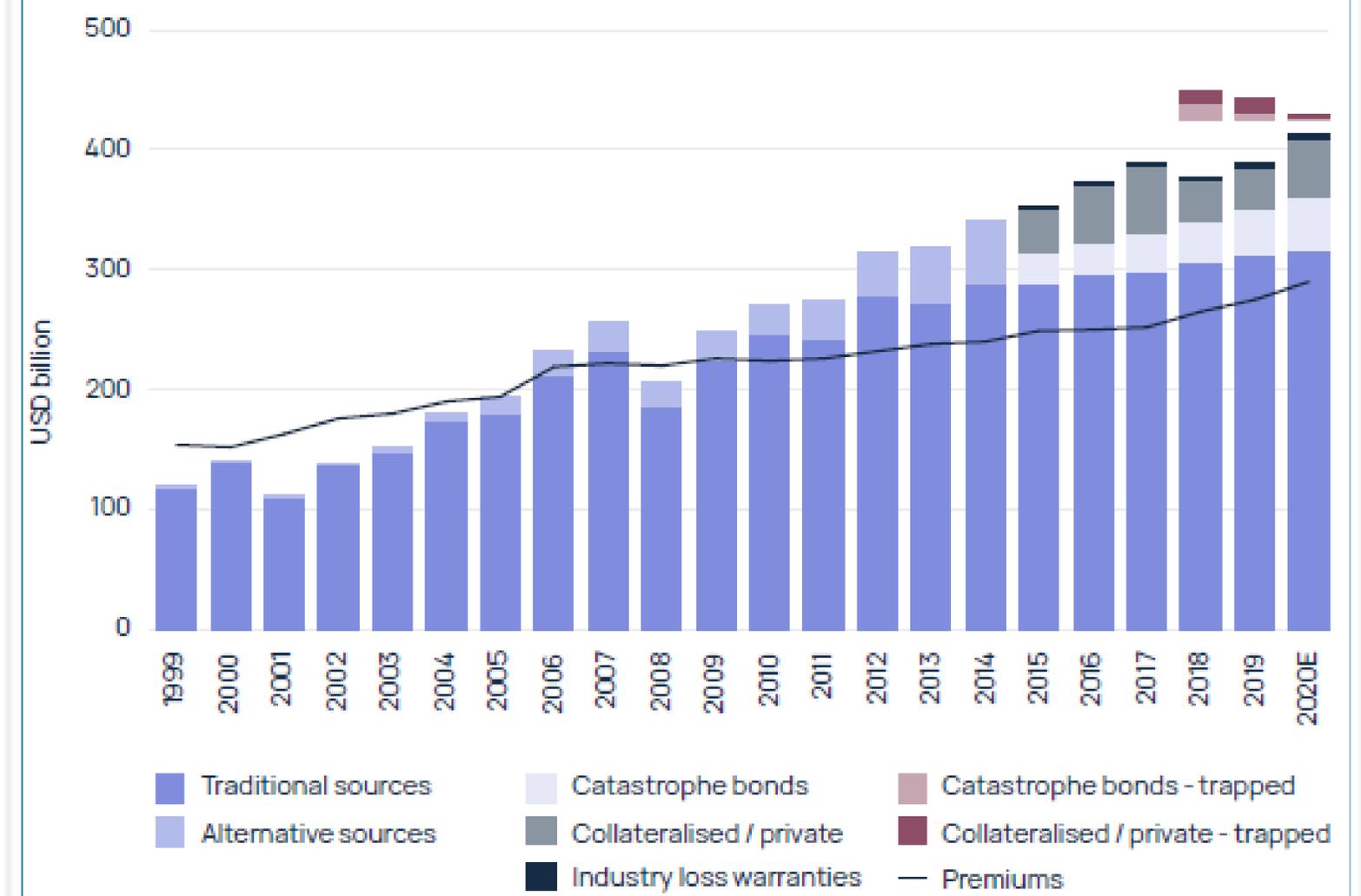


# The Reinsurance industry is playing its shock-absorbing role...

## Over the past few years, cat losses have been exceptionnally high ...



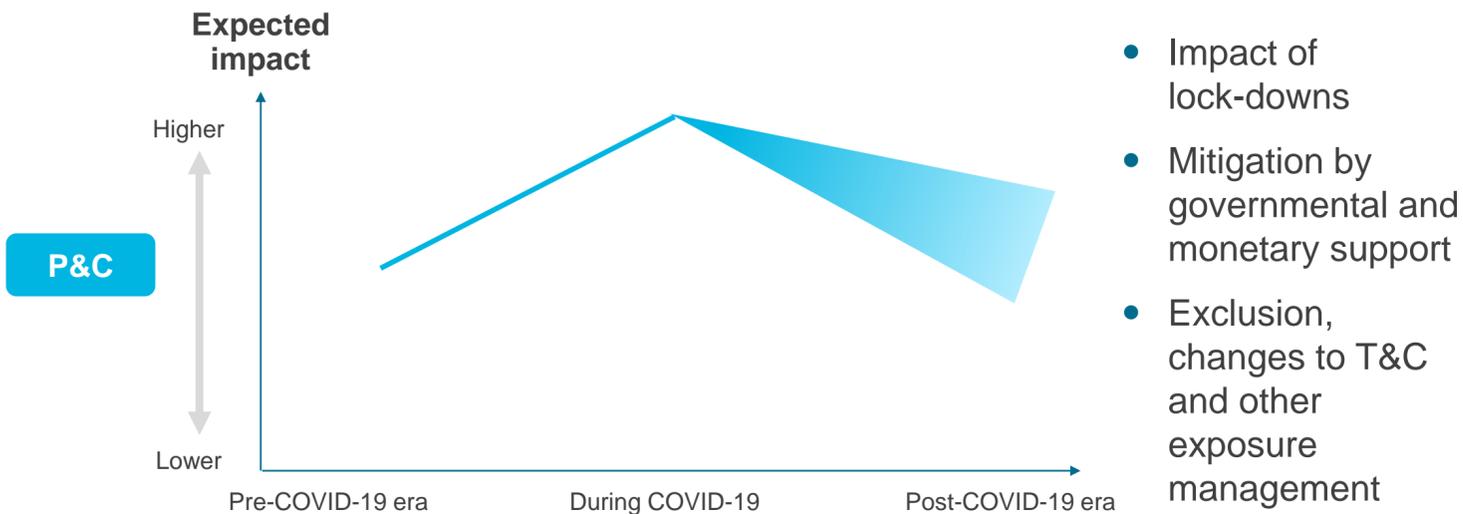
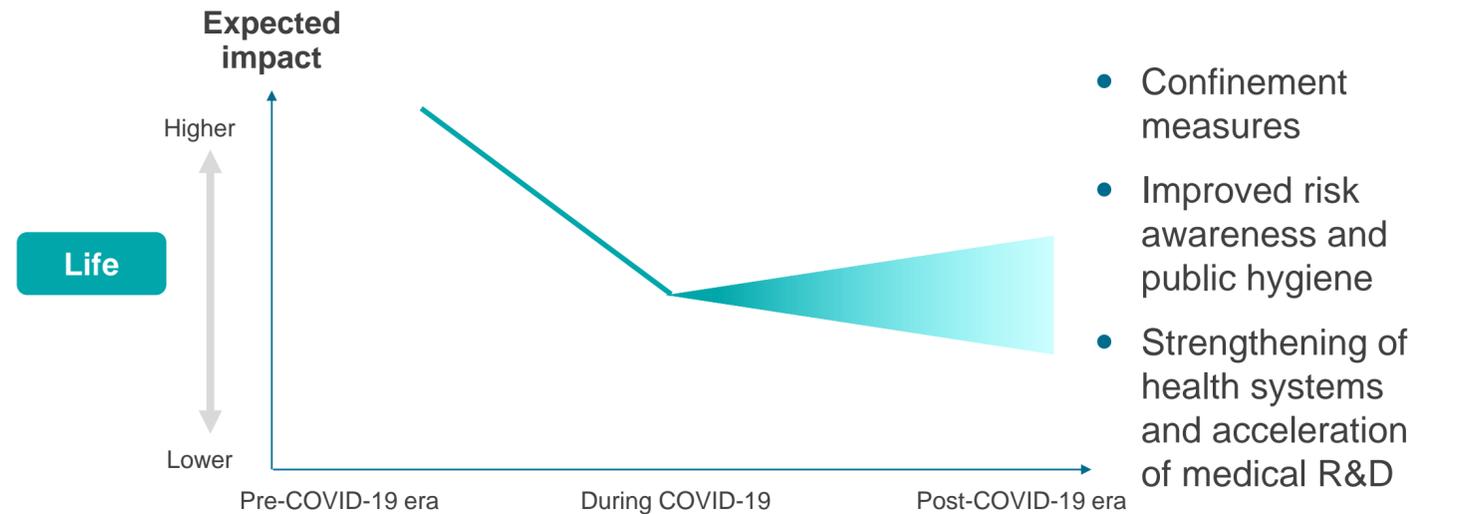
## ... yet Reinsurance capital remains rather stable



