SOLVENCY AND FINANCIAL CONDITION REPORT

AS OF 31 DECEMBER 2020

SCOR EUROPE SE

EXECUTIVE SUMMARY

INTRODUCTION

This document, the Solvency and Financial Condition Report (SFCR) for SCOR Europe SE (SCOR Europe, or "the Company"), presents information on SCOR Europe 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). SFCR appendices include key financial information in the standard format of Solvency II public Quantitative Reporting Templates.

The SFCR of SCOR Europe is available at www.scor.com and has also been submitted to the Autorité de Contrôle Prudentiel et de Résolution (ACPR).

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

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

Within the narratives, the figures have been presented in thousands 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. This report is available in English and French.

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

- 2020 Document d'Enregistrement Universel – the Universal Registration Document of SCOR SE, including consolidated financial statements of SCOR Group and unconsolidated corporate financial statements of SCOR SE, filled with the French financial markets authority (Autorité des Marchés Financiers – AMF) and available on SCOR's website www.scor.com/en/financial-information (further referred to as the 2020 Universal Registration Document or URD).
- SCOR Group SFCR available on SCOR's website www.scor.com
- SCOR's new strategic plan, "Quantum Leap" covering the period mid-2019 to end of 2021 available at https://www.scor.com/fr/medias/actualites-communiques-de-presse/scor-lance-son-nouveau-plan-strategique-quantum-leap

SCOR Europe

Business and Performance

With effect from January 1, 2019, SCOR Europe SE, a 100%-owned subsidiary of SCOR SE, underwrites all new and renewed business relating to risks located in EEA that can no longer be accepted by SCOR UK Company Ltd. after the Brexit date.

SCOR Europe is subject to supervision by the French insurance supervisor (Autorité de Contrôle Prudentiel et de Résolution – ACPR), which has oversight authority.

SCOR Europe is regulated by the "Solvency II" European Directive which applies since January 1, 2016, having been transposed into national law in all relevant European jurisdictions over the last years.

SCOR Europe is part of the SCOR Group which is the world's fourth largest reinsurer[1] serving more than 4,400 clients from its three regional management platforms, or organizational hubs (the "Hubs"): the EMEA Hub, the Americas Hub and the Asia-Pacific Hub.

SCOR Europe, operates as a global insurance company carrying a well-diversified line of business located in the European Economic Area (EEA).

SCOR Europe's business book has a good geographical spread insuring risks globally with the main locations being continental Europe.

The regulatory solvency position of SCOR Europe is assessed using the Solvency II Standard Formula.

[1] By net reinsurance premiums written, source: "AM Best Special Report Global Reinsurance 2020".

SCOR Europe SE in EUR thousands	December 31, 2020	December 31, 2019
Eligible Own Funds (EOF)	17,414	8,724
Solvency Capital Requirement (SCR)	14,259	7,874
Minimum Capital Requirement (MCR)	3,700	3,700
Solvency ratio	**122%**	**111%**
Gross written premiums	151,471	171,900

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

SCOR Europe SE Own funds structure as at December 31, 2020 in EUR thousands	Tier 1	Tier 2	Tier 3	Total
Total available own funds	**15,488**	**-**	**1,926**	**17,414**
Total eligible own funds to cover the SCR (after limit deductions)	**15,488**	**-**	**1,926**	**17,414**
Total eligible own funds to cover the MCR (after limit deductions)	**15,488**	**-**	**-**	**15,488**

The position of the company shows that it is adequately capitalized for the activities undertaken.

SCOR Europe SE Own funds structure as at December 31, 2019 in EUR thousands	Tier 1	Tier 2	Tier 3	Total
Total available own funds	**7 543**	**-**	**1 883**	**9 426**
Total eligible own funds to cover the SCR (after limit deductions)	**7 543**	**-**	**1 181**	**8 724**
Total eligible own funds to cover the MCR (after limit deductions)	**7 543**	**-**	**-**	**7 543**

System of governance

SCOR Europe is a European Company (Societas Europea) registered with the Paris Trade and Companies Register, under registered number 840 024 509 and its registered office is at 5 avenue Kléber, 75116 Paris.

The Board of Directors of SCOR Europe 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 Europe 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 Europe has identified the following categories of risks:

- underwriting risks related to the P&C 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.

All 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 Europe 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 recognized at market-consistent values, which constitute the valuation for solvency purposes. SCOR Europe’s EBS as at December 31, 2020 has been prepared based on the assumption that SCOR Europe will continue as a going concern, in line with the preparation of the financial statements. SCOR Europe prepares financial statements in accordance with French Gaap.

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 Europe use estimates and assumptions are reinsurance reserves, receivables and liabilities relating to insurance operations, the fair value and impairment of financial instruments, and deferred taxes.

Capital management

Capital management is at the core of SCOR Europe’s strategy. SCOR Europe’s goal is to manage its capital in order to maximize its profitability, while meeting its solvency target, in line with its risk/return strategy as defined in SCOR’s strategic plan Quantum Leap.

A. BUSINESS AND PERFORMANCE

A.1 Business

A.1.1 OVERVIEW OF SCOR EUROPE

A.1.1.1 NAME AND LEGAL FORM

SCOR Europe SE (SCOR Europe, or the Company) is a limited liability insurance company.

Registered office of SCOR Europe and contact information

5 avenue Kléber

75016 PARIS

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www.scor.com

E-mail : scor@scor.com

A.1.1.2 SUPERVISORY AUTHORITIES FOR SCOR EUROPE AND SCOR GROUP

SCOR Europe's regulator is the Autorité de Contrôle Prudentiel et de Résolution (ACPR). SCOR Europe is a member of the SCOR 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.

A.1.1.3 STATUTORY AUDITORS

Auditors for SCOR Europe are as follows:

Name
MAZARS Represented by Maxime Simoen and Guillaume Wadoux Tour Exaltis – 61, Rue Henri Regnault 92075 Paris-La Défense cedex, France CRCC of Versailles

A.1.1.4 SIGNIFICANT SHAREHOLDERS

SCOR SE is the immediate parent company of SCOR Europe SE (100% of control and interest). SCOR SE is domiciled in France.

A.1.1.5 LEGAL AND ORGANISATIONAL STRUCTURE OF SCOR EUROPE

Organizational structure of the Group and description of Group operating companies

The Group parent company is SCOR SE, domiciled in France. SCOR SE together with its consolidated subsidiaries, forms the world's fifth 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 Europe.

For further details refer to section A.1.1.5 – Governance, organizational and legal structure of the Group; Organizational structure of the Group and description of Group operating companies of the SCOR Group SFCR at www.scor.com.

Legal and organizational structure of SCOR Europe SE

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 and also by the aviation and space sector. SCOR Europe has a well-diversified line of business book (property, energy, engineering, liability, offshore, aviation, space). The business book by geographical spread insuring risks globally with the main locations being continental Europe.

SOLVENCY II LINES OF BUSINESS

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

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

- Construction and clash with property
- Property & Energy
- Casualty & Financial lines
- Marine
- Aerospace

For further information on SCOR Europe'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

Commitments transfer from SCOR UK Company Ltd. to SCOR Europe SE

In order to allow continuity of service to its customers in the case of a "No-Deal-Brexit" scenario, during 2020, SCOR Europe SE took over the commitments arising from policies previously issued by SCOR UK Company Ltd., based on customer consent.

The amount of net balance sheet positions transferred to SCOR Europe SE in 2020 amounts to 10.3 million euros.

A 100% retrocession contract has been set up between SCOR Europe SE and SCOR UK Company Ltd on these contracts in order to mitigate the impact on the balance sheets of SCOR UK Company Ltd. and SCOR Europe E SE.

