



**SOLVENCY AND FINANCIAL  
CONDITION REPORT**

**AS OF 31 DECEMBER 2020**

**SCOR UK COMPANY LIMITED**

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# EXECUTIVE SUMMARY

## INTRODUCTION

This document, the Solvency and Financial Condition Report (SFCR) for SCOR UK Company Limited (“SCOR UK” or the “Company”), presents information on SCOR UK and its solvency position as at December 31, 2020 and has been prepared in accordance with Solvency II regulations (Solvency II Directive 2009/138/EC of the European Parliament of November 25, 2009, the Delegated Regulations of the European Commission of October 10, 2014 supplementing the Directive, the EIOPA Guidelines on Reporting and Public Disclosure EIOPA-BoS-15/109) and the PRA Rulebook applicable to Solvency II firms. SFCR appendices include key financial information in the standard format of Solvency II public Quantitative Reporting Templates.

The SFCR of SCOR UK is available at [www.scor.com](http://www.scor.com) and has also been submitted to the Prudential Regulation Authority.

The Solvency and Financial Condition Report includes the following chapters, which are summarised below:

- A. Business and performance
- B. System of governance
- C. Risk profile
- D. Valuation for solvency purposes
- E. Capital management.

Within the narratives of the rest of this report, the figures have been presented in millions of currency units to improve readability. Tables containing figures in the rest of this report are presented in thousands of currency units in accordance with the Delegated Regulations.

References to additional details included in the following publicly available documents have been made throughout the report:

- SCOR UK’s financial statements, filed with Companies House
- SCOR Group SFCR available on SCOR’s website [www.scor.com](http://www.scor.com)
- SCOR’s strategic plan, “Quantum Leap” covering the period mid-2019 to end of 2021 available at [www.scor.com/en/media/news-press-releases/scor-launches-its-new-strategic-plan-quantum-leap](http://www.scor.com/en/media/news-press-releases/scor-launches-its-new-strategic-plan-quantum-leap)

## SCOR UK

### Business and Performance

SCOR UK is part of the SCOR Group which is the world’s 4<sup>th</sup> largest reinsurer<sup>1</sup> serving more than 4,400 clients from its three regional management platforms, or organisational Hubs (the “Hubs”): the Europe, Middle East and Africa (“EMEA”) Hub, the Americas Hub and the Asia-Pacific Hub.

SCOR UK, operates as a global (re)insurance company with a branch in Canada, SCOR Insurance – Canadian Branch.

SCOR UK is regulated by the “Solvency II” European Directive which applies since January 1, 2016, having been transposed into UK law on March 9, 2015 and amended in 2019 by the European Commission’s Amending Regulations EU 2019/981.

SCOR UK is subject to supervision by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

The material lines of SCOR UK’s business are as follows:

- Fire and other damage to property
- Marine, aviation and transport
- General liability

SCOR UK’s business book has a good geographical spread insuring risks globally with the main locations being North America, Canada, Australia and the United Kingdom.

Since January 1, 2016, the regulatory solvency position of SCOR UK has been assessed using the Solvency II Standard Formula.

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<sup>1</sup> By net reinsurance premiums written, source: “AM Best Special Report Global Reinsurance 2019”.

<b>SCOR UK in GBP thousands</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Eligible Own Funds (EOF)	178,589	176,363
Solvency Capital Requirement (SCR)	101,765	90,607
Minimum Capital Requirement (MCR)	40,197	32,671
<b>Solvency ratio</b>	<b>175%</b>	<b>195%</b>
Gross written premiums	385,173	310,302

SCOR UK's Eligible Own Funds are split between Tier 1, Tier 2 and Tier 3.

<b>SCOR UK Own funds structure as at December 31, 2020 in GBP thousands</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Total</b>
<b>Total available own funds</b>	<b>147,963</b>	<b>31,627</b>	<b>-</b>	<b>178,589</b>
<b>Total eligible own funds to cover the SCR (after limit deductions)</b>	<b>147,963</b>	<b>31,627</b>	<b>-</b>	<b>178,589</b>
<b>Total eligible own funds to cover the MCR (after limit deductions)</b>	<b>147,963</b>	<b>8,039</b>	<b>-</b>	<b>155,002</b>

<b>SCOR UK Own funds structure as at December 31, 2019 in GBP thousands</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Total</b>
<b>Total available own funds</b>	<b>145,395</b>	<b>30,968</b>	<b>-</b>	<b>176,363</b>
<b>Total eligible own funds to cover the SCR (after limit deductions)</b>	<b>145,395</b>	<b>30,968</b>	<b>-</b>	<b>176,363</b>
<b>Total eligible own funds to cover the MCR (after limit deductions)</b>	<b>145,395</b>	<b>6,534</b>	<b>-</b>	<b>151,928</b>

The position of the company shows that it is more than adequately capitalised for the activities undertaken.

#### System of governance

SCOR UK is incorporated in England, under registered number 01334736 and its registered office is at 10 Lime Street, London EC3M 7AA.

The Board of Directors of SCOR UK aims to achieve as high a standard as possible in its governance framework and aligns itself as closely as is possible with the structures and framework established within the SCOR Group.

#### Risk profile

SCOR UK regularly conducts reviews of the risks that could have a material adverse effect on its activity, its financial position or results (or capacity to meet objectives), and considers that no significant risk other than those disclosed in the Risk profile chapter of this report exists.

SCOR UK has identified the following categories of risks:

- underwriting risks related to the P&C (re)insurance businesses, which can arise when the actual amounts of claims and indemnity payments, or the timing thereof, differ from estimates;
- market risks: the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market prices or macroeconomic variables;
- credit risks: the risk of incurring a loss as a result of an unexpected change in the financial situation of a counterparty;
- liquidity risks, which can arise when available liquidity is not sufficient to meet liquidity needs;
- operational risks, which are inherent to all businesses;
- strategic risks, which can arise either from the strategy itself, from external risks or from internal risks.

These risks described in the Risk profile chapter are managed through a variety of mechanisms in SCOR's ERM (Enterprise Risk Management) framework.

### **Valuation for solvency purposes**

Solvency II requires SCOR UK to produce an economic balance sheet (subsequently referred to as EBS) representing a market view of its assets and liabilities as at the reporting date. The Solvency II regulations require the EBS to include assets valued at the amount for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction and liabilities valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction. In addition, liabilities are not adjusted to take account of the credit standing of the reporting entity.

The details of the valuation principles applied in the EBS, including the differences between the valuation principles and those applied in the financial statements, are outlined in Chapter D – Valuation for solvency purposes of this report.

In the EBS, both assets and liabilities relating to in-force business are recognised at market-consistent values, which constitute the valuation for solvency purposes. SCOR UK's EBS as at December 31, 2020 has been prepared based on the assumption that SCOR UK will continue as a going concern, in line with the preparation of the financial statements. SCOR UK prepares financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The preparation of the EBS requires management to make certain judgments, assumptions and estimates. These affect the reported amounts of assets and liabilities and the additional disclosures. Management reviews these estimates and assumptions periodically, based on past experience and other factors. The actual outcome and results could differ substantially from estimates and assumptions made. The most material financial statement captions for which SCOR UK use estimates and assumptions are reinsurance reserves, receivables and liabilities relating to (re)insurance operations, the fair value and impairment of financial instruments, and deferred taxes.

### **Capital management**

Capital management is at the core of SCOR UK's strategy. SCOR UK's goal is to manage its capital in order to maximise its profitability, while meeting its solvency target, in line with its risk/return strategy as defined in SCOR's current strategic plan "Quantum Leap" and the previous strategic plan "Vision in Action".

# DIRECTORS' RESPONSIBILITY STATEMENT

in respect of the Solvency and Financial Condition Report

Financial Year Ended 31 December 2020

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and

b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

On behalf of the Board



Stuart MCMURDO (Apr 16, 2021 12:55 GMT+1)

Stuart McMurdo

Director

16 April 2021



James Bayfield

Chief Financial Officer



# A. BUSINESS AND PERFORMANCE

## A.1 Business

### A.1.1 OVERVIEW OF SCOR UK

#### A.1.1.1 NAME AND LEGAL FORM

SCOR UK Company Limited (SCOR UK, or the Company) is a limited liability insurance company.

#### Registered office of SCOR UK and contact information

10 Lime Street  
London  
EC3M 7AA  
Tel: 020 3207 8500

#### A.1.1.2 SUPERVISORY AUTHORITIES FOR SCOR UK AND SCOR GROUP

SCOR UK's principal regulator is the Prudential Regulation Authority. SCOR UK is a member of the SCOR SE Group (the SCOR Group or the Group).

The Group's principal regulators in France are the Autorité des Marchés Financiers ("AMF"), which is the French financial market regulator, and the Autorité de Contrôle Prudentiel et de Résolution ("ACPR"), which is the principal French insurance regulator.

Name of supervisory authority	Contact details	Entities in scope
Autorité de Contrôle Prudentiel et de Résolution (ACPR)	Autorité de Contrôle Prudentiel et de Résolution 61 rue Taitbout 75436 Paris Cedex 09	SCOR SE
Prudential Regulation Authority (PRA)	Prudential Regulation Authority 20 Moorgate London, EC2R 6DA	SCOR UK
Financial Conduct Authority (FCA)	12 Endeavour Square London, E20 1JN London E14 5HS	SCOR UK
The Office of the Superintendent of Financial Institutions (OSFI)	255 Albert Street, Ottawa Canada K1A 0H2	SCOR Insurance – Canadian Branch.

#### A.1.1.3 STATUTORY AUDITORS

Auditors for SCOR UK are as follows:

##### Name

Mazars LLP  
Tower Bridge House  
St Katharine's Way London  
E1W 1DD  
United Kingdom

#### A.1.1.4 SIGNIFICANT SHAREHOLDERS

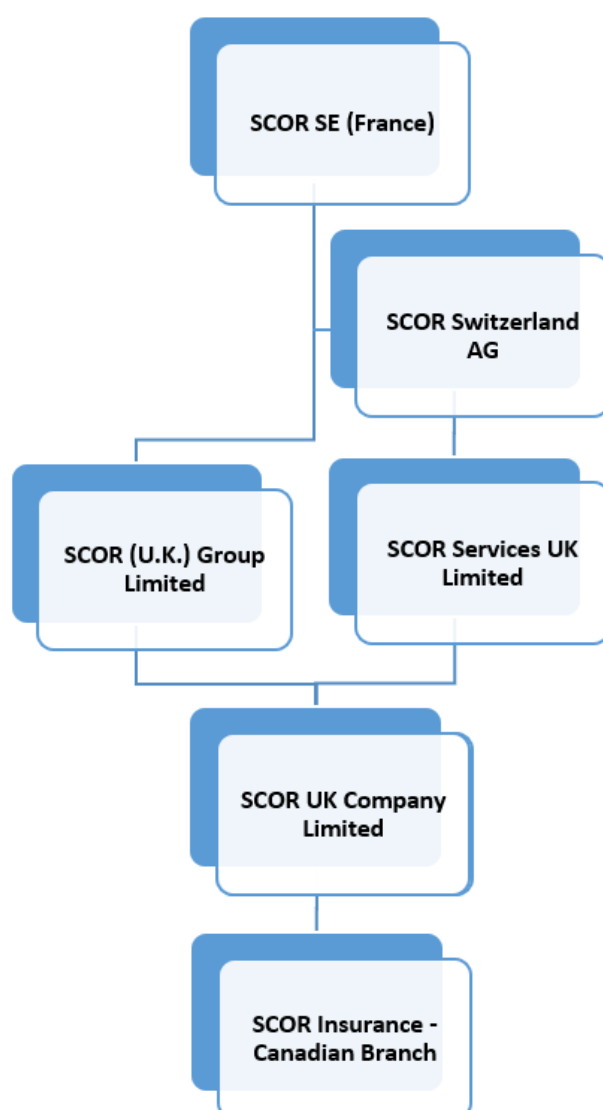
SCOR (U.K.) Group Limited (SCOR UK Group) is the immediate parent company of SCOR UK Company Limited (74% of control and interest). SCOR UK Group is domiciled in the United Kingdom. SCOR Services UK Limited holds the remaining 26% of control and interest in SCOR UK and is also domiciled in the United Kingdom.

The ultimate parent company is SCOR SE, domiciled in France.

#### A.1.1.5 LEGAL AND ORGANISATIONAL STRUCTURE OF SCOR UK

The Group parent company is SCOR SE, domiciled in France. SCOR SE together with its consolidated subsidiaries, forms the world's fourth largest reinsurer and is listed on the Euronext Paris regulated market. SCOR SE wholly owns its operating subsidiaries (excluding the loaned securities held by Directors), including SCOR UK's parent company, SCOR UK Group.

On March 31, 2019, SCOR SE merged with its wholly-owned subsidiaries SCOR Global P&C SE and SCOR Global Life SE with retroactive effect from January 1, 2019. SCOR UK's position with regards to SCOR SE is presented in the chart below.



The Group is a three engine group driven by SCOR Global Life, SCOR Global P&C and SCOR Global Investments.

SCOR Global P&C, the Group's Non-Life business unit, operates worldwide through the main global reinsurance company (SCOR SE) and global insurance companies (SCOR UK and SCOR Europe) as well as insurance and reinsurance subsidiaries and branches in the EMEA region including France, Spain, Italy, Switzerland, the UK, Germany, South Africa, Russia, in the Americas and in the Asia-Pacific region, including Australia, China, India, South Korea, Hong Kong and Singapore.

SCOR Global Life, the Group's Life business unit, operates worldwide through the insurance and reinsurance subsidiaries and branches of SCOR SE in the EMEA region including Germany, the UK, Ireland, Italy, Spain, Switzerland, the Netherlands, Sweden, Belgium, South Africa, in the Americas region including Canada, the US, Latin America, and the Asia-Pacific region including Australia, New Zealand, China, Hong Kong, Japan, Singapore, Malaysia, South Korea and India.

SCOR Global Investments, the third business unit of the Group, operates the asset management activities of the Group. It is responsible for defining, implementing and controlling the asset allocation of the Group's legal entities investment portfolios in a centralised manner. It is organised around two areas: the Group's functions and a portfolio management company regulated by the AMF, SCOR Investment Partners SE, which manages directly the assets of many SCOR Group subsidiaries and manages also investment vehicles on behalf of the Group and third-party clients.

## A.1.2 BUSINESS DESCRIPTION

### A.1.2.1 LINES OF BUSINESS AND GEOGRAPHICAL AREAS

The business written by the Company is driven mainly by the large corporate segment with lower contribution from the aviation and space sector than previously as a result of Brexit planning within the SCOR Group. SCOR UK has a well-diversified line of business book (property, property energy, engineering, liability, offshore, aviation, space). The business book is also diversified by geographical spread insuring risks globally with the main locations being North America, Canada, Australia, and the United Kingdom.

### SOLVENCY II LINES OF BUSINESS

Under Solvency II, insurance and reinsurance obligations are analysed by specifically defined lines of business.

The material lines of SCOR UK's business are as follows:

- Fire and other damage to property
- Marine, aviation and transport
- General liability

For further information on SCOR UK's underwriting and performance by Solvency II lines of business, please refer to section A.2 Underwriting performance.

### A.1.2.2 SIGNIFICANT BUSINESS AND OTHER EVENTS IN THE PERIOD

#### Covid-19 Pandemic

2020 has been a very challenging year due to the impact of the ongoing Covid-19 global pandemic. SCOR is successfully managing and absorbing the impact of the Covid-19 pandemic both operationally and financially.

#### Natural catastrophes and large risk losses

2020 has been a very challenging year due to the impact of the ongoing Covid-19 global pandemic. 2020 saw fewer natural catastrophes and also a decrease in large risk losses compared to 2019. The in-force reinsurance programmes have responded as expected, with recoveries on proportional and non-proportional covers. As a result, the net technical ratio increased to 70% (62.4% as at December 31, 2020).

#### Impact of change in Ogden rate

In 2017 and most recently in Q3 2019 the UK Ministry of Justice's decision to adjust the discount rate used to calculate lump sum awards in UK bodily injury cases from -0.75% to -0.25% (the Ogden rate) had a very limited impact on the SCOR UK liabilities net of reinsurance.

#### UK Exit from the EU

The Group has established a new EU based direct insurance company, SCOR Europe, that has been accepting risks for EU 27 clients since January 1, 2019. This enables the group to maintain continuity of service to all affected clients. The UK has officially exited the EU as of January 31, 2020 and entered an 11-month transition period. During this transition period, the UK continued to follow all of the EU's rules and the trading relationship remained the same. The transition period ended on December 31, 2020 with the UK and EU concluding a trade deal shortly before this deadline. Financial Services were not included in this deal and the Company will study developments in this area as they occur.

## A.2 Underwriting performance

### A.2.1 UNDERWRITING RESULTS BY LINE OF BUSINESS

Gross written premiums for the financial year ended December 31, 2020 increased by 24.1% compared to 2019 from GBP 310 million to GBP 385 million. At constant exchange rates the increase is 24.2%.

2020 has seen fewer natural catastrophes and also a decrease in large risk losses compared to 2019.

In 2020, SCOR UK achieved a net combined ratio of 85% against 80.2% in 2019. The combined ratio reflects the increase in large risk losses that occurred compared to previous years.

IFRS in GBP thousands	As at December 31, 2020		
	Net technical result <sup>1</sup>	Internal management expenses <sup>2</sup>	Net underwriting result
Marine, aviation and transport insurance	1,908	(2,354)	(447)
Fire and other damage to property insurance	13,366	(7,625)	5,741
General liability insurance	8,304	(3,791)	4,513
Credit and suretyship insurance	872	(578)	294
Non-proportional casualty reinsurance	(1,197)	(1,036)	(2,232)
Non-proportional marine, aviation, transport reinsurance	1,463	(381)	1,082
Non-proportional property reinsurance	21,173	(4,672)	16,501
Other*	276	(2,933)	(2,656)
<b>Total</b>	<b>46,165</b>	<b>(23,370)</b>	<b>22,795</b>

\*of which 76 M€ of non-allocated expenses reported as "Others"

<sup>1</sup> In net technical result, claims expenses (ULAE) are reclassified from claims to expenses

<sup>2</sup> Includes all management expenses

Net technical result of SCOR UK amounted to GBP 46.2 million as of December 31, 2020.

IFRS in GBP thousands	As at December 31, 2019		
	Net technical result <sup>1</sup>	Internal management expenses <sup>2</sup>	Net underwriting result
Marine, aviation and transport insurance	9,244	(3,670)	5,575
Fire and other damage to property insurance	6,763	(7,522)	(760)
General liability insurance	9,643	(2,839)	6,805
Credit and suretyship insurance	2,716	(716)	2,000
Non-proportional casualty reinsurance	2,635	(1,976)	659
Non-proportional marine, aviation, transport reinsurance	(602)	(461)	(1,063)
Non-proportional property reinsurance	19,062	(4,184)	14,878
Other*	91	(2,042)	(1,951)
<b>Total</b>	<b>49,552</b>	<b>(23,410)</b>	<b>26,142</b>

<sup>1</sup> In net technical result, claims expenses (ULAE) are reclassified from claims to expenses

<sup>2</sup> Includes all management expenses

Net technical result of SCOR UK amounted to GBP 49.6 million as of December 31, 2019.

### A.2.2 UNDERWRITING RESULTS BY GEOGRAPHICAL AREA

In 2020, SCOR UK generated 55% (2019:60%) of its gross written premiums in the Americas, 32% (2019:25%) of its gross written premiums in the EMEA and 13% (2019:15%) in Asia.

The following table shows the breakdown of underwriting performance by geographical areas.

IFRS in GBP thousands	As at December 31, 2020			
	EMEA	Americas	Asia-Pacific	Total
Gross written premiums	123,814	212,254	49,105	385,173
Net technical result <sup>1</sup>	7,697	20,387	18,081	46,165
Internal Management expenses <sup>2</sup>	(9,885)	(10,833)	(2,652)	(23,370)
<b>Net underwriting result</b>	<b>(2,188)</b>	<b>9,554</b>	<b>15,429</b>	<b>22,795</b>

<sup>1</sup> In net technical result, claims expenses (ULAE) are reclassified from claims to expenses

<sup>2</sup> Includes all management expenses.

SCOR UK		As at December 31, 2019		
IFRS in GBP thousands	EMEA	Americas	Asia-Pacific	Total
Gross written premiums	76,510	187,664	46,128	310,302
Net technical result <sup>1</sup>	17,686	13,966	17,900	49,552
Internal Management expenses <sup>2</sup>	(3,423)	(15,669)	(4,318)	(23,410)
<b>Net underwriting result</b>	<b>14,262</b>	<b>(1,702)</b>	<b>13,582</b>	<b>26,142</b>

<sup>1</sup> In net technical result, claims expenses (ULAE) are reclassified from claims to expenses

<sup>2</sup> Includes all management expenses.

## A.3 Investment performance

### A.3.1 INVESTMENT INCOME AND EXPENSES

SCOR UK is fully embedded in the SCOR Group Investment Management process. For more details please see section A.3 – Investment performance of the SCOR Group SFCR at [www.scor.com](http://www.scor.com).

#### A.3.1.1 INVESTMENT INCOME AND EXPENSES BY ASSET CLASS

SCOR UK's portfolio positioning is risk averse as a result of the Company's decision to focus on underwriting risks and limit other risks such as market risks. The invested assets portfolio is mainly invested in corporate and government bonds. The duration of the fixed income portfolio has decreased to around 2.1 years (from 2.3 years) and the average rating has remained stable at AA-

SCOR UK	2020	2019
IFRS in GBP thousands		
Investment revenues on invested assets	5,654	6,801
<i>Investment revenues on fixed income</i>	5,581	6,449
<i>Investment revenues on others</i>	73	352
Interest on deposits	379	(3)
<i>Interest income on funds withheld and contract deposit</i>	415	28
<i>Interest expense on funds withheld and contract deposit</i>	(36)	(31)
Realized gains/losses on invested assets	419	21
Change in fair value of investments	(5,643)	(3,393)
<b>Total IFRS investment income net of foreign exchange</b>	<b>809</b>	<b>3,426</b>
Foreign exchange gain/loss	5,121	2,973
<b>Total IFRS investment income</b>	<b>5,930</b>	<b>6,399</b>
Investment management expenses	(875)	(972)
<b>IFRS investment income net of investment management expenses</b>	<b>5,055</b>	<b>5,427</b>

In 2020 the income before foreign exchange gain/loss was GBP 0.8 million on the overall invested assets portfolio.

Total investment income net of management expenses stands at GBP 5 million as at December 31, 2020.

The foreign exchange impact for the year is GBP 5 million. SCOR UK has followed the group process of hedging material currency imbalances each quarter (see section C.3.2.3 – Management of currency risk).

### A.3.2 INVESTMENT GAINS AND LOSSES RECOGNISED IN EQUITY

SCOR UK has posted an unrealised gain in the invested assets, mainly due to the decrease in interest rates and spreads tightening.

SCOR UK	2020	2019
in GBP thousands		
Fixed income	5,380	10,776
<b>Total</b>	<b>5,380</b>	<b>10,776</b>

### A.3.3 SECURITISED INVESTMENTS

The table below presents information on the type of securitised investments held within the Company:

SCOR UK As at December 31, 2020 in GBP thousands	AAA	AA	A	BBB	<BBB and non- rated	Total	Market to Book Value %
<b>Assets-backed securities</b>	-	-	-	-	-	-	0%
<b>Collateralized loan obligations</b>	-	-	-	-	-	-	0%
<b>Collateralized debt obligations</b>	-	-	-	-	-	-	0%
Collateralized mortgage obligations	-	-	-	-	-	-	0%
<b>Mortgage-backed securities</b>	-	-	-	-	-	-	0%
Agency CMBS	-	-	-	-	-	-	0%
Agency RMBS	1,400	-	-	-	-	1,400	0%
Non-agency CMBS	-	-	-	-	-	-	0%
Non-agency RMBS	-	-	-	-	-	-	0%
<b>Total</b>	<b>1,400</b>	-	-	-	-	<b>1,400</b>	<b>0%</b>

SCOR UK As at December 31, 2019 in GBP thousands	AAA	AA	A	BBB	<BBB and non- rated	Total	Market to Book Value %
<b>Assets-backed securities</b>	-	-	-	-	-	-	0%
<b>Collateralized loan obligations</b>	-	-	-	-	-	-	0%
<b>Collateralized debt obligations</b>	-	-	-	-	-	-	0%
<b>Mortgage-backed securities</b>	-	-	-	-	-	-	0%
Agency CMBS	-	-	-	-	-	-	0%
Agency RMBS	2,396	-	-	-	-	2,396	101%
Non-agency CMBS	-	-	-	-	-	-	0%
Non-agency RMBS	-	-	-	-	-	-	0%
<b>Total</b>	<b>2,396</b>	-	-	-	-	<b>2,396</b>	<b>0%</b>

## A.4 Performance of other activities and any other information

No material income and expense was incurred by SCOR UK over the reporting period other than income presented above in sections A.2 Underwriting performance and A.3 Investment performance.

## A.5 Any other information

### COVID-19 PANDEMIC

The outbreak of the new coronavirus was first reported around end of 2019/early 2020 and was characterized as a pandemic by the World Health Organization on March 11, 2020. Management continuously monitored the developments and has assessed the impacts of the pandemic on SCOR's consolidated financial statements as at December 31, 2020 considering that a high degree of management judgment is required in making accounting assessments.

The full impact of the Covid-19 crisis on SCOR's business and results can still not be accurately assessed at this stage, given the uncertainty related both to the magnitude and duration of the Covid-19 pandemic and to the possible effects of future governmental actions and/or legal developments in this context. This uncertainty follows from the high difficulty in working on sound hypothesis on the impact of this crisis due to the lack of comparable events, the ongoing nature of the pandemic, and its far-reaching impacts on world-wide economies, on the health of the population and on customers and counterparties. These hypotheses include, in particular:

- the duration of the pandemic, its impact on health on the short and long term, the availability and effect of the vaccines;
- the response of government bodies world-wide (including executive, legislative and regulatory);
- potential judicial actions or social influences;
- the coverage and interpretation of SCOR's contracts under these circumstances;
- the assessment of the net claim estimate and impact of claim mitigation actions.

Therefore any assessments and resulting figures presented in the SFCR will necessarily be estimates based on an evolving analysis and will encompass a wide range of alternative hypotheses. At this stage, none of the scenarios, assessments, impact analysis or figures can be considered as certain or definitive.

For more details about the impact of Covid-19 please see section A.5 – Any other information of the SCOR Group SFCR at [www.scor.com](http://www.scor.com).

## B.SYSTEM OF GOVERNANCE

### B.1 General information on the system of governance

#### B.1.1 GENERAL GOVERNANCE PRINCIPLES

The Board of Directors of SCOR UK aims to achieve as high a standard as possible in its governance framework and aligns itself as closely as is possible with the structures and framework established within the SCOR Group.

SCOR has an objective of excellence with regards to governance as it contributes to reaching its strategic objectives and to ensuring an appropriate management of risks.

The governance of the SCOR Group derives from the following objectives:

- compliance with applicable laws in the countries where it operates, and especially, for SCOR SE, with the French Commercial Code, the French Monetary and Financial Code, the AMF Regulation and the French Insurance Code;
- pragmatism, simplicity and operating efficiency, allowing for timely and effective decision-making and cost effectiveness;
- clear allocation of roles and responsibilities, including clear reporting lines and accountability;
- checks and balances;
- fostering of cooperation, internal reporting and communication of information at all relevant levels of the Group;
- robust management and internal control leveraging on the consistent application of policies, guidelines, procedures and tools such as IT systems;
- mobilisation of skills and expertise;
- balance between a strong governance at Group level involving a global vision and global steering of the business and of risk management, and empowerment of local Boards and management teams, allowing for local specificities to be taken into account;
- multicentricity, with Group functions being carried out in other geographical locations than Paris in order to benefit fully from the competencies within different locations;
- efficient flowing of information bottom-up and top-down.
- SCOR UK is fully integrated into the group and business unit organisational structure of the SCOR Group. For more information on the SCOR Group please refer to the Group SFCR on [www.scor.com](http://www.scor.com).

#### B.1.2 LEGAL STRUCTURE AND FUNCTIONAL ORGANISATION OF SCOR UK

##### Legal structure of the company

SCOR UK is incorporated in England, under registered number 01334736 and its registered office is at 10 Lime Street, London EC3M 7AA (“the Company”).

As a consequence, SCOR UK is subject to English law and regulations (including but not limited to the Financial Services and Markets Act 2000, the Rulebooks of the PRA and the FCA) and is supervised by the PRA and the FCA.

The Company has been authorised by the PRA and the FCA to operate:

- within the UK. The Company’s authorization in the European Union pursuant to the European passporting regulation ceased as at December 31, 2020)
- in other countries where the Company has obtained licences to write insurance and reinsurance business or where operating in reinsurance is not subject to licence.

SCOR UK’s Canadian Branch, known as SCOR Insurance - Canadian Branch, is regulated by the OFSI and authorised to operate in Canada.

SCOR UK is also authorised to write surplus lines in all US States and Territories.

#### B.1.3 GOVERNANCE STRUCTURE

##### B.1.3.1 THE CORPORATE GOVERNANCE MODEL FOR SCOR UK

The corporate governance framework for SCOR UK is centred on the Board, who have the ultimate authority at the UK regulated entity level, for ensuring that the regulated firm is managed in accordance with main stakeholder instructions, SCOR UK Board approved strategy and legal and regulatory requirements. Authority lies jointly and severally with the Board collectively and not with any specific individual.



The governance framework consists of the following:

- The Board of Directors;  
The Board develops and implements strategy, measures and manages business performance, develops and implements internal control and risk management framework and ensures that the business is managed within the risk appetite it has established. The Board is assisted by the Management Committee of SCOR UK.
- Risk, Capital and Compliance Committee;  
The Risk, Capital and Compliance Committee provides oversight of the management of risk by the Board (supported by the Compliance and Risk Functions).
- Audit Committee;  
Independent and objective assurance over the effectiveness of control system is provided by Group Internal Audit (“GIA”) with oversight by the Audit Committee.