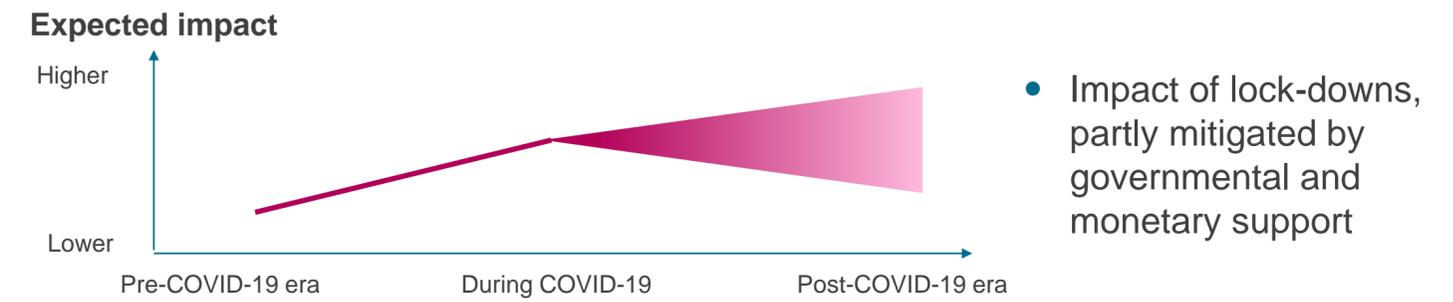


# ... while uncertainties remain extremely high on all types of risks...

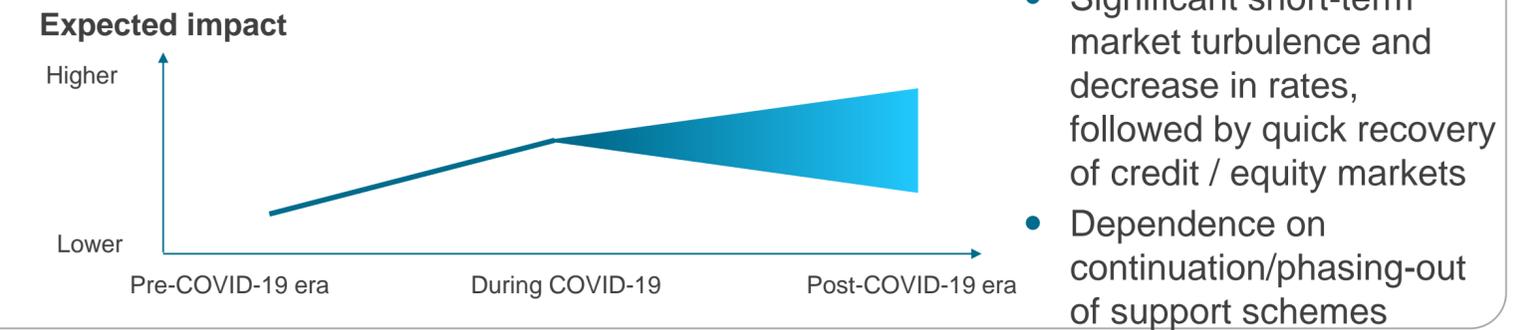
## Underwriting



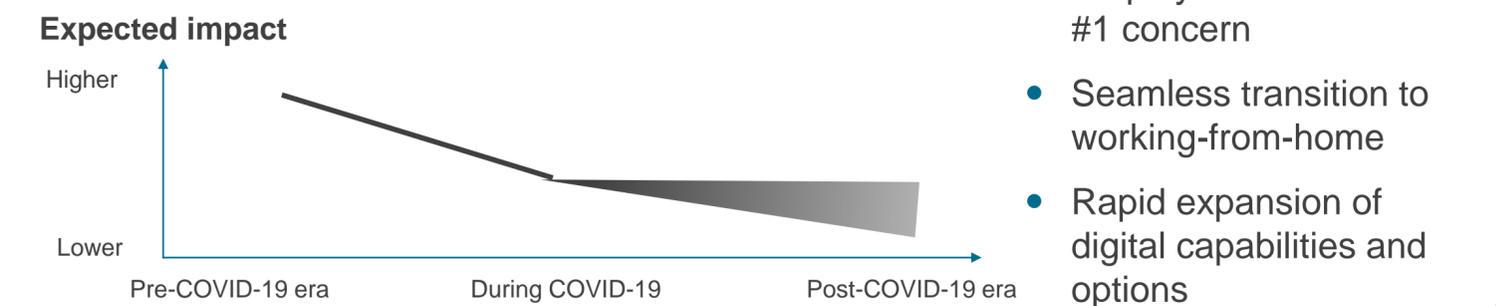
## Credit



## Financial Markets

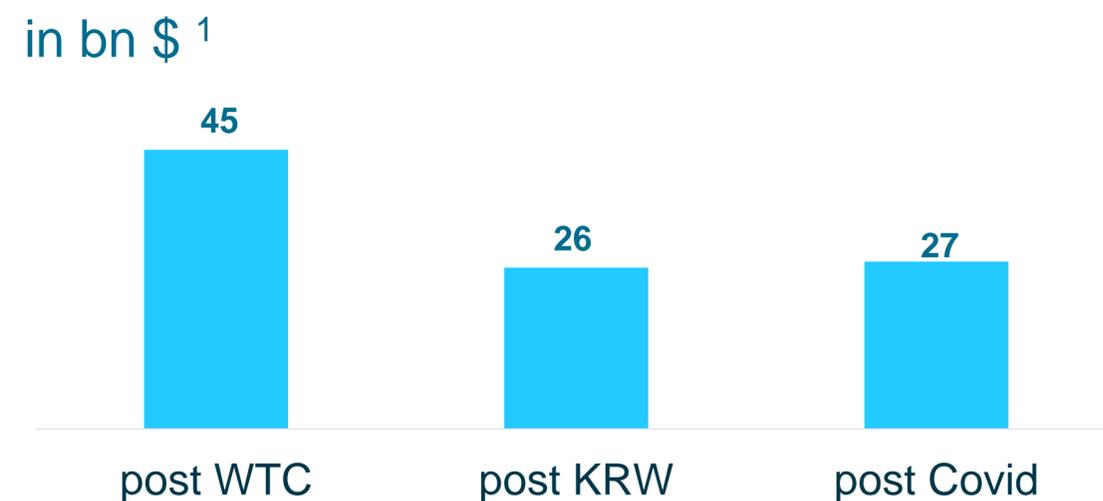


## Operational

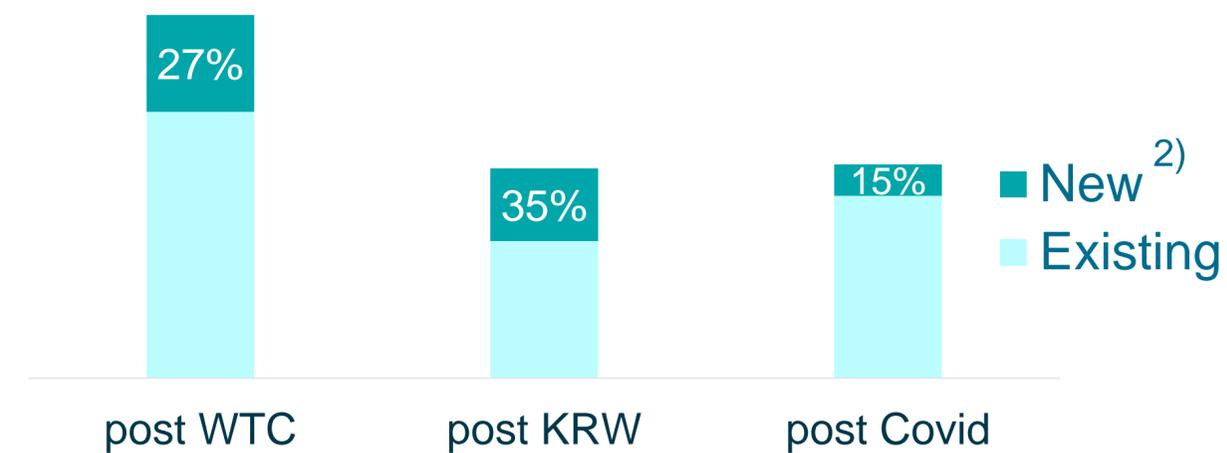


# ... triggering another influx of capital to the (Re)insurance industry

## Capital raised post large Catastrophic events



## New carriers versus existing ones



Source: SCOR

1) Capital raised based on SCOR internal research. Post WTC until June 2004, in % funds as of YE 2000. Post KRW until November 2006 in % of funds as of YE 2004 Post Covid until December 2020 (before deduction of debt repayments) in % funds as of YE 2019

2) New post Covid includes Convex, which raised capital post Covid in 2020 but had already been established in 2019; excluding them share of capital raised by new reinsurers drops to 7%

## Outlook for the next decade



# The Covid-19 pandemic and the way it is managed reveal an increase in risk aversion within modern societies: how to transform it into an opportunity for Society?