Capital Increase

In order to comply with regulatory solvency requirements, the Company carried out a capital increase during the 2020 financial year: on June 26, 2020 in the amount of EUR 7,000,000, by creation and issue 7,000,000 new shares of 1 euro par value each.

The share capital of SCOR Europe SE amounts to EUR 21,700,000 as of December 31, 2020.

A.2 Underwriting performance

A.2.1 UNDERWRITING RESULTS BY LINE OF BUSINESS

SCOR Europe SE	As at December 31, 2020		
French GAAP in EUR thousands	Net technical result	Internal management expenses	Net underwriting result
Marine, aviation and transport insurance	3,716	(3,393)	322
Fire and other damage to property insurance	3,009	(2,623)	386
General liability insurance	2,382	(1,446)	936
Credit and suretyship insurance	229	(51)	178
Non-proportional casualty reinsurance	15	(10)	5
Non-proportional marine, aviation, transport reinsurance	7	(4)	3
Non-proportional property reinsurance	946	(10)	937
Other	-	(1,337)	(1,337)
Total	**10,303**	**(8,874)**	**1,429**

Net technical result of SCOR Europe amounts to EUR 10,3 million as of December 31, 2020.

SCOR Europe SE	As at December 31, 2019		
IFRS in EUR thousands	Net technical result [1]	Internal management expenses [2]	Net underwriting result
Marine, aviation and transport insurance	2,943	(2,430)	513
Fire and other damage to property insurance	2,516	(2,002)	514
General liability insurance	811	(579)	232
Credit and suretyship insurance	-	-	-
Non-proportional casualty reinsurance	200	(120)	79
Non-proportional marine, aviation, transport reinsurance	35	(33)	2
Non-proportional property reinsurance	203	(145)	58
Other	-	(1,144)	(1,144)
Total	**6,708**	**(6,454)**	**255**

A.2.2 UNDERWRITING RESULTS BY GEOGRAPHICAL AREA

In 2020, SCOR Europe generated almost 100% of its gross written premiums in Europe, in 2019 it was split into 89% Middle East and Africa (EMEA) 6% in the Americas and 5% in Asia.

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

SCOR Europe SE	As at December 31, 2020			
French GAAP in EUR thousands	EMEA	Americas	Asia-Pacific	Total
Gross written premiums	152,998	(612)	(916)	151,471
Net technical result [1]	10,265	34	4	10,303
Internal Management expenses [2]	(8,237)	(434)	(203)	(8,874)
Net underwriting result	**2,028**	**(400)**	**(199)**	**1,429**

[1] In net technical result, claims expenses (ULAE) are reclassified from claims to expenses

[2] Includes all management expenses.

SCOR Europe SE	As at December 31, 2019			
IFRS in EUR thousands	EMEA	Americas	Asia-Pacific	Total
Gross written premiums	153,108	10,177	8,615	171,900
Net technical result [1]	6,387	182	140	6,708
Internal Management expenses [2]	(6,123)	(240)	(91)	(6,454)
Net underwriting result	**264**	**(58)**	**49**	**255**

[1] In net technical result, claims expenses (ULAE) are reclassified from claims to expenses

[2] Includes all management expenses.

A.3 Investment performance

A.3.1 INVESTMENT INCOME AND EXPENSES

SCOR Europe 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.

A.3.1.1 INVESTMENT INCOME AND EXPENSES BY ASSET CLASS

SCOR Europe'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 bonds, and OPCVM affiliates. The duration of the fixed income portfolio is around 3.6 years and the average rating is A+.

SCOR Europe SE

French GAAP in EUR thousands	2020	2019
Revenues from securities	116	30
Revenues from other investments	7	22
Other revenues	-	-
Realized gains	1,205	205
Total investment income	**1,328**	**257**
Management and financial costs	(340)	(19)
Other investment expenses	-	-
Realized losses	(1,210)	(224)
Total investment expenses	**(1,549)**	**(244)**

Total investment income net of management expenses stands at EUR -221 thousand as at December 31, 2020 compared to EUR 13 thousand as at December 31 2019.

The foreign exchange impact for the year is EUR 0.4m. SCOR Europe 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

Not applicable to SCOR Europe under French GAAP.

A.3.3 SECURITISED INVESTMENTS

Not applicable to SCOR Europe.

A.4 Performance of other activities and any other information

No material income and expense were incurred by SCOR Europe 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

No material change has occurred in SCOR Europe's business and performance, other than presented above in sections A.1 Business, A.2 Underwriting performance and A.3 Investment performance, since the end of the 2020 financial year.

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 Europe 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 Europe'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 estimates and impact of claim mitigation actions.

Therefore, any of the impacts described in this presentation should be understood in this context as management judgments and estimates made based on evolving analysis and the wide range of theoretical hypothesis which are still highly evolutive. At this stage, none of the scenarios, assessments, impact analysis or figures can be considered as certain or definitive.

SCOR Europe is fully embedded in the SCOR Group risk management process. 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.

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 Europe 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 Europe is wholly owned by SCOR SE and fully integrated into the group and divisional organizational structure of the SCOR Group. For more information on the SCOR Group please refer to section B.1.1 – General governance principles of the Group SFCR on www.scor.com.

B.1.2 LEGAL STRUCTURE AND FUNCTIONAL ORGANISATION OF SCOR EUROPE

Legal structure of the company

SCOR Europe is a European Company incorporated in France, under registered number 840 024 509 R.C.S. Paris and its registered office is at 5 avenue Kléber, 75116 Paris (the "Company").

As a consequence, SCOR Europe is subject to French law and regulations (including but not limited to the French Commercial Code, the French Monetary and Financial Code and the French Insurance Code) and is supervised by the ACPR.

The Company has been authorized by the ACPR to carry out non-life insurance activities:

- within the European Union pursuant to the European passporting regulation
- in other countries where operating in insurance or reinsurance is not subject to license.

SCOR Europe's UK Branch is operating under the European passporting regulation (this is subject to change after the end of the Brexit transition period on 31 December 2020 after which SCOR Europe's UK Branch will be operating under the UK's Temporary Permission Regime until it has obtained authorization as required by applicable UK regulation).

B.1.3 GOVERNANCE STRUCTURE

B.1.3.1 THE CORPORATE GOVERNANCE MODEL FOR SCOR EUROPE

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

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.

B.1.3.2 THE BOARD OF DIRECTORS AND BOARD COMMITTEES

Mission of the Board of Directors

In accordance with European law governing European Companies and applicable French law, the principal responsibility of the Board of Directors is to define the strategic orientations of the Company's business activities and to ensure their implementation. With the exception of powers explicitly reserved to shareholders in Shareholders’ Meetings and within the limits of the corporate purpose, the Board addresses all matters related to the Company’s performance and takes decisions regarding business issues concerning the Company. It designates the CEO and the other persons effectively running the Company. It meets with the key function holders for SCOR Europe at least annually. It takes part in the sound and prudent management of the Company. It endeavors to promote long-term value creation by the company by considering the social and environmental aspects of its activities. If applicable, it proposes any statutory change that it considers appropriate. It regularly reviews, in relation to the strategy it has defined, the opportunities and risks, as well as the measures taken accordingly. To this end, the Board of Directors receives all of the information needed to carry out its tasks, notably from the executive officers. It is informed each quarter by management of the financial position, cash position and commitments of the Company. In accordance with legal provisions, it approves the financial statements, proposes dividends, and makes investment and financial policy decisions. It is informed about market developments, the competitive environment and the most important issues at hand, including in the field of corporate social and environmental responsibility. It approves the Own Risk and Solvency Assessment (“ORSA”) report and takes it into account when making decisions likely to have a significant impact on the Company. It approves certain policies as well as the SFCR and RSR reports. The Board also carries out the verifications and controls deemed necessary.