#### Maintenance of the Corporate Governance Framework

The Board undertakes to review the effectiveness of the corporate governance framework to ensure that it remains effective and complies with regulatory requirements. The review includes the following:

- Specific and annual effectiveness review;
- The Board performs an annual review of the corporate governance framework. This ensures their confidence in the framework, and fulfils their role in ensuring the effectiveness of the corporate governance framework. Any weaknesses found are acted upon and resolved;
- Redefine the framework where necessary;
- It is the Board’s responsibility, through whichever method it chooses, to improve continuously the corporate governance framework. Action may be delegated to a committee, an individual or executed by the Board itself;
- Regular monitoring of the robustness of the system of corporate governance.

The Board regularly monitors the corporate governance framework, including the Governance Map and Committee Terms of Reference.

### B.1.3.2 THE BOARD OF DIRECTORS AND BOARD COMMITTEES

#### Composition of the Board

Ultimate authority at SCOR UK for ensuring that the Company is managed in accordance with the expectations and requirement of the main stakeholder, SCOR Group, rests with the SCOR UK Board of Directors, which as per Section B.1.4 is the aligned Board.

SCOR UK has determined that the composition of the Board comprises of:

- Chairman;
- Chief Executive Officer;
- Internal Non-Executive Directors; and
- External (Independent) Non-Executive Directors; and
- Company Secretary in attendance.

Where appropriate, the above Directors have been allocated a Senior Insurance Management Function (SIMF) as required by the Senior Managers Certification Regime (SM&CR) which allocates personal accountability for their area of responsibility. Other senior Executives have been allocated SMF roles and will also hold personal accountability for their area of responsibility.

The Directors of the Board and other Executive SMFs provide the Board with expert input and advice in relation to their area of responsibility and are directly involved in the setting of strategic objectives and overall risk appetite.

In addition, Directors may also have separate executive roles.

The collective responsibilities of the Board are detailed in the Aligned Board Terms of Reference (Board TOR).

#### Structure and organisation of the Board

The competencies, duties and responsibilities of the Board of Directors of the Company (the Board of Directors) are determined by applicable English laws and regulations, the Articles of Association of the Company and the Board TOR.

As more precisely set out in the Fit and Proper policy, no person can be appointed as a member of the board if he/she has not fulfilled fit and proper requirements including:

- Relevant professional qualifications, knowledge and experience, combining a broad set of skills and experience adequate to enable sound and prudent management

- Proof of good repute and integrity
- Completed “Fit and Proper Test” set out and monitored by the FCA and the PRA (based on the following issues: honesty, integrity and reputation; competency and capability; and financial soundness).

The members of the Board are responsible for electing a Chairman of the Board.

The Board of Directors is responsible for considering the appropriateness of the committee structure and may create any committee(s), whether ad hoc or permanent, assisting the Board of Directors in the preparation and examination of selected matters. The Board of Directors appoints and dismisses the members of such committee(s) as it deems fit. Committees' composition and organisation are set out in the appropriate Terms of Reference.

#### Duties of the Board of Directors of the Company

The Board of Directors is a collegial body whose main duties and responsibilities comprise:

- Strategy and performance
  - determining the orientations of the Company's business;
  - ensuring that the corresponding strategy is implemented throughout the business;
  - monitoring management's performance;
  - addressing any subject related to the Company's performance and making the necessary business decisions;
  - reviewing and approving any policies and procedures, guidelines and limits of authority, and regulations issued by SCOR Group if they are appropriate for SCOR UK;
  - setting and approving the policies for SCOR UK's activities and monitoring their implementation;
  - ensuring that the policies implemented by SCOR UK are consistent with SCOR Group's policies;
- Duties and responsibilities arising out of Solvency II regulations and the PRA / FCA Handbook including but not limited to:
  - appointment and dismissal of key function holders and SIMFs;
  - maintaining a sound system of internal control as an essential element of corporate governance;
  - approval of the Solvency and Financial Condition Report (SFCR) and Regular Supervisory Report (RSR) prior to its submission to the PRA;
  - approval of the ORSA report prior to its submission to the PRA.
- Reviewing and approving the delegated powers to specific individuals on an annual basis to ensure they remain appropriate for SCOR UK.
- Compliance and legal environment
  - monitor compliance with the laws, regulations and administrative provisions including those adopted pursuant to the Solvency II Directive;
  - monitor possible impacts of changes in the legal environment on the operations of SCOR UK.
- Reserving
  - be informed of the reliability and adequacy of the calculation of technical provisions by the actuarial function.
- Reporting Procedures
  - be provided with information, to be supplied in a timely manner, which is in a form and of a quality appropriate to enable it to discharge its duties;
  - obtain information from relevant sources including Board Committees, executive reports and external advice.
- General Reporting
  - determine the current status of SCOR UK;
  - determine factors that influence SCOR UK's ability to continue to operate in a satisfactory manner;
  - determine the plans in place to mitigate, or avoid, material events that may prevent the Company from operating satisfactorily;
  - obtain information from relevant sources including, but not limited to, Board Committees, executive reports and external advice.
- Other responsibilities
  - deliberate on all issues concerning the proper running of the Company, which are not otherwise delegated to the CEO, or any other corporate body, either in terms of (i) the issue as such or (ii) the level of authority granted;

- require from Management any information the Board of Directors deems necessary to carry out its roles and responsibilities.

As and when necessary, the Board can delegate authority to its Chairman, the Chief Executive Officer or any special delegate to implement its decisions.

#### **Executive Management**

The Board considers and approves the Controlled Functions and SM&CR requirements as required by the PRA/FCA and responsibility for these are allocated to suitably skilled individuals in line with PRA/FCA guidelines and procedures.

The Board considers and approves the line management structure in operation at SCOR UK.

The Board considers and approves policies and procedures relating to key functions of the business.

#### **BOARD OF DIRECTORS' COMMITTEES**

SCOR UK Board of Directors has established four Committees and two sub-Committees in order to examine specific topics, to prepare the Board's proceedings and to make recommendations to it.

Certain individuals and committees may have authority delegated to them in order that they may monitor and oversee specific aspects of the business without further reference to the Board or the Chief Executive Officer.

**Audit Committee** – as per Section B.1.4, this is an aligned Committee

The Board has established an Audit Committee to oversee the financial reporting process, the system of internal control over financial reporting, the audit process, and the SCOR UK process for monitoring compliance with laws and regulations.

#### **Investment Committee**

The Board has established an Investment Committee to monitor, and where necessary direct, the investment activities of the investment manager in relation to the Company's investment portfolio.

**Risk, Capital & Compliance Committee** – as per Section B.1.4, this is an aligned Committee.

The Board has established a Risk & Compliance Committee to review and report on the adequacy of risk management and compliance within SCOR UK.

#### **Management Committee**

The Board has established a Management Committee to review and report on the business plan of SCOR UK incorporating strategy, operational plans, budget and the monitoring and operation of financial performance.

The Management Committee has established two sub-Committees as follows:

- **Reserving Committee**

The Reserving Committee has been established to make recommendations regarding appropriate reserving levels for SCOR UK.

- **Canadian Branch Management Committee**

To ensure that Management have appropriate oversight and understanding of the branch a Committee has been established to monitor all relevant matters and to ensure that internal controls meet the expectations of SCOR UK and the UK and Canadian regulators.

#### **B.1.3.3 THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

##### **Chairman of the board**

In addition to his function as a member of the Board of Directors, the Chairman of the Board shall notably:

- organise and prepare the meetings and resolutions of the shareholders as well as call, organise and prepare the meetings and resolutions of the Board of Directors;
- preside over the meetings of the Board of Directors;
- organise and conduct the work of the Board of Directors;
- ensure the functioning of the committees of the Board of Directors, if any, and the fulfilment of tasks by Board members;
- ensure the close cooperation between the Board of Directors and the Board Committees;
- inform immediately the Board of Directors of all incidents, questions and developments of extraordinary importance for the Company;
- inform appropriately the Board of Directors on reports, proposals, information and other communication received from the CEO, or any other delegate of the Board of Directors including key function holders;
- be entitled, but not obliged, to attend meetings of any Committee of the Board of Directors in an advisory function, and to inspect the files of the Committees of the Board of Directors.

### Chief Executive Officer (“CEO”)

The CEO is an actual person and may be chosen within the members of the Board of Directors or outside of the Board of Directors.

The CEO has the widest possible powers to act in the name of the Company under all circumstances. He is granted all necessary authority by the Board of Directors to fulfil the functions and tasks in conjunction with the general management of the Company. His exercise of such powers and authorities shall be limited to the corporate purpose of SCOR UK and be subject to the powers specifically conferred to the Board of Directors as per any prevailing legal or regulatory provisions, the Articles of Association or the Organisational Framework.

The CEO is entitled to delegate any of his powers vested in him to any member of the Management Team or any other specific person from time to time. Directors and senior managers are responsible for cascading information about strategy and policy down to their direct reports, who cascade the information further – to their direct reports and so on throughout the organisation’s hierarchy. In turn, the lower levels of the organisation report to and are accountable to the higher levels of the organisation.

The CEO is responsible for the definition and implementation of the strategy and objectives of SCOR UK in line with the overall Group strategy and objectives, and exercises the general management of the entire business of the Company and its branch. He has overall management responsibility for the organisational, operational and financial performance of SCOR UK and represents the Company at all times towards third parties.

To carry out the functions and tasks in conjunction with Management, the CEO is supported by the Management Team or any member thereof and/or one or more specific Board Committees.

The CEO shall be responsible for documenting any decisions concerning SCOR UK, i.e. with a material impact on the Company’s strategic, organisational position or with a material financial or balance sheet impact, based on the Four Eyes Principle.

#### B.1.3.4 FIT AND PROPER REQUIREMENTS

The SCOR Group commits to high “fit and proper” standards, and is committed to having “the right person in the right place” to conduct business.

The SCOR Group Fit and Proper Policy defines standards adapted to the category of work performed by each individual and this Policy has been adopted by SCOR UK.

The members of the Board of Directors, the CEO, and the Management Team members, where appropriate, and persons that hold Key Functions, SIMFs shall fulfil at all times the requirements of the SCOR Fit and Proper Policy, see section B.2 Fit and proper requirements:

- their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and
- they are of good repute and integrity (proper).

Notification requirements to the relevant regulatory bodies are applicable to Members of the Board of Directors, persons who effectively run the Company, SIMFs and Key Function holders.

#### B.1.3.5 KEY FUNCTIONS

The Solvency II Directive defines four key governance functions as part of a company’s system of governance. These governance functions contribute to the implementation of an effective system of governance that provides for sound and prudent management.

These functions are the following:

- Risk Management;
- Compliance;
- Internal Audit;
- Actuarial.

Key functions may be outsourced to other entities, as and in accordance with the rules laid out in the Group Outsourcing Policy and with prevailing local legal and regulatory provisions. Refer to section B.7 – Outsourcing for further details.

### Roles and Responsibilities

#### Risk Management function

The main roles of the Risk Management function are to:

- help to steer SCOR UK’s risk profile, in line with its risk appetite framework;
- maintain, develop and monitor effectiveness of the risk-management system, in accordance with the defined objectives, through the definition of consistent strategies, processes and reporting procedures related to identification, measurement, monitoring, management and reporting on the risks faced by the Company;

- implement the ORSA;
- spread a risk aware culture / improve knowledge of risks;
- ensure regulatory compliance in relation to risk and capital management.

For further information on SCOR UK's risk management function and risk management system, refer to section B.3. Risk management system including the ORSA.

#### Compliance function

The main roles of the Compliance function are to:

- promote SCOR UK's compliance with applicable laws and regulatory requirements, through policies, guidelines and procedures, and enhanced staff awareness;
- assess the possible impact of any changes in the legal environment on the business;
- advise the Board of Directors and CEO on compliance with the laws, regulations and administrative provisions, in particular with regulations adopted pursuant to the Solvency II directive;
- identify and assess compliance risk;
- monitor risk mitigating processes and procedures:
  - list compliance related internal controls
  - develop the compliance plan
- investigate and report on compliance breaches notified.

For further information on SCOR UK's Compliance function, refer to B.4 Internal Control System.

#### Internal audit function

The main roles of the internal audit function are to:

- assist the Audit Committee in providing independent, objective assurance and consulting activities that are designed to add value and improve an organisation's operations;
- report to the Audit Committee, the Board of Directors and the CEO any findings and recommendations arising from its investigations;
- ensure that SCOR UK has highly effective procedures, and controls its risks, and inform the senior managers and heads of operating and functional units of any unsatisfactory conditions or risks;
- advise the managers of various units on setting up their internal control systems, allowing them to control their risks and procedures;
- keep an eye on the relevance and the implementation of control procedures by the various operating units within the undertaking;
- make proposals when the organisation lacks sufficient control of risks and / or costs;
- improve and spread a culture of internal controls aimed at managing risks more effectively and emphasizing effective control procedures;
- ensure the effective and timely implementation of its recommendations.

For further information on SCOR UK's internal audit function, refer to section B.5 Internal Audit.

#### Actuarial function

The main roles of the actuarial function are to:

- coordinate and supervise the calculation of technical provisions;
- report to the CEO and Board on the reliability and adequacy of the calculation of technical provisions, including the quality of data used in the calculation;
- express an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements;
- contribute to the implementation of the risk management system, in particular on risk modelling for the calculation of the solvency capital requirements and for the ORSA.

For further information on SCOR UK's Actuarial function, refer to section B.6 Actuarial function.

#### Free from influences

The key functions carry out their duties in an objective, fair and independent manner. They are free from any influence that could impair the exercise of their mission.

With the exception of the Internal Audit Function which has a separate reporting line, the key functions operate under the ultimate responsibility of the Chief Executive Officer, through their management lines.

Each of the key function holders have a sufficiently high rank in the organisation and is in a position to conduct his/her activities in an independent manner. The standing and the authority of the key function holders in the main management governing bodies of relevance in their role allow them to execute their mission with the required level of independence. In addition, the key function holders have regular interactions with Board members and with the persons effectively running the company.

#### Access to the Board

The key function holders are heard at least once a year by the Board of Directors of SCOR UK, or one of its specialised Committees.

Besides, the Board of Directors of SCOR UK and its specialised Committees may hear the key function holders at their discretion, upon request from their respective Chairmen.

#### Designation, fit and proper requirements and notification requirement

SCOR UK's key function holders are designated by the Board of SCOR UK. They are subject to specific fit and proper requirements which are set out in the Fit and Proper Policy (see section B.2 – Fit and proper requirements). Upon designation, key function holders are notified to the PRA.

#### Access to information

Key function holders are able to communicate on their own initiative with any staff member and to obtain access to any relevant information to carry out their responsibilities. In the event key function holders face difficulties in accessing relevant information, they shall refer the issue to the CEO of SCOR UK for arbitration.

#### Interactions with other key functions

For further information on these interactions, refer to the respective dedicated sections below, in particular section B.3 – Risk management system including the Own Risk and Solvency Assessment (ORSA), section B.4 Internal Control System and Compliance function, section B.5 Internal Audit and section B.6 Actuarial function.

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### B.1.4 MATERIAL CHANGES IN THE GOVERNANCE IN 2020

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In line with the Group's strategic objective to align its direct insurance subsidiaries in the UK, the Board and main Committees of the Board became fully aligned with its sister Company in the UK, The Channel Managing Agency Limited ("TCMA") during 2020. As documented previously, this process has been underway for a number of years, and there is now a unified Board covering both SCOR UK and its sister Company ("TCMA"). One of the key objectives of the alignment is to create efficiencies and streamline the process by holding joint meetings. There are common Directors in place and a common Chairman which will ensure the interests of both Companies are fully protected and can be better aligned with Group strategic objectives.

The description of the Board and Committees above, are where relevant, of the aligned Board and Committees of SCOR UK and its sister Company in the UK.

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### B.1.5 MATERIAL TRANSACTIONS WITH SHAREHOLDERS, PERSONS WHO EXERCISE A SIGNIFICANT INFLUENCE OR WITH MEMBERS OF THE AMSB

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#### B.1.5.1 MATERIAL TRANSACTIONS AT SCOR UK LEVEL

##### Material transactions with shareholders

As set out in section A.1.1.4, SCOR UK Group is the immediate parent company of SCOR UK (74% of control and interest) while SCOR SE is the ultimate parent company.

SCOR UK has a business relationship with SCOR SE, including:

- Parental guarantee agreement with SCOR SE, guaranteeing SCOR UK's payment obligations under its reinsurance contracts
- Various outsourcing agreements relating to the provision of services including investment management services.

For more information on transactions with SCOR UK Group, SCOR Services UK Limited and SCOR SE refer to Note 15 in SCOR UK's 2020 Financial Statements.

##### Material transactions with members of the AMSB (Administrative Management Supervisory Board)

As described in section B.1.3, SCOR UK's Board is composed of Executive Directors, Non-Executive Directors employed by the SCOR Group and Independent Non-Executive Directors.

Independent Non-Executive Directors' (INEDs) fees are a fixed sum of GBP 20,000 annually payable in four equal instalments. There is also a fixed fee for those INEDs who hold additional responsibilities, including chairing a Committee of the Board and / or hold the role of Senior Independent Director, also payable in four equal instalments. The final component is based on an amount equal to GBP 750 per hour for time spent at the Board or Committee meeting they



attend. These are paid by a fellow group undertaking and recharged to the Company under a service agreement. The costs are allocated equally between SCOR UK and TCMA to reflect the role of the aligned Board and Committee structure. The members of the SCOR UK Board who are employees of the SCOR Group do not receive Directors' fees in respect of their directorships.

### Material transactions with persons who exercise a significant influence

#### Related party transactions according to the IFRS accounting standard IAS 24

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercises significant influence over the other party in making financial or operational decisions.

SCOR UK's related parties include:

- Key management personnel, close family members of key management personnel, and all entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members;
- Associates.

SCOR UK has several business relationships with related parties, in addition to those with SCOR SE as noted above. Transactions with such parties are made in the ordinary course of business and on substantially the same terms and conditions as those prevailing at the same time for comparable transactions with other parties.

For more information on transactions with related parties refer to Note 15 in SCOR UK's 2020 Financial Statements.

#### Transactions with key management personnel

Key management personnel are those individuals having responsibility and authority for planning, directing and controlling the activities of SCOR UK. SCOR UK considers that members of the Board constitute key management personnel for the purposes of IAS 24.

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### B.1.6 COMPENSATION POLICY AND PRACTICES REGARDING THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES AND EMPLOYEES

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SCOR UK conforms to the Group Compensation Policy. All employees governed by the policy are employed by Group undertakings other than the Company and their services provided to the Company under various service agreements.

#### B.1.6.1 COMPENSATION POLICY OF THE MEMBERS OF THE BOARD OF DIRECTORS

Within SCOR UK, INED Directors' fees are charged partly in one fixed sum of GBP 20,000 annually, payable in four equal instalments at the end of each quarter. There is also a fixed fee for those INEDs who hold additional responsibilities, including chairing a Committee of the Board and / or hold the role of Senior Independent Director, also payable in four equal instalments at the end of each quarter. The final component is based on the effective presence of the Directors at the meetings of the Board of Directors and of its Committees, in an amount equal to GBP 750 per hour spent at each Board or Committee meeting they attend.

No direct retirement contribution or commitment has been paid or made for the benefit of the Directors.

#### B.1.6.2 GENERAL PRINCIPLES OF THE GROUP COMPENSATION POLICY

SCOR Group pursues a human capital policy that is in line with the Corporate Values, the 3-year plan and the risk appetite of the Group. SCOR Group is committed to:

- maintaining a compensation policy that is fully in line with its controlled risk appetite and discourages taking excessive risks;
- aligning management incentives with shareholder value objective;
- having an innovative compensation policy which meets the long term horizon that is part of SCOR Group's internal model;
- motivating and retaining its pool of talent and having a Compensation Policy aligned to human capital development;
- being fully compliant with the regulations and guidelines defined by the regulators as regards to the compensation policy.

In order to achieve such objectives, SCOR Group has established a very structured and transparent compensation policy, under a global framework. It is reviewed and submitted to the Compensation and Nomination Committee and then to the Board of Directors for approval at least annually. It was last updated in November 2020.

The Compensation and Nomination Committee's competencies focus on the compensation of the Chairman and CEO. It is informed of the compensation of the Group Executive Committee. In addition, it recommends to the Board the approval of SCOR Group's shares and options programmes. This Committee is, as a rule, composed of a majority of independent Directors.

SCOR Group has established a “Partners”<sup>2</sup> programme. This programme which is specific and selective includes information sharing, career development and compensation schemes. There are four main Partner levels: Associate Partners (AP), Global Partners (GP), Senior Global Partners (SGP), and Executive Global Partners (EGP). Partners represent around 25% of the global workforce. The Group has a formal, carefully designed procedure for appointing and promoting Partners implemented every year during an Executive Committee meeting.

Candidates must have consistently demonstrated their skills, leadership and commitment in the past. As December 31, 2020, the proportions of partners by level is as follows: EGPs: 2%, SGPs: 7%, GPs: 31%, APs: 60%.

### B.1.6.3 MAIN COMPONENTS OF THE COMPENSATION BY STAFF CATEGORY - PERFORMANCE CRITERIA

#### Overall compensation components

Staff member category	Fixed compensation	Variable compensation in cash	Share-based plans	Pension plan
Chairman and Corporate Executive Officer <sup>(1)</sup>	✓	✓	Free shares, Stock options, LTIP <sup>(3)</sup>	✓
Group Executive Committee members <sup>(2)</sup>	✓	✓	Free shares, Stock options, LTIP	✓
Partners	✓	✓	Free shares, Stock options <sup>(4)</sup> LTIP	✓
Non partners	✓	✓	Free shares	✓

- (1) As a member of the Board of Directors, the Chairman and Chief Executive Officer receives a compensation as the other members of the Board of Directors
- (2) The Executive Committee includes the CEOs of SGP&C and SGL, who are the persons effectively running the Group and SCOR SE, SGP&C and/or SGL in addition to the Chairman and CEO of SCOR SE. Executive Committee members do not receive compensation in respect of their directorships in companies in which SCOR holds more than 20% of the capital
- (3) Long Term Incentive Plan (LTIP)
- (4) Only Executive Global Partners and Senior Global Partners are awarded stock options

Depending on the country, employees also benefit from other benefits such as health coverage and profit sharing.

#### Fixed compensation

As a global Group with three Hubs located in the main financial centres of the world, SCOR Group pays competitive base salaries in order to be a competitive player on the job market and to attract talent. SCOR Group compensation is benchmarked against local markets at least every two years.

Base salaries are set according to criteria that consider a variety of factors, such as conditions on the local labour market, education and professional experience before joining SCOR Group, expertise acquired, and the present position and responsibilities of the employee.

SCOR Group reviews base salaries on a yearly basis to reward individual performance as well as when new responsibilities are taken on by the job holder. An automatic adjustment to inflation is not applied as a general rule and is only granted in the few countries where legally required.

#### Variable compensation in cash

##### Partners

The Partners' cash bonuses are computed on the basis of a percentage of the reference salary. This total percentage ranges from 20% to 100% and increases with seniority in the partnership level. The percentage has two components. The main component (except for EGP's bonuses for whom the individual and collective components are split equally) is directly linked to the individual performance rating. The pay out with respect to each component is subject to meeting certain requirements. The payout on the individual component can range from zero (insufficient performance) to 150% (exceeds expectations). The second component is collective and based on the return on equity (ROE) achieved by SCOR in the previous financial year. The payout on the collective component can range from zero (ROE below 30% of the target) to 130% (ROE equal to or above 130% of the target).

The weighting of the individual and collective components is set to better reward the achievement of individual goals at Associate, Global and Senior Global Partner level. Partners can also benefit from an exceptional contribution bonus (ECB) ranging from 0% to 50% of the individual portion of the bonus awarded as a result of a strong contribution to the success of strategic projects or to key strategic achievements.

<sup>2</sup> The Partners are key executives, managers, experts, and high potentials formally identified across the Group. Partners are given specific responsibilities in terms of significant achievements, high impact project management and leadership. Therefore, they benefit from a specific and selective programme in terms of information sharing, career development and compensation schemes



### Other employees

For employees who are not Partners, the SCOR Group cash bonus rewards individual performance over the previous year. The bonus varies from 0% and 6% of the annual base salary depending on the rating received in the individual appraisal by the employee's direct superior. This scale is increased by a multiplier (2 or 3) in some Hubs in order to take into account specific local labour markets.

Non partners are also eligible for the exceptional contribution bonus (ECB), ranging from 0% to a maximum of 6% of the annual reference salary (the multiplier of 2 or 3 mentioned above does not apply to the ECB).

### Share - based compensation

SCOR Group launched the free shares and stock options programme in 2004 as a means to encourage the retention of, and strengthen the bond with, executives, managers and talented employees.

Shares and options can only be granted if the Annual General Meeting of the Shareholders approves the resolutions to this effect presented by the Board of Directors.

By delegation of the Annual General Meeting of Shareholders, the Board of Directors determines the allocation of shares and stock options to key personnel within SCOR Group.

In 2011 the Board of Directors decided to implement a new compensation scheme (Long Term Incentive Plan, "LTIP") for selected managers and executives of the Group in order to:

- Ensure retention of its key employees while extending the horizon of performance measurement;
- Involve and associate SCOR Group's key employees in the long-term development of the Group.

### Partners

The allocations of free shares and stock options to Partners is primarily designed to retain and create loyalty amongst key Group employee. The vesting of the shares and options is subject to the satisfaction of presence conditions (3 years to 6 years depending on the nature of the plan) and performance conditions fully aligned with the objectives of the strategic plan (ROE and Solvency ratio) and a TSR criterion. Moreover, beneficiaries must fully respect the Group's Code of Conduct (clawback policy). For more information on the performance conditions of 2020 plans, refer to section 2.2.3.4 – Plans providing employee profit sharing of SCOR Group's 2020 Universal Registration Document.

### Other employees

Performance shares can also be granted individually to certain employees who are not Partners.

### Pension Plans

While respecting national differences, SCOR Group offers attractive pension plans to its employees that in certain countries also cover accident and disability.

Although the SCOR Group pension plans are not aligned globally, they are set up to meet local legal requirements and needs and they are calibrated in such a way as to allow attractive total compensation packages.

Generally, SCOR Group uses defined contribution pension plans.

The senior executives and the members of the Executive Committee who joined SCOR Group before June 30, 2008 and are employed in France, are entitled to a guaranteed capped pension plan conditional upon a minimum five years of service with the Group, the payment of which is based on their average compensation over the last five years.

Executive Committee members who are not employed in France benefit from the collective pension schemes in place in their entity and do not have any specific plan except for members with Swiss contracts who benefit from a specific guaranteed pension plan similar to the one granted to the Executive Committee members employed in France and hired before June 30, 2008.

For Executive Committee members under French contracts and hired before June 30, 2008 or under Swiss contracts, the amount of the additional pension guaranteed by the Group varies from 5% to 50% (with a maximum growth of 5% per year) of the average compensation over the last five years, depending on seniority acquired in the Group at retirement. The additional pension guaranteed by the Group is calculated after deductions of the pensions paid out through the compulsory schemes and thus shall in no case exceed 45% of the benchmark compensation.

The pension benefits offered to the members of the Executive Committee who are not French citizens are comparable to the pension benefits offered to those who are French citizens.

## B.2 Fit and proper requirements

In addition to the requirements set out below, SCOR UK conforms to the PRA / FCA requirements concerning Fitness and Propriety in addition to conforming to the regulatory requirements of the SM&CR.

SCOR UK abides by the minimum standards set out by the PRA / FCA, SCOR UK is required to identify and apply Prescribed Responsibilities to those individuals who are performing key defined roles, along with a Governance Map highlighting these specific roles and the governance structure of SCOR UK.

There are a number of controls in place in order to ensure the continuing obligations of the SM&CR are met on an ongoing basis. SCOR UK will not permit an individual to perform a regulated role unless it is satisfied on reasonable grounds that the individual complies with the expected standards.

The fit and proper standards of the SCOR Group are embedded in the SCOR Group Fit and Proper policy. These standards consist of fit and proper principles, and criteria to be used to assess whether a person could be considered as fit and proper. The policy also includes an assessment process to be complied with. The SCOR Group Fit and Proper Policy has been adopted by SCOR UK. These elements are further detailed below.

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### **B.2.1 OBJECTIVES AND GENERAL PRINCIPLES**

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The SCOR Group Fit and Proper Policy, which SCOR UK adheres to, commits to high “Fit and Proper” standards.

Standards are adapted to the category of work performed by each individual.

A person is considered as Fit and Proper when he or she fulfils the following requirements at all times:

- his or her educational background, qualifications and professional experience are adequate to enable sound and prudent management (fitness) and;
- he or she is of good repute and integrity (propriety). SCOR assumes that an individual is proper if there is no obvious evidence suggesting otherwise. Some criminal, civil or disciplinary sanctions are antagonistic with meeting propriety requirements, with no possible remediation. Such sanctions can occur both in an individual’s private life and professional activities.

Fit and proper standards must be met at all times. Triggering events may require interim reassessments between annual evaluations.

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### **B.2.2 SCOPE OF SCOR GROUP’S FIT AND PROPER PRINCIPLES**

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Standards are adapted to the work performed by each individual. Fit and Proper standards are defined hereinafter for the following categories:

- Category A: Board members (hereafter Directors) and Chief Executive Officers of legal entities subject to the Solvency II Directive or where the Board includes external Board members. This category also includes “persons effectively running the company” under the Solvency II directive;
- Category B: key function holders (actuarial, internal audit, risk management and compliance) under the Solvency II directive;
- Category C: other staff.

Fit and Proper standards apply to each individual for the tasks assigned to them.

Fitness standards for Board members are assessed collectively: in particular, the SCOR SE Board is deemed to be fit if, for each subject matter, at least one member is individually fit.

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### **B.2.3 FITNESS CRITERIA**

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SCOR Group considers that fitness is an appropriate mix of:

- relevant educational background and qualifications and;
- relevant knowledge and professional experience.

#### **B.2.3.1 EDUCATIONAL BACKGROUND AND QUALIFICATIONS**

Although a high quality educational background is desired, professional experience may in some cases compensate for education gained in fields irrelevant to SCOR’s activities. However, specific requirements may apply for selected individuals (e.g. Chief actuary).

