

Anchoring a stable Scor

Scor stresses that its conservative investment policy has been its saving grace in these difficult times. **Mr Gilles Meyer**, CEO of Scor Global Life, France's largest life reinsurer and fifth largest worldwide in terms of premium volume, tells us about Scor's present policy which focuses on stability and profitability.

By Min Yong

“We are conservative on the asset side in order to be proactive on the business side,” said Mr Gilles Meyer, explaining that this is the key reason why the reinsurer has not suffered from any of the major afflictions that had wounded some of its peers in the last 18 months.

Another mitigating factor is that out of the almost US\$20 billion of total investments, as at 30 September 2009, Scor had 40% of the funds withheld by cedants, he added.

Conservative saving grace

As for their business, Mr Meyer pointed out that they follow pricing guidelines, giving the example that for the financing of the German treaties, the product is mainly priced in such a way that they must achieve a minimum return.

He also revealed that 4% of its investments are in equity and while there will be some impairment in this area over the last year, the trend is very positive with €10 million (US\$14.96 million) of write-downs in the 3Q 2009, mostly from equity investments, compared with €78 million a year ago.

“At Scor, we are extremely cautious - probably the most cautious reinsurer on the asset side. SCOR continues to consistently implement its investment policy in order to take account, in the medium term, from an expected comeback of inflation, higher interest rates and a fundamentally changed economic landscape, while seizing market opportunities in the short-run,” he said.

Low risk taker with high protection policy

Explaining their conservative stance further, Mr Meyer said that in the last four years, Scor's average ROEs is 12.1% with a standard deviation of 4%. He noted that when comparing these figures to their Bermudian rivals, some of their standard deviations are as high as 22%, obviously spelling out higher risk takers. “We do not see our shareholders as our retrocessionaires and hence we want to have a good capital shield policy and the price for that is to buy a lot of protection,” he said.

He added: “It is a huge pendulum that swings, and for us, we try to keep the swinging very limited.

That is why we must focus on the profits. Return on investments these days are limited and this puts pressure on technical underwriting”

Good premium growth

Scor Global Life saw its gross written premiums grow by 20.4% to €2.35 billion for the first nine months of 2009 when compared to the same period last year.

In 2008, Scor Group's gross written premiums amounted to €5.8 billion, of which Scor Global Life accounted for €2.7 billion. This was a 3.4% increase y-o-y and is attributed to new business in Asia, Middle East, France and the US, according to its annual report.

Little M&A appetite

In recent years, Scor had led a US and European acquisition trail, having bought companies such as XL Life Re's US operations (announced in August this year), Prévoyance Re (last June), Converium (in 2007), Revios (in 2006), and ReMark (in 2007) which is a direct global marketing company of life insurance products. Mr Meyer, however, stressed that their buying frenzy days are over and they are now more focused on fully exploiting the potential of their acquisitions while growing organically in each hub.

The M&A appetite today is certainly much lower. The reason is that we have a market situation where there are a lot of opportunities, so we do not need to buy a company to grow,” said the CEO.

As for Asia, Mr Meyer said that they have a good team in place, both life and non-life and with the strong organic growth, and there is certainly no need for any acquisition for the time being.

On the life side, their current strategy is to enter into co-signed agreements with local players and he cited partnerships with Thai Re, Toa Re, Korean Re and China Life Re. “What we do is provide our technical expertise to these companies whilst being able to build on the strong contact network of these companies in their home market. In addition, we obviously make use of our own extensive regional footprint (as we have offices in Tokyo, Seoul, Beijing, Bangkok, Taipei, Labuan, Mumbai and Singapore), to distribute products locally,” he said.

Partnering with China

Scor Global Life's latest venture is with China Life Re – to produce new products like long-term care, preferred life or critical illness.

In addition, they are leveraging on the strengths of their subsidiary, ReMark, which is able to market the products to consumers directly and successfully. Mr Meyer said: “This is well proven strategy for us as we had produced



Mr Gilles Meyer

business in China and Korea this way as well as various other Asian countries. If you remove the effect of the weakness of the Korean currency at the moment, you will see that, in the original currency; there is a strong growth for us in Korea.”

Turning to the mainland’s vast potential and growing middle class, Scor Global Life recorded a modest written premium of €50 million within a short period of time which is in line with their target. “This premium volume is hardly modest for a foreign reinsurer in China as it would definitely place us in the top foreign players in the country. China is a booming profitable area for the life side, more so than the non-life side. We are investing a lot of time into building these capabilities, particularly critical illness in China,” he said, with hopes of this being its key market in the future.

No chips in Scor’s chain

While talk may still circle around the Group’s past turbulence with management reshuffles and attrition, Mr Meyer firmly dismissed these and reasoned that in a relatively short time, Scor had bought a number of companies and some turbid change management issues would be expected.

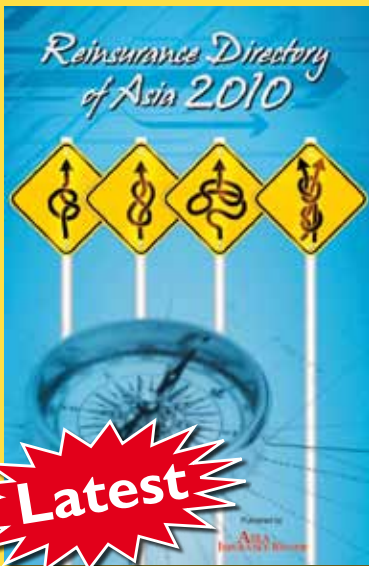
“In 2002/2003, the company was in a difficult financial situation but in the last seven years, under the stewardship of Mr Denis Kessler, the integration phase has been successful and the financials of the company are now very strong as underlined by our S&P rating upgrade earlier this year for example,” he said.

Emphasising that Scor is now “solid”, Mr Meyer, who ascended to Scor Global Life’s CEO position 18 months ago, added that the solidity is reflected in the Group’s new advertisement campaign which shows the company’s trademark ‘S’ as a link in a chain and anchor.



“It took us a few years to get to this point but we are now stable and in a better position than most others,” he said. “SCOR has continued to reinforce its positions in the reinsurance industry, both in life and non-life, maintaining an extremely rigorous risk management policy to secure its future profitability.”

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