Composition of the Board

Ultimate authority at SCOR Europe for ensuring that the Company is managed in accordance with the expectations and requirement of the main stakeholder, SCOR Group, rests with the SCOR Europe Board of Directors.

SCOR Europe SE’s bylaws provide that the Board of Directors shall comprise no fewer than three and no more than eighteen members. The actual number of directors may be modified by the sole shareholder or, as the case may be, by the shareholders at Shareholders’ Meetings. The Board of Directors cannot by itself increase the number of its members.

Under French law, a director may be an individual or a legal entity for which an individual is appointed as permanent representative, except for the Chairman, who must be an individual. Pursuant to Article L. 225-20 of the French Commercial Code, the permanent representative of a legal entity is subject to the same conditions, obligations and civil and criminal liabilities as if he or she was director in his or her own name, without prejudice to the joint and several liability of the legal entity he or she represents.

The term of office of the directors appointed or renewed, as set forth in SCOR Europe SE's bylaws, shall not exceed six years. Under SCOR Europe SE’s bylaws, directors may hold office until the age of 77. A director who reaches the age of 77 while in office has to retire at the expiry of the next Annual General Meeting. Directors are elected by the shareholders and serve until the expiry of their respective term, or until their resignation, death or removal, with or without cause, by the shareholders. Vacancies on the Board of Directors may, under certain conditions, be filled by the Board of Directors, pending the next Shareholders’ Meeting.

The Board of Directors’ composition is guided by the following principles:

- application of best-in-class corporate governance practices;
- appropriate number of Board members in order to allow meaningful individual participation;
- diversity of expertise;
- professional experience.

As of December 31, 2020, the Board of Directors is composed of four members.

The Directors of the Board 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 SCOR Europe Board Internal regulations.

Structure and organization of the Board

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

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 ACPR (based on the following issues: educational background and qualifications; relevant knowledge and professional experience).

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 a 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.

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 Europe;
  - setting and approving the policies for SCOR Europe's activities and monitoring their implementation;
  - ensuring that the policies implemented by SCOR Europe are consistent with SCOR Group's policies;
- Duties and responsibilities arising out of Solvency II regulations and the ACPR guidelines including but not limited to:
  - appointment and dismissal of the CEO and the other persons effectively running the Company;
  - 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 ACPR;
  - approval of the ORSA report prior to its submission to the ACPR.
- Reviewing and approving the delegated powers to specific individuals on an annual basis to ensure they remain appropriate for SCOR Europe.
- 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 Europe.
- 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 executive reports and external advice.
- General Reporting
  - determine the current status of SCOR Europe;
  - determine factors that influence SCOR Europe'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, 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.

B.1.3.3 THE CHAIRMAN OF THE BOARD

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

- organize and prepare the meetings and resolutions of the shareholders as well as call, organize and prepare the meetings and resolutions of the Board of Directors;
- preside over the meetings of the Board of Directors;
- organize 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 (if any);
- 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 (if any).

B.1.3.4 THE 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.

Responsibility for the general management of SCOR Europe lies with the CEO, who according to SCOR Europe’s bylaws may be the Chairman of the Board of Directors or another individual elected by the Board of Directors and bearing the title of Chief Executive Officer (CEO).

According to French law, the CEO is vested with the most extensive powers to act on behalf of the company in all circumstances. He is granted with all necessary responsibilities by the Board of Directors to fulfil the functions and tasks in conjunction with the general management of the Company and represents SCOR Europe at all times towards third parties. His exercise of such powers and responsibilities is limited to the corporate purpose of the Company and is subject to the powers specifically conferred to the Board of Directors or the Shareholders’ Meeting as per legal or regulatory provisions or the bylaws of the Company.

The CEO is entitled to delegate any of his powers vested in him to any member of the Management Team or any other person specifically granted 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 organization’s hierarchy. In turn, the lower levels of the organization report to and are accountable to the higher levels of the organization.

The CEO is responsible for the definition and implementation of the strategy and objectives of SCOR Europe 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 organizational, operational and financial performance of SCOR Europe and represents the Company at all times towards third parties.

To carry out the functions and tasks, the CEO is supported by the Management Team of the EMEA Specialty Insurance organization of the P&C business unit or any member thereof, any relevant persons from the wider P&C business unit and/or the SCOR Group and/or one or more specific Board Committees (if any).

B.1.3.5 FOUR EYES PRINCIPLE AND 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 Europe.

Pursuant to Article L 322-3-2 of the French Insurance Code, SCOR Europe must apply the “Four Eyes Principle”, which specifies that it must be effectively run by at least two persons.

The “persons effectively running” SCOR Europe are subject to Fit and Proper requirements as set out by the Group Fit and Proper policy (see Section B.2 – Fit and Proper requirements).

The Chairman of the Board of Directors and the CEO were designated by the Board of SCOR Europe as a person effectively running SCOR Europe.

The members of the Board of Directors, the CEO, and the Management Team members give their sign-off for significant decisions prior to being taken and implemented, should they relate to strategy, business, investments, finance, risks or other operations. Since all persons effectively running SCOR Europe belong to the Board of Directors, this ensures compliance with the "Four Eyes Principles".

B.1.3.6 KEY FUNCTIONS

The four key governance functions defined by the French Insurance Code contribute to the implementation of an effective system of governance that provides for sound and prudent management.

Key functions may be outsourced (if only partially) to other entities, in accordance with the rules laid out in the Group Outsourcing Policy. See section B.7 – Outsourcing for further details.

Roles and Responsibilities

For further information on roles and responsibilities of key functions, please refer to the sections below dedicated to this subject, in particular section B.3 – Risk management system, section B.4 – Internal control system and compliance function, section B.5 – Internal audit and section B.6 – Actuarial function.

Free from influence

The key function holders carry out their duties in an objective, fair and independent manner. They shall be free from any influence that could impair the performance of their duties.

They operate under the ultimate responsibility of the Chief Executive Officer, through the different levels of management.

Each key function holder has a sufficiently high rank in the organization and is in a position to conduct his/her activities in an independent manner. The standing and authority of the key function holders in the main management governing bodies that are relevant with respect to their role allow them to execute their tasks with the level of independence required as set forth by the French Insurance Code. In addition, key function holders interact regularly with the 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 Europe, or one of its specialized Committees (if any).

Besides, the Board of Directors of SCOR Europe and its specialized Committees (if any) may contact the key function holders at their discretion, upon request from their respective Chairmen.

Designation, Fit and Proper requirements and notification requirement

SCOR Europe's key function holders are designated by the CEO of SCOR Europe. 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 ACPR.

Access to information and records

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 Europe for arbitration.

Interactions with other key function holders

They key function holders interact with one another, especially in order to exchange information relevant to each other's areas of competence.

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.

B.1.4 MATERIAL CHANGES IN THE GOVERNANCE IN 2020

There have been no material changes to the governance framework during 2020.

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

B.1.5.1 MATERIAL TRANSACTIONS AT SCOR EUROPE LEVEL

Material transactions with shareholders

As set out in section A.1.1, SCOR SE is the immediate parent company of SCOR Europe (100% of control and interest).

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

- Parental guarantee agreement with SCOR SE, guaranteeing SCOR Europe'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 SE refer to Note 5.2.6 in SCOR Europe's 2020 Financial Statements.