SCOR Group expects that individuals hold the following qualifications:

Applicable to	Qualification requirements
<p>Category A (Directors, Chief Executive Officer and “persons effectively running the company”)</p>	<p>Master’s degree or equivalent which relates to at least to one of the following areas:</p> <ul style="list-style-type: none"> <li>■ strategy or business management;</li> <li>■ finance;</li> <li>■ risk management;</li> <li>■ actuarial science;</li> <li>■ engineering;</li> <li>■ economy;</li> <li>■ law.</li> </ul> <p>If an individual does not meet the above, further consideration will be given to the individual’s professional experience (see below).</p>
<p>Category B (key function holders)</p>	<p>Master’s degree or equivalent.</p> <p>If the diploma is not related to his/her field of professional activity, further consideration will be given to his/her professional experience (see below).</p> <p>At Group level, the Chief Actuary, holder of the actuarial function, shall have appropriate formal actuarial qualifications and be a Fellow or Accredited Member of a recognised professional body (such as the Institute of Actuaries in France).</p>
<p>Category C (other staff)</p>	<p>Qualification criteria are defined in the HR recruitment guidelines and/or the job profiles, depending on the position.</p>

### B.2.3.2 PROFESSIONAL EXPERIENCE

Professional experience in a field directly relevant to SCOR’s activities or to the tasks assigned to the individuals is key. SCOR’s Directors, CEOs and “other persons effectively running the company” are expected to have a long-standing experience in their respective fields. When assessing the prior experience of an individual, consideration is given to such criteria: length of the former service, nature and complexity of the business where the position was held, former decision-making powers, responsibilities and number of subordinates.

Each individual must demonstrate:

Applicable to	Qualification requirements
Category A (Directors, Chief Executive Officer and “persons effectively running the company”)	Board members: <ul style="list-style-type: none"> <li>■ a recently acquired relevant experience (within the last five years);</li> <li>■ at least one member must have relevant knowledge and professional experience in each of the following fields:                             <ul style="list-style-type: none"> <li>- understanding of (re)insurance markets;</li> <li>- (re)insurance company strategy and business model;</li> <li>- financial markets;</li> <li>- regulatory framework;</li> <li>- financial analysis;</li> <li>- actuarial;</li> <li>- risk management;</li> <li>- governance;</li> <li>- accounting;</li> </ul> </li> </ul> CEOs and “other persons effectively running the company””: <ul style="list-style-type: none"> <li>■ a recently acquired 5 or more-year long relevant experience (within the past 5 years):                             <ul style="list-style-type: none"> <li>- in an insurance or reinsurance company;</li> <li>- in a field directly relevant to his/her field of responsibility.</li> </ul> </li> </ul>
Category B (key function holders)	<ul style="list-style-type: none"> <li>■ a recently acquired relevant experience (no more than 5-years old)</li> <li>■ the Actuarial key function holder shall have an appropriate actuarial experience with an insurance or reinsurance company</li> <li>■ the Risk Management key function holder shall have an appropriate experience of risk management in the financial industry;</li> <li>■ the Compliance key function holder and the Internal Audit key function holder shall have an appropriate experience in their field of responsibility (Audit, Finance, Law &amp; Compliance, Underwriting, Claims handling...).</li> </ul>
Category C (other staff)	Professional experience criteria are defined in the HR recruitment guidelines, depending on the position.

## B.2.4 PROPRIETY CRITERIA

### B.2.4.1 PROPRIETY ASSUMPTION

An individual may be considered as of good repute and integrity if there is no obvious evidence to suggest otherwise.

SCOR Group ensures, using the tools described in section B.2.5 – Fit and proper assessment process, that there is no evidence of offences that can adversely affect the good repute and integrity of this person. If evidence is gained of past behaviours casting doubt on an individual’s good repute and integrity, remediation actions shall be taken as appropriate.

SCOR Group also takes actions to prevent conflicts of interest.

Proper considerations are relevant for all employees of an undertaking. However, any assessment needs to take into account their level of responsibility within the undertaking and will differ proportionately, according to whether or not, for example, they are “persons effectively running the company” or have other key functions.

### B.2.4.2 REMEDIATION

Some criminal, civil or disciplinary sanctions will preclude an individual from meeting propriety requirements (e.g. disciplinary penalties by supervisory authorities, non-petty criminal or civil penalties related to gross misconduct in the management of a company, commercial or professional activities, or related to his/her personal management such as money laundering, market manipulation, insider dealing and usury, any offences of dishonesty such as fraud or financial crime). Others may not.

If an individual is subject to pending legal proceedings that may eventually lead to such penalties, he/she must inform the company concerned.

Other circumstances than court decisions and ongoing judicial proceedings, which may cast doubt on the repute and integrity of the person, may also be considered (current investigations or enforcement actions, imposition of administrative sanctions for non-compliance with provisions governing banking, financial, securities or insurance activity, securities markets, securities or payment instruments).

The following factors are taken into account to waive an impropriety ban: the seriousness of, and circumstances surrounding the offence, the explanation presented by the individual, the relevance of the offence to the proposed role, the passage of time since the offence was committed and evidence of the individual's rehabilitation, the level of appeal (definitive vs. non-definitive convictions) and the person's subsequent conduct.

#### B.2.4.3 TIME AVAILABILITY

Time availability must also be ensured: individuals holding concurrently several responsibilities/roles must have appropriate time to dedicate to the functions under the scope of SCOR Group's Fit and Proper policy.

#### B.2.5 FIT AND PROPER ASSESSMENT PROCESS

The assessment process shall allow SCOR Group to ensure that persons/bodies subject to Fit and Proper requirements fulfil the above criteria both before and after their appointment to the position under the scope of the Fit & Proper policy.

The main stakeholders of the initial assessment process are listed below:

Applicant to	Assessor
Board / Chief Executive Officer / Other "persons effectively running the company"	<ul style="list-style-type: none"> <li>■ Board;</li> <li>■ Corporate Secretary with the support of Human Resources for applicants who are also SCOR employees.</li> </ul>
Key function holders	<ul style="list-style-type: none"> <li>■ Chief Executive Officer;</li> <li>■ Human Resources;</li> <li>■ Board.</li> </ul>

According to the applicant level, the identified assessors are in charge of:

- collecting supporting documents about the applicant (e.g. CV), including the fit and proper assessment form;
- deciding if the applicant complies with the "fit & proper" requirements.

Each year, Corporate Secretary / HR department update their information with the annual fit and proper questionnaire collected from Directors, CEOs and other "persons effectively running the company" and key function holders.

Furthermore, when the Corporate Secretary / HR department receives notification of any changes affecting an individual's propriety, it updates the latest assessment.

Some specific situations trigger a re-assessment of the fitness and propriety of a person: for example, reasons to believe that a person will impede the undertaking from pursuing the business in a way that is consistent with applicable legislation, reasons to believe that a person will increase the risk of financial crime, e.g. money laundering or financing of terrorism, reasons to believe that sound and prudent management of the business of the undertaking is at risk.

## B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA)

The risk management principles, mechanisms and processes, described hereafter, are defined at Group level and applied consistently across the Group, in line with the proportionality principle, without prejudice of further and/or more stringent requirements from local applicable laws or regulations or policies.

SCOR UK's risk management system is composed of two interconnected parts:

- the risk appetite framework, including risk appetite, risk preferences and risk tolerances;
- the Enterprise Risk Management (ERM) framework composed of various risk management mechanisms which help to ensure that the risk profile is dynamically optimised whilst remaining aligned with the risk appetite framework.

As part of SCOR Group, SCOR UK has adopted the group-wide approach to risk management.

### **B.3.1 RISK APPETITE FRAMEWORK**

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SCOR's risk appetite framework is an integral part of the Group's strategic plan. It is approved by the Board of Directors upon the review of new strategic plans, based on recommendations from the Group's Executive Committee and the Risk Committee of the Board of Directors. The Board of Directors may vary the amount and the composition of risk that the Group is prepared to take.

SCOR's risk appetite framework encompasses the concepts of risk appetite, risk preferences and risk tolerances. This framework is defined for the Group as a whole. Where appropriate (i.e. for material entities or where regulations require), legal entities have their own Board approved risk appetites, preferences and tolerances with which to comply – as is the case for SCOR UK.

#### **B.3.1.1 RISK APPETITE**

Risk appetite defines the quantity of risk that SCOR UK wishes to accept to achieve a desired level of profitability. This determines where SCOR UK wishes to position itself on the assumed risk-expected return spectrum, between extremely risk averse (low risk-low return) and extreme risk taker (high risk-high return).

In execution of its objectives, SCOR UK's Board has set a risk appetite consistent with the Group's upper mid-level risk profile.

#### **B.3.1.2 RISK PREFERENCES**

Risk preferences are qualitative descriptions of the risks which SCOR UK is willing to accept. The Company aims to focus on insurance and facultative reinsurance risks, mostly mainstream risks covered in P&C. Business is underwritten in accordance with the global applicable non-life underwriting guidelines. SCOR UK is targeting a diversified portfolio in terms of business and geography covering various lines of business such as property energy and non-energy, offshore and shipbuilding, casualty, engineering, marine, aviation and space, as well as inherent defect insurance. For other relevant risks and preferences, the risk preferences of SCOR Group apply as appropriate.

#### **B.3.1.3 RISK TOLERANCES**

The risk tolerances define the limits set out in order to ensure that SCOR UK's risk profile remains aligned with the Company's risk appetite framework.

SCOR UK has established a set of limits per risk as set out in the globally approved underwriting guidelines and investment guidelines approved by SCOR UK's Board, supplemented with limits by risk category and scenario analysis as part of the annual Own Risk & Solvency Assessment (ORSA) to measure the appropriateness of the solvency position. In the event of breaching these limits, the Company's overall solvency may be affected and different levels of management actions would be taken. For further information on specific risk management strategies and processes, see Chapter C – Risk Profile.

### **B.3.2 ERM FRAMEWORK**

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The Risk Management area relies on an ERM framework composed of various risk management mechanisms as described in the following sections. These mechanisms are adapted to legal entities, including SCOR UK, when appropriate. Some mechanisms are only relevant at Group or business unit level and are not implemented specifically at the legal entity level, in line with materiality principles.

#### **B.3.2.1 INTERNAL ENVIRONMENT**

Dedicated departments from within the Risk Management area facilitate the definition and monitoring of the internal environment and the governance of risk management. primary focus of the Risk Management area is to develop and manage ERM mechanisms and to promote ERM concepts throughout the Group, in addition to providing risk management challenge and support for (re)insurance underwriting and asset management.

A key component of the governance of risk management is the establishment of Group policies and guidelines.

These Group policies are not intended to enumerate all the rules governing SCOR's activities in the different countries in which the Group operates, but rather to establish certain principles intended to ensure that SCOR Group companies and employees share a common understanding of the Group's standards and that they work in compliance with these standards. When approved, these documents are made available to employees on a platform fully dedicated to the policies in force and accessible via the SCOR intranet page. As part of SCOR Group, SCOR UK adopts (or adds addenda to) group policies as appropriate.

Compliance with local regulations and constraints is ensured by Hub General Counsels.

Refer to section B.1 – General information on the system of governance for further details on SCOR UK's organisation and governance structure

### B.3.2.2 SETTING OF OBJECTIVES

For several years, SCOR Group has implemented and formalised three-year strategic plans. On September 4, 2019 SCOR publicly presented “Quantum Leap” its latest strategic plan (mid-2019 to year-end 2021). “Quantum Leap” builds on the success of SCOR’s previous strategic plan, “Vision in Action”, and sets the Group’s new core objectives of:

- a return on equity (ROE) above 800 basis points over the five-year risk-free rate over the cycle<sup>3</sup>; and
- a solvency ratio in the optimal 185%-220% range<sup>4</sup>.

The strategic plans establish the Group’s risk appetite framework from which SCOR UK’s objectives stem.

The Group Executive Committee defines the procedures for implementing the strategy and reviews the consistency of the operational plans or policies (e.g. underwriting, finance, retrocession, information technology) with the strategic plan. The Group Executive Committee also ensures that there is an optimal risk-based allocation of capital and diversification. Under the responsibility of the Group Chief Risk Officer, the Capital Shield Strategy sets risk limits to ensure a protection of the Group’s capital in line with the strategic plan’s objectives. The Capital Shield Strategy is approved and monitored by the Group Risk Committee and the Board Risk Committee.

The clarity and detailed description of strategic objectives and their implementation within the Group facilitates the identification, evaluation and control of risks, whatever their nature (e.g. underwriting risk, market risk, and operational risk), possibly caused by these objectives.

As an integral part of SCOR Group, SCOR UK supports the SCOR Group’s strategic plans. The Company’s solvency and capital position is reported regularly to the Board of SCOR UK which takes suitable capital actions as appropriate.

### B.3.2.3 IDENTIFICATION AND ASSESSMENT OF RISKS

Different techniques and initiatives for identifying and assessing risks have been implemented to analyse risks from different angles and to deal with them in an exhaustive manner. These include:

- a risk information process: every quarter, regular and comprehensive risk reporting is provided to the Group Risk Committee and the Board of Directors. This includes a quarterly “Group Risk Dashboard” which describes and assesses the major risks the Group is exposed to and assembles various risk assessments from different identification and assessment processes for all risk categories;
- a process for the monitoring of risk exposures compared to risk tolerances, i.e. the limits established in order to ensure that the Group’s risk profile remains aligned with the risk level validated by SCOR SE’s Board of Directors. The Group uses various risk measures to define these exposures, which are measured based on either model outputs and/or expert opinions, depending on the technical constraints and the level of information available. These include:
  - the ‘risk driver’ system that enables the Group to manage the annual aggregate exposure to each major risk. The objective is to avoid overconcentration of risk and hence maximise diversification benefits. For the majority of SCOR’s risk drivers, the amount of post-tax retained annual exposure per main risk driver (with a probability of 1 in 200 years) is limited to a percentage of the Group’s eligible own funds. Other risk drivers have limits expressed in terms of the Group’s solvency ratio or duration for invested assets;
  - an ‘extreme scenario’ system designed to avoid the Group’s over-exposure to a single event. The amount of post-tax retained exposure to each defined extreme scenario (with a probability of 1 in 200 years) is limited to 10% of eligible own funds;
  - sub-limits for invested assets;
  - limits per risk which are set in the global underwriting and local investment guidelines.
- ‘footprint scenarios’: which aim to review and assess the potential impact on the Group of selected deterministic scenarios. This process provides an alternative perspective on the Group’s exposures. Working groups dedicated to specific subjects are composed of experts across the Group. These groups perform quantitative studies which are summarised in specific reports;
- an Emerging Risks process which is part of SCOR’s ERM Framework and is linked to other risk management methods such as the use of ‘footprint scenarios’. Potential emerging risks are identified and individual risk assessments are carried out by experts from the business units and the Group functions. Significant emerging risks are then reported to SCOR’s Executive Committee and Board. SCOR, as a member of the CRO Forum, also actively participates and contributes to the CRO Forum Emerging Risks Initiative (ERI) alongside other major insurers and reinsurers;
- SCOR’s ORSA (Own Risk & Solvency Assessment), which provides the Group’s Board and those of the legal entities (e.g. the EEA (re)insurance legal entities), the Group Executive Committee and senior management of

<sup>3</sup> Based on a five-year rolling average of five-year risk-free rates.

<sup>4</sup> This solvency target is unchanged from that under the previous strategic plan, Vision in Action.



these legal entities with forward-looking information on the respective risk and capital positions of the Group and legal entities;

- SCOR’s internal model, which is deeply embedded in SCOR’s risk management system and contributes to the assessment of risks. SCOR uses its internal model for determining economic capital. Its results are used to implement SCOR’s underwriting and asset management policies and guidelines.

Where relevant, the analyses from these processes are reported to the Group Risk Committee and to the Risk Committee of SCOR SE’s Board of Directors (the “Board Risk Committee”) and to the Board of Directors on a regular basis.

As part of SCOR Group, SCOR UK is similarly organised with respect to identification, assessment and monitoring of risk, leveraging on the Group approach but with some adaptation and use of the Solvency II Standard Formula for determining regulatory capital.

#### B.3.2.4 MAIN CONTROL ACTIVITIES

Because of its activities, SCOR UK is exposed to many risks: reinsurance and insurance related risks, market risks and other risks (e.g. liquidity, rating). These risks are detailed in the Chapter C – Risk profile. These activities rely on the control mechanisms including adequate reporting mechanisms to the main governance bodies throughout the Group.

This section summarises the principal activities and participants of risk control for the following important areas:

- Group functions;
- activities related to (re)insurance;
- asset management;
- accounting management.

The control activities described below are considered as the principal activities for controlling risks specific to those areas. In accordance with SCOR’s internal control system approach, these control activities are performed at Group or Company level, on core business and investment process level or at support process level, as appropriate.

##### Group functions

The Group’s functions are organised in three areas led by the Chief Operating Officer, Chief Financial Officer and Chief Risk Officer respectively. The Operations area comprises Information Technology, Human Resources, the General Secretariat (including the Compliance and Legal departments), the Group Project Office, Cost Control and Budgeting, and Corporate Communications. The Finance area comprises Treasury, Financial Planning and Analysis, Corporate Finance, and other functions relating to consolidation, reporting, accounting, financial communications and tax issues. The Risk Management area comprises Risk Governance, Risk Coverage, Prudential and Regulatory Affairs, Group Actuarial and Risk Modelling departments.

Further information is presented below regarding the risk function.

- The Risk Governance and Risk Coverage departments’ primary focus is to develop and manage ERM mechanisms and to promote ERM concepts throughout the Group, in addition to providing risk management challenge and support for (re)insurance underwriting and asset management;
- The Prudential and Regulatory Affairs department advises the Group on prudential regulations. It ensures the Group actively positions itself in relation to the different jurisdictions and requirements to which it is exposed or could be exposed; and continuously develops and promotes SCOR’s leading risk management expertise through regular dialogue with internal and external stakeholders. Prudential and Regulatory Affairs also provides specialist expertise to SCOR colleagues via the Solvency II Centre of Excellence and prepares the Group for the adoption of major new prudential regulations;
- The Risk Modelling department manages and operates SCOR’s internal model and provides a detailed quantitative risk analysis. It provides reports to management on risk assessment and actively assists the Group in its various uses of the internal model;
- The Group Chief Actuary and team report to the Chief Risk Officer. See section B.6 – Actuarial function for further information on the role and responsibilities of the actuarial key function.

##### Activities related to (re)insurance

The operating and control procedures concerning underwriting, pricing, administration of (re)insurance contracts and claims management are validated by SCOR Global P&C and are applied to all underwriting segments of SCOR UK.

For further information on how the main underwriting risks are managed, see section C.2 - Underwriting risks.

##### Asset management

The Prudent Person Principle requires that the security, quality, liquidity and profitability of the portfolio as a whole be considered. This is enabled through the investment governance, strategy, operational framework and reporting and monitoring processes that SCOR implements.



## Governance and principles

The Group has harmonised the principles governing the management of its assets based on three documents:

- The “Group Policy on Invested Assets” defines the Group’s policy and governance in terms of asset management;
- The “Sustainable Investing Policy” defines the main orientations of the sustainability approach of the Group in its asset management;
- “Group Investment Guidelines” determine the limits for concentration risk exposure to different asset classes as well as the conditions under which SCOR Global Investments will implement the Group investment policy as defined by the Group Investment Committee.

These three documents are rolled out across all SCOR entities to ensure consistency across the Group. Together these documents, complemented by local investment guidelines, and set the rules to be applied by all internal and external asset managers on behalf of SCOR UK.

The Group Investment Committee meets at least once every quarter. Its role is to define the investment strategy on a Group level and to supervise the implementation of this strategy with regards to regulatory and contractual constraints. At the local level, SCOR UK’s local investment committee supervises the implementation of the investment strategy relating to the Company as well as the compliance of the portfolio positioning with the local investment guidelines.

For more information on liquidity see section C.5 – Liquidity risks.

## Investment strategy

The investment strategy at SCOR is risk-based and the portfolio positioning is derived from the risk appetite and risk tolerance allocated by the Group to invested assets.

The primary investment objective of SCOR is to generate recurring financial income in accordance with the risk limits of the Group, and to ensure that the Group:

- is able to meet its claims and expense payment obligations at all times, and
- creates value for its shareholders in line with the objectives set out in the strategic plan;

while

- preserving the Group liquidity and level of solvency;
- protecting the capital;
- allowing the Group to operate on a day-to-day basis as well as over the long-term;
- contributing to the well-being and resiliency of society;
- complying with the legal entities’ investment regulations, risk appetites and regulatory capital requirements (level of capital and type of admissible assets), and Group and local investment guidelines;
- implementing strict asset and liability management and in accordance with policy congruence on currency.

## Operational framework

As a general rule, and in compliance with local regulations, the SCOR legal entities appoint the Group to supervise and implement the investment and reinvestment of all of their invested assets. This relationship is put in place through an Investment Management Agreement (“IMA”) which includes local investment guidelines. SCOR delegates to SCOR Investment Partners the implementation of the investment strategy for its invested assets as determined by the Group Investment Committee. This relationship is put in place through a Master Investment Management Agreement (“MIMA”) which includes the list of invested assets portfolios and legal entities and their respective investment guidelines.

## Reporting and risk monitoring

Group Investment Risk & Sustainability monitors, on an ex-ante and ex-post basis, the compliance of the portfolio positioning with regard to the Group risk appetite and investment guidelines. Breaches are escalated to the Group Investment Committee as well as to the Group and Board Risk Committees. Investments falling outside of the scope of Group Investment Guidelines are subject to special referral procedures managed by the Risk Management area. Investment Business Performance is responsible for monitoring processes related to financial performance and reporting regarding invested assets.

## Accounting management

The Solvency II reporting process is built upon the group-wide IFRS reporting process and ensures quality and consistency of legal entity and Group solvency reporting. It therefore benefits from controls over the accounting and consolidation process, as presented in the 2020 Universal Registration Document, and their extension to solvency reporting.

### B.3.2.5 INFORMATION AND COMMUNICATION

The 2020 Universal Registration Document was produced via a specific process that ensures the contribution of all relevant departments and the consistency of the information provided. A final review is performed by members of the Group Executive Committee.

Similarly, for the Solvency and Financial Condition Reporting and other Solvency II reporting, a specific process has been implemented to coordinate the contribution of all relevant departments and the consistency of the information provided. A final review is performed by Senior Management, members of the Group Executive Committee and the Board(s).

### B.3.2.6 MONITORING OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The monitoring of the internal control and risk management systems is ensured by a number of complementary mechanisms with the support of several departments across the Group.

SCOR implements dedicated processes and tools to identify, assess and monitor its risk exposures on a regular basis and has dedicated risk management mechanisms in order to evaluate the appropriateness and effectiveness of controls and propose risk management and mitigation measures. See section B.3.2.3 - Identification and assessment of risks.

SCOR operates an Internal Control System Competence Centre (“ICS-CC”). The core objective of the Internal Control System Competence Centre is to pool ICS expertise in order to foster a consistent ICS approach and application of ICS standards across the Group. For more information on the Internal Control System see section B.4.1 – Description of the internal control system.

In addition, and in accordance with its risk-based audit plan and through its periodic assignment, Group Internal Audit provides independent and objective assessments on the adequacy, effectiveness and efficiency of the internal control system. Any findings and risks lead to recommendations and management remediation actions, which are followed up by Group Internal Audit. When Group Internal Audit concludes that management has accepted a level of risk that may be unacceptable to the organisation, it must discuss the matter with the Group Executive Committee. If the Head of Group Internal Audit determines that the matter has not been resolved, he/she must communicate the matter to the Audit Committee.

For more information, refer to section B.5 – Internal Audit.

Furthermore, the Finance area manages the “internal management representation letters” process, which also incorporates certain points relative to internal control of accounting and financial reporting.

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### B.3.3 INTERNAL MODEL CONTRIBUTION TO THE ERM FRAMEWORK

SCOR uses its approved internal model to inform management decisions which involve risk management or solvency considerations. However, SCOR UK is maintaining regulatory solvency capital on the Standard Formula basis under Solvency II. The risk modules reported for the Standard Formula calculations include P&C underwriting and reserving risk, operational risk, market risk, counterparty default risk and the loss absorbing capacity effect of deferred tax. For further information refer to Chapter E – Capital Management.

SCOR UK is exposed to other risks not included in the Standard Formula calculation including strategic risks, liquidity and emerging risks. These risks are not expected to have an immediate impact on the Solvency Ratio and are monitored and managed through specific processes.

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### B.3.4 ORSA CONTRIBUTION TO THE RISK MANAGEMENT FRAMEWORK

The ORSA process is a key mechanism of SCOR Group's ERM framework and is an integral part of the Risk Management System leveraging the Group's capital management and strategic planning processes, fully incorporated by SCOR UK. As well as performing its own ORSA exercise, SCOR UK also contributed to the group-wide ORSA in 2020. SCOR performs the group-wide ORSA for the Group and its legal entities subject to Solvency II – including SCOR UK - based on clearly defined principles and objectives, close cooperation between Group and legal entity teams and regular involvement of Group and legal entity senior management, as well as involvement of the Board of SCOR SE and legal entities' Boards.

SCOR UK's ORSA provides forward-looking information on the respective risk and capital positions, taking into account the Company's strategy and risk appetite and includes:

- descriptions of the risk profiles and the main risks the Company is exposed to;
  - overviews of expected changes in the risk profiles over the ORSA time horizon; and
  - prospective assessments of overall capital needs over the ORSA time horizon, taking into account SCOR UK's business objectives and risk profile, including an analysis of any excess or shortfall in the Eligible Own Funds.
- For further information on capital management processes, see section E.1 – Own Funds.

The ORSA process is embedded in SCOR UK's system of governance and is taken into account on an on-going basis in the Company's decision-making process. Examples include Board consideration of capital requirements informing:

- strategic decisions;

- operating plans, for both short term and longer term;
- capital management, such as the projections of capital requirements and solvency positions under various scenarios over the ORSA time horizon;
- product design and development, including material initiatives where appropriate, to support the objectives of SCOR Group's strategic plan and the Company's business objectives.

The Board of the Company ensures the definition and implementation of the operating plan are closely aligned with its risk strategy, including the risk appetite framework and the capital planning exercise. In view of its business strategy, the Company identifies and assesses the risks involved in achieving this strategy over the length of its operating plan, revises ongoing adequacy of the risk tolerance limits and quantifies the major risks.

The risk mitigation strategy, including reinsurance planning, is also taken into account. The Company maintains a coherent reinsurance programme that supports the adherence to the risk tolerance limits, provides protection to its capital and solvency, achieves an acceptable net risk exposure, and eventually enhances its ability to accept a diversified book of business without compromising its profitability expectations.

In addition, the business plan forms the central scenario (i.e. the most likely outcome from SCOR UK's perspective) of the Company's capital planning exercise, through which the Company projects and monitors the amount of capital necessary to respect SCOR Group's strategic objectives over the planning horizon. This involves the projections of the Company's solvency capital requirements and eligible own funds under both the central scenario and adverse scenarios. These projections are not only assessed to ensure continuous compliance with the capital requirements, but also to establish an early warning system to identify changes in the risk profile. This enables the Company to plan possible remedial actions (e.g. change in reinsurance) and/or establish precautionary mitigation actions. Additionally, the Company has considered "reverse stress scenarios" that could threaten its ongoing viability.

The regular ORSA reporting exercise is performed annually. In the event of significant changes in the risk profile of the Company outside the regular annual ORSA timeframe, ad-hoc ORSAs may also be conducted when requested by the Company's Board. The decision to perform an ad-hoc ORSA and the scope and extent of the analyses performed, as well as the scope and governance of any report produced, will be proportionate to the materiality of the precipitating event. Examples of events, that may potentially trigger an ad-hoc ORSA, could be major acquisitions or disposals by SCOR, or a merger.

## B.4 Internal control system

### B.4.1 DESCRIPTION OF THE INTERNAL CONTROL SYSTEM

SCOR UK applies the Internal Control System (ICS) principles as defined at Group level and leverages on processes implemented across the Group. The ICS standards are embedded in the Group Policy on ICS. These standards consist of ICS principles and mechanisms to be applied to assess the effectiveness of the ICS. The ICS is defined at Group level and applied consistently across the Group, in line with the proportionality principle, without prejudice of further and/or more stringent requirements from local applicable laws, regulations or policies. Where deemed relevant and appropriate, SCOR UK has adapted the processes defined at Group or business unit level, or implemented its own local processes in order to reflect local specific requirements.

The core objective of the Internal Control System Competence Centre (ICS-CC) is to pool ICS expertise in order to foster a consistent ICS approach and application of ICS standards across the Group. The ICS-CC consists of experts who are dedicated to coordinating the internal control formalisation activities within the Group, its business units and entities, and supporting the business process owners where necessary. The ICS standards are applied based on the principle of proportionality. ICS processes have been documented accordingly, focusing on those considered to be the most critical. The ICS documentation is being maintained across the Group and is regularly reviewed for continuous improvement.

The approach used to develop and maintain the ICS is specified in the Group Policy on ICS. The policy sets out the reference framework and details the Group principles, the responsibilities of the different participants in internal control and the quality requirements. The principal characteristics of the internal control system are as follows:

- a risk-based approach, i.e. addressing critical operational risks that, if not controlled, could significantly impact SCOR Group's franchise, balance sheet or statement of income and indirectly its solvency. The optimal risk response is obtained through appropriately designed key controls;
- on a process level, appointment of process owners responsible for documenting the processes, identifying the related critical risks, defining the appropriate key controls and ensuring their deployment and application either at Group, business unit or legal entity levels. Process owners are also responsible for assessing processes, risks and key controls;
- monitoring, upon completion of the initial documentation, through a self-assessment procedure on the maturity (quality) of control processes based on pre-defined criteria set by their owners.

The monitoring of the internal control and risk management systems is ensured by a number of complementary mechanisms with the support of several departments across the Group.

SCOR Group implements dedicated processes and tools to identify, assess and monitor its risk exposures on a regular basis. In addition, SCOR Group implements dedicated risk management mechanisms across the three business units in order to evaluate the appropriateness and effectiveness of controls and propose risk-management and mitigation measures.