Indelible marks on the collective unconscious

- Multidimensional impacts (health-related, economic, financial, social or geopolitical) –triggering a chain reaction on a global scale (contrary to natural catastrophes, industrial accidents, etc.)
- Risks both collective and individualized, simultaneously exogenous and endogenous
- Risk aversion on the rise: Risk occurrence to be increasingly traumatic



Public risk management at the forefront

- Necessity for governments to lower the probability of such events
- Necessity to limit their impact for the overall population and for each individual when they do occur
- Necessity for better crisis-containment responses, better coordination and improved communication
- Pressure from governments on the insurance and reinsurance industry



Search for maximal protection of human assets

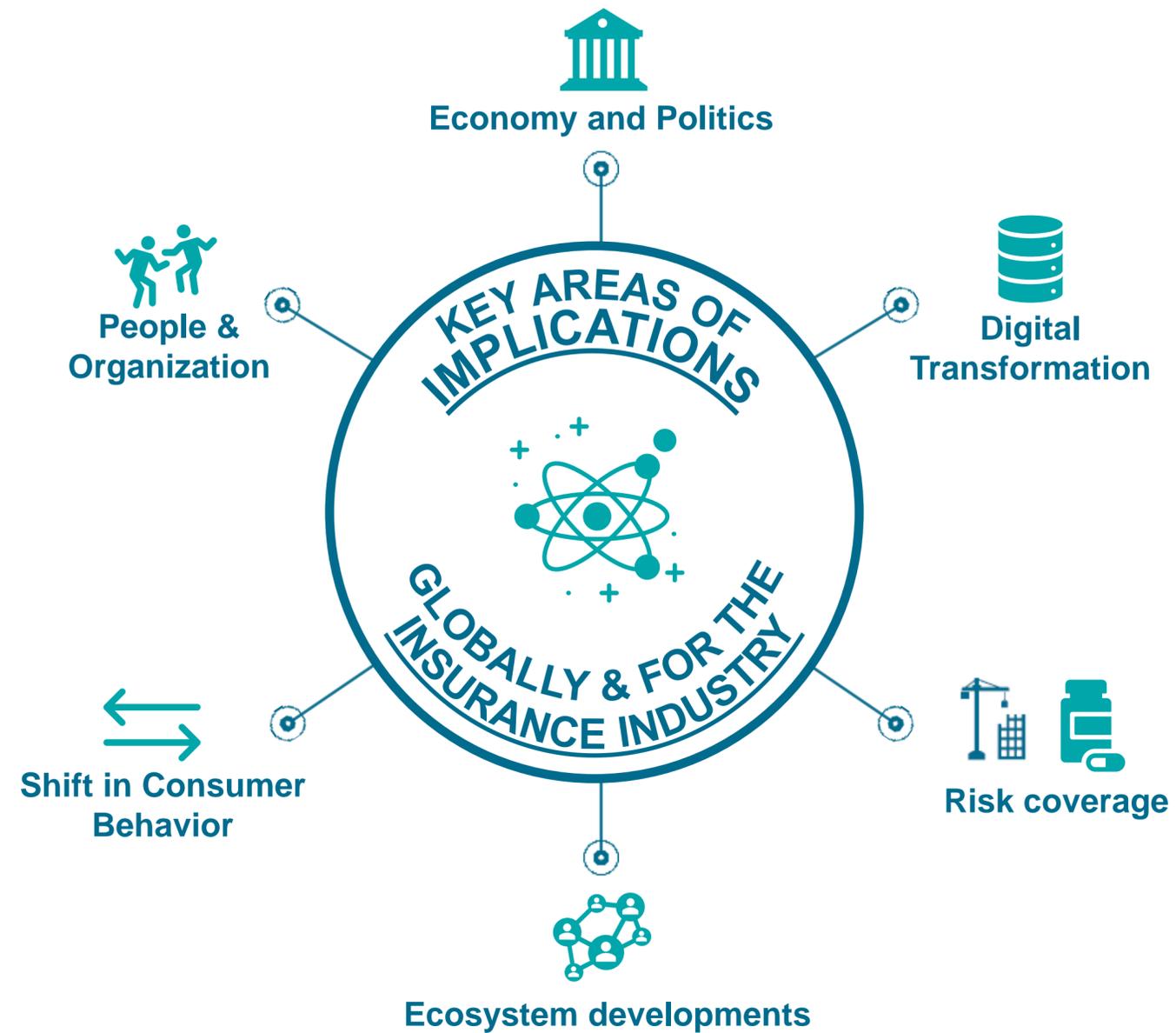
- Substantial rise in the value placed on life and physical integrity throughout the world
- Greater propensity to protect human assets, both qualitatively and quantitatively
- Considerable rise in spending on health and in demand for health care
- Preservation of human life and reduction of suffering at all costs



## RESPONDING TO UNFORESEEN EVENTS WITH INNOVATION ACCELERATES BUSINESS GROWTH

1. Assess what the change means for your environment and culture
2. Jump-shift the strategic process, priorities and cultural changes
3. Create a new future capability plan and accelerate individual transitions
4. Track and manage new priorities
5. Deploy a new communication effort in line with the new strategy on an ongoing basis

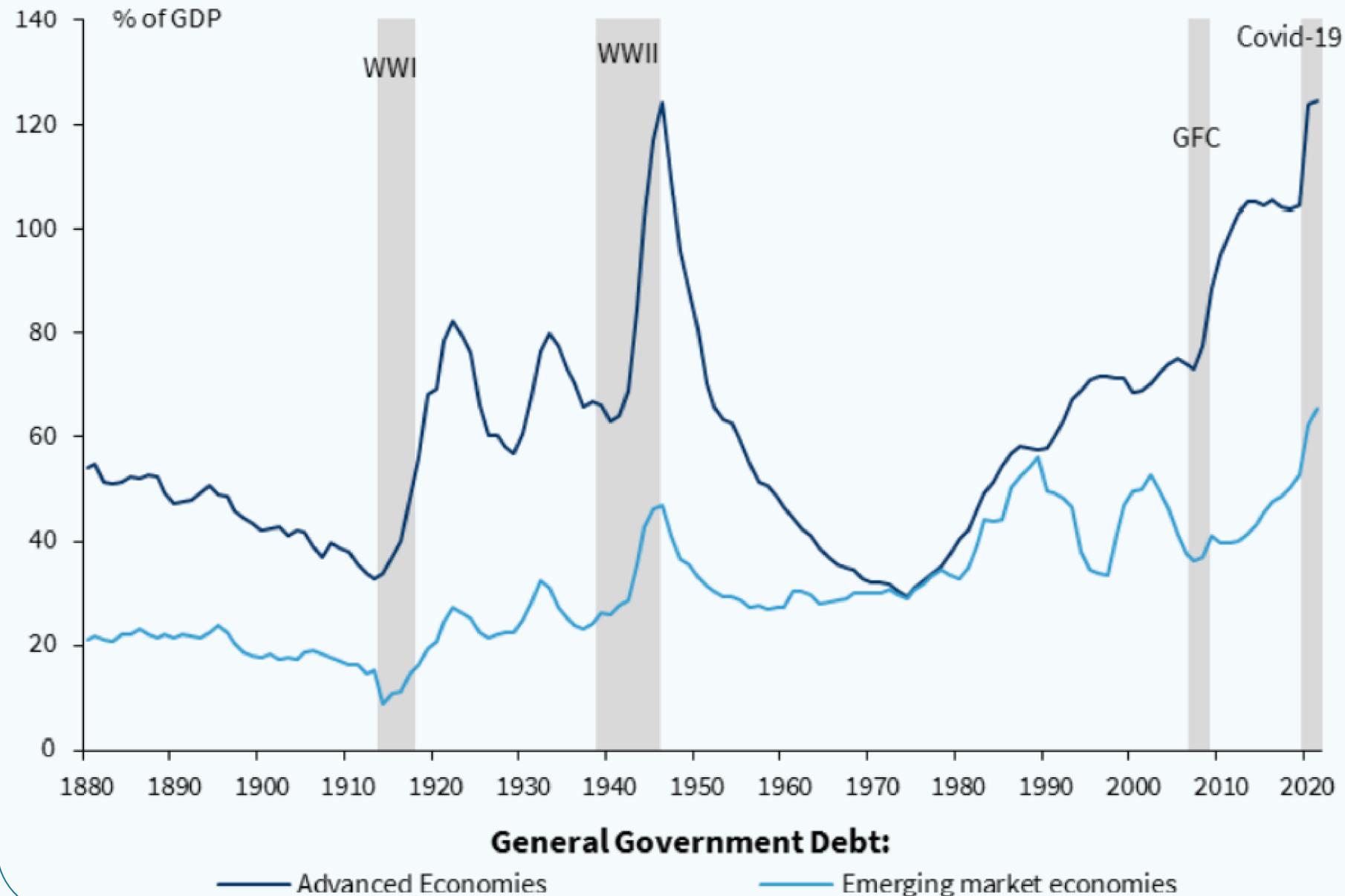
# We look at six key areas of implication through COVID-19 Globally and for the (Re)insurance industry