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 Europe'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 Europe 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 5.2.6 in SCOR Europe's 2020 Financial Statements.

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

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

As described in section B.1.3, SCOR Europe's Board is composed of Directors employed by the SCOR Group. They do not receive director's fees in respect of their directorship.

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

SCOR Europe conforms strictly 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

As described in section B.1.3, SCOR Europe's Board is composed of Directors employed by the SCOR Group. They do not receive director's fees in respect of their directorship. No direct retirement contribution or commitment has been paid or made for the benefit of these employees, in their capacity as members of the Board of Directors of SCOR Europe.

B.1.6.2 GENERAL PRINCIPLES OF THE GROUP COMPENSATION POLICY

For further details refer to section B.1.6.2 – General principles of the Group compensation policy of the SCOR Group SFCR at www.scor.com.

B.1.6.3 MAIN COMPONENTS OF THE COMPENSATION BY STAFF CATEGORY

For further details refer to section B.1.6.3 – Main components of the compensation policy by staff category of the SCOR Group SFCR at www.scor.com.

B.2 Fit and Proper requirements

SCOR Europe complies with and adheres to the Fit and Proper standards of the SCOR Group which 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 Europe. These elements are further detailed below.

B.2.1 OBJECTIVES AND GENERAL PRINCIPLES

SCOR 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 roper standards must be met at all times. Triggering events may require interim reassessments between annual evaluations.

B.2.2 SCOPE OF SCOR'S FIT AND PROPER PRINCIPLES

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: Employees in the European Insurance Distribution Directive (IDD) scope (employees of insurance and reinsurance undertakings who are located in the EU and directly involved in insurance or reinsurance distribution activities in relation to risks and commitments within the European Union, as well as persons within the management structure responsible for insurance or reinsurance distribution);
- Category D: Board members or employees of SCOR entities operating in jurisdictions not subject to Solvency II where local Fit and Proper requirements apply to them;
- Category E: 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 Europe Board is deemed to be fit if, for each subject matter, at least one member is individually fit.

B.2.3 FITNESS CRITERIA

SCOR Group considers that fitness is an appropriate mix of:

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

B.2.3.1 EDUCATIONAL BACKGROUND AND QUALIFICATIONS

For further details refer to section B.2.3.1 – Educational background and qualifications of the SCOR Group SFCR at www.scor.com.

B.2.3.2 PROFESSIONAL EXPERIENCE

For further details refer to section B.2.3.2 – Professional experience of the SCOR Group SFCR at www.scor.com.

B.2.4 PROPRIETY CRITERIA

B.2.4.1 PROPRIETY ASSUMPTION

For further details refer to section B.2.4.1 – Propriety assumption of the SCOR Group SFCR at www.scor.com.

B.2.4.2 REMEDIATION

For further details refer to section B.2.4.2 – Remediation of the SCOR Group SFCR at www.scor.com.

B.2.4.3 TIME AVAILABILITY

For further details refer to section B.2.4.3 – Time availability of the SCOR Group SFCR at www.scor.com.

B.2.5 FIT AND PROPER ASSESSMENT PROCESS

For further details refer to section B.2.5 – Fit and proper assessment process of the SCOR Group SFCR at www.scor.com.

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 Europe'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 optimized whilst remaining aligned with the risk appetite framework.

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

B.3.1 RISK APPETITE FRAMEWORK

For further details refer to section B.3.1 – Risk appetite framework of the SCOR Group SFCR at www.scor.com.

B.3.1.1 RISK APPETITE

For further details refer to section B.3.1.1 – Risk appetite of the SCOR Group SFCR at www.scor.com.

In execution of its objectives, SCOR Europe's appetite for risk is 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 Europe 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 Europe 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 ship building, 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 Europe's risk profile remains aligned with the Company's risk appetite framework.

SCOR Europe has established a set of limits per risk as set out in the globally approved underwriting guidelines and investment guidelines approved by SCOR Europe's Board, supplemented with 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, processes and reporting on each risk category, see Chapter C – Risk Profile.

B.3.2 ERM FRAMEWORK

For further details refer to section B.3.2 – ERM framework of the SCOR Group SFCR at www.scor.com.

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. The 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 on a dedicated page. As part of SCOR Group, SCOR Europe 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 Europe's organization and governance structure.

B.3.2.2 SETTING OF OBJECTIVES

For several years, SCOR has implemented and formalized 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 above the five-year risk-free rate over the cycle[2]; and
- a solvency ratio in the optimal 185%-220% range[3].

The strategic plans establish the Group’s risk appetite framework from which the SCOR Europe’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 Europe supports the SCOR Group’s strategic plans. The Company’s solvency and capital position is reported regularly to the Board of SCOR Europe 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 analyze 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 maximize 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 summarized 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 alongside other major insurers and reinsurers;
- SCOR’s ORSA (Own Risk and 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

[2] Based on a five-year rolling average of five-year risk-free rates.

[3] This solvency target is unchanged from that under the previous strategic plan, Optimal Dynamics.

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 Europe is similarly organized with respect to identification, assessment and monitoring of risk, leveraging on the Group approach but with some adaptation such as the use of the Solvency II Standard Formula for determining regulatory capital.

B.3.2.4 MAIN CONTROL ACTIVITIES

For further details refer to section B.3.2.4 – Main control activities of the SCOR Group SFCR at www.scor.com.

Group functions

The Group's functions are organized into 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 the 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 and to provide 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 Modeling 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 Europe.

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

Asset management

For further details refer to section B.3.2.4 – Main control activities; Asset management of the SCOR Group SFCR at www.scor.com.

Governance and principles

The Group has harmonized the principles governing the management of its assets:

- 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" determines 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, set the rules to be applied by all internal and external asset managers on behalf of SCOR Europe.

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 regard to the regulatory and contractual constraints. At local level, a designated person of SCOR Europe 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

For further details refer to section B.3.2.4 – Main control activities; Investment strategy of the SCOR Group SFCR at www.scor.com.

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

For further details refer to section B.3.2.4 – Main control activities; Reporting and risk monitoring of the SCOR Group SFCR at www.scor.com.

Accounting management

For further details refer to section B.3.2.4 – Main control activities; Accounting management of the SCOR Group SFCR at www.scor.com.

B.3.2.5 INFORMATION AND COMMUNICATION

For further details refer to section B.3.2.5 – Information and communication of the SCOR Group SFCR at www.scor.com.

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

For further details refer to section B.3.2.6 – Monitoring of the internal control and risk management system of the SCOR Group SFCR at www.scor.com.

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 Europe 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 Europe 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 over a one-year time horizon and are monitored and managed through specific processes.

B.3.4 ORSA CONTRIBUTION TO THE ERM 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 Europe. SCOR performs the group-wide ORSA for the Group and its legal entities subject to Solvency II – including at the level of SCOR Europe – 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 the Board of SCOR Europe.

The ORSA provides forward-looking information on the respective risk and capital positions, of the Group and legal entities, taking into account SCOR’s strategy and risk appetite and includes:

- descriptions of the risk profiles and the main risk 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, considering SCOR Europe'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 Europe'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 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. The ORSA results are approved by the relevant Boards (see Section B.1.3 - Governance structure at Group).

B.4 Internal control system

B.4.1 DESCRIPTION OF THE INTERNAL CONTROL SYSTEM

SCOR Europe 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 Europe 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 formalization 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 implements dedicated processes and tools to identify, assess and monitor its risk exposures on a regular basis. In addition, SCOR implements dedicated risk management mechanisms across the three business unit 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.

B.4.2 COMPLIANCE FUNCTION

B.4.2.1 ORGANISATION OF THE COMPLIANCE FUNCTION

It is SCOR’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 Europe.