In addition, and in accordance with its risk-based audit plan and through its periodic assignment, Group Internal Audit (GIA) provides independent and objective assessments on the adequacy, effectiveness and efficiency of the ICS. Any findings and risks lead to recommendations and management remediation actions which are followed up by GIA.

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## B.4.2 COMPLIANCE FUNCTION

### B.4.2.1 ORGANISATION OF THE COMPLIANCE FUNCTION

It is SCOR Group's policy to ensure compliance with all applicable laws and regulations and the SCOR Group Code of Conduct wherever it conducts business. SCOR Group holds itself to high standards when carrying on its business and at all times strives to observe the spirit as well as the letter of the law by continuously seeking to improve the effectiveness of its compliance management framework. This is also the stated policy of SCOR UK.

At Group level and for Solvency II related legal entities, including SCOR UK, compliance function holders are responsible for the compliance key function. Within SCOR UK the compliance key function holder is the Compliance Officer.

It is also the responsibility of all employees to abide by the laws and regulations relevant to their day-to-day activities and the SCOR Group policies and guidelines applicable to them.

#### B.4.2.2 POSITION AND INDEPENDENCE PRINCIPLES

At SCOR Group, the compliance function both at Group and local level must operate free of any influences that may compromise its ability to perform its duties in an objective, fair and independent manner.

The SCOR UK Compliance Officer has direct access to the Chairman and Chief Executive Officer and reports quarterly to the Board of Directors on any material compliance breaches and issues.

The compliance function has free and unfettered access to any records or staff member, as necessary to carry out its responsibilities.

#### B.4.2.3 COMPLIANCE FRAMEWORK

SCOR Group follows a risk-based approach to compliance in accordance with the SCOR Group Policy on Risk Management, which is adopted on a local level. This involves identifying areas of high risk within SCOR Group and prioritising dedicated efforts and resources around these risks according to severity and probability, and establishing ongoing procedures aimed at Prevention, Detection and Response.

#### Prevention

Preventing compliance breaches includes:

- monitoring compliance-related regulatory developments, assessing their impact on SCOR Group and disseminating this information to the relevant governing bodies and employees,
- identifying, assessing and monitoring compliance risks,
- issuing compliance-related policies and guidelines,
- providing training to employees,
- providing advice to employees regarding specific compliance matters,
- implementing and maintaining compliance tools,
- maintaining a Code of Conduct awareness and confirmation process,
- introducing controls as part of SCOR Group's internal control system (ICS),
- providing reports on compliance matters.

#### Detection

Detecting compliance breaches often relies on the following sources and processes:

- employee reporting process: all employees are responsible for ensuring compliance with applicable laws, regulations and policies in their daily duties as well as for escalating any actual or suspected compliance breach,
- controls as part of ICS procedures,
- cross-reviews, whereby an operational team operating in a different region from the entity subject to the review performs, checks and reviews compliance-related topics,

- audits conducted by Group Internal Audit,
- audits by external auditors (e.g. accounting and tax),
- operational loss events,
- complaints or litigation initiated by third-parties against SCOR Group.

### Response

In response to compliance breaches, SCOR Group aims to take appropriate corrective actions to mitigate the consequences of the breach, and to prevent further reoccurrences of similar breaches in the future.

Employees who are found in breach of, or fail to comply with, applicable laws or regulations or the principles of this policy may be subject to disciplinary action in compliance with the laws applicable in the country of employment and/ or may be subject to criminal/ regulatory proceedings.

In addition, the Group Compensation Policy includes a reference to compliance with the Code of Conduct as a performance condition to be satisfied.

## B.5 Internal Audit

### B.5.1.1 GENERAL PRINCIPLES

SCOR UK Internal Audit's audit universe of potential areas within its scope includes all functions and operations carried out by SCOR UK. SCOR UK Internal Audit has no direct operational responsibility or authority over any of the activities it can review. Accordingly, SCOR UK Internal Audit does not develop or install systems or procedures, prepare records, take the place of management who owns and makes decisions to manage its respective risks, or engage in any other activity which it can review.

SCOR UK Internal Audit assists the SCOR UK Audit Committee in providing independent, objective assurance and consulting services designed to assess the adequacy, effectiveness and efficiency of SCOR UK's governance, policies and guidelines, risk management, and internal control system, as well as compliance of operations with applicable policies and guidelines, in order to ensure the safeguarding and integrity of SCOR UK's assets (e.g. financial assets, human resources, systems and data), to ensure the effective use of resources and identify opportunities for process improvement.

### B.5.1.2 ORGANISATION

SCOR UK outsources internal audit services to a fellow group undertaking. The fellow group undertaking's Head of Internal Audit has a dual role as the key function holder for both the fellow group undertaking and SCOR UK. The principles and organisation as defined and implemented at Group level by Group Internal Audit apply fully to the Internal Audit function for SCOR UK.

Planning, Auditing and Monitoring: SCOR UK's Internal Audit Plans are reviewed and approved by the SCOR UK Audit Committee and are integrated in the Group Internal Audit Plan. The Head of Group Internal Audit leads the internal audit department activities globally in order to avoid silo effects and ensure that (1) the same audit framework and methodologies are applied group-wide for each audit engagement and recommendations monitoring, (2) the auditors assignments are based on skills in line with the audit objectives, benefiting from the Group Internal Audit full resource and comply with rotating principles.

Reporting: The SCOR UK key function holder reports to the Head of Group Internal Audit and the SCOR UK Audit Committee Chairman.

### B.5.1.3 INDEPENDENCE PRINCIPLES

Within SCOR Group, the Head of Group Internal Audit reports directly to the CEO & Chairman of the Board of SCOR SE, to provide the necessary independence, and allow it the greatest possible freedom of investigation, while at the same time ensuring the effective and timely implementation of its recommendations and management actions. The SCOR UK key function holder reports to the Head of Group Internal Audit and the SCOR UK Audit Committee Chairman and has no other operational roles or responsibilities within SCOR UK. The Head of Group Internal Audit and the SCOR UK Audit Committee Chairman approve decisions regarding the SCOR UK key function holder's appointment and removal and make appropriate inquiries to ensure that audits are performed within an appropriate scope with adequate resources, and might steer SCOR UK Internal Audit's activities in a specific direction.

The Head of Group Internal Audit submits a written report to the Group Board Audit Committee at least annually on the organisational independence of the Group Internal Audit function. If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment. This principle is applied in the same manner for SCOR UK.

SCOR UK Internal Audit must and does have unrestricted access to all information, people, relevant systems and data regarding audit assignments and consulting projects, including easy access to and open communication with the audited department and management.

## B.6 Actuarial function

SCOR UK actuarial key function is organised along the lines of the actuarial key function of the Group.

An actuarial key function has been defined for the Group and all legal entities subject to the Solvency II Directive. These key functions are conducted under the responsibility of a key function holder.

The role of the actuarial key function is to:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the Administrative, Management or Supervisory Body (AMSB) of the reliability and adequacy of technical provisions;
- oversee the calculation of technical provisions in case of insufficient data of appropriate quality inducing the use of appropriate approximations, including case-by-case approaches, in the calculation of best-estimates;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements;
- contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements, and to the own risk and solvency assessment; and
- produce an annual written Actuarial Function Report submitted to the AMSB of SCOR UK. The report includes a description of tasks undertaken by the actuarial key function, an opinion on the technical provisions, the overall underwriting policy and the adequacy of reinsurance arrangements, a description of any deficiency and recommendations on how such deficiencies can be remedied.

This role is undertaken by the Actuarial Function Holder (AFH) with the support of other teams within SCOR (Underwriting teams, Retrocession teams, Modelling teams, Risk Management).

The Actuarial Key function holder for SCOR UK is in charge of coordinating the implementation of Solvency II standards related to the actuarial key function throughout SCOR UK.

The cooperation with the three other key functions (risk management key function, internal audit key function and compliance key function) is ensured via regular interactions with the teams performing the tasks in the scope of these functions.

## B.7 Outsourcing

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### B.7.1 OUTSOURCING PRINCIPLES AND ORGANISATION

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SCOR has put in place a SCOR Group Policy on Outsourcing which sets forth the principles, framework and rules to be followed by SCOR employees considering the outsourcing of critical or important functions by any SCOR entity to another entity, within or outside the SCOR Group.

The SCOR Group Outsourcing Policy is supplemented by the SCOR Group Guidelines on Outsourcing (the “Guidelines”).

The Guidelines provide an easy step by step process when considering outsourcing as covered by such Policy and Guidelines.

When outsourcing a critical or important function, a SCOR entity shall use appropriate and proportionate systems, resources and procedures in line with the risks involved in order to select a service provider. In particular, prior to entering into any such outsourcing relationship, the SCOR entity shall conduct a due diligence adequate and commensurate to the risks involved.

A SCOR entity shall monitor and review the quality of the service provided and shall maintain internally the competence and ability to assess whether the service provider delivers the service according to the outsourcing agreement.

Pursuant to Solvency II requirements, specific rules apply to the outsourcing of critical or important functions by SCOR EU entities. A SCOR EU entity is an insurance or reinsurance undertaking incorporated in and supervised by a regulator



with jurisdiction in a country located in the European Union. As of the date of this report SCOR UK falls into the definition of SCOR EU entities.

A Critical or Important Function is defined in the Group Policy as a function essential to the operation of the relevant SCOR entity, i.e. a function the interruption of which would be considered as likely to have a significant impact on:

- the activity of such entity;
- the entity's ability to effectively manage risks; or
- the entity's regulatory authorisation,

in view of the following

- the cost of the outsourced activity;
- the financial and operational impact as well as the impact on the reputation of the SCOR entity as to the inability of the service provider to fulfil its obligations on time;
- the difficulty of finding another service provider or resuming live activity;
- the ability of the SCOR entity to meet regulatory requirements in case of problems with the service provider; and
- the potential losses for insured parties, policyholders or recipients under contracts or reinsured businesses in case of default by the service provider.

The outsourcing of a critical or important function by a SCOR entity that is a SCOR EU entity shall be subject to the following process:

- cost/risk/benefit analysis of the considered outsourcing will be conducted and the business case associated with such considered outsourcing will be reviewed;
- the outsourcing of the Critical or Important Function will be supervised by a process owner for the entire duration of the outsourcing;
- the process owner will carry out adequate financial, technical and compliance and regulatory due diligences, in accordance with guidelines;
- a specific review of existing or potential sub-outsourcing relationships will be carried out;
- a review of the adequacy of the service provider contingency plan will be conducted;
- an outsourcing agreement will be executed including specific provisions allowing the SCOR entity to adequately control and monitor the quality of the critical or important functions outsourced.

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### B.7.2 MAIN ACTIVITIES OUTSOURCED TO EXTERNAL PROVIDERS

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As of the date of this report, Critical or Important Functions outsourced by SCOR UK to external service providers include the following:

- underwriting and claims handling activities of certain space and aviation risks assumed by SCOR UK have been outsourced to companies located in France and in the UK, that are specialised underwriting agencies. A SCOR underwriting manager specialised in the review of these risks monitors these outsourced relationships closely, through attendance at regular technical meetings, frequent reporting and audits
- a central settlement facility is provided to SCOR UK by one of the UK's leading providers of services to the insurance industry. A designated person closely monitors the relationship, through accounts reviews, regular meetings and file audits;
- these outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by the designated person of SCOR UK in charge of monitoring;

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### B.7.3 MAIN INTRAGROUP OUTSOURCING ARRANGEMENTS

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The SCOR Group operates through a hub structure and SCOR UK is situated within the EMEA Hub. SCOR UK does not have any employees as all UK based employees of SCOR are employed by a subsidiary of SCOR SE and then provide services (including underwriting, claims and actuarial) to SCOR entities operating in the EMEA Hub structure, of which SCOR UK is one. In addition, the SCOR Group has developed centres of expertise for certain services, often located in identified hubs, which provide expertise to SCOR Group entities, of which SCOR UK is one.

As a result, parts of certain key functions may be outsourced to the SCOR staff responsible for carrying out tasks in support of the execution of the key function in the hubs in which the relevant SCOR EU entity operates. These outsourcing relationships between SCOR UK and other SCOR entities are documented through appropriate outsourcing agreements and closely monitored by the SCOR UK Management Committee.

As of the date of this report, Critical or Important Functions outsourced by SCOR UK to internal service providers include the following:

The internal audit function is outsourced to a fellow group undertaking. This outsourcing relationship is documented through an appropriate outsourcing agreement and is closely monitored by the SCOR UK Management Team.

The compliance function is outsourced to a fellow group undertaking. This outsourcing relationship is documented through an appropriate outsourcing agreement and is closely monitored by the SCOR UK Management Team.

Certain underwriting and claims activities of SCOR UK which are considered as Critical or Important Functions are outsourced to fellow group undertakings. These outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by a designated person of SCOR UK.

The risk management function is outsourced to a fellow group undertaking. The outsourcing relationship is documented through an appropriate outsourcing agreement and is closely monitored by the SCOR UK Management Team.

The asset management activities, considered as Critical or Important Function, are outsourced by SCOR UK to a fellow group undertaking. This outsourcing relationship is documented through the adequate outsourcing agreement and closely monitored by a designated person of SCOR UK.

IT, considered as Critical or Important Function, is outsourced, to some extent and when relevant, to a fellow group undertaking. This outsourcing relationship is documented through appropriate outsourcing agreements and closely monitored by a designated person of SCOR UK. Certain IT systems and services are then outsourced by the fellow group undertaking, (which pools and manages the IT needs of SCOR entities worldwide) to large IT companies.

## **B.8 Other material information regarding the system of governance**

No other material information is reported regarding SCOR UK's system of governance, other than that presented in sections B.1 – General information on the system of governance to B.7 – Outsourcing.



## C.RISK PROFILE

### C.1 Introduction

#### C.1.1 GENERAL INTRODUCTION

SCOR UK regularly conducts reviews of the risks that could have a material adverse effect on its activity, its financial position or results (or capacity to meet objectives) and considers that no significant risk other than those disclosed in the section below exists. This section outlines management's current view of SCOR UK's main risks and main risk management mechanisms currently in place, categorised as follows:

- underwriting risks related to the P&C (re)insurance business;
- market risks;
- credit risks;
- liquidity risks;
- operational risks;
- strategic risks (refer to section C.7.1 – Strategic risks).

These risks, further described in this chapter, are managed through a variety of mechanisms in SCOR Group's ERM framework.

SCOR Group's ERM framework is further described in:

- Section B.1 – General information on the system of governance for a description of the role of the administrative and management bodies involved in the risk management system and related control functions;
- Section B.3 – Risk management system including the ORSA for a wider description of the Group risk management system as well as the role of the main stakeholders involved in risk management and relevant procedures and control activities.

Although risk management mechanisms have been designed and rolled out across the Group in order to prevent all risks from having a significant impact, there is no guarantee that these mechanisms achieve their intended objective. Many of SCOR UK's methods for managing risk and exposures are based on observed historical market behaviour, statistics based on historical models, or expert judgment. As a result, these methods may not fully predict future exposures, which may be significantly greater than estimated, particularly in unstable or volatile markets and environments. Other risk management methods depend upon the evaluation of information regarding markets, clients, natural catastrophes or other matters that is publicly available or otherwise accessible to SCOR UK. This information may not always be accurate, complete, up-to-date or properly evaluated. Therefore, SCOR UK cannot exclude the possibility of exceeding its risk tolerance limits due to an incorrect estimation of its risks and exposures. If the risks disclosed in this section were to occur, they could potentially have a significant effect on SCOR UK's present and future business, cash flows, eligible own funds and solvency position.

SCOR UK may also be exposed to emerging risks, which include new threats or constantly changing current risks with a high degree of uncertainty. They may arise from the numerous changes to the environment in which SCOR UK operates, such as changes in professional practices or in legal, jurisdictional, regulatory, social, political, economic, financial and environmental conditions.

Emerging risks may adversely affect SCOR UK's (re)insurance business due to either a change in interpretation of the contracts leading to extensions of cover beyond what was expected (e.g. due to the inapplicability or interpretation of certain clauses) or by increasing the frequency and/or severity of claims. Such risks may also lead to higher fluctuations than expected in macroeconomic indicators such as interest rates and price level, or disruptions in financial markets, further impacting the Company's business. In addition, emerging risks may also have a direct impact on SCOR UK's operations, for instance by generating unexpected additional expenses.

Specifically, climate change creates a number of risks for the (re)insurance industry and therefore for SCOR Group including SCOR UK. Climate change is likely to interact with the risks associated with SCOR's strategy, underwriting, investments and operations through physical climate risks (e.g. effects of broad climate trends or "chronic" risks and the frequency and/or severity of natural catastrophes or "acute" risks), the creation of transition risks (through the shift towards a low-carbon economy) and through the potential for negatively impacting the Group's reputation.

As mentioned in section B.3.3 – Internal Model contribution to the ERM framework, the risk modules in SCOR UK's capital calculation include P&C Underwriting and Reserving risk, Operational risk, Market risk, Counterparty Default risk and the Loss Absorbing Capacity of Deferred Tax. For further information on risks included in SCOR UK's capital calculation see Chapter E – Capital Management.

SCOR UK is exposed to other risks not included within the Solvency II Standard Formula capital calculation including strategic, liquidity and emerging risks. These risks are not expected to have an immediate impact on the Solvency Ratio over a one-year time horizon and are monitored and managed through specific processes.

For quantitative information on all risk categories, including changes over the reporting period, see Section E.2.1 – Solvency Capital Requirement.

### Uncertainties related to the evolution of the Covid-19 crisis and its impact on the Company's risk profile

On March 11, 2020, the World Health Organization (WHO) declared the Covid-19 outbreak a global pandemic. The Group adopted early and strict prevention measures to protect the health of its employees and has been active in regularly sharing its knowledge and expertise on the pandemic. Thanks to the resilience of its operational capability, the Group has been able to continuously serve its clients during this on-going crisis.

Whilst progress has been made for containing the spread of the virus over the course of 2020, e.g. through safety or lockdown measures, various countries across the world experienced second waves and face the threat of additional waves. While the situation is expected to improve following the recent successful development of vaccines, uncertainty remains regarding availability, efficacy, effectiveness and take-up rate of the vaccines. Therefore, the pace of a successful containment of the pandemic and the shape of the economic recovery, and resulting effects on future (re)insurance loss developments remain difficult to predict.

The main material impacts on SCOR's risk profile due to the Covid-19 pandemic originate from underwriting risks related to the Property & Casualty (P&C) and Life reinsurance businesses, and from the risks associated with SCOR's invested assets portfolio. The operational implications of the progressive closure of SCOR's offices as the virus has spread across the globe, have been mitigated to a large extent by the successful implementation of SCOR's Business Continuity Plan (BCP). The BCP has provided the required IT infrastructure and support for SCOR's activities to be continued by employees working from home, whenever deemed necessary. Increased external cyber-attacks have been observed since the start of the pandemic, though no attempts against SCOR have been successful.

The full impact of the Covid-19 crisis on SCOR's business and results can still not be accurately assessed at this stage, given the uncertainty related both to the magnitude and duration of the Covid-19 pandemic resulting from the considerable difficulty in working on sound assumptions related to the duration of the pandemic, its impact on health, both short term and long term, the availability, efficacy, effectiveness and take-up rate of the vaccines, the response of government bodies worldwide, the potential judicial actions or social influences, the coverage and interpretation of SCOR's contracts under these circumstances, and the assessment of the net claims estimates and the impact of claims mitigation actions.

In addition, the global spread of Covid-19, which is still ongoing, has been creating significant uncertainties which might affect SCOR, and which pose material risks to its risk profile.

In the current environment, there are a number of uncertainties that affect how the pandemic continues to develop and therefore its ultimate impact on people and the wider economy. These uncertainties fall into two main areas: epidemiological and medical uncertainties and social and economic uncertainties.

These uncertainties relate to:

- the ongoing transmission rate of the virus (depending on e.g. effectiveness of lockdown/social distancing/"track and tracing" measures, whether individuals develop lasting immunity to the virus following infection or vaccination, the emergence of more contagious virus strains, or the speed of the roll-out of the vaccine to the general population);
- the number of deaths resulting from infection with Covid-19 (related to e.g. the fatality rate of the virus and new mutations and the ability to provide effective treatments and/or vaccine development);
- the excess mortality from related factors other than deaths from infection with Covid-19 e.g. mortality from people that were prevented from receiving healthcare (including preventative screening for other conditions) and mortality from "deaths of despair" related to the economic shock;
- potential further lockdown measures: following an easing of lockdown measures and encouragement to return to normal activities by many countries mid-2020, new and severe additional waves of infection have emerged towards the end of 2020, leading many countries to impose new and stricter lockdown measures and social distancing requirements to slow the spread of the virus. However, it is impossible to know to what extent people will continue to observe social distancing and sanitary rules during everyday interactions. It is therefore possible that ongoing waves worsen, take longer to disperse or that further waves of infection occur in many countries, with the necessity of imposing further lockdown measures. Therefore, although the immediate economic impacts of imposing lockdowns are severe, it is more difficult to predict the extent and persistency of these measures over time and thus the longer-term economic impacts;
- future support to the economy: the scope, quantum, and pace of government and central bank support to the economy are much larger than in previous crises. While the fiscal and monetary policies should limit the number of defaults and therefore enable a quicker post-crisis recovery, it is uncertain whether these measures will be sufficient to tackle the full spectrum of the economic consequences from the Covid-19 crisis, particularly in the event of future infection waves and lockdowns, and to what extent these measures will be maintained.

Uncertainties on the sustainability of this support could inhibit investment, innovation, and productivity, and destabilise financial markets. Whilst consensus forecasts are more optimistic than in June, given a better than anticipated rebound of the activity in the second and third quarter, the delay or ineffectiveness of the vaccine rollouts could result in an increasing share of the negative shock on GDP level and growth rate becoming permanent.

As Covid-19 affects SCOR's risk profile across the risk categories identified by SCOR, the related risks for SCOR are addressed within the next sections. SCOR may be exposed to a number of other risks over the medium-term as the pandemic develops and as related consequences come to light.

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### C.1.2 SENSITIVITY ANALYSIS

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SCOR UK has well established risk management processes in place to monitor the evolution of its risk profile and the expected impact on solvency, for instance when it considers material new initiatives. As part of its ORSA process, SCOR UK assesses the financial impact of a range of possible adverse scenarios, including combinations of severe events. This enables the resilience and sensitivity of the current and planned solvency positions to be tested and possible management actions to be identified. Bespoke sensitivity studies are conducted at the request of Management and the Board.

The minimum capital requirement that meets the regulator's solvency requirement is calculated quarterly and presented annually to the Board. In case of large movements or significant changes in the portfolio, the capital figures are stress tested and also presented to the Board. SCOR UK produces and evaluates scenarios, providing comfort that the impact of such events on SCOR UK's current solvency would be limited.

Sensitivity to underwriting risk (SCOR UK's most significant risk) is evaluated through a variety of mechanisms explained in section B.3.2.3 – Identification and assessment of risks. Through its invested assets being dominated by bonds, SCOR UK is sensitive to interest rate and spread risk.

## C.2 Underwriting risks

The main risk SCOR UK faces under insurance and reinsurance contracts is that the actual amounts of claims and indemnity payments, or the timing thereof, differ from estimates. The frequency of claims, their severity, the actual payments made, the development of long-tail claims (whether they be litigated or not), and external factors (such as those listed below), are all beyond SCOR UK's control. Additionally, SCOR UK is dependent on the quality of underwriting of its clients for certain (re)insurance contracts and on the quality of claims management by these organisations and the data provided by them. In view of these uncertainties, the Company seeks to ensure that sufficient reserves are available to cover its liabilities.

Generally, SCOR UK's ability to increase or maintain its portfolios of insurance and reinsurance risks may depend on external factors such as professional practices, legal, jurisdictional, regulatory, social, political, economic, financial and environmental conditions. These factors create uncertainties and may adversely affect SCOR UK's business due to either an interpretation of the contracts leading to an extension of coverage (e.g. through inapplicability or interpretation or overriding of contract clauses) or by increasing the frequency and/or severity of claims beyond what was anticipated at the time of the underwriting.

SCOR UK mitigates its underwriting risks related to (re)insurance business through the purchase of risk mitigation covers. For further details on reinsurance protection, see section C.2.3 – Reinsurance and other risk mitigation techniques.

Consistent with the Group's strategy of selective market and business unit development, SCOR UK seeks to maintain a portfolio of business risks that is strategically diversified geographically, by line and class of business and over time (short and long-tail). The volatility of risks is reduced by careful business selection, implementation of underwriting guidelines, the use of reinsurance and other risk transfer arrangements and proactive claims handling as well as underwriting, claims and administration audits at client companies.

SCOR UK writes direct (re)insurance, primarily on a business-to-business basis to cover large corporate risks through the Business Solutions domain of SCOR Group's P&C business unit as well as joint ventures with third parties and other SCOR Group entities.

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### C.2.1 P&C (RE)INSURANCE

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The main risks linked to the P&C (re)insurance business underwritten by SCOR UK are natural catastrophes and other short-tail man-made risks, such as acts of terrorism (to a limited extent), inadequate pricing levels and long-tail risks such as large liability losses, as well as other risks beyond its direct control, including systemic crisis or the cyclical nature of the business.

For quantitative information on P&C underwriting risks, refer to section C.1 - Introduction and section E.1.2 – Solvency Capital Requirement.

#### NATURAL CATASTROPHES

SCOR UK's property business is exposed to multiple insured losses arising from single or multiple events, which can be catastrophic. Natural catastrophes, such as hurricanes, typhoons, windstorms, floods, hail, severe winter storms and earthquakes can generate material insured losses in property, engineering and possibly other lines of business.

The most material natural catastrophes to which SCOR UK is exposed include North Atlantic hurricanes and earthquakes in North America.

In modelling losses, the natural catastrophe models focus on the property damage and consequential business interruption losses triggered when a natural catastrophe affects the insured's property. Sophisticated tools are used to model the underlying physical phenomena and their impact on the Company's risk profile.

With respect to climate change, SCOR UK's underwriting business could be exposed to physical climate risks, caused by changes in the frequency and severity of certain natural catastrophe events that are predicted in climate warning scenarios. Although scientific understanding of the causal mechanisms between climate warming and the occurrence of particular natural phenomena is still being established, catastrophe events that are potentially impacted include hurricane (including storm surge and pluvial flooding components), flood (both river flooding and pluvial flooding), heatwave, wildfire and drought. In the event that climate change causes an increase in the occurrence and/or severity of natural phenomena for which SCOR UK provides protection, or has knock-on impacts on other business lines underwritten, claims frequency and/or severity on property and business interruption/contingent business interruption could increase, with possible impacts on long-term profitability and ongoing insurability.

SCOR UK manages its gross exposure to catastrophes through a comprehensive reinsurance programme.

### OTHER SHORT-TAIL RISKS

SCOR UK's property business is exposed to multiple insured losses, arising from single or multiple events, which can be catastrophic, caused by the occurrence of a man-made event. The short-tail lines of business mostly exposed to man-made catastrophe are property (other than natural catastrophe), marine, aviation and space.

Man-made catastrophes refer to negligent or deliberate human actions, e.g. conflagration, a large explosion and/or fire at a major industrial site and acts of terrorism. These events can cause major damage to property and lives. Acts of terrorism often target large cities and illustrious landmarks such as international airports and governmental facilities. Cyber attacks can lead to business interruptions and damages to property and lives if critical safety systems (e.g. industrial control systems) are impacted by an event.

SCOR UK is exposed to single or multiple terrorist attacks through some contracts and national terrorism pools. The US market in particular is exposed to significant terrorism risks due to insurance obligation stipulated by law. However, federal aid is also provided by the Terrorism Risk Insurance Program Reauthorisation Act ("TRIPRA"), which was recently renewed until 2027 with no material changes in terms of scope and guarantees. Terrorism exposures are monitored on a worldwide basis as a fully integrated part of the Underwriting Management Framework. Underwriting guidelines stipulate the rules and procedures for terrorism risk for specialty insurance and reinsurance. SCOR monitors this risk using a very conservative approach.

The extent of short-tail losses and the affected lines of business will vary depending on the man-made event.

### INADEQUATE PRICING

SCOR UK's business is exposed to the risk of inadequate prices with terms and conditions resulting in insufficient premium to cover claims costs and profitability requirements. This can arise from a variety of causes such as the application of underwriting guidelines being inconsistent with market conditions, contract wordings being misleading, pricing mechanisms not reflecting all risks adequately, adverse court decisions/developments and/or changes in the legal environment.

### P&C LONG-TAIL RISKS

Long-tail lines of business, such as all casualty lines (including general liability, professional liability and financial lines), credit and surety, inherent defect and construction warranty as well as medical malpractice are exposed to material reserve deteriorations (or long-tail reserve deteriorations). This is due to the materiality of insured losses driven by man-made casualty loss events and to the long periods of time taken for claims materialisation and settlement.

Long-tail reserve deterioration is the risk that the claims frequency and severity are higher than assumed in the calculation of the Best Estimate Liabilities (BELs). For the Company's casualty business, the frequency and severity of claims and the related amounts of indemnity paid can be affected by several factors. The most significant factors are claims inflation and the changing legal and regulatory environments, including changes in civil liability law and jurisprudence. Claims inflation is influenced by, but not directly linked to, general inflation.

For further information on risks related to technical provisions, please see Section C.2.3 – Risks related to technical provisions.

### Casualty loss events

The specific nature of catastrophic casualty loss events to which SCOR UK is exposed can vary widely, from systemic liability events caused by the negative health impacts on human health of commonly used materials (with asbestos as a

typical example), to massive product liability losses emanating from items produced by a single manufacturer. Casualty events can also be triggered by a single disastrous event (e.g. Deepwater Horizon oil rig explosion), or events related to cyber frauds and data theft.

The amount of information available on casualty catastrophes is limited. In contrast to property catastrophes, which are short term in nature (limited number of days between insured event and loss emergence) and for which reasonable estimates of the size of the loss can be calculated, most casualty catastrophes emerge gradually and the full extent of the losses is often not known for decades.

Depending on the type of man-made event triggering these casualty losses, property lines may also be affected simultaneously, e.g. if the explosion at a large industrial site destroys the industrial facility, but also pollutes the surrounding environment and causes property damages and bodily injuries affecting the population in the vicinity of the explosion.