# How will we exit the wall of debt? Will the return of inflation be the usual recipe?

## Government Debt-to-GDP in Advanced and Emerging Economies

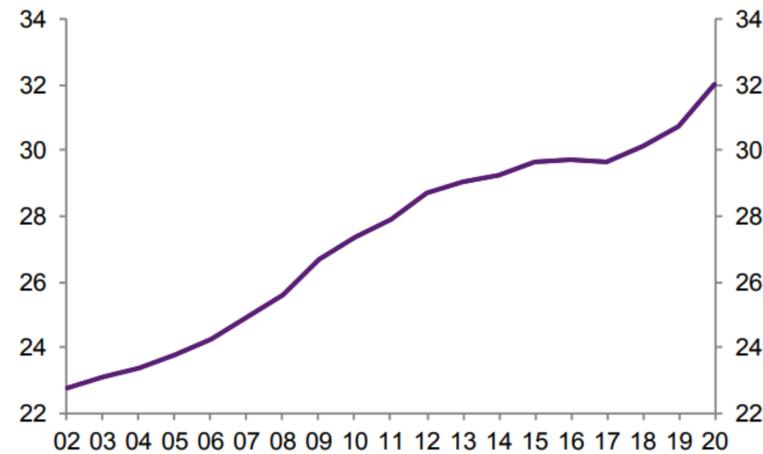


- ❑ Governments and Central Banks around the globe are engaged in a competitive monetary inflation which produces the devaluation of their currencies, testified by the enthusiasm for precious metals and inflation-resistant digital currencies
- ❑ We have been here before. Financial repression is not new. Policies of this kind were pursued at the end of the World Wars of the 20<sup>th</sup> Century in response to crippling indebtedness
- ❑ The objective is the gradual expropriation of secure savings



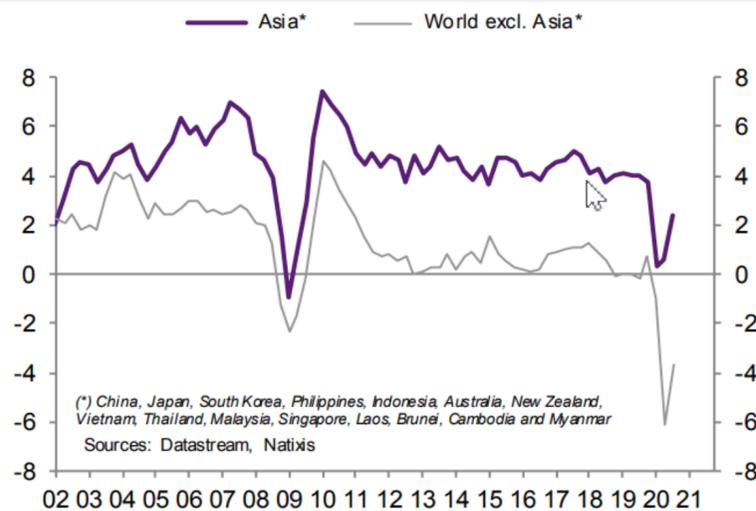
# Global governance rebalancing Asia's role in the global economy will be decisive

## Asia's GDP as a % of global GDP



- Potential growth over the period 2021-2030 can be estimated at 4% per year in Asia and 2% per year at best for the world excluding Asia.
- At this rate, Asia according to this definition will account for 50% of global GDP in 2043

## Per capita productivity (year on year % growth)



- The long period of high growth that Asia can be expected to enjoy will lead to significant changes in the global economy:
  - Capital flows will shift to Asia
  - Asian currencies will appreciate
  - Asian financial markets will outperform
  - Companies from all over the world will need to sell in Asia
  - The prices of commodities consumed by Asia will rise



# New world disorder: social and geopolitical



# EHRs (Electronic Health Records) provide an attractive alternative to traditional medical underwriting methods

## EHRs HAVE THE POTENTIAL TO IMPROVE THE UNDERWRITING EXPERIENCE

- Leverages key data from past exams and is hence less intrusive than ad-hoc exams
- Removes delays related to availability, completion and processing of requirements
- Allows to close business online and to meet consumers 'instant buying' expectations
- Offers more transparency – applicants can see the medical records used in underwriting

For insurers, EHRs reduce underwriting costs, allow for more automation and increase placement rates thanks to quicker processes



Digitalization of the full customer journey, including Underwriting & Claims



Digitized systems and processes, cloud-based services, automation

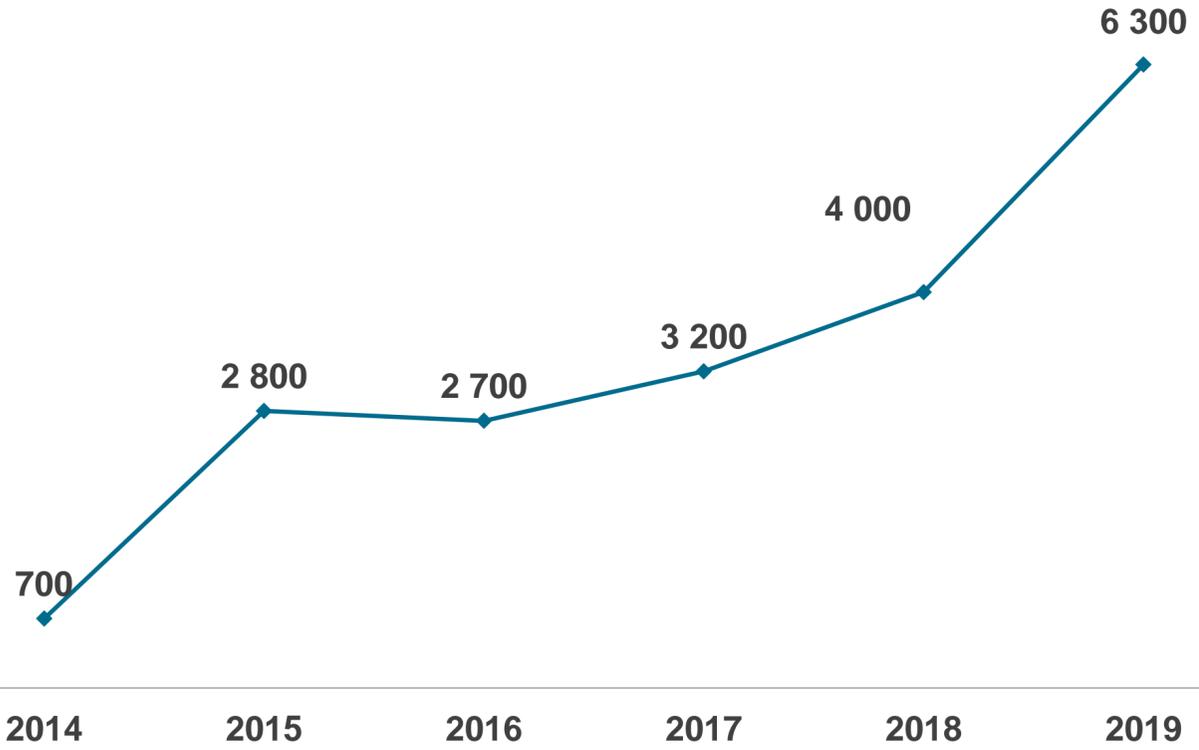


Robots/ AI: remote patient monitoring

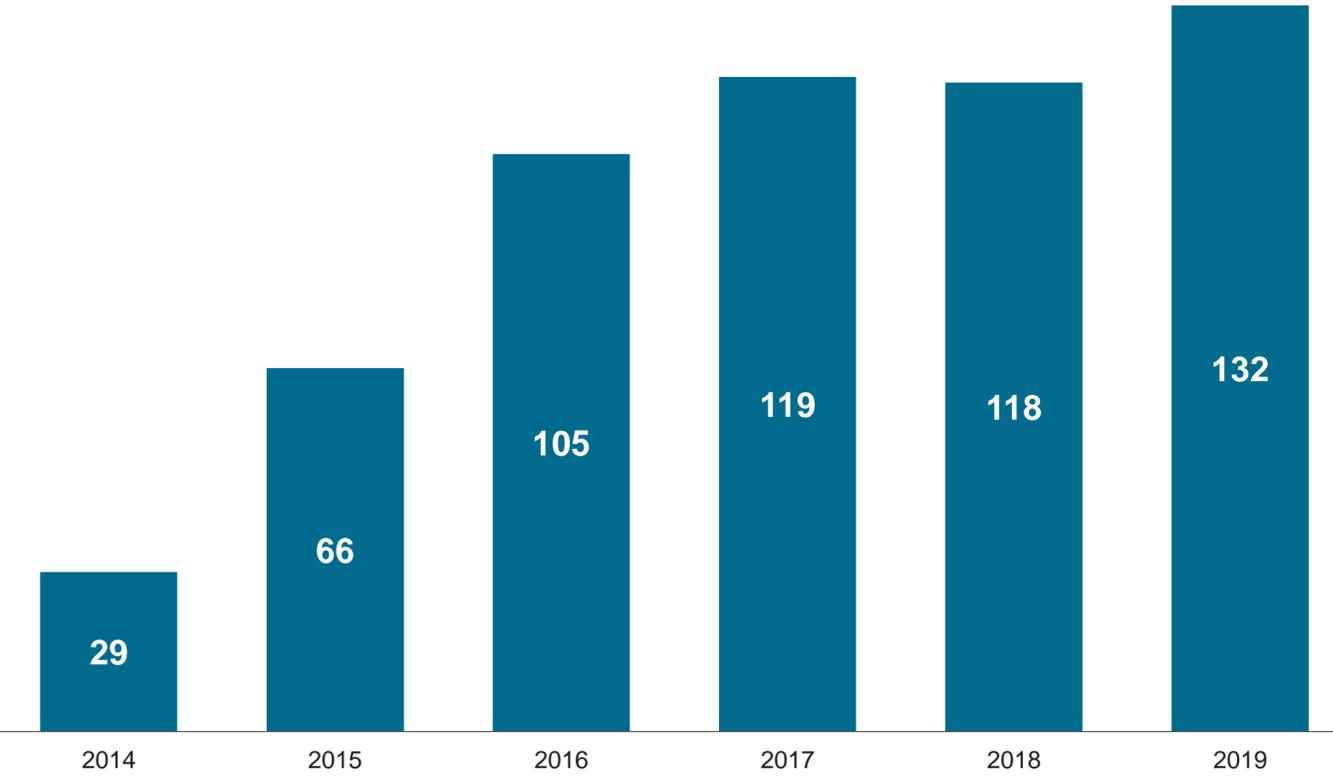
# Venture capital has flowed into insurtech since 2015; (re)insurers are leading players