Compliance activities are mostly performed by the compliance function, which is composed of the legal and compliance teams (Group General Secretariat including the Group Compliance team and the Group Legal Department, Business Unit Chief Legal Counsels, Hub legal and compliance teams, and local compliance officers). There are also other departments responsible for specific areas (e.g., Prudential and Regulatory Affairs, Human Resources, Finance), in line with the organizational structure of SCOR.

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

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 policies and guidelines applicable to them.

B.4.2.2 POSITION AND INDEPENDENCE PRINCIPLES

At SCOR, 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.

At the Group level, the Group Compliance key function holder has direct access to the Chairman and Chief Executive Officer and the Group Compliance key function holder reports at least annually to the Audit Committee and the Board of Directors regarding material compliance breaches that may impact the Group’s operations.

At SCOR Europe level, the Compliance key function holder has direct access to the Chairman the and Chief Executive Officer and reports at least annually to the Board of Directors regarding material compliance breaches that may impact SCOR Europe’s operations.

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

For further details refer to section B.4.2.3 – Compliance framework of the SCOR Group SFCR at www.scor.com.

B.5 Internal Audit

B.5.1.1 GENERAL PRINCIPLES

SCOR Europe Internal Audit's audit universe of potential areas within its scope includes all functions and operations carried out by SCOR Europe. SCOR Europe Internal Audit has no direct operational responsibility or authority over any of the activities it can review. Accordingly, SCOR Europe 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 Europe Internal Audit assists the Board of SCOR Europe in providing independent, objective assurance and consulting services designed to assess the adequacy, effectiveness and efficiency of SCOR Europe'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 Europe'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 Europe outsources internal audit services to SCOR SE. The Head of Internal Audit hold the key function for both SCOR SE and SCOR Europe, and the Irish entities SGLRI and SLI. The principles and organization as defined and implemented at Group level by Group Internal Audit apply fully to the Internal Audit function for SCOR Europe.

Planning, Auditing and Monitoring: SCOR Europe's Internal Audit Plans are reviewed and approved by the Board of SCOR Europe 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.

B.5.1.3 INDEPENDENCE PRINCIPLES

Within SCOR Group, the Head of Group Internal Audit, being also the key function holder for SCOR Europe SE, reports directly to the CEO & Chairman of the Board of SCOR SE, and functionally to the Chairman of the Audit Committee 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 Europe key function holder has no other operational roles or responsibilities within SCOR Europe and within the Group. The Chairman of the Audit Committee of the Board of SCOR SE approves decisions regarding the SCOR Europe 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 Europe 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 organizational 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 Europe.

SCOR Europe 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

B.6.1 IMPLEMENTATION OF THE ACTUARIAL FUNCTION

An actuarial key function has been defined for the Group and all legal entities subject to the Solvency II Directive, including SCOR Europe. 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 and 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 Management, the Board and/or related committees on actuarial matters of the Group and the corresponding legal entities. The report includes a description of tasks undertaken by the actuarial key function, an opinion on the technical provisions 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) supported by members of the reserving teams, with the involvement of other teams within SCOR (Underwriting teams, Retrocession teams, Modelling teams, Capital Management Department).

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

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

B.6.2 SCOR EUROPE – INFORMATION ON THE ACTUARIAL FUNCTION

SCOR Europe's actuarial function is organized along the lines of the actuarial function of the Group.

B.7 Outsourcing

B.7.1 OUTSOURCING PRINCIPLES AND ORGANISATION

For further details refer to section B.7.1 – Outsourcing principals and organization of the SCOR Group SFCR at www.scor.com.

B.7.2 MAIN ACTIVITIES OUTSOURCED TO EXTERNAL SERVICES PROVIDERS

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

- claims handling activities of certain space and aviation risks assumed by SCOR Europe have been outsourced to companies located in France and in the UK, that are specialized underwriting agencies. A SCOR underwriting manager specialized in the review of these risks monitors these outsourced relationships closely, through attendance at regular technical meetings, frequent reporting and audits
- underwriting and claims handling activities of certain “Change of Ownership” risks assumed by SCOR Europe have been outsourced to specialized underwriting and claims handling agencies located in Norway. Regular monitoring and review of these outsourced activities is ensured by a specialized SCOR underwriting manager;
- These outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by the designated person of SCOR Europe in charge of monitoring;

B.7.3 MAIN INTRAGROUP OUTSOURCING ARRANGEMENTS

The SCOR Group operates through a hub structure and SCOR Europe is situated within the EMEA Hub.

SCOR Europe, does not have any employees as all French based employees of SCOR are employed by SCOR SE in France and all UK based employees are employed by a SCOR SE UK subsidiary. They provide services (including underwriting, claims and actuarial) to SCOR entities operating in the EMEA Hub structure, of which SCOR Europe is one.

In addition, the SCOR Group has developed centers of expertise for certain services, often located in identified hubs, which provide expertise to SCOR Group entities, of which SCOR Europe is one.

As a result, parts of certain critical or important functions may be outsourced to the SCOR staff responsible for carrying out tasks in support of the execution of the critical or important function, in the Hubs in which the relevant SCOR EU entity operates.

These outsourcing relationships between SCOR Europe and other SCOR entities are documented through adequate outsourcing agreements and closely monitored by (i) the key function holder of the relevant SCOR EU entity for the specific key function, or (ii) the duly designated person of the relevant SCOR EU entity in charge of monitoring.

As of the date of this report, critical or important functions outsourced by SCOR Europe to internal service providers include the following:

The risk management, internal audit, compliance and actuarial function is outsourced to fellow group undertakings. These outsourcing relationships are documented through appropriate outsourcing agreements and closely monitored by the key function holders of the respective functions.

Certain underwriting and claims activities of SCOR Europe 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 Europe.

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

IT, considered as critical or important function, is outsourced, to a fellow group undertaking. This outsourcing relationship is documented through appropriate outsourcing agreements and closely monitored by the designated person of SCOR Europe. 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 Europe’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 Europe 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 other significant risk other than those disclosed in the section below exists. This section outlines management's current view of SCOR Europe's main risks and main risk management mechanisms currently in place, categorized 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'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 Europe's methods for managing risk and exposures are based on observed historical market behavior across SCOR Group, 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 Europe. This information may not always be accurate, complete, up-to-date or properly evaluated. Therefore, SCOR Europe cannot exclude the possibility of exceeding the Company's 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 Europe's present and future business, cash flows, eligible own funds and solvency position.

SCOR Europe 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 Europe 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 Europe'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 macro-economic 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 Europe'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 Europe. 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 reported for the Standard Formula in SCOR Europe'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 Europe's capital calculation see Chapter E – Capital Management.

SCOR Europe 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 ongoing crisis.

Whilst progress has been made for containing the spread of the virus over the course of 2020, e.g., through safety or lock-down 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 destabilize 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.

C.1.2 SENSITIVITY ANALYSIS

SCOR Europe 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 Europe 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 Europe produces and evaluates scenarios, providing comfort that the impact of such events on SCOR Europe's current solvency would be limited.

Sensitivity to underwriting risk (SCOR Europe'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 Europe is sensitive to interest rate and spread risk.

C.2 Underwriting risks

The main risk SCOR Europe faces in relation to 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 Europe's control. Additionally, SCOR Europe is dependent on the quality of underwriting of its clients for certain insurance contracts and on the quality of claims management by these organizations 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 Europe'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 Europe'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 Europe 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 Europe 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 Europe writes direct (re)insurance, primarily on a business-to-business basis to cover large corporate risks through the Business Solutions domain of SCOR's P&C business unit as well as joint ventures with third parties and other SCOR Group entities.