SCOR Group is engaged in the development of advanced liability catastrophe analytics, using data mining and specific modelling techniques for improving its prediction capabilities for man-made casualty loss events.

## OTHER RISKS

Other factors could have an adverse impact, such as systemic crises, which could be generated by transition risks resulting from action to tackle climate change, cyclicity of the business and concentration risks related to broker business.

### Systemic Crises

Historically, (re)insurers have experienced significant fluctuations in operating income due to volatile and unpredictable developments, many of which are beyond the control of the (re)insurer including general economic conditions, levels of capacity offered by the market, the level of competition with regards to pricing, and possible changes in regulations and societal attitudes regarding the support of industry sectors that contribute to climate change. In particular, some of SCOR UK's lines of business which are directly linked to financial activities are more exposed to global economic recessions (e.g. the Global Financial Crisis), for example, global specialty lines such as Credit & Surety or liability risk such as Errors & Omissions and Directors & Officers Liability. Those areas of SCOR UK's business that are most exposed to climate transition risks are those related to (re)insurance of carbon-intensive industries.

### Cyclicity of the business

P&C (re)insurance businesses are cyclical. The primary consequences of a market softening are a reduction in the volume of P&C (re)insurance premiums in the market, an increase in competition within the (re)insurance market, and also a preference for those operators who are most attentive to the specific needs of the clients and the most capable of meeting them. This could potentially lead to a loss of competitive advantage for SCOR UK. Beyond the general trends, the premium rate cycle affects certain geographic markets and/or certain lines of business in different ways and to different extents, independently of each other.

### Risk Concentrations

The accumulation of risks, such as by regions, by lines of business or by exposure to individual events, may produce risk concentrations. Material concentration of risk in the business portfolio particularly relates to accumulation of exposures to natural catastrophes. In terms of individual events, the largest concentrations of exposures are to North Atlantic hurricane and North American earthquake.

SCOR UK generates its business through both brokers and direct relationships with insurance company clients. For the year ended December 31, 2020, the Company wrote approximately 97% of non-MGA gross written premiums through brokers; the Company has 5 brokers that accounted for approximately 60% of its non-MGA gross premiums (in 2019: 63%). The risk for SCOR UK is mainly the concentration of premiums written through a limited number of brokers. A significant reduction in the business generated through these brokers could potentially reduce premium volume and net income.

#### C.2.1.1 MANAGEMENT OF UNDERWRITING RISKS RELATED TO THE P&C BUSINESS

The Risk Management area and SCOR's P&C business unit, within which SCOR UK operates, is organised in order to enable it to assess and control its risks at each level of its business.

- Most of the business underwritten is renewed on agreed dates which facilitates SCOR UK in establishing annual underwriting plans, both qualitative (description of the environment) and quantitative (activity budget). These plans are approved by the Board.
- Most of SCOR UK's facultative underwriters work in the Business Solutions domain of Specialty Insurance, which operates worldwide. The Business Solutions area is dedicated to large corporate businesses and is geared to providing clients with solutions for coverage of large conventional risks.
- Underwriting and pricing guidelines, defined by SCOR's P&C business unit, specify the underwriting capacities delegated to each underwriter in each entity, as well as the underwriting rules and principles to be complied with.



These guidelines are subject to a regular review and approval process. SCOR's underwriting guidelines are more restrictive regarding certain areas with difficult or uncertain legal environments.

- Underwriting guidelines in place within the P&C business unit specify (i) the underwriting rules and principles to be complied with; (ii) the underwriting capacities individually delegated to the underwriters in each of the markets and lines of business in which the Group operates; as well as (iii) the relevant maximum acceptable commitments per risk and per event.
- Pricing guidelines and parameters apply to all business priced within the P&C business unit. There are additional guidelines related to Natural Catastrophes and others specific to certain products which include agriculture, credit and surety and cyber. These guidelines seek to ensure that the analyses provide: (i) a best estimate of the costs and profitability of a contract as well as the uncertainty surrounding estimates; (ii) assistance with underwriting decisions; and (iii) the suitable outputs needed for the risk management process, in particular SCOR's internal model, such as probability distributions for losses/Net Present Value (NPV), cash flow patterns for premium/losses, etc. They are set to provide consistency and continuity across the organisation but also to take into account differences between markets and lines of business as well as the geographical location of the client and the risks insured. Parameters are revised at least once a year to consider, as the case may be, changing market conditions and environment. Contracts that meet certain risk thresholds are subject to mandatory peer reviews that have to be performed and documented before pricing is completed. SCOR's P&C business unit uses a data system that allows management to monitor and receive the results from pricing tools.
- The underwriting teams are supported by the P&C business unit's Underwriting Management. This function provides worldwide treaty and facultative underwriting guidelines, policies regarding the delegation of capacity, underwriting support to specific lines of business or individual risks when required, ceding company portfolio analysis and risk surveys and is responsible for the monitoring and referral of non-standard business and for authorising exceptions to the underwriting guidelines.
- Business opportunities going beyond the stipulations of the guidelines previously defined are subject to special referral procedures at two levels: (i) by Underwriting Management and, where applicable, by Legal and/or Finance; (ii) and for cases which may have a significant impact on the balance sheet (thresholds and/or conditions defined in a procedure or specific guidelines) by the Risk Management area.
- The P&C Pricing and Modelling department is responsible for the pricing of reinsurance business, which is done by individual treaty. Guidelines, methods and tools are set and maintained at the global level which are used by the pricing teams across the SCOR offices. Delegation authorities specify criteria under which the underwriters may price certain contracts still subject to the use of the Pricing Guidelines and tools. Pricing results quantify expected underwriting statistics (such as loss and expense ratios), volatility measures, and profitability measures (such as NPV, Return on Risk Adjusted Capital (RORAC), and Profit Excess Targets). The results are also used as criteria for referrals within Underwriting. Pricing actuaries team up with underwriters and modellers by market or by line of business.
- The P&C Pricing and Modelling department is responsible for monitoring Nat Cat accumulations. Earthquake and storm risk gross exposures are measured using proprietary external models from industry-leading catastrophe model suppliers, including Risk Management Solutions RiskLink® ("RMS") and AIR Worldwide Catrader® ("AIR"). These tools enable the Group to quantify its exposure in terms of a probable maximum loss ("PML") at various levels of probability for each peril and geographic location. The overall aggregate annual PML per peril, allowing for potential multiple events, provides the information required to determine the level of reinsurance and other alternative risk transfer solutions that are needed to ensure that the net aggregate exposure is optimised for the Group's risk appetite and remains within predefined tolerance limits.
- In relation to climate change, the models used to price natural catastrophe business (both new and renewing) are calibrated using recent claims data. In this way, changes in frequency and severity of the natural perils that SCOR underwrites, whether related to climate change signals or not, are considered in the pricing of contracts. In terms of managing climate transition risks, SCOR has already made certain underwriting commitments that make a start towards reducing the company's exposure to certain carbon-intensive sectors. In addition, SCOR has introduced referral procedures and Environmental, Social and Governance (ESG) scoring components for the underwriting of insurance and facultative reinsurance within the mining and energy sectors.
- For non-Nat Cat business, per-risk accumulation limits are defined in SCOR Group's underwriting guidelines. Underwriting functions are responsible for the application and the monitoring and control of the application of these guidelines within their business unit.
- In order to mitigate its property exposure, SCOR UK cedes a portion of the risks it underwrites. See Section C.2.3 – Reinsurance and other risk mitigation techniques for further information.
- The claims handling function is performed by the claims teams, which review, process and monitor reported claims. P&C business unit's Claims & Commutations is responsible for the implementation and overview of the

overall claims handling and commutation management policy for SCOR UK. It implements worldwide control and reporting procedures and manages commutation of portfolios and commitments. It supports and controls the day-to-day activity and takes over the direct management of large, litigious, serial and latent claims. In addition, periodic audits are conducted on specific claims and lines of business, and claims processing and procedures are examined at client offices with the aim of evaluating their claims adjustment process, valuation of case reserves and overall performance. When needed, recommendations are given to underwriters and local management.

- The adequacy of SCOR UK's technical provisions is controlled based on specific procedures. For further information on how risks related to technical provisions are managed, see Section C.2.2 – Risks related to technical provisions.
- Risks specific to the administration of contracts are subject to checks performed at the subsidiary and branch level. SCOR's Group Information System includes multiple automatic checks and additional tools.
- A quarterly review of technical results is performed by business area (Reinsurance, Specialty Insurance, Business Ventures and Partnerships) and region. The review enables the analysis of technical results by underwriting year, by nature and by line of business.
- SCOR UK's Risk Management function is a major contributor to the Company's quarterly Risk, Capital and Compliance Committee meetings, responsible for overseeing and guiding the identification, management and monitoring of risks and defined mitigation actions with the Company's management.
- Cross-reviews are conducted to assess the quality of underwriting, pricing and claims handling of particular market areas or lines of business. This includes evaluation of the appropriateness and effectiveness of controls and proposals for additional risk management measures, including mitigating actions. The selection process to define the order of priority of Cross Reviews is guided by a risk-based approach.

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## C.2.2 RISKS RELATED TO TECHNICAL PROVISIONS

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SCOR UK's technical provisions are established based on the information it receives from insurance and ceding clients, including their own assessments, as well as on the basis of the Company's knowledge of the risks, the studies it conducts and the trends it observes on a regular basis. As part of the technical provisions process, SCOR UK reviews available historical data and tries to anticipate the impact of various factors such as change in laws and regulations, judicial decisions, social and political attitudes, and changes in general economic conditions.

If some information were to be incorrect and/or incomplete, this could have an adverse effect on the Company. Despite the audits it carries out on the companies with which it does business, SCOR UK is still dependent on clients' own technical provisions assessments.

As is the case for all other (re)insurers, the inherent uncertainties in estimating technical provisions are compounded by the significant periods of time that often elapse between the occurrence of an insured loss, the reporting of the loss to the lead primary insurer and ultimately to the other (re)insurers.

Another factor of uncertainty resides in the fact that some of SCOR UK's activities are long-tail in nature such as general liability or medical malpractice. It has, in the past, been necessary for SCOR UK to revise estimated potential loss exposure on such lines of business.

### C.2.2.1 MANAGEMENT OF TECHNICAL PROVISION RISKS

With regards to technical provisions risk, SCOR UK seeks high confidence in reserving adequacy based on the implementation of group-wide generally accepted reserving methodologies, fit for purpose reserving tools and robust reserving processes, controls and reconciliation validated by extensive risk management actions, in particular on assumptions, expert judgment, model, data quality and results. This also includes independent internal and external reviews.

Around its technical provisions risk, SCOR UK has put in place a strict and robust corporate governance structure with transparent decision processes and four levels of control – SCOR UK Reserving, SCOR P&C Chief Reserving Actuary to assure appropriateness in the reserving methods and parameters used and to enhance reserving governance, the Group Chief Actuary (in charge of providing an independent opinion on the adequacy of the technical provisions, as well as the independent validation and testing of actuarial tools, workflows, assumptions and processes linked to technical provisions) and external consultants when required.

All these processes and controls tend to minimise the risk of inadequate technical provisions.

### Solvency II Technical Provisions

The Solvency II technical provisions are composed of Best Estimate Liabilities (BEL) and the Risk Margin. The Group Actuarial Function coordinates the calculation of technical provisions across the Group. It relies upon the existing processes and controls described in the Group's Actuarial Function Report (AFR). SCOR UK's processes and controls

around technical provisions and its AFR are aligned with SCOR Group's. The AFR provides evidence that the duties of the Actuarial Function are being fulfilled, which are specifically to:

- coordinate the calculation of the technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- oversee the calculation of technical provisions in the cases set out in Article 82 of the Solvency II Directive;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions.

For further information on how technical provisions are valued, see Chapter D – Valuation for solvency purposes D.2 – Technical provisions.

The contribution of the actuarial function to the management of the risk on technical provisions includes additional specific controls:

- Externally audited IFRS reserves (loss reserves and undiscounted IBNR) are the starting point for calculating the Solvency II technical provisions (before discounting). Thereafter, the adjustments made to move from IFRS reserves to the Solvency II technical provisions are reviewed internally and across functions according to the area of expertise of the appropriate stakeholders (P&C business unit, Finance function, Actuarial Function Holder).
- SCOR UK's risk margin is calculated by the Company's Risk Management function (based on the Standard Formula solvency capital requirement calculation) and is subject to review and validation by SCOR UK's Actuarial Function Holder.

For further information on how the Actuarial Function contributes to the effective implementation of the risk management system, see section B.6 – Actuarial function.

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### C.2.3 REINSURANCE AND OTHER RISK MITIGATION TECHNIQUES

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As SCOR UK transfers a portion of its exposure to certain risks to reinsurers through reinsurance arrangements, its results may be impacted by the inability of the Company's reinsurers to meet their obligations. Under such reinsurance cover, the Company is still liable for those transferred risks if the reinsurer cannot meet its obligations. Therefore, the inability of the Company's reinsurers to meet their financial obligations could materially affect the Company's operating income and financial position.

In addition to facultative reinsurance arranged for some large accounts, the reinsurance protection programme is selected each year to ensure that SCOR UK's retained risk profile respects the Company's specific risk appetite framework and to help the Company achieve its return on capital and solvency objectives including use of proportional and non-proportional covers and negotiation of reinstatement conditions. The risks faced by SCOR UK through its reinsurance arrangements are minimised via use of highly rated reinsurance arrangements, including all treaty protection purchased internally within the SCOR Group which in turn has organised a Capital Shield Strategy which aims at protecting the group capital base with the use of diversified external retrocessions and risk mitigation instruments.

For further information on how credit risk related to reinsurers is managed, see Section C.4.1.2 – Credit risk related to reinsured liabilities.

## C.3 Market risks

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### C.3.1 OVERVIEW OF MARKET RISKS

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Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market prices or macro-economic variables. This risk includes:

- interest rate risk;
- currency risk;
- equity risk;
- credit spread risk on the invested assets.

For further information on credit risk, see Section C.4 - Credit risks.

Market risks can also be influenced by various over-arching factors, including macro-economic, monetary, societal and environmental trends. Environmental trends encompass risks related to sustainability, including those as a consequence of climate change, which can impact any of the market risks listed above. Specifically, climate risks correspond to the risk



that the value of assets could be negatively impacted by acute physical risks, risks linked to the transition to a low carbon economy and the potential for risks to SCOR UK's reputation linked to investment choices.

For further information on how macroeconomic changes (such as changes in the general price level from its current trend) may impact SCOR's assets, see Section C.7.1.1 – Risks related to macro-economic environment affecting SCOR's strategy of the SCOR Group SFCR at [www.scor.com](http://www.scor.com).

For quantitative information on market risk on SCOR UK's invested assets, see Section C.1 – Introduction and Section E.1.2 – Solvency Capital Requirement. The presentation of SCOR UK's assets giving rise to market and credit risks is provided in Section D.1 – Assets.

#### **C.3.1.1 INTEREST RATE RISKS**

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument fluctuates because of changes in interest rates. Interest rate fluctuations have direct consequences on both the market value and the return on SCOR UK's fixed income investments; as additionally, the level of unrealised capital gains or losses and the return on securities held in its portfolio both depend on the level of interest rates. Floating-rate instruments expose SCOR UK to cash flow interest rate risk, whereas fixed interest rate instruments expose SCOR UK to fair value interest rate risk.

Interest rates are very sensitive to a number of external factors, including monetary and budgetary policies, the national and international economic and political environment, and the risk aversion of economic actors.

During periods of declining interest rates, income from investments is likely to fall due to investment of net cash flows and reinvestments of redemptions at rates lower than those of the existing portfolio (dilutive effect of new investments). For callable bonds for which the issuer has an option to redeem earlier than the ultimate maturity, the probability of having to reinvest the early proceeds at lower interest rates is increased. During such periods, there is therefore a risk that SCOR UK's return on equity objectives are not met. The current low yield environment increases the potential materialisation of this risk.

On the other hand, an increase in interest rates could lead to a fall in the market value of fixed income securities that SCOR UK holds. In the case of a need for cash, SCOR UK may be obliged to sell fixed income securities, possibly resulting in capital losses.

SCOR UK's (re)insurance business is also exposed to interest rate risk. The value of long-term liabilities, the risk margin and deposits with clients are also subject to discounting. The discounting impact from a change in interest rates on assets and liabilities will offset to some extent.

Finally, the interest rate risk depends on the duration mismatch between assets and liabilities. As such, changes in interest rates can affect the Eligible Own Funds, the Solvency Capital Requirement and the Solvency Ratio of the Company.

#### **C.3.1.2 CURRENCY RISKS**

Currency risk is the risk of loss arising due to adverse changes in or volatility of foreign exchange rates. This would impact the value of SCOR UK's assets (e.g. through direct investments in assets denominated in various currencies) and liabilities (e.g. (re)insurance contracts with liabilities denominated in specific currencies).

SCOR UK publishes its financial statements in Sterling, but a significant part of its income and expenses, as well as of its assets and liabilities, are denominated in currencies other than Sterling. Consequently, fluctuations in the exchange rates used to convert these currencies into Sterling may have a significant impact on its reported net income and net equity from year to year. Some events, such as catastrophes, can have an impact on the matching of assets and liabilities in a currency, which can generate a temporary unmatched position which is not covered by natural hedging (assets kept in the same currency as liabilities) or by currency contracts or hedges.

#### **C.3.1.3 EQUITY INVESTMENT RISKS**

Equity investment prices are likely to be affected by risks which affect the market as a whole (uncertainty on economic conditions in general, such as anticipated changes in growth, inflation, interest rate fluctuations, sovereign risk, etc.) and/or by risks which influence a single asset or a small number of assets (specific or idiosyncratic risk). This may lead to a decrease in prices of the equity held by SCOR UK and may impact its realised or unrealised gains and losses. A material or long-lasting decline in the prices of equity holdings may also result in the impairment of its equity portfolio which would affect its net income.

The Company's direct exposure to the equity market is very limited.

#### **C.3.1.4 CREDIT SPREAD RISKS**

Credit spread risk on invested assets is the risk of incurring a financial loss rising from the change in market assessment of the counterparty risk of the financial instruments or counterparties. Credit spread variations could have a direct impact on the market value of fixed-income securities and loans.

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### **C.3.2 MANAGEMENT OF MARKET RISKS**

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### C.3.2.1 OVERVIEW OF RISK MANAGEMENT OF ASSETS

The Group's and SCOR UK's investment strategies are prudent, with the majority of assets held in cash and fixed income securities. They are defined in line with risk appetites and risk tolerance limits and consider the economic and market environment as well as the ALM process.

Investment Guidelines at Group and local levels, including SCOR UK, outline the investment universe and limits, including concentration limits, in line with the objectives of the strategic plan. They are approved by the Group Board/local Boards or top management.

SCOR, has outsourced the implementation of its investment strategy to its asset management company "SCOR Investment Partners SE" and to external asset managers. They are provided with the Company's Investment Guidelines, approved by the Company's Board.

Exposures to major risks are monitored on a weekly basis and sensitivity analyses measure the impact of changes in risk drivers on the invested assets portfolio. Analysing portfolio sensitivity to major risks is an important management tool which is used when making portfolio reallocation or hedging decisions.

In currency and geographic terms, SCOR UK is heavily exposed to USD denominated assets. SCOR UK's investment portfolio is risk averse as a result of the Company's decision to focus on underwriting risks and limit other risks such as market risk. The invested assets portfolio is significantly invested in bonds and with a spread by country and currency that is appropriate to the underlying business. For more information regarding the principles applied to invest the assets in a prudent manner, see SCOR Group SFCR section B.2.3.4 – Main control activities – Asset Management.

To better address climate risks and improve the resilience of its invested assets portfolio, SCOR has put in place strong monitoring of Environmental, Social and Governance (ESG) criteria when managing assets, based on exclusions of issuers most exposed to sustainability risks and ESG screening of assets in which the Group invests.

### C.3.2.2 MANAGEMENT OF INTEREST RATE RISKS

Interest rate risk is managed from a holistic point of view. SCOR UK monitors the interest rate sensitivity in the Economic Balance Sheet (EBS). Regular monitoring enables the exposure to be compared with risk tolerance.

SCOR UK aims to maintain an appropriate mix of fixed and variable rate instruments. It also manages the maturities of interest-bearing financial assets.

Interest rate risk is managed within the Group primarily at two levels. At the level of each entity, the Group takes account of regulatory and accounting constraints. At the Group level, SCOR reviews its consolidated investment portfolios in order to identify the overall level of risk and return, SCOR Investment Partners uses analytical tools which guide both its strategic allocation and local distribution of assets. Sensitivity to changes in interest rates is analysed on a weekly basis.

### C.3.2.3 MANAGEMENT OF CURRENCY RISKS

SCOR UK does not actively hedge the eligible own funds through financial instruments. A variation in interest rates or exchange rates will impact the eligible own funds. Such economic variation would also affect the SCR. The resulting impact on the solvency ratio from a variation in interest or exchange rates would depend on the relative variation of both EOF and the SCR.

From an IFRS perspective, SCOR UK has a balance sheet hedging approach whereby there is an objective to match monetary assets and liabilities in each foreign currency within a prescribed tolerance, so that the fluctuation in the exchange rate has no material impact on the reported net income. The policy is to closely monitor the net monetary currency positions and, where appropriate, execute either cash arbitrages or future hedges.

### C.3.2.4 MANAGEMENT OF EQUITY INVESTMENT RISKS

SCOR UK's exposure to equity risk is indirect and very limited.

### C.3.2.5 MANAGEMENT OF CREDIT SPREAD RISKS

The Company applies strict limits in terms of asset concentration by asset class but also within a single asset class and actively diversifies its portfolio (by type of investment, by issuer, by country and by sector). The application of these limits also helps to mitigate the credit default risk arising from investments.

## C.4 Credit risks

For quantitative information on credit risk, see Section C.1 – Introduction and Section E.1.2 - Solvency Capital Requirement. The presentation of SCOR UK's assets giving rise to market and credit risks is provided in Section D.1 – Assets.

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### C.4.1 OVERVIEW OF CREDIT RISKS

Credit risk is the risk of incurring a loss as a result of an unexpected change in the financial situation of a counterparty.

This includes credit default risk which is the risk that one party to a financial instrument or other asset will cause a financial loss to the other party by unexpectedly failing to discharge, either partially or fully, an obligation. Credit risk also includes credit migration risk, which is the risk of incurring a financial loss due to a change in the value of a contractual agreement following unexpected changes in the credit quality of the counterparties.

SCOR UK is mainly exposed to the following credit risks or the accumulation of such risks in a single counterparty, in the same sector of activity or the same country: from bond and loan portfolios, receivables from reinsurers, funds withheld by clients, cash deposits at banks and default of members of pools in which SCOR UK participates. SCOR UK is exposed to credit risk through its credit and surety (re)insurance portfolio.

Credit risk is actively monitored and managed. The processes for managing the respective credit risks and the methods used to measure these risks are further described below. For further information on risk concentrations, refer to Section C.7.3 – Significant risk concentrations.

#### **C.4.1.1 CREDIT RISK RELATED TO BOND AND LOAN PORTFOLIOS**

A deterioration in the financial situation of an issuer (sovereign, public or private) or borrower can, for example, lead to its insolvency and to the partial or total loss of coupons and of the principal invested or lead to a loss in value.

This risk would apply also to loan transactions in which the Company might invest. The borrower's solvency deterioration may lead to a partial or total loss of the coupons and the nominal invested by SCOR UK.

#### **C.4.1.2 CREDIT RISK RELATED TO REINSURED LIABILITIES**

SCOR UK transfers part of its risks to reinsurance programmes in exchange for the payment of premiums. The reinsurers then assume the losses related to claims covered by the reinsurance contracts. In the event of a reinsurer defaulting, or its financial situation deteriorating, SCOR UK could lose part or all of the coverage provided by its reinsurer whereas the Company would retain its liability towards the insured for the payment of all claims covered under the underlying (re)insurance contract.

Moreover, the Company is exposed to a credit risk in the event of a payment default by a reinsurer of the balance due in respect of its cession, including through timing differences between statement of accounts received and real payment due.

#### **C.4.1.3 CREDIT RISK RELATED TO FUNDS WITHHELD BY CLIENTS**

SCOR UK participates in several material joint business ventures, both for "live" business and run-off business. The Company has exposure to the liabilities generated by these business ventures (see insurance risk) as well as the funds withheld as part of the operating set-up of these business ventures. In the event of a client default or a deterioration in its financial situation it is, at least in principle, possible that the Company may remain liable for paying claims due without being able to offset all or part of the corresponding deposits.

#### **C.4.1.4 CREDIT RISK RELATED TO CASH DEPOSITS AT BANKS**

SCOR UK is exposed to the risk of losing all or part of any cash deposited with banks, in the event that a bank is no longer able, due to insolvency, to honour its commitments (e.g. following liquidation). The current main risk for SCOR UK is the significant concentration of deposits in a small number of banks. This risk is a direct result of the selection of the most stable banks.

#### **C.4.1.5 OTHER CREDIT RISKS**

##### **Default of pool members**

SCOR UK participates, for certain highly specialised risk categories that are material (particularly terrorist risks), in various market dedicated groups of insurers, reinsurers or other member "pools" aimed at pooling the relevant risks among the members of each group and which offer best available expertise and risk sharing at market level. In the event of a total or partial default by one of the members of a group, the Company could be required to assume, in the event of joint liability of the members, all or part of the liabilities of the defaulting member.

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### **C.4.2 MANAGEMENT OF CREDIT RISKS**

#### **Management of credit risk related to bond and loan portfolios**

SCOR UK mitigates the credit risks related to bond and loan portfolios by careful analysis and selection of issuers, and by a policy of geographic sector diversification. The Company maintains its investment policy in high-quality assets and in countries with low sovereign risk.

Exposure analyses are performed on a regular basis (sector, geographical area, counterparty and rating) and these enable critical risks to be identified and evaluated in order to take appropriate actions.

#### **Management of credit risk related to reinsured liabilities**

Following SCOR Group policy the majority of the reinsurers that SCOR UK cedes business to are affiliated entities. The Company assesses this exposure on a regular basis, with the reinsurance programmes being ratified by the Board on an annual basis. The Company also has the benefit of a segregated trust fund arrangement supporting the exposure of its most material intra-group reinsurance contract related to a single client.

#### Management of credit risk related to funds withheld by clients

The Company puts in place strong processes and controls to minimise risks associated with its material joint business ventures. Also, annual audits are scheduled as well as underwriting, pricing and actuarial reserving meetings with joint venture clients. Additionally, regular claims, reserving and pricing reviews take place within the P&C business unit.

SCOR UK favours deposit arrangements with the ability to offset liabilities against deposits with high legal certainty. Deposits with clients are monitored regularly.

#### Management of credit risk related to cash deposits at banks

SCOR UK selects bank counterparties according to their rating and credit quality. Concentration risk from cash deposits at banks is mitigated through counterparty exposure limits set by the EMEA Hub. SCOR UK takes into consideration the public assistance (e.g. loans, guarantees of deposits, nationalisations) which certain banks may benefit from during a financial crisis, as they are important in the economy of their respective country.

For further information on how risks related to invested assets are managed, see Section C.3 - Market risk.

#### Management of credit risks related to default of pool members

In the event of joint liability of the members in pools in which SCOR UK participates, the risk of default of other pool members is carefully monitored by SCOR UK:

- through the participation of senior management in dedicated committees such as Audit and Risk Committees and Technical Committees, for the pools in which SCOR UK's participation is the most significant; and
- via the careful consideration of the financial situation of other pool members. This contributes to the application of sound and robust governance.

## C.5 Liquidity risks

### C.5.1 OVERVIEW OF LIQUIDITY RISKS

Liquidity risk is the risk of not having sufficient financial resources to meet obligations as they fall due, or only being able to secure them at excessive cost.

#### C.5.1.1 LIQUIDITY NEEDS

SCOR UK needs liquidity to pay claims, operating expenses, interest payments and redemptions on its debts and declared dividends on its share capital. Without sufficient liquidity, the Company may be forced to curtail its operations, and business will suffer. In the case of catastrophe claims, in particular, it may need to settle amounts which exceed the amount of available liquidity in a reduced timeframe. SCOR Group's liquidity needs to cover catastrophe exposures are calibrated using the Group's gross (before retrocession) Nat Cat annual loss distributions, on top of other regular liquidity needs.

Liquidity needs may also arise from increased collateral requirements, which may be required by some business organisations in case of SCOR UK default (non-compliance with financial covenants, a significant decrease in SCOR UK's financial strength rating etc), which would result in a deterioration of the Company's liquidity. Also, clients have the right to draw down on letters of credit issued by a bank in SCOR UK's name (currently very limited) at any time, however the impact on their relationship with SCOR UK would be considered. The risk of this occurring would increase if clients' concerns of SCOR UK not honouring its obligations increase. In a severe scenario for SCOR UK, multiple clients could draw on letters of credit simultaneously, requiring SCOR UK to provide the total amount of required cash or fungible assets resulting in a liquidity strain for SCOR UK.

#### C.5.1.2 SOURCES OF LIQUIDITY

The principal internal sources of SCOR UK's liquidity are (re)insurance premiums, cash flows from its investment portfolio and other assets, consisting mainly of cash or assets that are readily convertible into cash. SCOR UK's ability to access sources of liquidity may be subject to adverse capital and credit market conditions. Liquidity risks are increased when capital and credit markets experience extreme volatility or disruption, as SCOR UK may need to sell a significant portion of its assets quickly and on unfavourable terms, particularly, if current internal resources do not satisfy its liquidity needs.

The availability of additional financing for SCOR UK will depend on a variety of factors. These notably include market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial

services industry, SCOR Group's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of SCOR's (or SCOR UK's) long- or short-term financial prospects if large investment losses are incurred or if the level of business activity decreases due to a market downturn. Similarly, access to funds may be impaired if regulatory authorities or rating agencies take negative action that could penalise SCOR Group. The liquidity of several asset classes owned by SCOR Group may also be negatively impacted by changes in regulations or by non-conventional monetary policies. If so, these factors could prevent SCOR UK from successfully obtaining additional financing on favourable terms.