InsurTech funding (\$ millions)



Technology investment by (re)insurers (\$ millions)



	2014	2015	2016	2017	2018	2019
Deal count	88	126	163	206	195	314
Deals \$50m+	4	7	9	11	19	23



# Moving forward, coverage and prevention of pandemics will become a key topic for the industry



## We are living longer

*But this contributes to new and complex ageing challenges*

- More and more active workers need to support an elder relative
- Growing need for Long Term Care



*Today, 1/3 of Europeans above 50 have to take care of an elder relative<sup>1)</sup>*



*Approx. 4 in every 10 people will have a need for long term care in their lifetime<sup>1)</sup>*

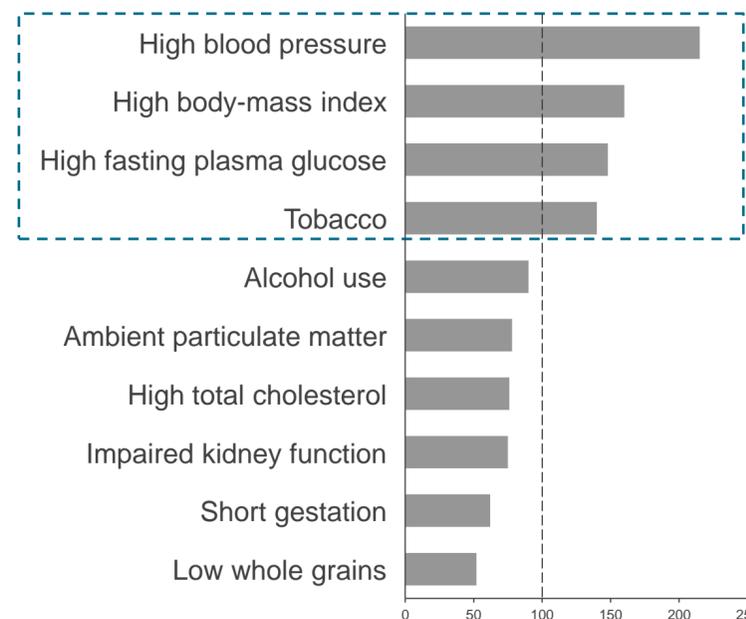


## We are healthier

*But environmental and lifestyle risks are increasingly contributing to mortality*

- Top 4 risk factors account for more than 100 million years of life lost<sup>2)</sup>

Years of Life Lost (in millions)

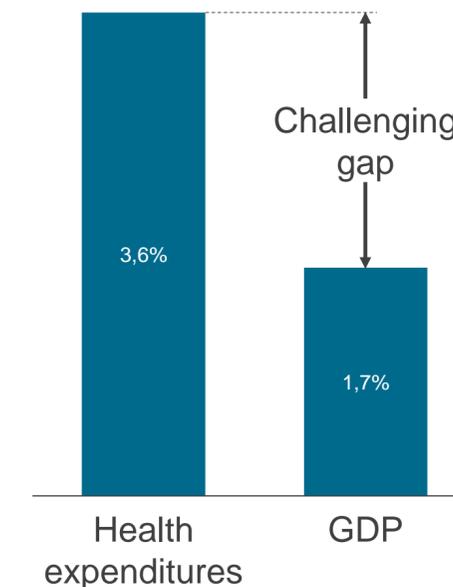


## Cost of healthcare becomes challenging

*Health expenditures are increasing at a faster pace than GDP*

- Health expenditures increased yearly by 3.6% in real terms over the 2000-2016 period<sup>3)</sup>

Yearly increase in OECD countries over 2000-2016 period



1) Source: Global Health Metrics study, October 2018

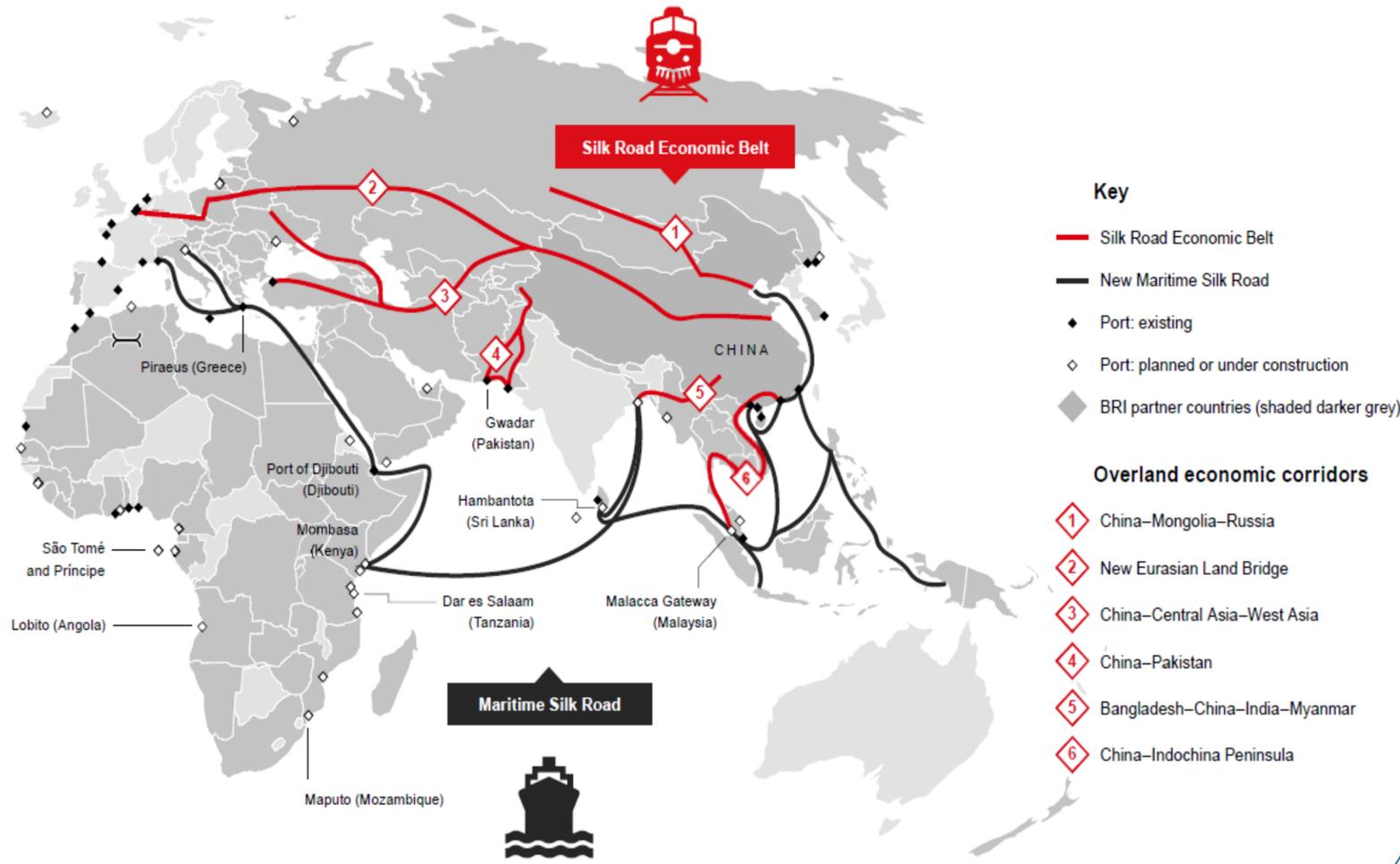
2) The years of life lost correspond to the remaining life expectancy lost due to a premature death. Source: K.J.Foreman, N.Marquez, A.Dolgert et al. "Forecasting life expectancy, years of life lost, and all-cause and cause-specific mortality for 250 causes of death: reference and alternative scenarios for 2016", Lancet, October 2018

3) Source: The World Health Organization Global Health Expenditure database and World Bank National Accounts data files