C.2.1 P&C (RE)INSURANCE

The main risks linked to the P&C (re)insurance business underwritten by SCOR Europe are natural catastrophes and other short-tail man-made risks, such as acts of terrorism, 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 cyclicality of the business.

For quantitative information on P&C underwriting risks, refer to section E.2.1 – Solvency Capital Requirement.

C.2.1.1 NATURAL CATASTROPHES

SCOR Europe'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 Europe is exposed include windstorms, earthquakes and floods arising in Europe.

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's P&C 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 warming 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 the Group provides protection, or has knock-on impacts on other business lines underwritten, claims frequency and/or severity on property, business interruption/contingent business interruption and agricultural lines of business could increase, with possible impacts on long-term profitability and ongoing insurability.

SCOR Europe manages its gross exposure to catastrophes through a comprehensive reinsurance program.

C.2.1.2 OTHER SHORT-TAIL RISKS

SCOR Europe'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.

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

C.2.1.3 INADEQUATE PRICING

SCOR Europe's business is exposed to the risk of inadequate prices in soft market environments 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.

C.2.1.4 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 materialization 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.2.2 – Risks related to technical provisions.

Casualty loss events

The specific nature of catastrophic casualty loss events to which SCOR Europe 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 an 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, and data mining and specific modelling techniques for improving its prediction capabilities for man-made casualty event losses.

C.2.1.5 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, cyclicality of the business and concentration risks related to its 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 Europe'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 and surety or liability risk such as Errors & Omissions and Directors & Officers Liability. Those areas of SCOR Europe's business that are most exposed to climate transition risks are those related to (re)insurance of carbon-intensive industries.

Cyclicality of the business

SCOR Europe (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 Europe. 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 related to European Windstorms and man-made.

SCOR Europe produces its business through both brokers and direct relationships with insurance company clients. For the year ended December 31, 2020, the Company wrote approximately 87% of non-MGA gross written premiums through brokers; the Company has 111 brokers that accounted for approximately 88% of its non-MGA gross premiums (of which the top 5 brokers represent 31%). The risk for SCOR Europe 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.2.1.6 MANAGEMENT OF UNDERWRITING RISKS RELATED TO THE P&C BUSINESS

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

- SCOR Europe's core business is underwritten with a spread of inception/renewal dates throughout the year which facilitates the Company 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 Europe's direct and facultative underwriters work in the Business Solutions domain of Specialty Insurance, which operates worldwide. This Business Solutions area is dedicated to large corporate businesses and is geared to providing clients with solutions for coverage of large conventional risks.
- P&C treaty underwriters may also provide support to SCOR Europe on small and medium size facultative risks and joint venture initiatives in their respective territories, within the limits of their individually delegated underwriting authority and the scope of underwriting guidelines.
- 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 treaty 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 organization 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 authorizing 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 and 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 teams. Pricing actuaries team up with underwriters and modelers by market or by line of business.
- The P&C Pricing and Modelling department is responsible for monitoring Nat Cat accumulations. Earthquake and storm risks 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 (e.g., catastrophe bonds) that are needed to ensure that the net aggregate exposure is optimized 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 the 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 Europe cedes a major 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 the P&C business unit, implementing worldwide control and reporting procedures and managing 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 the ceding companies’ 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 Europe’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 Europe’s Risk Management function is a contributor to the Company’s regular Management Committee meetings as well as the Risk, Audit & Compliance Committee, 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 priority of Cross Reviews is guided by a risk-based approach.

C.2.2 RISKS RELATED TO TECHNICAL PROVISIONS

SCOR Europe'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 its 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 Europe 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 Europe is still dependent on clients' own technical provisions assessment.

As is the case for all other 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 insurers.

Another factor of uncertainty resides in the fact that some of SCOR Europe's activities are long-tail in nature such as professional indemnity insurance.

C.2.2.1 MANAGEMENT OF TECHNICAL PROVISION RISKS

With regards to technical provisions risk, SCOR Europe seeks high confidence in reserving adequacy based on the implementation of generally accepted actuarial methodologies, fit for purpose tools and robust 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 Europe has put in place a strict and robust corporate governance structure with transparent decision processes and four levels of control – SCOR Europe 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 minimize 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 Europe'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 Europe's risk margin is calculated by the P&C business unit's Finance Actuarial function. The methodology used in aligned with Solvency II Standard Formula requirements and reviewed by SCOR Europe'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.

C.2.3 REINSURANCE AND OTHER RISK MITIGATION TECHNIQUES

As SCOR Europe 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 program is selected each year to ensure that SCOR Europe'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 Europe through its reinsurance arrangements are minimized via use of highly rated reinsurance arrangements, including all treaty protection purchased internally within the SCOR Group which in turn has organized 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

C.3.1 OVERVIEW OF MARKET RISKS

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 and currency risk to which SCOR Europe is exposed through its investments, and credit spread risk on these invested assets.

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

Market risks can also be influenced by various over-arching factors, including political, macro-economic, monetary, societal and environmental trends. Environmental trends encompass risks linked 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 Europe's reputation linked to investment choices.

For further information on how macro-economic changes (such as changes in the general price level from its current trend) may impact SCOR Europe's assets, see section C.7.2 – Other material risks at SCOR Europe level.

For quantitative information on market risk on SCOR Europe's invested assets, see section C.1 – Introduction and section E.2.1 – Solvency Capital Requirement. The presentation of SCOR Europe'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 Europe's fixed income investments; additionally, the level of unrealized 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 Europe to cash flow interest rate risk, whereas fixed interest rate instruments expose SCOR Europe 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 Europe's return on equity objectives are not met. The current low yield environment increases the potential materialization 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 Europe holds. In case of a need for cash, SCOR Europe may be obliged to sell fixed income securities, possibly resulting in capital losses.

SCOR Europe'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 volatility of foreign exchange rates. This would impact the value of SCOR Europe'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 Europe publishes its financial statements in Euro, but part of its income and expenses, as well as of its assets and liabilities, are denominated in currencies other than Euro. Consequently, fluctuations in the exchange rates used to convert these currencies into Euro may have an 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 Europe and may impact its realized or unrealized 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 has no direct exposure to the equity market.

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.

C.3.2 MANAGEMENT OF MARKET RISKS

C.3.2.1 OVERVIEW OF RISK MANAGEMENT OF ASSETS

The Group's and SCOR Europe'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 Europe, 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.

Exposures to major risks are monitored on a weekly basis and sensitivities measure the impact of changes in risk drivers on the invested assets portfolio. Analyzing 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 Europe is exposed to Euro denominated assets with strong focus on fixed income. SCOR Europe's investment portfolio is risk averse as a result of the Company's maturity level and its 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 that is appropriate to the underlying business. For more information regarding the principles applied to invest the assets in a prudent manner, see section B.2.3.4 – Main control activities – Asset Management in the SCOR Group's SFCR at www.scor.com.

To better address climate risks and improve the resilience of its invested assets portfolios, SCOR Group 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 Europe monitors the interest rate sensitivity in the Economic Balance Sheet (EBS). Regular monitoring enables the exposure to be compared with risk tolerance.

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

C.3.2.3 MANAGEMENT OF CURRENCY RISKS

SCOR Europe 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 Europe has a balance sheet hedging approach whereby there is an objective to match monetary assets and liabilities in each foreign currency with 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 Europe had no direct exposure to equity risk at year-end 2020.

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, refer to section E.2.1 - Solvency Capital Requirement. The presentation of SCOR Europe's assets giving rise to market and credit risks is provided in section D.1 – Assets.