### C.5.2 MANAGEMENT OF LIQUIDITY RISKS

SCOR UK considers that it has sufficiently liquid resources to meet expected payments as and when these become due. SCOR UK's short-term liquidity needs are monitored on a daily basis, with the nature of SCOR UK's large insurance risks portfolio often requiring settlements at irregular intervals and of sizeable, unevenly distributed amounts. SCOR UK produces a 12-month cash flow forecast on a quarterly basis as part of the integrated group-wide cashflow monitoring process. This analysis is used to identify and anticipate known large payments and to monitor underlying trends in settlement patterns.

SCOR UK's available cash, access to both local and Group organised bank borrowing facilities, its readily realisable investment portfolio and the contractual ability to cash call large claim recoveries in advance of settling the external claim through its intra-group reinsurance programme, means that SCOR UK does not consider that it has any material liquidity risk. The ability to make timely obligation payments, as measured through available cash, is monitored and reported to the Risk, Capital and Compliance Committee and Board on a quarterly basis.

### C.5.3 EXPECTED PROFITS INCLUDED IN FUTURE PREMIUMS

SCOR UK's expected profit included in future premiums (EPIFP) as at year end 2020 amounts to GBP 62 million. EPIFP results are produced by SCOR UK for the purposes of QRT reporting. They are not used for internal processes regarding capital management, the details of which are provided in Chapter E – Capital Management,

## C.6 Operational risks

### C.6.1 OVERVIEW OF OPERATIONAL RISKS

SCOR UK's operational risks are aligned with those of the Group, as described in Section C.6.1 – Overview of operational risks in the SCOR Group's SFCR at [www.scor.com](http://www.scor.com).

For quantitative information on operational risk, see Section C.1 – Introduction and Chapter E – Section 1.2 – Solvency Capital Requirement. Operational risks are inherent to all businesses including SCOR UK. Operational losses may be split into four main causes further described below: risks related to staff, systems or facilities, processes or external events.

The largest operational risk, as seen by SCOR UK management, is the Group risk and in particular the financial contagion risk from the deterioration of another Group company. SCOR UK monitors this risk by reviewing intra-group reinsurance and liquidity exposures and with Board oversight via shared governance with the P&C business unit and SCOR Group. Nevertheless, this remains one of the largest residual risks in SCOR UK's executive summary qualitative risk dashboard.

#### C.6.1.1 RISKS RELATED TO STAFF

Risks related to staff can arise as follows:

- the failure to attract or retain key personnel or the loss of crucial information/skills concentrated in a single person, or of a whole team;
- incidents due to mistakes or non-compliance with instructions, guidelines or policies;
- malicious or fraudulent acts by internal staff mandated by SCOR UK having authorised access to the Company's offices or systems, or taking advantage of SCOR UK's assets for personal gain, e.g. through the misappropriation of assets, intentional mismarking of positions or bribery;
- intentional damage to assets (including data) required by SCOR to perform its operations by internal or external staff could lead to significant remediation costs (including for rebuilding databases or systems).

#### C.6.1.2 RISKS RELATED TO SYSTEMS OR FACILITIES

Risks related to systems or facilities can arise as follows:

- a malfunction or a major breakdown in SCOR's IT systems, outages, disruptions due to viruses, attacks by hackers and thefts or data breaches. This can occur within SCOR's own environment or to a third party providing services or data to SCOR;
- interruption of any of SCOR's IT systems leading to loss of data, delays in service or in a loss of efficiency of teams, which could lead to remediation costs, loss of contracts or damage to the Group's reputation. In addition,



these incidents could increase other operational risks such as external fraud or human error (e.g. delay in the recognition of adverse business development). The interruption of these systems could damage commercial activities including underwriting, pricing, reserving, premium and claims payment, commercial support, and asset management;

- in addition, the facilities in which SCOR operates might be impacted by natural or man-made perils. They could also be affected by legal or management decisions (e.g. due to pandemics or social conflict). The offices might need to be closed for a period of time potentially resulting in a loss of productivity and business opportunity, as well as remediation costs.

Through centrally provided SCOR Group services, the above could impact SCOR UK.

#### C.6.1.3 RISKS RELATED TO PROCESSES

SCOR UK's risk management policies, procedures and controls may not be appropriate or sufficient. In particular, any additional workload to the planned activities could reduce the efficiency of some processes and controls. For example, the creation of a new business venture, the development of a new line of business, or any other project, may lead to an accumulation of operational risks.

Some of SCOR UK's processes are partially or fully outsourced. The failure of outsourced processes could lead to direct losses and other operational incidents.

Since SCOR UK remains responsible for commitments or services contracted, including for outsourced activities, inappropriate client relationship management or an inadequate level of service and/or product quality provided by the Company to its clients or a breach of contract may lead to a loss of profitable business relationships.

In addition, SCOR UK may be involved in legal and arbitration proceedings due to third parties challenging the terms of a contract, which could lead to an unfavourable outcome.

For further details on the main current regulatory developments which may have an impact on SCOR UK, please see Section C.7.1.3. – Risks related to legal and regulatory development in the SCOR Group's SFCR at [www.scor.com](http://www.scor.com).

#### C.6.1.4 RISKS RELATED TO EXTERNAL EVENTS

SCOR UK may be exposed to an unfavourable business environment such as evolving or additional regulatory constraints potentially hindering its business model.

##### Legal and regulatory risk in SCOR UK's operating environment

As an international (re)insurer, SCOR UK must comply with national and international laws, regulations and accounting standards. This includes all applicable economic sanctions, programmes relating to anti-corruption, anti-money laundering, in addition to anti-terrorism laws, and laws and regulations applicable to its operations. Laws and regulations applicable to some of SCOR UK's operations refer *inter alia* to the economic trade sanctions laws and regulations administered by the United States Department of the Treasury's Office of Foreign Assets Control (OFAC) and to certain laws administered by the United States Department of State. They also refer to applicable economic trade sanctions laws, regulations and directives of the European Union and its member states prior to the end of the post-Brexit transition period. Other directives with which SCOR UK complies apply to anti-money laundering, corruption, terrorism financing and insider trading. Regarding anti-corruption laws and regulations, in particular, SCOR UK must comply with the Foreign Corrupt Practices Act (FCPA) and other laws such as the UK Bribery Act. Additionally, SCOR UK complies with regulatory requirements regarding data management (both SCOR UK's data and that of its clients), in particular General Data Protection Regulation (GDPR).

The level of legal, regulatory, tax or accounting requirements depends on several factors including the type of business (e.g. primary insurance or reinsurance business), the location and SCOR UK's legal structure. The large number of different regulatory environments in which SCOR UK operates, as well as changes in present and future regulations, increase the complexity and risks of the related Group processes. Any violation of laws, regulations or accounting requirements could expose SCOR to fines, class actions with compensation payments, accounts restatements or business restrictions and reputational damage.

Following the UK's departure from the European Union and the end of the post-Brexit transition period on December 31, 2020, the direct P&C insurance activities for European Economic Area (EEA) clients cannot be carried by SCOR UK. In order to prepare for the possibility of this outcome, SCOR Europe SE, a direct P&C insurance company, was created in France to serve its continental-Europe clients, while maintaining SCOR UK for its other clients. At this stage, there is uncertainty on the evolution of the future UK Solvency II regulatory framework in the UK.

SCOR might change its operational business model in order to improve efficiency (e.g. through restructuring) and this could result in an increase in the operational risks to which the Group and hence its legal entities including SCOR UK is exposed.

##### Other risks related to external events

###### Risks related to external fraud

SCOR UK is exposed to external fraud which is characterised by the theft of certain Company assets by third parties or by clients. External frauds may be perpetrated by various means including cyber-attacks and usually target cash or data. Should an act of fraud succeed in bypassing the controls, or protection measures in place, this could generate a direct loss for the Company.

#### **Risks related to cyber-attacks**

SCOR UK is exposed to cyber-attacks which can be very diverse in their sophistication and execution. The main targets are system functions, data and cash management. Immediate repercussions include:

- systems could be slowed down, corrupted or stopped, potentially resulting in loss of productivity, corrupted data and remediation costs;
- funds could be stolen through fraudulent wire transfers;
- data could be stolen, deleted or corrupted, or made public in contradiction with SCOR's regulatory or contractual obligations.

Any of the above could generate significant damages to SCOR's systems or data, a reputational risk, give rise to a breach of SCOR UK's legal responsibility, and may result in regulatory sanctions depending on the level of sensitivity of the data or system that is successfully attacked. The cyber-attack could also assist external fraudsters resulting in a financial loss.

### **C.6.2 MANAGEMENT OF OPERATIONAL RISKS**

SCOR UK relies upon the organisation defined within the Group. The two main principles driving SCOR Group's operational risk management approach are:

- exhaustiveness: ensure that a complete and exhaustive identification of all risks within the Group is carried out to the extent possible;
- proportionality: once operational risks are identified, management uses appropriate and proportionate responses, resources and procedures, focusing on key risks.

The process owners are responsible for managing operational risks within the processes. To meet high quality standards, the Group relies on a highly qualified staff to manage processes and the risks within these processes.

In order to support the staff, SCOR has developed Internal Control System (ICS) standards. According to the ICS standards, process owners should be in a position to identify the critical operational risks within the processes assigned to their area of responsibility. The process owners design, implement and operate appropriate key controls and maintain the net risk exposure at or below an acceptable level of possible damage.

At Group level, experienced staff members collect relevant information and analyses on operational risks, on a qualitative and quantitative basis. When relevant, they develop key indicators, with support from Risk Governance department. The Group has also implemented regular risk reporting mechanisms in order to provide for an overview of operational risks across the Group.

At legal entity level, depending on local requirements, specific operational risk management processes are implemented, where relevant.

In addition, through its assignments, Group Internal Audit (GIA) contributes to the oversight of operational risk management.

Outsourcing some activities or processes may improve or streamline some aspects of a process, but SCOR is still expected to deliver the same level of service. Principles to properly manage potential operational risks stemming from outsourcing of certain functions are set out in dedicated policies and guidelines.

On risks which may develop rapidly, such as external fraud, SCOR frequently adapts its risk management, for example by organising specific training programs and sending regular warnings and detailed instructions to its employees.

Some of the previously mentioned operational risks are transferred in whole or in part to direct insurers as follows:

- the properties and other assets of SCOR and its subsidiaries are covered locally through property damage policies;
- risks which are mostly covered at Group level include civil liability risks related to the operation of the company caused by employees and real estate, professional liability risks, civil liability risks of Directors and officers, and cyber risks.

Nevertheless, these insurance covers could prove to be insufficient and some losses could fall into the scope of the exclusion clauses (or interpreted as such by the insurance company).

SCOR UK leverages on processes and practices implemented at SCOR Group level and aims to minimise its own operational risk, which is intrinsic in the conduct of business and cannot be completely avoided. The Company has in place corresponding processes and controls to mitigate such risks. SCOR UK's operational risks are monitored each quarter and assessed through the Company's executive summary qualitative risk dashboard, reviewed quarterly by the Risk, Capital and Compliance Committee.



## C.7 Other material risks

### C.7.1 STRATEGIC RISKS

Strategic risk can be defined as the risks related to losses arising from an unsuccessful strategy or objectives. Strategic risks can arise as a consequence of either the strategy itself (such as the accumulation of risks or development in lines of business or less known markets), from external risks (such as an adverse economic environment), or from internal risks (such as certain causes of operational risk). Therefore, many of the risks discussed throughout Chapter C – Risk profile, in addition to emerging risks, could also impact the success of the strategy and achievement of objectives.

The main strategic risks to which SCOR UK is exposed are:

- macro-economic environment affecting strategy/objectives including the uncertain economic environment due to the current Covid-19 pandemic that may affect SCOR UK's growth and the poor returns on financial markets exacerbating the adverse competitive environment;
- effects of operating in highly competitive environment which could cause SCOR UK to lose competitive advantage or if adverse events had an impact on the (re)insurance industry;
- changes in legal and regulatory developments as well as SCOR's strategy being impacted by future legal or regulatory developments related to climate change. Tighter regulatory controls and/or government legislation to significantly curb carbon emissions may place restrictions on the business that SCOR can underwrite (e.g. carbon intensive industries such as the coal industry in the first instance, but possibly extending to other non-renewable energy sectors over time); and
- SCOR downgrade risk, actively monitored by a dedicated team under the supervision of the Group CFO.

SCOR UK is exposed to similar strategic risks as SCOR Group through its underwriting and investment activities. For further details refer to Section C.7.1 – Strategic risk of the SCOR Group SFCR at [www.scor.com](http://www.scor.com).

### C.7.2 OTHER STRATEGIC RISKS AT SCOR UK LEVEL

Strategic risks considered to be more specific to SCOR UK are described below.

#### External factors

Economic, geopolitical and financial uncertainty has been affecting the market for the past several years. There is considerable uncertainty in the UK regarding the potential for unforeseen local post-Brexit regulatory change in the UK and as the Covid-19 crisis unfolds, other regulatory uncertainties may stem from the potential setup of public/private "pandemic pools" for business interruption coverage.

The current macroeconomic outlook is challenging, with increased volatility due to, for example, Covid-19, geopolitical turmoil, trade wars, uncertainty about future economic policies and the potential for inflation to gather momentum. There remains a risk of continued low interest rates. The Company is observing heightened connectivity between risks, accelerated by the current global situation with increasing geopolitical tensions.

In recent years increased political uncertainty has been observed, notably in countries where SCOR UK has exposures such as the UK, US and continental Europe. Political uncertainty could impact SCOR UK in a number of ways, including through market volatility and changes in the legal and regulatory environments in which the Company operates. In certain circumstances these political events can unfold quickly and unexpectedly and so are difficult to adequately anticipate. In terms of geopolitical outlook, the Covid-19 pandemic has fuelled populist suspicions, destabilised international organisations, and raised claims in favour of more deglobalisation, which has translated into a rise in trade barriers and sanctions. This crisis has also led to an increase in international religious, ideological, political and military (including non-state armed groups) tensions, exacerbating local conflicts in many parts of the world. The impacts of these geopolitical tensions remain under watch.

The traditional (re)insurance industry has been experiencing a sustained period of stronger competition with alternative capital markets, such as cat bonds due to their increased popularity in a period of low interest rate returns on investments. Over many years to 2017 there was an extensive period relatively benign to major natural catastrophes with ongoing soft rates and abundant capacity which only began to turn following the severe market losses caused by natural catastrophes and large risk losses in 2017 and 2018. Abundant capacity may mean hardened rates may not be sustained for long.

Risk selection and long-term relationships are crucial and SCOR UK has been successful in establishing these necessary relationships. Future challenges include SCOR UK's capacity to reengineer its participations in order to improve the overall book and acquire clients looking at long-term partnerships.

#### Structure Risks

In terms of the structure risks, SCOR UK is exposed to risk related to participation in joint ventures, limited by involving multi-disciplinary project teams for each potential target. Material business deals are reviewed by SCOR UK executive management and submitted to the SCOR UK Board for approval.

### Risks related to acquisitions

Acquisitions are managed at SCOR Group level, in coordination with each business unit depending on the size of the operation or the lines of business concerned. SCOR Group acquisitions may impact SCOR UK, either directly (by participating in the financing of the acquisition or taking on all or parts of the acquired business) or indirectly (by entering risk-sharing or reinsurance agreements with other SCOR affiliates directly impacted by the acquisition). Additionally, acquisitions may divert substantial amounts of management time from day-to-day operations.

### Risks related to capital

SCOR UK is able to access capital through the SCOR Group, with capital fungibility actively managed at Group level. As a legal entity it may be exposed to the risk of increased local regulatory constraints.

### Risks related to deferred tax recognition

The recognition of deferred tax, in particular the likelihood of recognising sufficient profits in the future to offset losses, depends on SCOR UK's performance as well as applicable tax laws, regulatory requirements and accounting methods. The occurrence of events, such as operational earnings lower than projected or losses over a longer period than anticipated or changes in tax legislation, regulatory requirements, or accounting methods could lead to the de-recognition of part of the deferred tax assets for accounting and/or regulatory purposes. This could have a material adverse impact on SCOR UK's solvency ratio. The valuation risks including those related to SCOR UK's deferred tax position are managed through robust processes and controls throughout SCOR Group and at the Board level of SCOR UK.

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## C.7.3 SIGNIFICANT RISK CONCENTRATIONS

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Risk concentrations mainly impact three categories of risk, individually or collectively:

- underwriting risks, in particular through catastrophes and other accumulation risks across lines of business or within certain geographical areas. For further information on SCOR UK's exposure to catastrophes and how these risks are managed, see Section C.2.1 – P&C (re)insurance;
- market risks, in particular in case of major events impacting specific types of assets to which SCOR UK is exposed. For further information on market risks and how they are managed, see Section C.3 – Market risks;
- credit risks, in case of major events impacting certain types of counterparties or certain individual counterparties to which SCOR UK is exposed. For further information on credit risks and how they are managed, see Section C.4 – Credit risks.

For further information on the accumulation of risks within SCOR UK and how these risks are managed, see Section B.3.2.3 – Identification and assessment of risks.

### C.7.3.1 OVERVIEW OF CURRENT RISK CONCENTRATIONS

SCOR UK aims to preserve a high level of diversification throughout its activities, while controlling exposure concentrations to a single counterparty, type of asset, geographical area or industry sector. Risk concentrations are monitored to ensure they remain in line with risk tolerances, i.e. below the limits set out in order to ensure that the Company's risk profile remains aligned with its risk appetite framework. The definition of the risk appetite framework aims to strike an appropriate balance between risk, capital adequacy and return, while respecting SCOR UK's key stakeholders' expectations. For further information on the risk appetite framework and risk tolerances, see section B.3.1 – Risk appetite framework. Losses arising from such risk concentrations may also significantly increase SCOR UK's liquidity needs. SCOR UK assesses liquidity risks arising from a deviation from its liquidity needs over the short-, medium- or long-term. For further information on these risks and how they are managed, see section C.5 – Liquidity risks.

## C.8 Any other information

No other material information is reported regarding SCOR UK's risk profile other than presented above in section C.1 – introduction to C.7 – Other material risks.

## D. VALUATION FOR SOLVENCY PURPOSES

Solvency II requires SCOR UK to produce an economic balance sheet (subsequently referred to as EBS) representing a market view of its assets and liabilities as at the reporting date. The Solvency II regulations require the EBS to include assets valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction and liabilities valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction. In addition, liabilities are not adjusted to take account of the credit standing of the reporting entity.

The details of the valuation principles applied in the EBS, including the differences between the valuation principles and those applied in the financial statements, are outlined in this chapter.

In the EBS both assets and liabilities relating to in-force business are recognised at market-consistent values which constitute the valuation for solvency purposes. SCOR UK's EBS as at December 31, 2020 has been prepared based on the assumption that the Company will continue as a going concern, this is in line with the preparation of the financial statements. SCOR UK prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The preparation of the EBS requires management to make certain judgments, assumptions and estimates. These affect the reported amounts of assets and liabilities and the additional disclosures. Management reviews these estimates and assumptions periodically, based on past experience and other factors. The actual outcome and results could differ substantially from estimates and assumptions made. The most material financial statement captions for which SCOR UK uses estimates and assumptions are reinsurance reserves, receivables and liabilities relating to (re)insurance operations, the fair value and impairment of financial instruments, and deferred taxes.

The EBS for SCOR UK is presented in Appendix 1. The relevant extracts of the EBS are included at the beginning of each of the following sections.

### D.1 Assets

The table below presents the assets of SCOR UK as in the EBS together with references to the relevant sections within this chapter explaining the valuation basis and methods used for Solvency II purposes. There have been no changes made to the recognition and valuation bases used or to estimations during the reporting period.

*Tab.01 - Assets*

SCOR UK Assets as at December 31, 2020 in GBP thousands	EBS Solvency II	Section
<b>Deferred tax assets</b>	17	D.1.3
<b>Property, plant and equipment held for own use</b>	1	
<b>Investments</b>	416,888	
Equities	-	D.1.1
Bonds	416,711	D.1.1
Derivatives	177	D.1.1
<b>Loans and mortgages</b>	-	D.1.4
Other loans and mortgages	-	
<b>Reinsurance recoverables</b>	532,485	D.1.2
Non-Life and Health similar to Non-Life	532,485	
Non-Life excluding Health	532,485	
<b>Deposits to cedents</b>	42,546	D.1.2
<b>Insurance and intermediaries receivables</b>	194	D.1.2
<b>Reinsurance receivables</b>	26,290	D.1.2
<b>Receivables (trade, not insurance)</b>	480	D.1.4
<b>Cash and cash equivalents</b>	23,772	D.1.1
<b>TOTAL ASSETS</b>	<b>1,042,672</b>	

**D.1.1 CASH AND INVESTMENTS, OTHER THAN PROPERTY AND PARTICIPATIONS**

SCOR UK in GBP thousands	As at December 31, 2020		
	EBS	Statutory IFRS	Difference
Equities	-	-	-
Bonds	416,711	416,711	-
Derivatives	177	177	-
Cash	23,772	23,717	55
<b>Total investments and cash</b>	<b>440,660</b>	<b>440,605</b>	<b>55</b>

**Valuation for solvency purposes**

Investments in the EBS include financial assets such as bonds, (corporate bonds, government bonds, collateralised securities), derivatives, deposits, other investments and cash. SCOR UK does not hold any assets in index-linked or unit-linked funds.

The economic value of financial assets that are traded in an active financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date. Quotations are considered as active market prices if the quoted prices or rates represent actual and regularly occurring transactions that are available from a stock exchange, dealer or broker.

Financial assets valued using quoted prices comprise government, covered and agency bonds, corporate bonds, as well as short term investments. For derivative financial instruments, fair value is determined by reference to either published bid values, or values based on models prepared by internal and external experts using observable market inputs.

If quoted prices in active markets for identical assets or liabilities are not available, the following valuation methods may be used:

- quoted market prices in active markets for similar assets, with adjustments to reflect specific factors (including the condition or location of the asset or volume or level of activity in the markets within which the inputs are observed);
- other models based on market inputs; and
- models using inputs which are not based on observable market data.

As SCOR UK is responsible for determining the economic value of its investments, regular analysis is performed to check whether prices received from third parties are reasonable estimates of market value.

The analysis includes: (i) a review of price changes made in the investment management systems; (ii) a regular review of pricing deviations between dates exceeding predefined pricing thresholds per investment categories; and (iii) a review and approval of extraordinary valuation changes noted.

SCOR UK may conclude prices received from third parties are not reflective of current market conditions. In those instances, SCOR UK may request additional pricing quotes or apply internally developed valuations. Similarly, SCOR UK may value certain derivative investments using internal valuation techniques based on observable market data.

**Equities**

For unlisted equity instruments, the economic value is determined according to commonly used valuation techniques.

**Bonds (government, corporate, structured notes, collateralised securities)**

Structured products, other than securities issued by government agencies for which the market is considered active, hybrid and tier 1 and tier 2 corporate debt, private placements, inflation linked government assimilated bonds, specific and alternative investments are valued based on models prepared by internal and external experts using observable market inputs.

**Cash and cash equivalents**

SCOR UK applies the same definition of cash for both IFRS and Solvency II reporting purposes, except for cash overdraft (negative cash) balance. This means cash includes cash, net bank balances and short-term deposits or investments which have maturity less than three months at the date of purchase or deposit. Cash overdraft (negative cash) balance is being reclassified under debts owed to credit institutions on the liabilities side.

**Comparison with valuation in financial statements**

The method of valuation applied to financial assets in the Solvency II EBS does not differ from IFRS. The difference between the value of equities and other investments in the EBS and the financial statements is attributable to reclassifications on other line items.

For further details on IFRS balances and valuation methods applied to investments, please refer to the following notes in the SCOR UK Audited Financial Statements 2020: Note 1 Accounting Policies – D Financial Instruments.

**D.1.2 INSURANCE TECHNICAL ASSETS**

SCOR UK in GBP thousands	As at December 31, 2020		
	EBS	Statutory IFRS	Difference
Deferred acquisition costs (DAC)	-	35,800	(35,800)
Reinsurance recoverables	532,485	726,947	(194,462)
<i>Non-Life</i>	532,485	726,947	(194,462)
<i>Life</i>	-	-	-
Deposits to cedents	42,546	42,546	-
Insurance and intermediaries receivables	194	271,640	(271,446)
Reinsurance receivables	26,290	26,290	-
<b>Total insurance technical assets</b>	<b>601,515</b>	<b>1,103,223</b>	<b>(501,708)</b>

**Valuation for solvency purposes**

Insurance technical assets are balances that relate to reinsurance and direct insurance contracts.

In the EBS assumed and ceded technical provisions are recognised in line with Solvency II methodology (see section D.2 Technical provisions). The calculation of Solvency II best estimate liabilities and risk margin considers all cash flow projections related to existing insurance and reinsurance contracts, including premiums, benefits and expenses payments. As a result some balances that exist in the IFRS balance sheet are either cancelled or adjusted on transition to the EBS, as follows:

**DAC**

DAC which represents the deferral of costs directly associated with the acquisition of new contracts (mainly commission) is not recognised in the EBS. Reimbursements of initial incurred acquisition costs are included in future premiums and thus included in the calculation of technical provisions.

**Reinsurance recoverables**

Reinsurance recoverables (ceded technical provisions) reflect the estimated amounts which are recoverable under reinsurance contracts in respect of SCOR UK's reinsurance contracts.

Reinsurance recoverables in the EBS are calculated using essentially the same methodology, systems and processes as the best estimate liabilities (see section D.2 Technical provisions). Assumptions are set based on the type of business reinsured and the valuation takes into consideration the recoverability of the balance, where appropriate.

**Deposits to cedents**

These balances represent deposits made at the request of clients as collateral for SCOR UK's (re)insurance commitments. Deposits with a variable return rate depending on a specified portfolio of assets: the fair value of the deposits is the market value of the underlying assets. This type of fund is adjusted to match the corresponding liabilities.

**Insurance and intermediaries receivables**

Insurance and intermediaries receivable balances included separately in the EBS represent amounts linked to insurance business that are due (and overdue) from policyholders, intermediaries and other insurers, but that are not included in the projected cash flows used for the calculation of technical provisions.

In a departure from Solvency II rules the company has included gross overdue estimate premiums of £19.2m with in the technical provisions rather than in receivables.

Management assessed this departure from the Solvency II Rules and do not believe that it has any material impact on the solvency position of the Company, consistent with prior years.

**Comparison with valuation in financial statements**

As explained above, technical cash flows are taken into account within the Solvency II best estimate liabilities. As a result, acquisition costs and insurance receivables that are included in the projected cash flows used for the calculation of technical provisions are not recognised separately in the EBS. The same principles apply to reinsurance operations through the assessment of reinsurance recoverables. Adjustments to the value of deposits to cedents are calculated consistently with the adjustments to best estimate liabilities.

For further details on IFRS balances and valuation methods applied to insurance technical assets, please refer to the following notes in the SCOR UK Audited Financial Statements 2020: Note 1 Accounting Policies – F Insurance Contracts.

**D.1.3 DEFERRED TAX ASSETS**

The Company has no unused tax losses as at December 31, 2020. Any tax losses are recognised as a deferred tax asset on the balance sheet.

SCOR UK in GBP thousands	As at December 31, 2020		
	EBS	Statutory IFRS	Difference
Deferred tax assets	17	17	-
Deferred tax liabilities	(3,171)	(2,253)	(918)
<b>Net deferred tax (liabilities) / assets</b>	<b>(3,154)</b>	<b>(2,236)</b>	<b>(918)</b>

### Valuation for solvency purposes

Deferred taxes are recognised in the EBS using the balance sheet liability method, for all temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amount in the EBS.

The main temporary differences arise from the equalisation reserve, change in technical provisions and risk margin and unrealized losses carried forward.

Deferred tax assets are recognised on net operating losses, carried back when a carry-back claim is available and carried forward to the extent that it is probable that future taxable income will be available against which they can be offset. Management makes assumptions and estimates related to income projections to determine the availability of sufficient future taxable income. Business plans include assessments of gross and net premium expectations, expected loss ratios and expected general expenses ratios, together with actuarial assumptions. To the extent that net operating losses carried forward cannot be utilised or expire, deferred income tax expenses may be recorded in the future.

Deferred tax assets and liabilities are assessed at the tax rate applicable in the fiscal year in which the asset will be realised or the liability settled, based on the tax rates (and tax regulations) that have been enacted or substantially enacted at the reporting date. See section E.6 for further details regarding the position at December 31, 2020.

The impact of Solvency II adjustments to bring IFRS figures to EBS market value is an overall increase in net assets, therefore all deferred tax impacts arising from the recording of economic adjustments are reflected in the deferred tax liability.

Deferred tax assets that are recorded in the IFRS financial statements in accordance with IAS 12 Income Taxes are retained on the EBS.

### Comparison with valuation in financial statements

Measurement of deferred taxes for Solvency II EBS is generally consistent with IFRS, the difference being the fact that the deferred tax asset or liability is established based on the difference between the values ascribed to assets and liabilities recognised in the EBS and their values recognised for tax purposes (instead of the differences between the asset or liability carrying amount in the IFRS balance sheet and its tax base).

For the purpose of EBS the appropriate deferred tax effect of all adjustments between IFRS balance sheet and EBS is recognised using the applicable local tax rates. Deferred tax balances are adjusted for the impacts of the differences between the IFRS and Solvency II valuation basis – the main difference being driven by revaluation of technical balances.

#### D.1.4 OTHER ASSETS

SCOR UK in GBP thousands	As at December 31, 2020		
	EBS	Statutory IFRS	Difference
Loans and mortgages	-	-	-
Receivables (trade, not insurance)	480	480	-
Any other assets	-	-	-
<b>Total other assets</b>	<b>480</b>	<b>480</b>	<b>-</b>

### Valuation for solvency purposes

This section covers all other assets recognised in the EBS, including trade receivables. Most of these assets are carried at cost which is a good approximation of their market value.

Trade receivables include amounts receivable from various business partners and the state (e.g. current tax) that are not insurance or reinsurance related.

### Comparison with valuation in financial statements

Other assets are carried at a value that is not different from market value and hence there is no valuation difference between IFRS accounts and the EBS.

## D.2 Technical provisions

SCOR UK's technical provisions are calculated as the sum of best estimate liabilities (BEL) and risk margin (RM). BEL is valued as the net present value of future cash-flows. RM is derived by applying a cost of capital approach. This chapter



provides an overview of the technical provisions at year-end 2020. In addition, the bases, methods and assumptions used for the calculations are described as well as the related uncertainties.

