

# Thinking Big

## An Interview with Denis Duverne, Chairman, AXA, and Chairman, Insurance Development Forum

**EDITORS' NOTE** Denis Duverne is a graduate of the *École des Hautes Études Commerciales (HEC)*. After graduating from the *École Nationale d'Administration (ENA)*, he started his career at the Tax Department of the French Ministry of Finance, and after 2 years as commercial counsellor for the French Consulate General in New York (1984-1986), he became director of the Corporate Taxes Department and then responsible for tax policy within the French Ministry of Finance from 1986 to 1991. In 1991, he was appointed Corporate Secretary of *Compagnie Financière IBI*. In 1992, he became a member of the Executive Committee of *Banque Colbert*, in charge of operations. In 1995, Duverne joined the AXA Group and assumed responsibility for supervision of AXA's operations in the U.S. and the U.K. and managed the reorganization of AXA companies in Belgium and the United Kingdom. From February 2003 until December 2009, Duverne was the Management Board member in charge of Finance, Control and Strategy. From January 2010 until April 2010, he assumed broader responsibilities as Management Board member in charge of Finance, Strategy and Operations. From April 2010 to August 2016, Duverne was Director and Deputy Chief Executive Officer of AXA, in charge of Finance, Strategy and Operations. In mid-2014, he became a member of the Private Sector Advisory Group (PSAG), which brings together international leaders of the private sector whose shared goal is to help developing countries improve their corporate governance. Since September 2016, Duverne has been non-executive Chairman of the Board of Directors of AXA, and since September 2018, he has been Chairman of the Insurance Development Forum (IDF). The IDF is a public/private partnership led by the insurance industry and supported by the World Bank and the United Nations, aiming to enhance the use of insurance to build greater resilience against disasters and to help achieve the United Nations Global 2030 Agenda. Duverne also serves as Chairman of AXA Millésimes (SAS).



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just 30 years. Recently, AXA has transformed its risk profile, from financial to insurance risks, by completing the disposal of its US Life & Savings and Asset Management entity and acquiring the XL Group. AXA is accelerating on Property & Casualty, Health and Protection, which are less sensitive to financial markets. AXA is a responsible leader and launched in 2019 a new phase in its climate strategy to accelerate its contribution to the transition towards a low-carbon and resilient economy. The group has a proven track record in delivering sustained earnings and dividend growth to its shareholders.

### What have been the keys to AXA's consistent strength and leadership in the industry?

I believe that AXA's force rests on three pillars. First, there is boldness. AXA is a company built through bold moves. In a few years, AXA transformed itself from a company operating at a regional level in France to a leading insurance group operating at a global level. People at AXA dare to think big and are willing to achieve great things.

Second, there is the willingness to do things well and to do the right thing. AXA has a tradition of continuous improvement in the way it provides insurance. We have used each acquisition and our global footprint to share expertise and raise our skills. In addition, we have strong corporate ethics.

Finally, there is a tradition of thinking ahead. AXA was early in its international expansion, especially in Asia. We created AXA Hearts in Action long before charity work became a must for corporates. We were among the first financial companies in divesting from coal and are largely considered a leader on climate change.

Those three cultural traits have fueled AXA's growth and have been instrumental to our success.

### Will you provide an overview of the Insurance Development Forum and its mission?

The IDF is a public/private partnership led by the insurance industry and supported by international organizations. The IDF was created during the COP21 in Paris in 2015. It was then officially launched by leaders of the United Nations, the World Bank and the insurance industry in 2016. The IDF aims to optimize and extend the use of insurance and its related

risk management capabilities to build greater resilience and protection for people, communities, businesses and public institutions that are vulnerable to disasters and their associated economic shocks.

There is a growing evidence indicating that countries with a greater penetration of insurance experience faster economic recovery from disasters and rebuild with greater resilience to future disasters. At the same time, there is a consensus around the fact that economic and humanitarian risks associated with catastrophic weather and climate-related hazards are increasing. This represents a major challenge to global resilience, particularly in middle/low-income countries. According to recent estimates, out of the total \$163 billion under-insured assets in the world today, 96 percent of them are in emerging economies. The focus of the IDF is to help close this protection gap, thus building global resilience and protecting economies.

### How do you describe your leadership style and what do you see as the keys to effective leadership?

Effective leadership must rest on trust and empowerment. In my experience, empowering people is the best way to motivate them to deliver on their goals, but it is also the consequence of what I see as the increasing complexity of the world. We live in fantastic times: we are in better health, wealthier, more knowledgeable and more connected than ever. As a result, though, our world gets a little more complicated every day. It is no longer possible for an individual to have every single answer. It implies that an ever-growing part of being a leader is about finding the right people and letting them take decisions at their level, applying the subsidiarity principle. Building a diverse group of leaders is essential, because diversity brings better decisions and more creativity.

However, in my view, delegation is very much an active role. I still view it as crucial to be here to guide, advise and coach the people that are actually in charge. I do it at AXA as well as at the Insurance Development Forum and in other organizations. Even though I consider it key to have a good understanding of the topic, I have found that I have to remain permeable to new ideas and new opportunities to continue being effective in the long run. Actually, I also find this is more motivating and refreshing for me than just having people roll out plans I've been designing in the past myself.