# Insurable assets will continue to grow fast From tangible assets towards intangibles

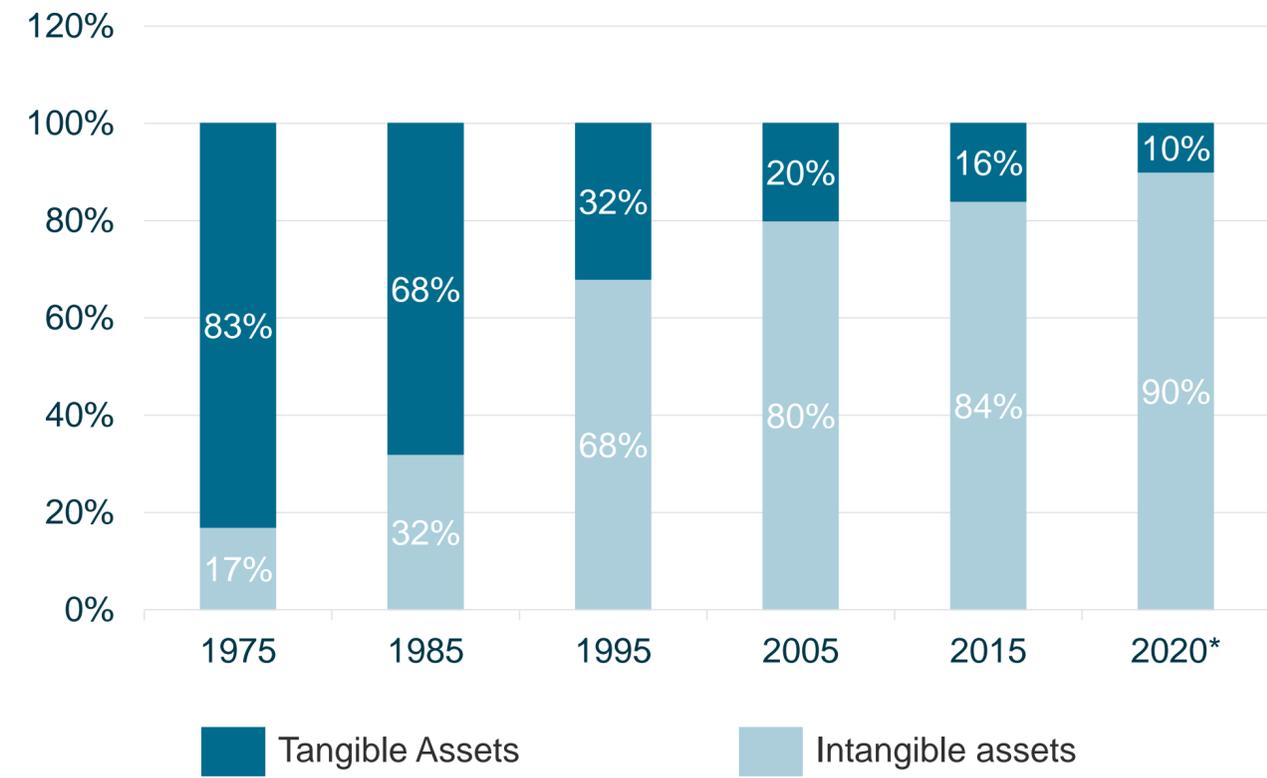
## While global infrastructures will continue to drive huge economic growth...<sup>1</sup>

### Belt and Road economic links and corridor



## ... the value of intangible assets is fast outpacing tangible assets<sup>2</sup>

### Components of S&P 500 Market Value



### Towards a “Capitalism without Capital”?<sup>3</sup>

1. Source: HSBC, World Bank  
 2. Source: Ocean Tomo  
 3. “Capitalism without Capital: The Rise of the Intangible Economy”, Jonathan Haskel, Stian Westlake

# Environmental, Societal & Governance, and Climate Change will take an increasing role in steering economic activity globally

**Today**  
Examples of key industrial occupancies



Oil & Gas



Power & Utilities



Infrastructure



## Transformation due to major macro trends

**Anticipating the evolution of key industrial occupancies**

- **Today, SGP&C is a recognized technical leader in several key occupancies:**
  - This is integral part of Specialty Insurance’s DNA, developed from a large industrial risks background
  - SGP&C is reinforcing its technical expertise thanks to industrial risk & client proximity
- **Climate change & Energy transition as well as other major macro trends will impact these key occupancies’ future**
  - Insurance needs from key occupancies’ clients will evolve
  - SCOR invests today to be able to understand and adapt to various industrial scenarios and remain relevant to its clients
- **SCOR is actively investing to remain an industry expert in the future through:**
  - Preparing for the mid-to-long-term major macro trends’ impacts on key occupancies
  - Predicting the impact on insurable matter, insurance covers, needed underwriters’ skills and organizational setup