The risk-free interest rates used for discounting are those provided by EIOPA. Unadjusted risk-free rates are used with no transitional or long-term guarantee measures (e.g. volatility adjustments).

## D.2.1 NON-LIFE TECHNICAL PROVISIONS

The table below presents the Non-Life technical provisions of SCOR UK.

SCOR UK As at December 31, 2020 in GBP thousands	EBS
<b>Non-Life technical provisions</b>	<b>725,402</b>
TPs – Non-Life (excl. Health)	725,402
<i>Best estimate</i>	708,578
<i>Risk margin</i>	16,824
<b>Non-Life reinsurance recoverables</b>	<b>(532,485)</b>
Non-Life (excl. Health)	(532,485)
<b>Net Non-Life technical provisions</b>	<b>192,918</b>

### D.2.1.1 SEGMENTATION BY LINES OF BUSINESS

The table below shows the valuation of net technical provisions of SCOR UK as at December 31, 2020, presented by line of business (LoB) as defined for Solvency II reporting purposes.

SCOR UK As at December 31, 2020 in GBP thousands	Best estimates liabilities (BEL)	Reinsurance recoverables	Risk margin	Total net technical provisions
Marine, aviation and transport	103,119	(86,339)	2,593	19,373
Fire and other damage to property	202,135	(98,211)	4,675	108,599
General liability	191,577	(158,694)	4,203	37,086
Credit and suretyship	9,445	(13,688)	434	(3,809)
Miscellaneous financial loss	1,813	(829)	31	1,015
Non-proportional casualty	145,271	(134,007)	3,195	14,459
Non-proportional marine, aviation and transport	3,282	(2,037)	136	1,380
Non-proportional property	51,935	(38,679)	1,559	14,815
<b>Total</b>	<b>708,578</b>	<b>(532,485)</b>	<b>16,824</b>	<b>192,918</b>

The P&C net technical provisions of GBP 193 million correspond to the sum of P&C best estimate liabilities net of reinsurance recoverables of GBP 176 million and a risk margin of GBP 17 million.

The P&C net best estimate liabilities of GBP 176 million (comprising the gross best estimate liabilities of GBP 709 million reinsurance recoverables of GBP (532) million, as presented in the above table) are composed of two parts: net claims provisions (GBP 192 million) and net premiums provisions (GBP (16) million). The expected future premiums and premium estimates net of commissions are not shown on the assets side of the EBS but are netted down from the future claims on the liability side.

### D.2.1.2 BEST ESTIMATE LIABILITY

#### Claims provisions methodology and assumptions

The elements of claims provisions (GBP 192 million) recognised within best estimate liabilities in SCOR UK EBS are described below.

- IBNR corresponds to the reserves for claims incurred but not yet reported and not sufficiently reserved. It is calculated in the SCOR system at actuarial segment/underwriting year level using Best Estimate Ultimate Loss Ratios which are based on an annual analysis conducted each year by the local actuaries.
- Outstanding claims are the same as in IFRS.
- Claims estimates mostly correspond to the part of the claims not yet paid in cash. It can also correspond to the loss corridor clause, which is a feature of the contract defining a range of loss ratios between which the reinsurer will pay a percentage defined in the contract. An estimate of the amounts to be paid is computed according to the best estimate loss ratios.
- In calculating the unallocated loss adjustment expenses (ULAE) and overhead expenses SCOR UK takes into account all cash flows arising from expenses that will be incurred in servicing the recognised insurance and



reinsurance obligations over the lifetime thereof. This includes administrative expenses, investment management expenses and claims management handling expenses.

- Claims discount represents the adjustment for the time value of money linked to claims estimates, outstanding claims, IBNR and ULAE reserves. The discount on claims reserves is calculated using underwriting years' claims patterns calculated by SCOR UK and risk-free rates yield curves published by EIOPA.
- The underwriting claims patterns gross of reinsurance are annually estimated by local actuaries at actuarial segment level. In most cases, patterns are calculated using the Chain-Ladder method, derived from the claims paid triangles.
- Each and every year, relevant assumptions made in the calculation of best estimate are reviewed and updated. SCOR UK considers market exogenous information such as medical inflation and interest rates.

### Premium provisions methodology and assumptions

The elements of Solvency II premium provisions are described below:

- The future premiums correspond to the part of the premiums not yet written and relates to the difference between Estimated Gross Premium Income (EGPI) and Written premiums for bound contracts only.
- Future commissions correspond to commissions on future premiums.
- Future claims are the claims reserves related to future premiums and IFRS unearned premium reserves. The best estimate loss ratio used for future claims calculation is derived by SCOR UK reserving actuaries from either pricing loss ratios or experience loss ratios.
- The premium estimates correspond to the part of the written premiums not yet received in cash. Premium estimates include the reinstatement and burning cost premiums which are calculated using the projected claims ultimate (so including IBNR). Given that IBNR under IFRS and EBS are not necessarily the same, reinstatement premiums and burning cost premiums will also vary.
- The commissions' estimates correspond to the commissions on premiums estimates. Commissions' estimates include the sliding scale commissions and the profit commissions which are calculated using the projected claims ultimate.
- ULAE on future claims is calculated in the same way as ULAE for Claims Provisions.
- Discount: Claims discount principles apply to premium discount.

### Comparison to prior period

Compared to last year there were no changes which have been made in the methods used or primary assumptions.

### List of the most commonly used methods

To assess the IFRS and Solvency II Best Estimate, SCOR UK uses generally accepted actuarial methods which take into account quantitative loss experience data, together with qualitative factors and exogenous data, where appropriate. The reserves are also adjusted to reflect (re)insurance contract terms and conditions, and the variety of claims processing that may potentially affect the Company's commitment over time.

SCOR UK uses among others:

- Deterministic methods (e.g. Chain Ladder, Bornhuetter-Ferguson, Average cost or Loss ratio methods) for Best Estimate and patterns assessment;
- Stochastic approaches (e.g. Mack model, Bootstrap) for reserves' volatility estimates;
- Expert judgments (e.g. exogenous a priori loss ratios provided by SCOR Global P&C pricing or underwriting);
- Tailor made solutions: depending on data availability and portfolio complexity, SCOR UK develops tailor made solutions. Some parameters used in these models can be subject to dedicated studies. These parameters include but are not limited to interest rates, legal development or inflation.

#### D.2.1.3 LEVEL OF UNCERTAINTY

In P&C Business, the uncertainty mainly arises from:

- The level of ultimate loss ratios used to compute the reserves. Some reserving methods require the use of a priori ultimate loss ratios. Pricing loss ratios are often used; sensitivities around these ratios are tested.
- The level of the case reserves which is tested through two tests: the first tests the tail development and the second tests the outstanding claims reserves.
- The claim inflation on the UK Medical Malpractice portfolio as the medical inflation is hard to predict and could result in an increase in future payments. Therefore, we quantify the impact of the historical claims inflation on the future payments for each underwriting year.

- The full impact of Covid-19 crisis on SCOR's business and results can still not be accurately assessed at this stage, given the uncertainty related both to the magnitude and duration of the Covid-19 pandemic and to the possible effects of future governmental actions and/or legal developments in this context.

The results of the above stress tests fall within a reasonable range of potential loss deviations from the best estimate and are absorbable by usual reserve volatility.

#### D.2.1.4 REINSURANCE RECOVERABLES

SCOR UK transfers part of its risks to reinsurers via reinsurance programmes. The reinsurers then assume, in exchange for the payment of premium by SCOR UK, the losses related to claims covered by the reinsurance contracts.

##### Reinsurance IBNR

For proportional reinsurance, the cession rate is applied to assumed best estimate IBNRs and reinsurance IBNR amounts are automatically calculated.

For non-proportional reinsurance under the Solvency II framework, it is considered that the reinsurance IBNRs booked under IFRS reflect the Best Estimates position.

##### Reinsurance discount

For proportional reinsurance, the pattern of the corresponding assumed segments is used.

For non-proportional reinsurance, the pattern linked to the LoB reinsurance is used to calculate the cash flows of the reinsurance contract.

##### Adjustment for expected losses due to counterparty default (bad debts)

Reinsurance Bad Debt is estimated at contract/section/underwriting year/reinsurance level using the rating of the relevant reinsurers. The rating is associated with an expected default probability and a recovery rate provided by EIOPA in Article 199 of the Delegated Acts.

##### Reinsurance segmentation

For proportional reinsurance, the allocation by line of business is following the assumed segmentation.

For non-proportional reinsurance, rules starting from the reinsurance contract criteria are used.

#### D.2.1.5 RISK MARGIN

The Risk Margin is computed based on the following principles:

- It is calculated according to the cost-of-capital approach following Solvency II rules.
- A simplified method from the hierarchy of methods set out in EIOPA guidelines on the valuation of technical provisions has been used for the computation of the risk margin as at December 31, 2020.
- The SCR of the reference undertaking captures exclusively the non-life underwriting risk including catastrophe risk, counterparty default risk and operational risk associated with the transferred portfolio.
- The required capital over time is obtained from the projections using paid claims patterns.

The Risk Margin is allocated to reach the granularity (e.g. transaction currencies, lines of business) needed for the EBS production and the filing of the Quantitative Reporting Templates. Allocation keys are derived from discounted net Best Estimates liabilities related to the P&C underwriting risks.

#### D.2.1.6 COMPARISON WITH VALUATION IN FINANCIAL STATEMENTS

The main differences between IFRS and EBS reserves (excluding risk margin) as at December 31, 2020 are shown in the following tables, which are split between claims and premium reserves:

<b>SCOR UK As at December 31, 2020 in GBP thousands</b>	<b>EBS Claims provisions</b>	<b>IFRS Claims provisions</b>	<b>Difference</b>
Marine, aviation and transport	25,960	26,645	(685)
Fire and other damage to property	103,919	103,047	873
General liability	21,020	10,716	10,304
Credit and suretyship	(222)	(587)	365
Miscellaneous financial loss	168	65	103
Non-proportional casualty	8,080	5,838	2,242
Non-proportional marine, aviation and transport	3,621	4,056	(435)
Non-proportional property	29,116	32,161	(3,044)
<b>Total</b>	<b>191,662</b>	<b>181,941</b>	<b>9,722</b>

The main differences between IFRS and Solvency II best estimate liabilities are coming from the reserve adequacy amount, the claims discount as well as a broader scope of the ULAE definition. Regarding ULAE, the IFRS definition includes only claims expenses whereas the EBS definition includes as well administrative and investment expenses.

<b>SCOR UK As at December 31, 2020 in GBP thousands</b>	<b>EBS Premium provisions</b>	<b>IFRS Premium provisions</b>	<b>Difference</b>
Marine, aviation and transport	(9,180)	(5,242)	(3,938)
Fire and other damage to property	5	19,001	(18,896)
General liability	11,868	11,527	341
Credit and suretyship	(4,021)	(3,935)	(85)
Miscellaneous financial loss	816	708	108
Non-proportional casualty	3,185	2,698	486
Non-proportional marine, aviation and transport	(2,377)	(1,689)	(688)
Non-proportional property	(15,860)	(6,304)	(9,556)
<b>Total</b>	<b>(15,564)</b>	<b>16,764</b>	<b>(32,327)</b>

The main differences between IFRS and Solvency II best estimate liabilities arise from the inclusion of premium/commission estimates within the technical provisions and the future positions. Regarding the premium estimates, it is due to a difference of position in the balance sheet: the premium estimates are contained in assets under IFRS whereas they are included in the technical provisions in a Solvency II view.

The future positions do not exist in IFRS balance sheet but replace the Unearned Premium Reserves and DAC (booked on the asset side under IFRS). They also include future cash flows relating to contract boundaries, which are not integrated into SCOR UK's financial statements (see section D.2.1.2 - Best Estimate Liability).

## D.3 Other liabilities

The table below presents the liabilities of SCOR UK as in the EBS together with references to the relevant sections within this chapter explaining the valuation bases and methods used for Solvency II purposes. There have been no changes made to the recognition and valuation bases used or to estimations during the reporting period.

<b>SCOR UK Liabilities as at December 31, 2020 in GBP thousands</b>	<b>EBS Solvency II</b>	<b>Section</b>
<b>Technical provisions – Non-Life</b>	<b>725,402</b>	<b>D.2</b>
<b>Deposits from reinsurers</b>	<b>32,588</b>	<b>D.3.1</b>
<b>Deferred tax liabilities</b>	<b>3,171</b>	<b>D.3.2</b>
<b>Debts owed to credit institutions</b>	<b>55</b>	<b>D.3.3</b>

<b>Financial liabilities other than debts owed to credit institutions</b>	<b>1,015</b>	
<b>Insurance and intermediaries payables</b>	<b>65,929</b>	<b>D.3.1</b>
<b>Reinsurance payables</b>	<b>10,103</b>	<b>D.3.1</b>
<b>Payables (trade, not insurance)</b>	<b>3,717</b>	<b>D.3.3</b>
<b>Subordinated liabilities</b>	<b>31,627</b>	<b>D.3.3</b>
Subordinated liabilities not in basic own funds	-	
Subordinated liabilities in basic own funds	31,627	
<b>Any other liabilities, not elsewhere shown</b>	<b>1,395</b>	<b>D.3.3</b>
<b>TOTAL LIABILITIES</b>	<b>875,001</b>	
<b>EXCESS OF ASSETS OVER LIABILITIES</b>	<b>167,671</b>	

### D.3.1 INSURANCE TECHNICAL LIABILITIES

SCOR UK in GBP thousands	As at December 31, 2020		
	EBS	Statutory IFRS	Difference
Deposits from reinsurers	32,588	32,588	-
Insurance and intermediaries payables	65,929	65,929	-
Reinsurance payables	10,103	158,692	(148,589)
Other technical provisions	-	23,443	(23,443)
<b>Total insurance technical liabilities</b>	<b>108,620</b>	<b>280,652</b>	<b>(172,032)</b>

#### Valuation for solvency purposes

Insurance technical liabilities are balances that are related to the reinsurance and direct insurance contracts, other than technical provisions.

As explained in section D.3.2 – Insurance technical liabilities, technical cash flows are taken into account in Solvency II best estimate liabilities. Adjustments to the value of deposits from cedents and reinsurers follow the corresponding adjustments to the best estimate liabilities. For the remaining insurance technical liabilities, the method of valuation applied in the Solvency II EBS does not differ from the statutory financial statements.

#### Deposits from reinsurers

These are deposits received from or deducted by a (re)insurer as collateral in relation to SCOR's outwards reinsurance contracts. SCOR UK measures its deposits from reinsurers (or ceded fund withheld) at amortised cost as that approximates their market value.

#### Insurance and intermediaries payables

Most payables related to insurance and reinsurance contracts are considered within the net best estimate liabilities as Solvency II requires transfer of future cash flows from (re)insurance receivables/payables to technical provisions.

The insurance and intermediaries payable balances included separately in the EBS represent amounts linked to insurance business due to policyholders, intermediaries and other insurers, but that are not included in the cash flows of technical provisions.

The reinsurance payables are outstanding amounts linked to (re)insurance costs that are still due to the reinsurer or the broker.

The payables are carried at amortised cost that approximates their market value.

#### Other technical provisions

DAC asset is not recognised in the EBS (see section D.1.2 Insurance technical assets) and the same applies to the reinsurers' share of these costs as all acquisition costs and related reinsurance recoveries are covered in the calculation of net technical provisions. This de-recognition drives the decrease in any other technical provisions as ceded DAC is included in the IFRS balance.

#### Comparison with valuation in financial statements

As explained above, technical cash flows that are taken into account within Solvency II net best estimate liabilities are not recognised separately in the EBS. For the remaining insurance technical liabilities the method of valuation applied in the Solvency II EBS does not differ from IFRS.

For further detail on IFRS balances and valuation methods applied to insurance technical liabilities, please refer to the following notes in the SCOR UK Audited Financial Statements 2020: Note 1 – Accounting Policies.

**D.3.2 DEFERRED TAX LIABILITIES**

SCOR UK in GBP thousands	As at December 31, 2020		
	EBS	Statutory IFRS	Difference
Deferred tax liabilities	3,171	2,253	918

**Valuation for solvency purposes and comparison with valuation in financial statements**

For further details on IFRS balances and valuation methods applied to deferred taxes, please refer to sections D.1.3 Deferred tax assets.

**D.3.3 FINANCIAL AND OTHER LIABILITIES**

SCOR UK in GBP thousands	As at December 31, 2020		
	EBS	Statutory IFRS	Difference
Debts owed to credit institutions	55	-	55
Payables (trade, not insurance)	3,717	3,560	157
Subordinated liabilities	31,627	30,665	962
Any other liabilities, not elsewhere shown	1,395	1,665	(270)
<b>Total financial and other liabilities</b>	<b>36,794</b>	<b>35,890</b>	<b>904</b>

**Valuation for solvency purposes****Financial liabilities**

Financial liabilities in the EBS include subordinated liabilities.

Subordinated liabilities are debts which rank after other debts when the company is liquidated. (Those subordinated liabilities that are classified as basic own funds (BOF) are presented separately in the EBS.)

For subordinated liabilities SCOR uses a simple cash flow modelling approach that discounts future cash flow using the swap rate yield curve as at December 31, 2020 plus the frozen credit spread at issuance.

**Other liabilities**

This section covers all other liabilities recognised in the EBS, including provisions, trade payables and any other liabilities.

Trade payables include amounts due to suppliers, and the state (e.g. current tax) that are not insurance or reinsurance related.

Any other liabilities primarily include accruals. Trade and other liabilities are carried at amortised cost as that approximates their market value.

Provisions are recognised when SCOR UK has a present legal, contractual or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the expected present value of future cash flows required to settle the obligation.

Management assesses provisions and the likely outcome of pending or probable events, for example from lawsuits or tax disputes, on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of events, management bases its assessment on external legal assistance and established precedents.

**Comparison with valuation in financial statements**

Generally, the valuation method applied to financial liabilities in the Solvency II EBS does not differ from IFRS, except for the change from amortised cost to fair value for subordinated debt.

Provisions and other liabilities are carried at their fair value for IFRS and there is no valuation difference between IFRS accounts and the EBS.

**D.4 Alternative methods of valuation**

As noted in sections D.1 Assets and D.3 Other liabilities, in certain circumstances for some assets and liabilities, SCOR UK uses alternative valuation methods (including models) to estimate the market value. These methods are applied where the valuation is not possible using the default method (valuation based on quoted prices in active markets for the same assets or liabilities) or using quoted market prices in active markets for similar assets and liabilities with adjustments to allow for the specific differences. All valuation methodologies applied by SCOR UK are explained within relevant sections in chapters D.1 for assets and D.3 for other liabilities.

## D.5 Any other information

No other material information was identified by SCOR UK over the reporting period other than valuation of assets and liabilities presented in sections D.1 Assets to D.4 Alternative methods of valuation.

## E. CAPITAL MANAGEMENT

This section gives an overview of the year-end 2020 capital position for SCOR UK. The following table displays the key results as at December 31, 2020.

SCOR UK in GBP thousands	December 31, 2020	December 31, 2019	Variance
<b>Eligible Own Funds (EOF)</b>	<b>178,589</b>	<b>176,363</b>	<b>2,226</b>
<b>Solvency Capital Requirement (SCR)</b>	<b>101,765</b>	<b>90,607</b>	<b>11,158</b>
Excess Capital (EOF - SCR)	76,825	85,756	(8,931)
<b>Solvency ratio</b>	<b>175%</b>	<b>195%</b>	<b>(20%)</b>

### E.1 Own funds

Capital management is at the core of SCOR UK's strategy. SCOR UK's goal is to manage its capital in order to maximise its profitability, while meeting its solvency target range, in line with its risk / return strategy as defined in SCOR Group's strategic plan "Quantum Leap".

SCOR UK has had strong capital management governance and processes in place with integrated supervision of regulatory constraints at Group level for many years, ensuring an optimised use of capital and fungibility of capital within the Group. SCOR UK monitors and updates, quarterly, the regulatory solvency position allowing it to detect any material changes over each quarter and to anticipate necessary actions to maintain adequate solvency. This detailed capital planning exercise is based on the bi-annual financial operating plan of the group and is broken down at legal entity level. SCOR also performed three-year capital projections, including IFRS, regulatory capital, and rating capital projections, in the context of its three-year strategic planning exercise.

For more information on own funds please also refer to Quantitative Reporting Template S.23.01 – Own funds, presented in Appendix A.

#### E.1.1.1 OWN FUNDS STRUCTURE

SCOR UK is a 100% owned subsidiary of ultimate parent SCOR SE.

SCOR UK's own funds eligible to cover the SCR are GBP 179 million at December 31, 2020. (December 31, 2019: GBP 176 million).

Total eligible own funds as at December 31, 2020 (GBP 179 million) are more than GBP 3 million higher compared to the balance as at December 31, 2019.

The main changes in the composition of own funds during 2020 relate to a net profit for the year (GBP 21 million), a net foreseeable dividends (GBP -21 million) and increase in the revaluation reserves (GBP 5 million).

The key drivers for the change in own funds is reduced frequency of natural catastrophes and increase in large risk losses.

#### SCOR UK Own funds structure as at December 31, 2020

in GBP thousands	Tier 1	Tier 2	Tier 3	Total
<b>Basic own funds</b>	<b>146,963</b>	<b>31,627</b>	-	<b>178,589</b>
Ordinary share capital	60,552	-	-	60,552
Share premium	14,448	-	-	14,448
Surplus funds	-	-	-	-
Reconciliation reserve	71,963	-	-	71,963
Revaluation reserves	70,181	-	-	70,181
Consolidated reserves	-	-	-	-
Net income for the year	20,638	-	-	20,638
Equity based instruments	-	-	-	-
Foreseeable dividends	(20,708)	-	-	(20,708)
Subordinated liabilities	-	31,627	-	31,627
Net deferred tax assets	-	-	-	-
Other items approved by supervisory authority	-	-	-	-
<b>Ancillary own funds</b>	-	-	-	-
<b>Total available own funds</b>	<b>146,963</b>	<b>31,627</b>	-	<b>178,589</b>
<b>Total eligible own funds to cover the SCR (after limit deductions)</b>	<b>146,963</b>	<b>31,627</b>	-	<b>178,589</b>



<b>Total eligible own funds to cover the MCR (after limit deductions)</b>	<b>146,963</b>	<b>8,039</b>	<b>-</b>	<b>155,002</b>
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**SCOR UK Own funds structure as at December 31, 2019**

<b>in GBP thousands</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Total</b>
<b>Basic own funds</b>	<b>145,395</b>	<b>30,968</b>	<b>-</b>	<b>176,363</b>
Ordinary share capital	60,552	-	-	60,552
Share premium	14,448	-	-	14,448
Surplus funds	-	-	-	-
Reconciliation reserve	70,395	-	-	70,394
<i>Revaluation reserves</i>	65,475	-	-	65,475
<i>Consolidated reserves</i>	-	-	-	-
<i>Net income for the year</i>	24,598	-	-	24,598
<i>Equity based instruments</i>	-	-	-	-
<i>Foreseeable dividends</i>	(19,678)	-	-	(19,678)
Subordinated liabilities	-	30,968	-	30,968
Net deferred tax assets	-	-	-	-
Other items approved by supervisory authority	-	-	-	-
<b>Ancillary own funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total available own funds</b>	<b>145,395</b>	<b>30,968</b>	<b>-</b>	<b>176,363</b>
<b>Total eligible own funds to cover the SCR (after limit deductions)</b>	<b>145,395</b>	<b>30,968</b>	<b>-</b>	<b>176,363</b>
<b>Total eligible own funds to cover the MCR (after limit deductions)</b>	<b>145,395</b>	<b>6,534</b>	<b>-</b>	<b>151,928</b>

SCOR UK considers that there is no significant restriction affecting fungibility and transferability of its basic own funds for covering the SCR.

Solvency II Own Funds are classified into three tiers depending on whether it is a basic or ancillary own funds item, and on whether it is permanently available to absorb losses on a going concern basis and/or is subordinated such that it is available to absorb losses in the event of a winding-up, and as described in Articles 71, 73, 75 and 77 of the Delegated Acts.

The table above presents the components of basic own funds. Net deferred tax assets recognised in the EBS are classified as tier 3 basic own funds. SCOR UK does not recognise any ancillary own funds.

Ordinary paid-in share capital and the related share premium of SCOR UK are classified as tier 1 basic own funds. The components of the reconciliation reserve are also classified as tier 1 basic own funds.

The reconciliation reserve represents the reserves from SCOR UK's Audited Financial Statements 2020, net of any adjustments, and the economic valuation differences. The economic valuation differences result from adjustments made to the statutory balance sheet to arrive at the economic value of all assets and liabilities recognised in the Solvency II EBS.

Subordinated liabilities represent loans issued to the benefit of SCOR UK that meet the own funds recognition criteria stated in Article 93 and 94 of the EU Directives 2009/138/EC (November 25, 2009) on Solvency II. Subordinated liabilities are classified into tiers based on terms and conditions as specified in each contract.

This new £30 million of subordinated loan agreement, replaces the 2009 £45 million subordinated loan agreement, which expires on 30 April 2019. The loan from a fellow group undertaking qualified as lower tier two capital as December 31, 2015, therefore it can be classified as tier 2 capital under Solvency II for up to 10 years under the transitional measures in the PRA rulebook.

The table below presents the subordinated debt included in basic own funds.

<b>SCOR UK</b>					<b>Optional redemption</b>	
<b>As at December 31, 2020</b>						
<b>in thousands</b>						
<b>Borrower/Lender</b>	<b>Outstanding amount in local currency</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Tier</b>	<b>First call date</b>	<b>Call dates thereafter<sup>2</sup></b>
SCOR Services UK Limited	-	30/04/2019	30/04/2029	2	30/04/2024	Anytime after the 1st call date

<sup>0</sup> At any interest payment date

**E.1.1.2 ELIGIBILITY OF OWN FUNDS**

For the purposes of compliance with the SCR, tier 1 capital must account for at least half the required capital (50% of the SCR), the sum of eligible tier 2 and tier 3 capital must account for a maximum of 50% of the SCR, and the eligible amount of tier 3 capital must account for less than 15% of the SCR.

Within those limits, the total of subordinated liabilities eligible as tier 1 capital must be less than 20% of total tier 1 capital.

The application of the above limits determines SCOR UK's Eligible Own Funds. As at December 31, 2020, none of these limits are exceeded by SCOR UK.

### E.1.2 RECONCILIATION WITH SHAREHOLDERS' EQUITY

The table below presents the differences between SCOR UK's shareholders' equity presented in accordance with IFRS and the net assets over liabilities as calculated for solvency purposes and presented in the EBS.

The differences represent revaluations necessary to remeasure all of SCOR UK's assets and liabilities calculated in accordance with IFRS as economic values under Solvency II rules. For further details on valuation principles and differences, please refer to Chapter D. – Valuation for solvency purposes.

SCOR UK as at December 31, 2020 in GBP thousands	2020
<b>Statutory - IFRS Shareholders' equity</b>	<b>163,635</b>
<b>Economic adjustments</b>	<b>4,036</b>
Goodwill	-
Other intangible assets	-
Investments	55
Net technical balances	5,803
<i>Net technical balances, excluding risk margin – Non-Life</i>	22,627
<i>Risk margin – Non-Life</i>	(16,824)
Financial liabilities	(1,017)
Deferred taxes	(918)
Other assets and liabilities	113
<b>Excess of assets over liabilities in the Solvency II EBS</b>	<b>167,671</b>
Subordinated liabilities	31,627
Own shares	-
Deductions for foreseeable dividends	(20,708)
<b>Total available own funds</b>	<b>178,589</b>

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

This section is linked to the Quantitative Reporting Templates (QRT) S.25.01 – Solvency capital requirement and S.28.01 – Minimum capital requirement in Appendix A.

### E.2.1 SOLVENCY CAPITAL REQUIREMENT

SCOR UK maintains regulatory capital calculated on the Solvency II Standard Formula basis. The table below shows the standalone and diversified solvency capital requirement (SCR) for each risk module.

The SCR amounts to GBP 101.8 million as at December 31, 2020, an increase of GBP 11.2 million from the prior year end. It is highlighted that the year-end 2020 SCR is still subject to supervisory assessment by the PRA.

based on Standard Formula in GBP thousands	Standalone Capital <sup>1</sup>	Contribution to SCR <sup>2</sup>	Standalone Capital <sup>1</sup>	Contribution to SCR <sup>2</sup>	Standalone Capital <sup>1</sup>	Contribution to SCR <sup>1</sup>
Non-life underwriting	91,100	89,041	73,234	70,078	17,866	18,570
Market	18,069	7,625	22,753	11,296	(4,684)	(3,321)
Counterparty default	12,804	7,713	12,158	7,455	646	278
Diversification	(17,595)	-	(19,316)	-	1,721	-
<b>Basic SCR</b>	<b>104,378</b>	<b>104,378</b>	<b>88,829</b>	<b>88,829</b>	<b>15,549</b>	<b>15,527</b>
Operational	21,257	21,257	21,180	21,180	77	77
Adjustment for loss absorbing capacity of deferred taxes	(23,871)	(23,871)	(19,402)	(19,402)	(4,469)	(4,469)
<b>SCOR UK SCR</b>	<b>101,765</b>	<b>101,765</b>	<b>90,607</b>	<b>90,607</b>	<b>11,158</b>	<b>11,158</b>

1. Standalone capital value of the risk module allows for diversification benefit between sub-modules (i.e. within each risk module) but not between higher level risk modules.

2. Contribution to SCR of the risk module allows for diversification between risk modules

The Standard Formula SCR follows a modular approach where the overall risk to which the (re)insurance entity is exposed is divided into risk modules. In broad terms, the capital requirements for each risk module are calculated using a table of factors applied to exposures. Correlation matrices are applied to the risk modules to calculate the total SCR.

SCOR UK's risks underlying the Standard Formula risk modules, and the Company's approach to risk mitigation, are described in the following sections of this report:

- **Non-life underwriting:** see section C.2 – Underwriting risks
- **Market:** see section C.3 – Market risks
- **Counterparty default:** see section C.4 – Credit risks
- **Operational:** see section C.6 – Operational risks.