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 Europe 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 Europe participates. SCOR Europe is exposed to credit risk through its credit and surety 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 applies also to loan transactions in which the Company invest. The borrower's solvency deterioration may lead to a partial or total loss of the coupons and the nominal invested by SCOR Europe.

C.4.1.2 CREDIT RISK RELATED TO REINSURED LIABILITIES

SCOR Europe transfers part of its risks to reinsurance programs 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 Europe 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 reinsurance 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 Europe may be exposed to credit risk in relation to funds withheld by client companies in respect of insurance reserves which cover its liabilities. However, withholding these amounts does not a priori discharge SCOR Europe of its liability towards the clients in cases where it is not able to recover all or part of these amounts in the event of a client default or a deterioration in the financial situation of that client. Hence, it is, at least in principle, possible that SCOR Europe may remain liable for paying claims due under the insurance treaty 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 Europe 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 honor its commitments (e.g., following liquidation). The current main risk for SCOR Europe 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

For special highly-technical risk categories such as Terrorism, Nuclear, Aviation or Pollution, SCOR Europe chooses to participate in various market dedicated groups of insurers and reinsurers ("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, it could be required to assume, in the event of joint liability of the members, all or part of the liabilities of the defaulting member.

C.4.2 MANAGEMENT OF CREDIT RISKS

Management of credit risk related to bond and loan portfolios

SCOR Europe 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 Europe cedes business to are affiliated entities. The Company assesses this exposure on a regular basis, with the reinsurance programs being ratified by the Board on an annual basis. Exceptions to this policy are monitored closely by SCOR Europe's management team and its Board.

Management of credit risk related to funds withheld by clients

The Company puts in place strong processes and controls to minimize risks associated with its material joint business ventures. For instance, a SCOR representative as Board observer is sought in the most material relationships. 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 Europe favors 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 Europe 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 Europe takes into consideration the public assistance (e.g., loans, guarantees of deposits, nationalizations) 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 other credit risks

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

- through its appointment as directors and via the participation of senior management in dedicated committees such as Audit and Risk Committees and Technical Committees, for the pools in which SCOR Europe'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 Europe 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 organizations in case of SCOR Europe default (non-compliance with financial covenants, or in case of a significant decrease in SCOR Europe'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 Europe's name at any time, however the impact on their relationship with SCOR Europe would be considered. The risk of this occurring would increase if clients' concerns of SCOR Europe not honoring its obligations increase. In a severe scenario for SCOR Europe, multiple clients could draw on letters of credit simultaneously, requiring SCOR Europe to provide the total amount of required cash or fungible assets resulting in a liquidity strain for SCOR Europe.

C.5.1.2 SOURCES OF LIQUIDITY

The principal internal sources of SCOR Europe'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 Europe'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 Europe may need to sell a significant portion of its assets quickly and on unfavorable terms, particularly, if current internal resources do not satisfy its liquidity needs.

The availability of additional financing for SCOR Europe 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 Europe's) long- or short-term financial prospects if the Group incurs large investment losses are incurred or if the level of SCOR's 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 penalize 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 Europe from successfully obtaining additional financing on favorable terms.

C.5.2 MANAGEMENT OF LIQUIDITY RISKS

SCOR Europe is fully embedded in the SCOR Group's liquidity management process.

SCOR Group's liquidity position is closely monitored from two points of view: timing and transferability.

Timing

SCOR Group assesses liquidity risks arising from both short-term and long-term liquidity needs. SCOR manages these risks via different mechanisms which consider:

- actions to be taken by the insurance or reinsurance business areas to take into account both short-term and long-term liquidity risk; and
- the appropriateness of the composition of the assets in terms of their nature, duration and liquidity in order to meet the obligations as they fall due.

Short-term liquidity, or cash management, includes the day-to-day cash requirements under normal business conditions.

Liquidity considerations over the long-term are assessed in a way which takes into consideration the possibility of various unexpected and potentially adverse business conditions where assets may not be sold for current market values. SCOR estimates the level of its immediately tradeable assets (i.e., non-pledged assets) which could be sold within a reasonable timeframe.

Transferability

In addition, SCOR monitors the level of transferability of immediately tradeable assets between entities, depending on local and regulatory constraints.

The Group has also been granted credit facilities from several banks to support the reinsurance activities of various subsidiaries. The Group regularly adapts and renews these facilities to support its business needs.

C.5.3 EXPECTED PROFITS INCLUDED IN FUTURE PREMIUMS

SCOR Europe's expected profit included in future premiums (EPIFP) as at year-end 2020 amounts to EUR -2,55 million, the negative amount is mainly due to ULAE. EPIFP results are produced by SCOR Europe 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 Europe'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.

For quantitative information on operational risk, see section E.2.1 – Solvency Capital Requirement. Operational risks are inherent to all businesses including SCOR Europe. Operational risks may be split into four main causes further described below: risks related to staff, systems or facilities, processes or external events.

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 Europe having authorized access to the Company's offices or systems or taking advantage of SCOR Europe'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 Europe to perform its operations by internal or external staff, which could lead to significant remediation costs (including for rebuilding databases or systems).

C.6.1.2 RISKS RELATED TO SYSTEMS OR FACILITIES

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

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 Group;
- interruption of any of SCOR Group'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 Group 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 Europe.

C.6.1.3 RISKS RELATED TO PROCESSES

SCOR Europe'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 entity, the development of a new line of business, or any other project, may lead to an accumulation of operational risks.

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

Since SCOR Europe 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 Europe may be involved in legal and regulatory developments 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 Europe, please see section C.7.1.3. – Risks related to legal and regulatory development in the SCOR Group's SFCR at www.scor.com.

C.6.1.4 RISKS RELATED TO EXTERNAL EVENTS

SCOR EUROPE 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 Europe's operating environment

As an international (re)insurer, SCOR Europe must comply with national and international laws, regulations and applicable accounting standards. This includes all applicable economic sanctions, programs 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 SCOR Europe'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. Other directives with which SCOR Europe complies apply to anti-money laundering, corruption, terrorism financing and insider trading. Regarding anti-corruption laws and regulations, in particular, SCOR Europe must comply with the provisions of Sapin II (French law), Foreign Corrupt Practices Act (FCPA) and other laws such as the UK Bribery Act. Additionally, SCOR Europe must comply with regulatory requirements regarding data management (both SCOR's data and that of its clients), in particular the General Data Protection Regulation (GDPR) enacted by the European Union.

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 the legal structure of SCOR Europe. The large number of different regulatory environments in which SCOR Europe operates, as well as changes in present and future regulations, increase the complexity and risks of the related processes. Any violation of laws, regulations or accounting requirements could expose SCOR Europe to fines, class actions with compensation payments, accounts restatements or business restrictions or reputational damage.

Following the UK's departure from the European Union and the end of the transition period on 31 December 2020, the direct P&C insurance activities for European Economic Area (EEA) clients are fully carried by SCOR Europe. The insurance company SCOR UK is maintained for other specialty insurance clients where the Company has insurance licenses. Also, SCOR will apply to the UK Prudential Regulation Authority for any required approvals in order to allow the continuation of the activity of its (re)insurance branches in the United Kingdom including that of SCOR Europe. This branch was notified that is subject to the temporary regime, allowing it to continue activities until the final agreement is granted. At this stage, there is uncertainty on the evolution of the future regulatory framework in the UK and its impact on SCOR's operating entities in the UK.

Other risks related to external events

Risks related to external fraud

SCOR Europe is exposed to external fraud which is characterized 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 SCOR Europe and the Group.