**Mid / Long-term future**



Oil & Gas



Power & Utilities

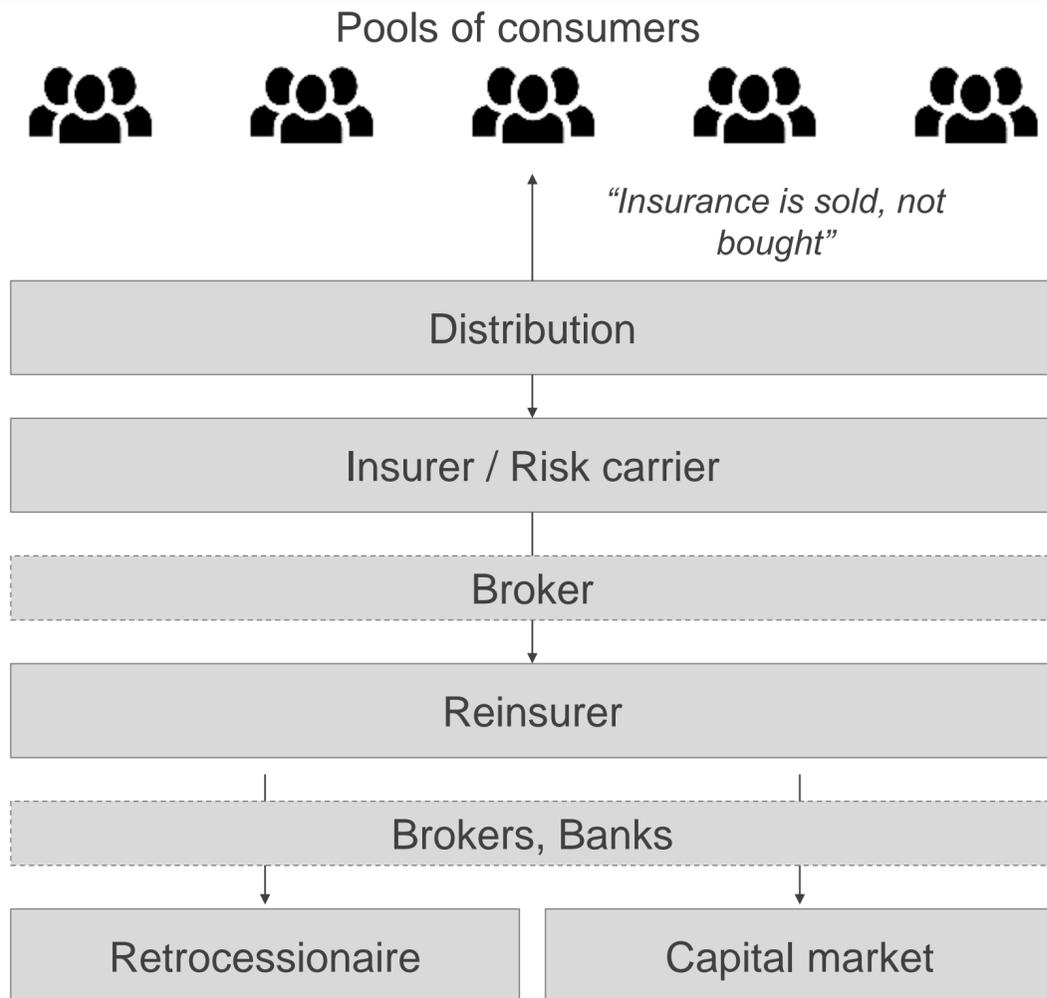


Infrastructure

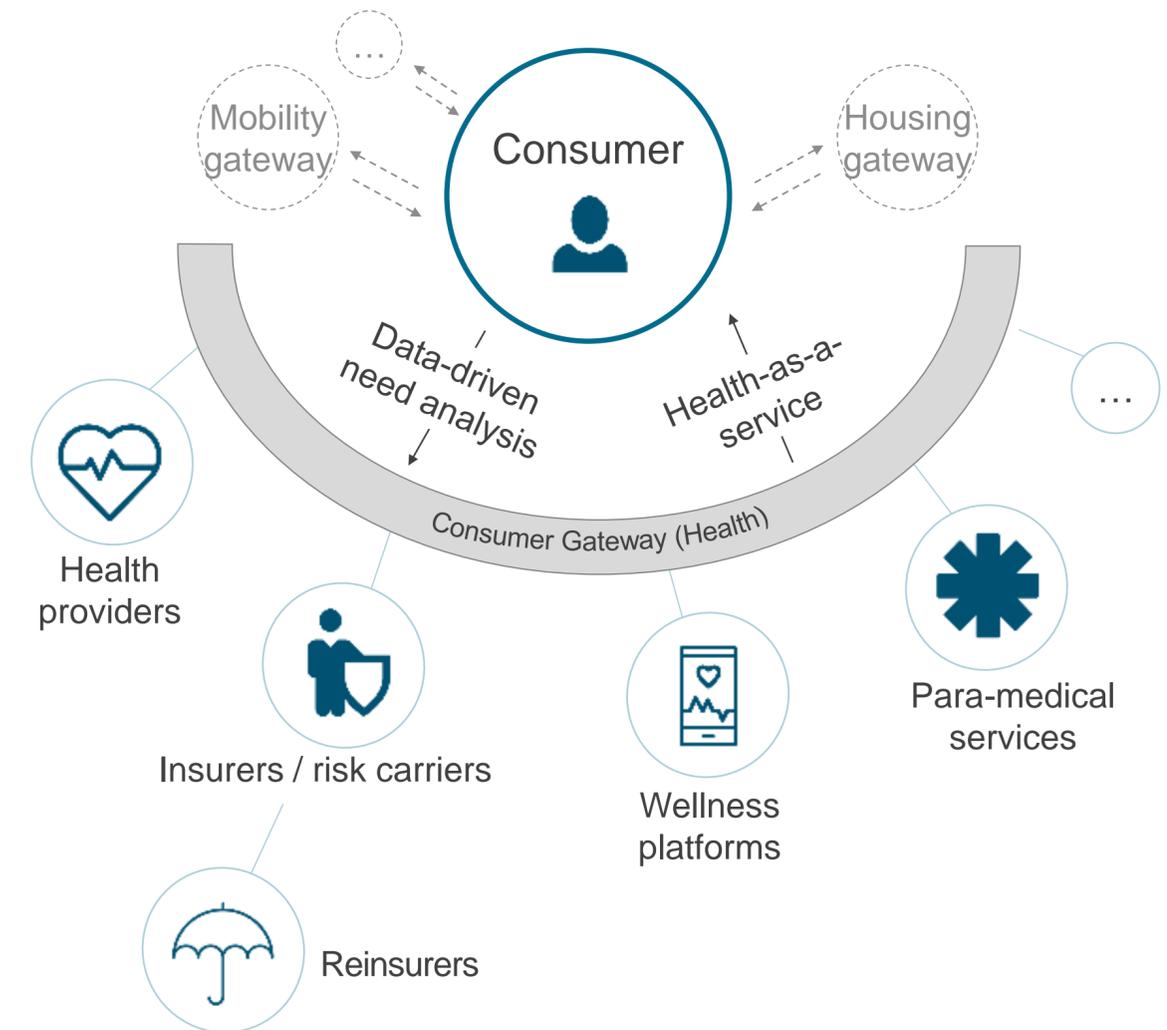


# We expect the disintegration of the traditional insurance value chain to accelerate towards “platformisation” of the ecosystem

## Moving from traditional risk-driven value chains...



## ...to new consumers' needs ecosystem





# We call to build consumer-driven ecosystems, going beyond just answering traditional insurance needs

## Supply – macro-trends reshaping industries



Digitalization

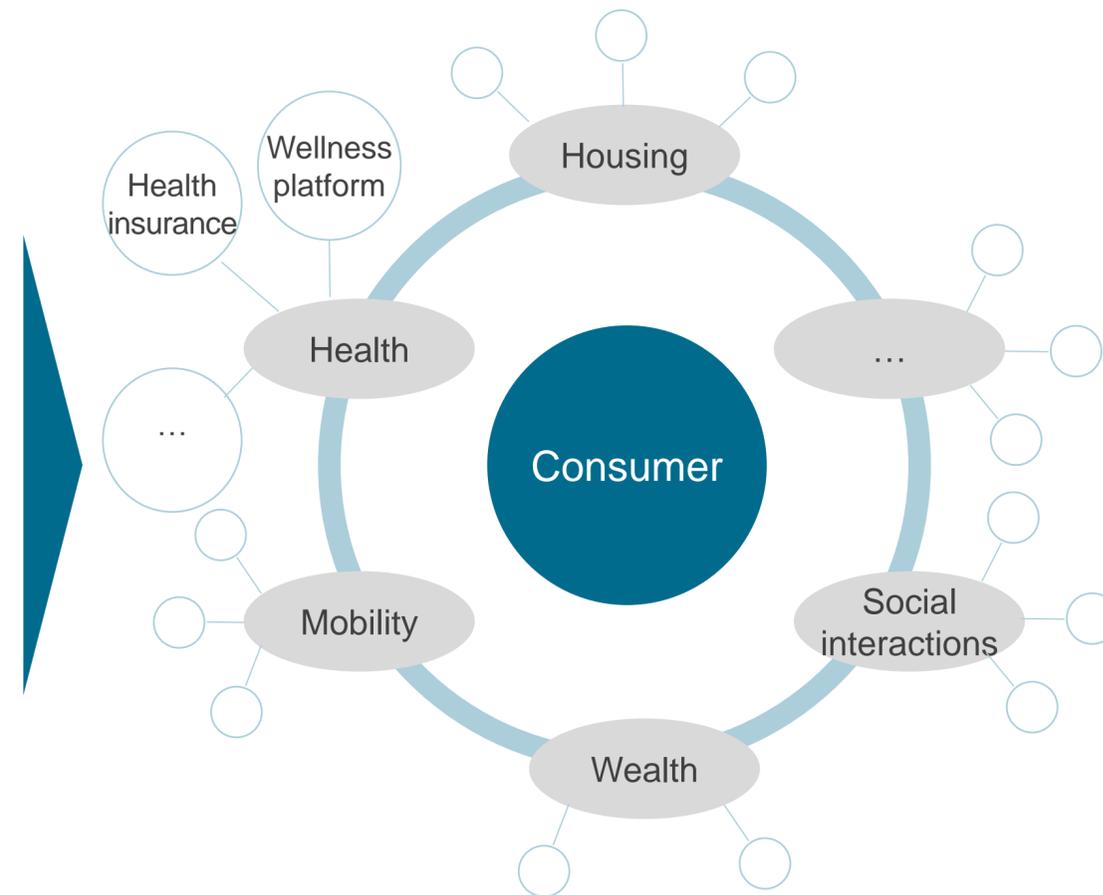


The power of data



Companies looking for extra value

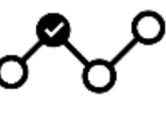
## Consumer-driven ecosystems



## Demand – changing consumer expectations



Personalized consumer experience



End-to-end consumer journeys

- ▶ COVID-19 increases people's aversion to risk and preventive demand
- ▶ Increased awareness of personal health, and tailor-made risk products (e.g. car insurance: as you drive)
- ▶ Desire for more constant monitoring of "life vitals" / "individuals' essentials"
- ▶ More comfortable sharing data to stay healthy
- ▶ Increased use of tools to connect remotely