**COMPANY BRIEF** AXA ([axa.com](http://axa.com)) protects people and businesses worldwide and creates value analyzing, pooling and managing a wide range of risks. The group started as a local French company and became a global insurance leader in

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Finally, I believe a good leader should cultivate exemplarity – embodying the values, stepping up to take difficult decisions when needed, and respecting the people. I have found people tend to rise up to the standards, so it is the leader’s job to set them.

**How do you define resilience and does your deep understanding of risk help inform resilience?**

Through its roots in Latin, the word “resilience” is linked to the notion of springing back – literally, it means to “jump again.” The idea is that something is resilient when it can restore its shape quickly after having faced difficulties. Resilience is hence a very important notion for insurers. It is at the heart of what we do: boosting our customers’ resilience by supporting them in times of hardship.

We spend a lot of time thinking about risks and about what can threaten our customers. As a consequence, we are also naturally well positioned when it comes to ideas on how to improve their resilience in the long run. We offer to share our understanding through our risk consulting services. This is really a win-win arrangement – thanks to better identification of the risks, our customers suffer less adverse events, which curbs the claims we receive.

**What are the key characteristics of a resilient company?**

Achieving resilience in business is everything but a one-size-fits-all textbook. Each company has specific goals, a specific business model, and is run by specific people from a specific place. Making a company resilient will always require a bespoke plan.

This being said, I believe there are three main dimensions that should always be taken into account:

First, external risks: does the company have contingency plans for its key assets? How should it react if a major customer or supplier were to go out of business? This is where insurers can be most helpful through our risk consulting services.

Second, the internal processes: when the COVID-19 crisis started, AXA shifted almost all its staff worldwide to remote working in just a few days. This allowed the company to continue operating almost seamlessly. This was a great demonstration of how resilient AXA is.

Third, the company’s governance: the decision-making processes must be agile and adjust to the urgency of the situation. This has become a key focus for me in my current role as the Chairman of AXA.

**As a business leader, how are you able to build a resilient culture within your organization?**

To be frank, it might have been comparatively easy at AXA. First, our business is risk, so making sure we are a resilient company is culturally quite easy. Second, AXA has a history of surviving crises, for instance the 2001-2003 equity market crisis and the 2008 global financial crisis. As a business leader, I’ve been using this as a reference point, or you could say as a standard. Reminding people of how resilient AXA proved in the past also helps us find the resources to address the challenges of the day. It also helps us keep our awareness vis-a-vis new and evolving risks, and constantly adapt.

**What does ESG mean to AXA as both investors and as insurers?**

AXA takes ESG considerations very seriously. We were among the first to withdraw from coal, which was a tough business decision as you can imagine. Accordingly, we have a robust governance framework to enforce ESG considerations both in our insurance and investment activities.

For the “E” – the environmental part – the topic is discussed at the group’s management committee and the board level every year. Since 2015, we have published a yearly climate report which describes our environment-related policies. Last year, we committed to align our investment portfolio with the Paris Agreement. For this purpose, we made public our portfolio’s “warming potential,” which basically represents our contribution to global warming. This contribution is still too high and we want to further reduce it. Taking a public position on this confirms how strong our commitment is. In practical terms, for the investment side, AXA has fully integrated ESG considerations into its qualitative credit assessment and investment processes since 2015. On the insurance side, the group underwriting committee defines underwriting restrictions, including CR-related, which are then cascaded locally through the group standards.

For the “S” and the “G” dimensions, we have a strong social dialogue tradition and strong governance has always been a focus.

**Does the rise of nationalism and shifting political risks change your approach to managing risk?**

Risk changes often and source, frequency and severity keep evolving. It is one of the core missions of an insurance company to constantly adapt. Due to the very nature of our business as insurers, we are also required to keep a long-term view. With this lens it is easier to see that while some risks become more substantial, others recede. Accordingly, we do not necessarily focus on the same things as what other actors, who concentrate more on the short term, would find most important.

The main risk which can severely disrupt our business is climate change. As early as 2015, we said that “a +4°C world would not be insurable.” We have been acting accordingly and we now leverage every asset and expertise at our disposal to contribute to fight climate change, including proposing specific products (notably through our parametric insurance subsidiary AXA Climate) and have adapted our underwriting and investment policies.

**What do you see as the role of the insurance industry in addressing the global pandemic?**

The insurance industry definitely has a key role to play in the current pandemic. We exist to protect people and goods in times of hardship.

With a larger lens, the COVID-19 crisis has led us to collectively realize that the world was not well prepared for the economic consequences of a pandemic. Since then debates have started on how insurance could contribute to respond to similar events in the future and there are discussions taking place in many European countries, including France where we are headquartered. The solution will have to be a cooperation between the public and private sectors.

**Do you feel that resilience is something a person is born with or can it be taught?**

I know for a fact that we are not born prepared for all the challenges that we will find on our way. We have to find the resources inside ourselves to overcome them and continue our journey.

Probably as a consequence, I strongly feel that resilience is something that can be developed. I see it as a combination of skills, resources and, most importantly, mindset that one can build over time, expanding upon what each of us is born with. Finding the right teachers certainly plays a big role. Some human and physical environments emphasize resilience more than others, but rather than teaching, I would say the key is the willingness to learn and remaining humble. ●