The risk module calculations are net of risk mitigating measures. The final SCR also takes account of:

- **Diversification.** This is the impact of determining the joint capital requirements of the risk modules through the application of the Standard Formula correlation matrices. The aggregated capital requirement is less than the sum of the individual capital requirements because of SCOR UK's diversified portfolio which significantly reduces the likelihood of simultaneous occurrence of adverse experience and because losses in one area may be offset by gains in another.
- **Loss absorbing capacity of deferred taxes (LACDT).** In the event that a shock loss occurs in 2021, the LACDT is an estimated credit to the SCR reflecting SCOR UK's ability to carry back losses to offset elements of tax paid in the previous year and to carry forward losses to offset future taxable profits over the Company's LACDT planning time horizon.

**Non-life underwriting** standalone risk has increased by GBP 17.9 million from December 31, 2019. This is driven by the effect of increased net premiums with some growth in the business, rate increases and a stable catastrophe risk charge as well as favourable loss experience with small growth in net reserves.

**Market** standalone risk has decreased by GBP 4.7 million from December 31, 2019. The mix of invested assets has not changed substantially. The decrease is largely due to the reduced materiality of a joint venture arrangement where a look-through approach to invested assets had previously been used.

**Counterparty default** standalone risk has increased by a small amount of GBP 0.6 million from December 31, 2019. This is primarily due to higher volume and reduced overall counterparty rating of bank counterparties and an increase in risk mitigation from non-life risk.

The required pre-tax basic solvency capital requirement has increased by GBP 15.5 million from December 31, 2019.

The **diversification benefit** is fairly stable since the prior year-end with no significant change in the risk profile.

**Operational** risk has increased by just GBP 0.1 million from December 31, 2019, driven by the small increase in gross reserves since the prior year end with some favourable loss experience offsetting growth in the business.

The credit effect of the **loss absorbing capacity of deferred taxes** has increased by GBP 4.5 million from December 31, 2019 and this takes account of the time horizon for recognition of future profits, future investments returns and further details. The LACDT recoverability is supported by the following:

- A net DTL on the EBS. This net DTL balance is available to be offset against any DTA created by losses occurring generated by a 1 in 200 shock-loss in 2021.
- Losses generated by the shock-loss can be carried back with the LACDT element being the maximum of the amount of tax suffered in the year preceding the shock-loss. Following a very profitable 2020 the available carry back tax is significant.
- Future tax payments forecast on Board-approved planned profits (limited to a maximum of 5 years) are recognised in the LACDT calculation for plan years 2022 to 2025, against which the recovery from a 1 in 200

year shock-loss occurring in 2021 could be carried forward and offset, taking account of post-shock reduction in future premium volume, reduction in value of invested assets, reduced investment returns and increased expenses (claims handling and administrative) in particular.

At December 31, 2020 the maximum LACDT is fully recoverable. The most significant areas of sensitivity of the LACDT (hence SCR) are the level of expected future profit and tax carry-back related to the prior year.

### E.2.1.1 DATA USED IN THE CALCULATIONS

The accuracy and appropriateness of the data for assessing SCOR UK's solvency ratio is crucial. SCOR UK participates in the group wide data flows also underlying SCOR Group's internal model data in this regard. The Group manages data to ensure its proper and structured storage, reliability and accessibility and applies a data quality management framework to identify key data affecting the capital calculations with appropriate data quality criteria.

### E.2.1.2 SIMPLIFICATIONS USED IN THE CALCULATIONS

Having regard to the principle of proportionality in less material components of the Company's risk profile, SCOR UK's Standard Formula SCR calculation has used simplified calculations in the counterparty default risk module for:

- Risk mitigating effect for reinsurance arrangements; and
- Risk adjusted value of collateral to take into account the economic effect of the collateral.

The Company does not use undertaking-specific parameters in its Standard Formula SCR calculation.

## E.2.2 MINIMUM CAPITAL REQUIREMENT

SCOR UK in GBP thousands	As at December 31, 2020	As at December 31, 2019	Variation
MCR Minimum (25% of SCR)	25,441	22,652	2,789
MCR Linear	40,197	32,671	7,526
MCR Maximum (45% of SCR)	45,794	40,773	5,021
<b>MCR with Standard Formula cap &amp; floor</b>	<b>40,197</b>	<b>32,671</b>	<b>7,526</b>

The non-life exposures used for the calculation of the Minimum Capital Requirement (MCR) are the net premium amounts written in the previous 12 months and the net best estimate technical provisions both split by lines of business. Predefined regulatory factors are applied to the premium and technical provision elements and added up to obtain the non-life linear MCR. The MCR is the result of this specified linear formula subject to a floor of 25% and a cap of 45% of the SCR calculated on the Standard Formula basis. The MCR for SCOR UK is equal to the linear MCR, being between the cap and the floor. The MCR has changed by GBP 7.5 million from December 31, 2019. According to the classes of business that SCOR UK is authorised to write, the regulatory absolute floor of the Company's MCR is GBP 3.3 million at December 31, 2020.

## E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

SCOR UK does not use the duration-based equity sub-module in the calculation of the solvency requirement.

## E.4 Difference between the standard formula and any internal model used

Not applicable as SCOR UK maintains regulatory capital calculated on the Solvency II Standard Formula basis.

## E.5 Non-compliance with MCR and non-compliance with the SCR

SCOR UK has complied with the MCR and the SCR requirement throughout the period covered by this report.

## E.6 Any other information

On March 3, 2021, the Chancellor of the Exchequer announced various changes to support businesses in economic recovery from the effects of the Covid-19 pandemic. These included an increase in corporation tax from 19% to 25% from April 2023 and a temporary extension of (capped) loss carry-back rules, among other measures. Until substantively enacted there is uncertainty around the precise form, the impact of which is currently being studied. However, the Company has assessed the expected impact on its deferred taxes held at the balance sheet date. The Company believes that all timing differences will reverse before 1 April 2023 and therefore has assessed that there would be no impact to the carried deferred tax balances. Initial studies of the impact on LACDT indicate an increase in tax credit which would result in a decrease in SCR of the same amount.

No other material information is reported regarding SCOR UK's capital management other than presented above in section E.1 - Own funds to E.5 - Non-compliance with MCR and non-compliance with the SCR.

## APPENDIX A: PUBLIC DISCLOSURE QRT SCOR UK

### S.02.01.01 – Balance Sheet

SCOR UK Assets as at December 31, 2020 In GBP thousands	Solvency II value
<b>Intangible assets</b>	-
<b>Deferred tax assets</b>	17
<b>Pension benefit surplus</b>	-
<b>Property, plant and equipment held for own use</b>	1
<b>Investments</b>	<b>416,888</b>
Property (other than for own use)	-
Participations and related undertakings	-
Equities	-
<i>Equities - listed</i>	-
<i>Equities - unlisted</i>	-
Bonds	416,711
<i>Government bonds</i>	130,087
<i>Corporate bonds</i>	284,968
<i>Structured notes</i>	-
<i>Collateralised securities</i>	1,656
Collective Investments Undertakings	-
Derivatives	177
Deposits other than cash equivalents	-
Other investments	-
<b>Assets held for index-linked and unit-linked contracts</b>	-
<b>Loans and mortgages</b>	-
Loans on policies	-
Loans and mortgages to individuals	-
Other loans and mortgages	-
<b>Reinsurance recoverables</b>	<b>532,485</b>
Non-life and Health similar to Non-life	532,485
Non-life excluding Health	532,485
Health similar to Non-life	-
Life and Health similar to Life, excluding Health and index-linked and unit-linked	-
Health similar to Life	-
Life excluding Health and index-linked and unit-linked	-
Life index-linked and unit-linked	-
<b>Deposits to cedents</b>	<b>42,546</b>
<b>Insurance and intermediaries receivables</b>	<b>194</b>
<b>Reinsurance receivables</b>	<b>26,290</b>
<b>Receivables (trade, not insurance)</b>	<b>480</b>
<b>Own shares</b>	-
<b>Amounts due in respect of own fund items or initial fund called up but not yet paid in</b>	-
<b>Cash and cash equivalents</b>	<b>23,772</b>
<b>Any other assets, not elsewhere shown</b>	-
<b>TOTAL ASSETS</b>	<b>1,042,672</b>

**S.02.01.01 – Balance Sheet (continued)****SCOR UK****Liabilities as at December 31, 2020****In GBP thousands**

	<b>Solvency II value</b>
<b>Technical provisions – Non-life</b>	<b>725,402</b>
Technical provisions – Non-life (excl. Health)	725,402
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	708,578
<i>Risk margin</i>	16,824
Technical provisions – Health (similar to Non-life)	-
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	-
<i>Risk margin</i>	-
<b>Technical provisions – Life (excl. index-linked and unit-linked)</b>	<b>-</b>
Technical provisions – Health (similar to Life)	-
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	-
<i>Risk margin</i>	-
Technical provisions – Life (excl. Health and index-linked and unit-linked)	-
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	-
<i>Risk margin</i>	-
<b>Technical provisions – index-linked and unit-linked funds</b>	<b>-</b>
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	-
<i>Risk margin</i>	-
<b>Other technical provisions</b>	<b>-</b>
<b>Contingent liabilities</b>	<b>-</b>
<b>Provisions other than technical provisions</b>	<b>-</b>
<b>Pension benefit obligations</b>	<b>-</b>
<b>Deposits from reinsurers</b>	<b>32,588</b>
<b>Deferred tax liabilities</b>	<b>3,171</b>
<b>Derivatives</b>	<b>-</b>
<b>Debts owed to credit institutions</b>	<b>55</b>
<b>Financial liabilities other than debts owed to credit institutions</b>	<b>1,015</b>
<b>Insurance and intermediaries payables</b>	<b>65,929</b>
<b>Reinsurance payables</b>	<b>10,103</b>
<b>Payables (trade, not insurance)</b>	<b>3,717</b>
<b>Subordinated liabilities</b>	<b>31,627</b>
Subordinated liabilities not in basic own funds	-
Subordinated liabilities in basic own funds	31,627
<b>Any other liabilities, not elsewhere shown</b>	<b>1,395</b>
<b>TOTAL LIABILITIES</b>	<b>875,001</b>
<b>EXCESS OF ASSETS OVER LIABILITIES</b>	<b>167,671</b>



S.05.01.02 – Premiums, claims and expenses by line of business

SCOR UK As at December 31, 2020 In GBP thousands	Line of business* for Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							
	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss
<b>Premiums written</b>								
Gross - Direct business	-	-	-	41,863	154,776	65,867	(13,980)	1,904
Gross - Proportional reinsurance accepted	-	-	-	(4,328)	97	2,280	16,945	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	20,994	66,104	65,406	3,282	1,838
Net	-	-	-	16,541	88,769	2,741	(317)	66
<b>Premiums earned</b>								
Gross - Direct business	-	-	-	38,541	132,996	65,652	9,437	1,930
Gross - Proportional reinsurance accepted	-	-	-	21	(295)	2,115	336	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	22,371	55,909	63,796	9,135	1,863
Net	-	-	-	16,191	76,792	3,971	638	67
<b>Claims incurred</b>								
Gross - Direct business	-	-	-	30,919	84,636	22,043	16,151	1,210
Gross - Proportional reinsurance accepted	-	-	-	1,639	1,786	3,236	328	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	19,681	29,105	25,087	15,717	1,150
Net	-	-	-	12,876	57,316	193	762	60
<b>Changes in other technical provisions</b>								
Gross - Direct business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted								
Reinsurers' share	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-
<b>Expenses incurred</b>	-	-	-	3,761	13,735	(734)	(418)	(150)
<b>Other expenses</b>								
<b>Total expenses</b>								

\*The table above presents lines of business applicable to SCOR (empty columns for the following lines of business have been omitted in Direct business and accepted proportional reinsurance lines: Medical expense insurance, Other motor insurance, Legal expense insurance, Assistance)

S.05.01.02 – Premiums, claims and expenses by line of business (continued)

SCOR UK As at December 31, 2020 In GBP thousands	Line of business for accepted non-proportional reinsurance				TOTAL
	Health	Casualty	Marine, aviation, transport	Property	
<b>Premiums written</b>					
Gross - Direct business					250,430
Gross - Proportional reinsurance accepted					14,993
Gross - Non-proportional reinsurance accepted	-	16,303	10,013	93,435	119,750
Reinsurers' share	-	16,564	2,607	31,680	208,474
Net	-	(262)	7,406	61,754	176,698
<b>Premiums earned</b>					
Gross - Direct business					248,556
Gross - Proportional reinsurance accepted					2,177
Gross - Non-proportional reinsurance accepted	-	16,800	6,466	79,401	102,666
Reinsurers' share	-	16,091	2,563	29,996	201,723
Net	-	709	3,903	49,405	151,677
<b>Claims incurred</b>					
Gross - Direct business					154,958
Gross - Proportional reinsurance accepted					6,989
Gross - Non-proportional reinsurance accepted	-	57,630	2,737	36,292	96,659
Reinsurers' share	-	54,584	741	13,043	159,108
Net	-	3,046	1,996	23,249	99,498
<b>Changes in other technical provisions</b>					
Gross - Direct business					-
Gross - Proportional reinsurance accepted					-
Gross - Non- proportional reinsurance accepted	-	-	-	-	-
Reinsurers' share	-	-	-	-	-
Net	-	-	-	-	-
<b>Expenses incurred</b>	-	(104)	825	9,655	26,570
<b>Other expenses</b>					2,813
<b>Total expenses</b>					29,383

S.05.02.01 – Premiums, claims and expenses by country

SCOR UK As at December 31, 2020 In GBP thousands	Home country**	Top 5 countries (by amount of gross premiums written) - Non-life obligations					Total Top 5 and home country
		(US) United States	(AU) Australia	(CA) Canada	(FR) France	(SA) Saudi Arabia	
<b>Premiums written</b>							
Gross - Direct business	46,520	125,477	28,260	25,231	(4,906)	1,066	221,648
Gross - Proportional reinsurance accepted	-	-	-	-	14,701	-	14,701
Gross - Non-proportional reinsurance accepted	8,171	28,321	883	2,261	3,009	6,191	48,835
Reinsurers' share	39,461	82,494	10,852	24,107	9,287	2,517	168,717
Net	15,230	71,303	18,291	3,385	3,518	4,739	116,467
<b>Premiums earned</b>							
Gross - Direct business	43,319	113,094	24,795	19,555	13,993	540	215,296
Gross - Proportional reinsurance accepted	-	-	-	-	1,901	-	1,901
Gross - Non-proportional reinsurance accepted	9,273	25,558	727	1,868	2,152	4,688	44,266
Reinsurers' share	40,866	75,914	9,423	18,216	15,264	2,095	161,777
Net	11,726	62,738	16,099	3,207	2,781	3,134	99,685
<b>Claims incurred</b>							
Gross - Direct business	9,338	87,711	6,531	9,514	13,125	1,020	127,237
Gross - Proportional reinsurance accepted	-	-	-	-	7,356	-	7,356
Gross - Non-proportional reinsurance accepted	6,817	8,149	3,235	536	(342)	375	18,770
Reinsurers' share	11,944	41,291	7,333	8,383	13,028	1,424	83,403
Net	4,211	54,569	2,433	1,667	7,111	(30)	69,960
<b>Changes in other technical provisions</b>							
Gross - Direct business	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-
<b>Expenses incurred</b>	2,690	9,774	2,530	(666)	95	715	15,139
<b>Other expenses</b>							-
<b>Total expenses</b>							15,139

\*\*United Kingdom

S.17.01.02 – Non-life Technical Provisions

<b>SCOR UK</b>							
<b>As at December 31, 2020</b>							
<b>In GBP thousands</b>							
<b>Technical provisions calculated as a whole</b>	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
<b>Technical provisions calculated as a whole</b>	-	-	-	-	-	-	-
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	-	-	-	-	-
<b>Technical provisions calculated as a sum of BE and RM</b>							
<b>Best estimate</b>							
Premium provisions							
Gross	-	-	-	(8,262)	(8,113)	1,632	(10,052)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	918	(8,118)	(10,237)	(6,031)
Net best estimate of premium provisions	-	-	-	(9,180)	5	11,868	(4,021)
<b>Claims provisions</b>							
Gross	-	-	-	111,381	210,248	189,946	19,498
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	85,421	106,329	168,930	19,719
Net best estimate of claims provisions	-	-	-	25,960	103,919	21,015	(222)
<b>Total best estimate - gross</b>	-	-	-	103,119	202,135	191,577	9,445
<b>Total best estimate - net</b>	-	-	-	16,780	103,924	32,883	(4,243)
<b>Risk margin</b>	-	-	-	2,593	4,675	4,203	434
<b>Amount of the transitional on technical provisions</b>							
Technical provisions calculated as a whole	-	-	-	-	-	-	-
Best estimate	-	-	-	-	-	-	-
Risk margin	-	-	-	-	-	-	-
<b>Technical provisions - total</b>							
Technical provisions - total	-	-	-	105,712	206,810	195,780	9,879
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	-	-	86,339	98,211	158,694	13,688
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-	-	-	19,373	108,599	37,086	(3,809)

(\*) The table above presents lines of business applicable to SCOR (empty columns for the following lines of business have been omitted in direct business and accepted proportional reinsurance lines: Medical expense insurance, Other motor insurance, Legal expense insurance, Assistance)

## S.17.01.02 – Non-life Technical Provisions (continued)

SCOR UK As at December 31, 2020 In GBP thousands	Accepted non-proportional reinsurance				Total Non-life obligation
	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
<b>Technical provisions calculated as a whole</b>	-	-	-	-	-
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	-	-	-
<b>Technical provisions calculated as a sum of BE and RM</b>					
<b>Best estimate</b>					
Premium provisions					
Gross	-	1,829	(2,925)	(18,058)	(43,542)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	(1,356)	(548)	(2,198)	(27,978)
Net best estimate of premium provisions	-	3,185	(2,377)	(15,860)	(15,564)
<b>Claims provisions</b>					
Gross	-	143,442	6,206	69,993	752,121
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	135,362	2,586	40,877	560,463
Net best estimate of claims provisions	-	8,080	3,621	29,116	191,662
<b>Total best estimate - gross</b>	-	145,271	3,282	51,935	708,578
<b>Total best estimate - net</b>	-	11,265	1,244	13,256	176,094
<b>Risk margin</b>	-	3,195	136	1,559	16,824
<b>Amount of the transitional on technical provisions</b>					
Technical provisions calculated as a whole	-	-	-	-	-
Best estimate	-	-	-	-	-
Risk margin	-	-	-	-	-
<b>Technical provisions - total</b>					
Technical provisions - total	-	148,466	3,417	53,494	725,402
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	134,007	2,037	38,679	532,485
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-	14,459	1,380	14,815	192,918

**S.19.01.01 – Non-life Insurance Claims Information**

**Total Non-life Business - Underwriting year**

**Gross Claims Paid (non-cumulative)  
(absolute amount)**

	Development year										In current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9			10 & +
Prior												16,558	16,558
N-9	4,176	12,063	28,072	16,936	16,320	10,851	6,953	9,013	5,565	394		394	110,343
N-8	434	29,512	42,721	26,464	16,164	29,520	24,010	18,452	5,249			5,249	192,525
N-7	2,305	29,363	38,232	24,294	7,855	3,618	3,378	(1,702)				(1,702)	107,343
N-6	13,104	60,145	57,475	39,652	23,264	6,149	8,205					8,205	207,995
N-5	4,418	31,534	46,105	29,521	18,935	14,565						14,565	145,079
N-4	2,795	39,336	36,198	50,934	12,974							12,974	142,238
N-3	3,645	51,886	76,977	49,316								49,316	181,824
N-2	4,025	92,414	73,631									73,631	170,070
N-1	2,514	38,070										38,070	40,584
N	2,430											2,430	2,430
<b>Total</b>												<b>219,690</b>	<b>1,316,988</b>

**Gross undiscounted best estimate Claims Provisions (absolute amount)**

	Development year										Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9		10 & +
Prior												49,462
N-9	-	-	-	-	-	54,623	56,131	33,285	21,173	15,534		15,177
N-8	-	-	-	-	103,438	97,116	50,242	31,928	32,420			32,048
N-7	-	-	-	57,501	34,957	23,988	17,985	15,447				15,512
N-6	-	-	108,960	78,863	58,519	38,786	30,364					30,414
N-5	-	128,687	94,376	73,568	43,285	30,154						30,031
N-4	76,915	145,321	117,414	54,550	46,455							45,983
N-3	143,352	189,920	144,207	111,119								110,347
N-2	177,111	187,490	160,918									159,576
N-1	114,945	181,194										178,879
N	86,200											84,692
<b>Total</b>												<b>752,121</b>

S.23.01.01 – Own funds

SCOR UK As at December 31, 2020 In GBP thousands	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
<b>Basic own funds before deduction for participations in other financial sector</b>					
Ordinary share capital (gross of own shares)	60,552	60,552		-	
Share premium account related to ordinary share capital	14,448	14,448		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	-	-		-	
Subordinated mutual member accounts	-		-	-	-
Surplus funds	-	-			
Preference shares	-		-	-	-
Share premium account related to preference shares	-		-	-	-
<b>Reconciliation reserve</b>	<b>71,963</b>	71,963			
Subordinated liabilities	31,627		-	31,627	-
An amount equal to the value of net deferred tax assets	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-	-			
<b>Deductions</b>					
Deductions for participations in financial and credit institutions	-	-	-	-	
<b>Total basic own funds after deductions</b>	<b>178,589</b>	<b>146,963</b>	-	<b>31,627</b>	-



S.23.01.01 – Own funds (continued)

SCOR UK As at December 31, 2020 In GBP thousands	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
<b>Ancillary own funds</b>					
Unpaid and uncalled ordinary share capital callable on demand	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-			-	
Unpaid and uncalled preference shares callable on demand	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-			-	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	-
Other ancillary own funds	-			-	-
<b>Total ancillary own funds</b>	-			-	-
<b>Available and eligible own funds</b>					
Total available own funds to meet the SCR	<b>178,589</b>	146,963	-	31,627	-
Total available own funds to meet the MCR	<b>178,589</b>	146,963	-	31,627	
Total eligible own funds to meet the SCR	<b>178,589</b>	146,963	-	31,627	-
<b>Total eligible own funds to meet the MCR</b>	<b>155,002</b>	146,963	-	8,039	
<b>SCR</b>	<b>101,765</b>				
<b>MCR</b>	<b>40,197</b>				
<b>Ratio of Eligible own funds to SCR</b>	<b>175.49%</b>				
<b>Ratio of Eligible own funds to MCR</b>	<b>385.61%</b>				

**S.23.01.01 – Own funds (continued)**

<b>SCOR UK As at December 31, 2020 In GBP thousands</b>	<b>Total</b>
<b>Reconciliation reserve</b>	
Excess of assets over liabilities	167,671
Own shares (held directly or indirectly)	-
Foreseeable dividends, distributions and charges	20,708
Other basic own fund items	75,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
<b>Reconciliation reserve</b>	<b>71,963</b>
<b>Expected profits</b>	
Expected profits included in future premiums (EPIFP) - Life business	-
Expected profits included in future premiums (EPIFP) - Non-life business	61,595
<b>Total expected profits included in future premiums (EPIFP)</b>	<b>61,595</b>

**S.25.01.01 – Solvency capital requirement – Standard Formula**

<b>SCOR UK Standard Formula As at December 31, 2020 In GBP thousands</b>	<b>Gross solvency capital requirement</b>	<b>USP</b>	<b>Simplifications</b>
Market risk	18,069	0	0
Counterparty default risk	12,804	0	0
Life underwriting risk	-	0	0
Health underwriting risk	-	0	0
Non-life underwriting risk	91,100	0	0
Diversification	(17,595)	0	0
Intangible asset risk	-	0	0
<b>Basic Solvency Capital Requirement</b>	<b>104,378</b>	0	0

**Calculation of Solvency Capital Requirement (SCR)**

Operational risk	21,257
Loss-absorbing capacity of technical provisions	-
Loss-absorbing capacity of deferred taxes	(23,871)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	-
<b>Solvency Capital Requirement, excluding capital add-on</b>	<b>101,765</b>
Capital add-ons already set	-
<b>The overall Solvency Capital Requirement</b>	<b>101,765</b>

<b>Other information on SCR</b>	<b>0</b>
Capital requirement for duration-based equity risk sub-module	-
Total amount of Notional Solvency Capital Requirement for the remaining part	-
Total amount of Notional Solvency Capital Requirement for ring fenced funds	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	-
Diversification effects due to RFF nSCR aggregation for Article 304	-

Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	4 - No adjustment
Net future discretionary benefits	-
	Yes/No
Approach based on average tax rate	2 - No

**Calculation of loss absorption capacity of deferred taxes (LACDT)**

	<b>Before the shock</b>	<b>After the shock</b>	<b>LAC DT</b>
DTA	17	17	0
DTA carry forward	17	17	0
DTA due to deductible temporary differences	-	-	0
DTL	3,171	3,171	0
<b>LAC DT</b>	<b>0</b>	<b>0</b>	<b>(23,871)</b>
LAC DT justified by reversion of deferred tax liabilities	0	0	(3,153)
LAC DT justified by reference to probable future taxable economic profit	0	0	(15,189)
LAC DT justified by carry back, current year	0	0	(5,528)
LAC DT justified by carry back, future years	0	0	-
<b>Maximum LAC DT</b>	<b>0</b>	<b>0</b>	<b>(23,871)</b>

**S.28.01.01 – Minimum capital requirement**

**SCOR UK**  
**As at December 31, 2020**  
**In GBP thousands**

<b>Linear formula component for Non-life insurance and reinsurance obligations</b>			
<hr/>			
MCR <sub>NL</sub> Result			40,197
		Net (of reinsurance/SPV) Best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance		-	-
Income protection insurance and proportional reinsurance		-	-
Workers' compensation insurance and proportional reinsurance		-	-
Motor vehicle liability insurance and proportional reinsurance		-	-
Other motor insurance and proportional reinsurance		-	-
Marine, aviation and transport insurance and proportional reinsurance		16,780	16,541
Fire and other damage to property insurance and proportional reinsurance		103,924	88,769
General liability insurance and proportional reinsurance		32,888	2,741
Credit and suretyship insurance and proportional reinsurance		(4,242)	(317)
Legal expenses insurance and proportional reinsurance		-	-
Assistance and proportional reinsurance		-	-
Miscellaneous financial loss insurance and proportional reinsurance		984	66
Non-proportional health reinsurance		-	-
Non-proportional casualty reinsurance		11,265	(262)
Non-proportional marine, aviation and transport reinsurance		1,244	7,406
Non-proportional property reinsurance		13,256	61,754
<hr/>			
<b>Linear formula component for life insurance and reinsurance obligations</b>			
<hr/>			
MCR <sub>L</sub> Result			-
		Net (of reinsurance/SPV) Best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits		-	-
Obligations with profit participation - future discretionary benefits		-	-
Index-linked and unit-linked insurance obligations		-	-
Other life (re)insurance and health (re)insurance obligations		-	-
Total capital at risk for all life (re)insurance obligations		-	-
<hr/>			
<b>Overall MCR calculation</b>			
Linear MCR		40,197	
SCR		101,765	
MCR cap		45,794	
MCR floor		25,441	
Combined MCR		40,197	
Absolute floor of the MCR		3,338	
<b>Minimum Capital Requirement</b>		<b>40,197</b>	

## APPENDIX B: AUDIT REPORT

Report of the external independent auditor to the Directors of SCOR UK Company Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

### Report on the Audit of the relevant elements of the Solvency and Financial Condition Report Opinion

We have audited the following documents prepared by the Company as at 31 December 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of SCOR UK Company Limited ('the Company') as at 31 December 2020 ('the Narrative Disclosures subject to audit'); and
- Company templates S02.01.02, S17.01.02, S23.01.01, S25.01.21, S28.01.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01, S19.01.21; and,
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('the Responsibility Statement').

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the PRA. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

#### Conclusions relating to going concern

In auditing the relevant elements of the Solvency and Financial Condition Report, we have concluded that the directors of the Company's use of the going concern basis of accounting in the preparation of the relevant elements of the Solvency and Financial Condition Report is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Solvency and Financial Condition Report is authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for:

- such internal control as management determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error;
- overseeing the Company's financial reporting process; and,
- assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Company and the insurance sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the risk of fraud and to breaches of regulatory requirements of the PRA, the FCA, the OSFI and Solvency II regulations. We also considered those other laws and regulations that have a direct impact on the preparation of Solvency and Financial Condition Report, such as the Companies Act 2006, UK tax legislation, anti-bribery, corruption and fraud and money laundering and GDPR, and we considered the extent to which non-compliance might have a material effect on the relevant elements of the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the preparation of relevant elements of the Solvency and Financial Condition Report.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the relevant elements of the Solvency and Financial Condition Report (including the risk of override of controls) and determined that the principal risks were related to posting adjusting entries to manipulate own funds, or their tiering, against the Solvency Capital Requirement or Minimum Capital Requirement; management bias through judgements and assumptions in significant estimates, in particular in relation the valuation of the provisions for the settlement of future claims including events not in data; the recognition of deferred tax assets; and, significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the relevant elements of the Solvency Financial Condition Report. Our audit procedures included but were not limited to:

- At the planning stage of our audit, gaining an understanding of the legal and regulatory framework applicable to the company, the industry in which it operates and considering the risk of acts by the company which were contrary to the applicable laws and regulations;
- Discussing with the directors and management the policies and procedures in place regarding compliance with laws and regulations;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and

- During the audit, focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the Solvency Financial Condition Report from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the company's regulatory and legal correspondence and review of minutes of directors' meetings in the year.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud such as opportunities for fraudulent manipulation, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to technical provisions, and significant one-off or unusual transactions ; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of the audit report

This report, including the opinion, has been prepared for the Directors of the Company to enable them to comply with their obligations under External Audit Rule 2.1 of the Solvency II Firms Sector of the PRA Rulebook and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors for our audit work, for this report, or for the opinions we have formed.

  
Mazars LLP (Apr 16, 2021 15:06 GMT+1)

Mazars LLP  
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16 April 2021




# SCOR UK Company Limited - SFCR - YE 2020

Final Audit Report


2021-04-16

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