## THE 2020 GCS FOCUSES ON THE IMPACTS OF COVID ON OUR INDUSTRY

Life insurance has become more desirable

**41%**

of consumers have changed their mind on insurance as a direct result of COVID-19

Consumers are increasingly interested in their health

**76%**

report COVID encourages pro-activity in health management

Digital opportunities are accelerating

**42%**

of consumers prefer digital channels for purchasing insurance vs. 24% in 2019

Consumers are willing to share data to speed up underwriting

**65%**

of consumers would share Electronic Health Records to speed insurance purchase

# Motor and Home insurance are being integrated as part of a broader, services-based offering

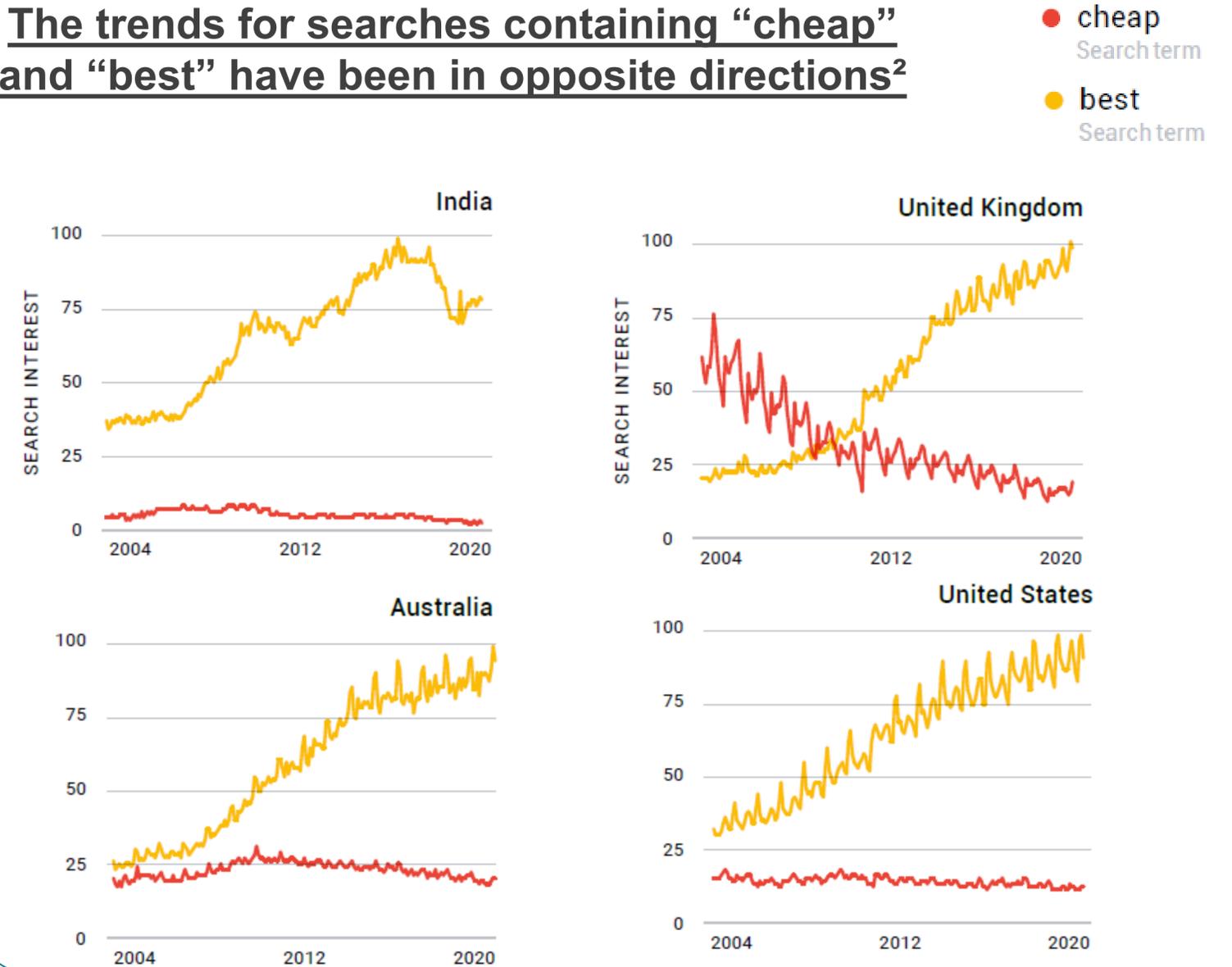
## Motor & Home insurance: More and more customers are willing to share data

Proportion of customers willing to share data with an insurer for a lower premium and/or more tailored cover<sup>1</sup>

	DE	CA	US	UK	AUS	JP	IT	CN
Social media history	9%	14%	16%	13%	17%	29%	23%	32%
Spending history	30%	22%	22%	21%	24%	53%	44%	42%
Home sensor data	18%	36%	34%	30%	31%	43%	44%	38%
Car or home video	23%	31%	27%	37%	36%	42%	40%	42%
Home energy usage	52%	53%	52%	51%	54%	52%	59%	48%
Credit history	24%	55%	67%	63%	59%	55%	42%	74%
How I drive	35%	51%	56%	50%	54%	63%	68%	73%
Where I drive	28%	62%	55%	57%	65%	62%	63%	63%
Criminal history	44%	59%	63%	77%	67%	50%	69%	39%
My car usage	54%	78%	77%	74%	82%	76%	77%	86%
Insurance history	58%	85%	83%	90%	87%	68%	82%	85%
<b>Average</b>	<b>34%</b>	<b>50%</b>	<b>50%</b>	<b>51%</b>	<b>52%</b>	<b>54%</b>	<b>55%</b>	<b>57%</b>

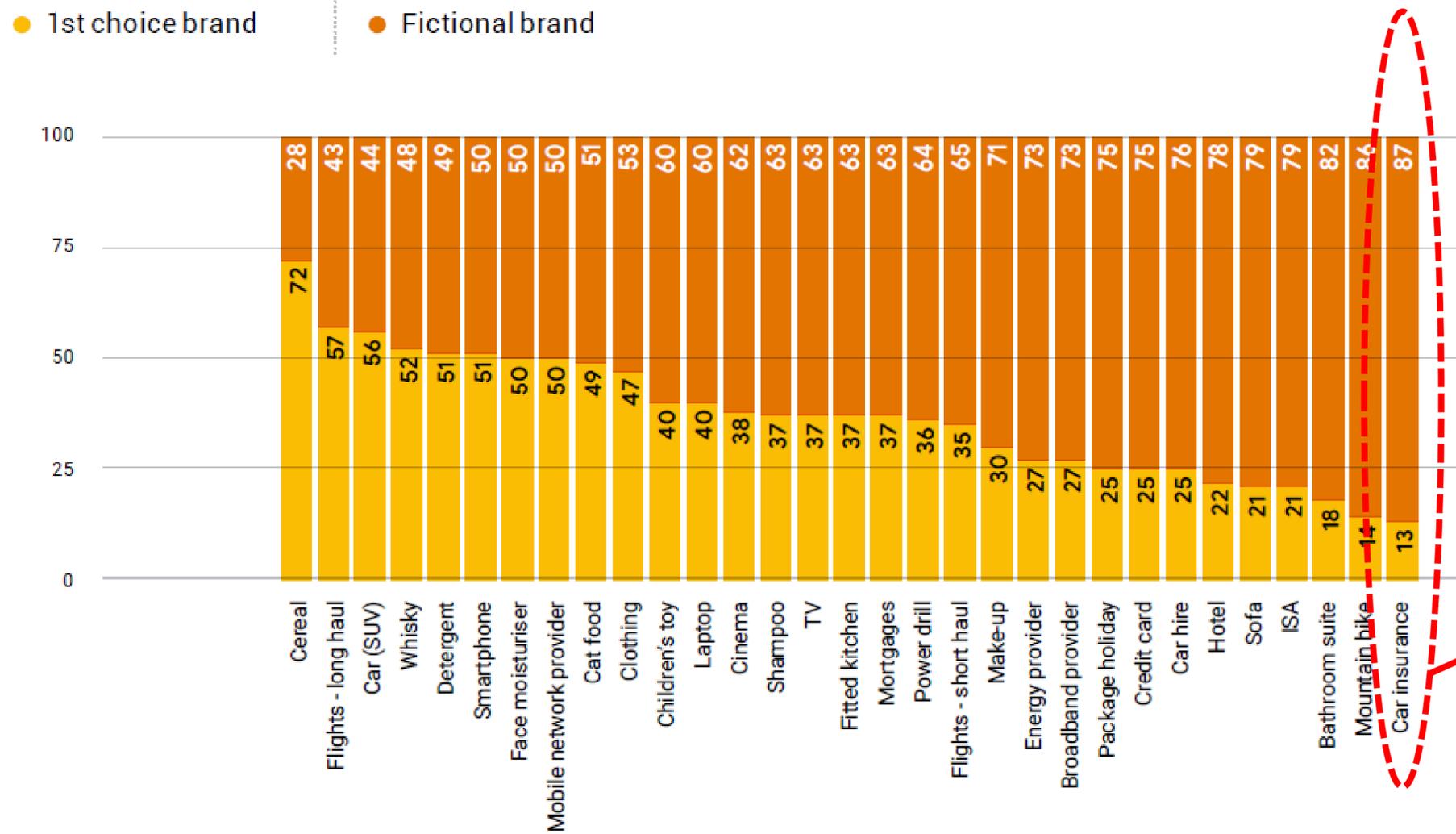
## Consumers will increasingly look for value-add: services, connectivity

The trends for searches containing “cheap” and “best” have been in opposite directions<sup>2</sup>



# Will (financial) institutions continue to inspire trust? When “Presence” takes over “Brand”<sup>1</sup>

## Motor insurers sell a product most exposed to new entrants: limited value of brand<sup>1</sup>



➤ In a UK study<sup>1</sup>, Google shows that a fictional brand is most likely to be preferred to a well known (“1<sup>st</sup> choice brand”) brand when superior desirability categories (biases) are promised<sup>2</sup>

➤ Insurance customers are the most prone to follow desirability promises and their own personal biases to ignore the brand value of the provider

➤ **Car insurance ranks the lowest of all products where loyalty to “1<sup>st</sup> choice brand” resists to the power of a fictional brand with supercharged promises**

# Employees and civil society's aspirations towards corporations are evolving

## The workforce shrinks dramatically and shifts strategically<sup>1</sup>

- Digitization replaces 30% of insurance workers and 100% of manual processes, even as data science, tech and customer wellness jobs expand
- **Critical questions facing the employers of tomorrow:**
  - How to retain a strong transformative culture in highly automated environments with extensive remote working?
  - What are the optimal sourcing strategies for the future?
  - What role will automation and technology play in workforce transformation?
  - How can simplified products increase automation?
  - Which key attributes of insurance careers appeal to top talent?

## Defining our Purpose

- Purpose is about moving from what to why, moving from content to context



Extending  
**Protection & Peace of Mind**



Making insurance  
**Relevant & Desirable**



Improving  
**Health & Well-Being**



Expanding  
**Risk Knowledge**



Inspiring  
**Purpose-Driven Communities**



Keeping our  
**Financial Promises**

- Enabling a better world

## It's time to act now – We are at your side to help you strive

**As we go through this crisis, we do everything in our power to support our business partners, employees and local communities throughout the world, while ensuring that our operations continue efficiently.**

**Throughout the past 50 years SCOR has built its reputation on being there for its clients, its employees and all its stakeholders in the most difficult times. The unprecedented crisis we are now facing is no different.**

50 Years  
**SCOR**  
The Art & Science of Risk