Risks related to cyber-attacks

SCOR Europe 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 damage to SCOR's systems or data, a reputational risk, give rise to a breach of SCOR's legal responsibility, and may also 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 EUROPE relies upon the organization 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 able 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 the Risk Governance department. The Group has also implemented regular risk reporting mechanisms in order to provide 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 organizing 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 Europe leverages on processes and practices implemented at SCOR Group level and aims to minimize its own operational risk, which is intrinsic in the conduct of business and cannot be completely avoided. SCOR Europe's operational risks are regularly assessed through the Company's executive summary qualitative risk dashboard, reviewed by the Management 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 Europe 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 Europe'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 Europe 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 nonrenewable energy sectors over time); and
- SCOR downgrade risk, actively monitored by a dedicated team under the supervision of the Group CFO.

SCOR Europe 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.

C.7.2 OTHER STRATEGIC RISKS AT SCOR EUROPE LEVEL

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

External factors

In addition, following the UK's exit from the EU on 31 January 2020, uncertainty remains on the evolution of the legal and regulatory framework governing SCOR Europe's UK branch. The Company continues to monitor and manage the impact on its activities.

Structure Risks

In terms of the structure risks, SCOR Europe is exposed to risk related to participation in joint business ventures, limited by involving multi-disciplinary project teams for each potential target and seeking Board approval for material deals.

Risks related to capital

SCOR Europe 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 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 Europe, 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 deferred tax recognition

The recognition of deferred tax, in particular the likelihood of recognizing sufficient profits in the future to offset losses, depends on SCOR Europe'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 Europe's solvency ratio. The valuation risks including those related to SCOR Europe's deferred tax position are managed through robust processes and controls throughout SCOR Group and at the Board level of SCOR Europe.

C.7.3 SIGNIFICANT RISK CONCENTRATIONS

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 Europe's exposure to catastrophes and how these risks are managed, see section C.2.1 – P&C insurance;
- market risks, in particular in case of major events impacting specific types of assets to which SCOR Europe 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 Europe 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 Europe 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 Europe 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 Europe'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 Europe's liquidity needs. SCOR Europe 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 Europe'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 Europe 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 recognized at market-consistent values which constitutes the valuation for solvency purposes. SCOR Europe's EBS as at December 31, 2020 has been prepared based on the assumption that the Company will continue as a going concern, in line with the preparation of the financial statements. SCOR Europe prepares its financial statements under French GAAP.

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 Europe uses estimates and assumptions are insurance reserves, receivables and liabilities relating to insurance operations, the fair value and impairment of financial instruments, and deferred taxes.

The EBS for SCOR Europe is presented in Quantitative Reporting Templates S.02.01 (see Appendix A). 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 Europe 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.

Tab.01 - Assets

SCOR Europe SE Assets as at December 31, 2020 in EUR thousands	**EBS Solvency II**	**Section**
Deferred tax assets	**-**	**D.1.3**
Investments	**87,984**	
Equities	-	D.1.1
Bonds	65,502	D.1.1
Collective Investments Undertakings	21,528	D.1.1
Loans and mortgages	**-**	**D.1.4**
Other loans and mortgages	-	
Reinsurance recoverables	**76,484**	**D.1.2**
Non-Life and Health similar to Non-Life	76,484	
Non-Life excluding Health	76,484	
Deposits to cedents	**757**	**D.1.2**
Insurance and intermediaries' receivables	**18,047**	**D.1.2**
Reinsurance receivables	**7,243**	**D.1.2**
Receivables (trade, not insurance)	**236**	**D.1.4**
Cash and cash equivalents	**20,393**	**D.1.1**
TOTAL ASSETS	**211,144**	

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

SCOR Europe SE			As at December 31, 2020
in EUR thousands	**EBS**	**Statutory French GAAP**	**Difference**
Equities	-	-	-
Bonds	65,502	65,246	256
Collective investments	21,528	21,335	193
Cash	20,393	10,455	9,938
Total investments and cash	**108,378**	**97,991**	**10,387**

Valuation for solvency purposes

Investments in the EBS include financial assets such as bonds (corporate bonds, government bonds, collateralized securities), collective investment undertakings, deposits, other investments and cash. SCOR Europe 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 market 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 Europe 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 category; and (iii) a review and approval of extraordinary valuation changes noted.

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

Bonds (government, corporate, structured notes, collateralized 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.

Collective investment undertakings

For some collective investment funds (unlisted) the economic value is determined by reference to values based on models prepared by internal and external experts using observable market inputs. The economic value of hedge funds managed by third parties is based on their net asset value (NAV) as issued by external asset managers. This NAV is regularly audited, at least annually.

Cash and cash equivalents

SCOR Europe applies the same definition of cash for both French GAAP and Solvency II reporting purposes, which means that 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. The difference of 9.9m€ is due to treasury bills, whom are classified in cash and cash equivalent under Solvency II reporting purpose and are classified in Loans and mortgage category under French GAAP (please refer to D.1.4 Other assets).

Comparison with valuation in financial statements

The valuation method applied to financial assets in the Solvency II EBS does not differ from French GAAP. 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 French GAAP balances and valuation methods applied to investments, please refer to the following notes in the SCOR Europe Audited Financial Statements 2020: Note 1 Accounting Policies – D Financial Instruments.

D.1.2 INSURANCE TECHNICAL ASSETS

SCOR Europe SE			As at December 31, 2020
in EUR thousands	**EBS**	**Statutory French GAAP**	**Difference**
Deferred acquisition costs (DAC)	-	12,483	(12,483)
Reinsurance recoverables	76,484	262,810	(186,326)
Non-Life	*76,484*	*262,810*	*(186,326)*
Life	-	-	-
Deposits to cedents	757	757	-
Insurance and intermediaries' receivables	18,047	168,171	(150,124)
Reinsurance receivables	7,243	7,243	-
Total insurance technical assets	**102,531**	**451,464**	**(348,933)**

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 recognized in line with Solvency II methodology (see section D.2 Technical provisions). The calculation of Solvency II best estimate liabilities and risk margin takes into account all cash flows projections related to existing insurance and reinsurance contracts, including premiums, benefits and expenses payments. As a result, some balances that exist in the French GAAP 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 recognized 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 Europe'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 Europe's 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.

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 recognized separately in the EBS. The same principles apply to reinsurance operations through the assessment of reinsurance recoverable adjustments to the value of deposits to cedents are calculated consistently with the adjustments to best estimate liabilities.

For further details on French GAAP balances and valuation methods applied to insurance technical assets, please refer to the following notes in the SCOR Europe Audited Financial Statements 2020: Note 1 Accounting Policies.

D.1.3 DEFERRED TAX ASSETS

SCOR Europe SE			As at December 31, 2020
in EUR thousands	**EBS**	**Statutory French GAAP**	**Difference**
Deferred tax assets	-	-	-
Net deferred tax assets / (liabilities)	**-**	**-**	**-**

Please refer to section D.3.2 Deferred tax liability.

Valuation for solvency purposes

Deferred taxes in the EBS are recognized 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 change in technical provisions,risk margin and unrealized losses carried forward.

Deferred tax assets are recognized 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 utilized 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 realized or the liability settled, based on the tax rates (and tax regulations) that have been enacted or substantially enacted at the reporting date.

The impact of Solvency II adjustments to bring French GAAP 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 retained on the EBS are recorded in accordance with IAS 12 Income Taxes.

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 recognized in the EBS and their values recognized for tax purposes (instead of the differences between the asset or liability carrying amount in the French GAAP balance sheet and its tax base).

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

D.1.4 OTHER ASSETS

SCOR Europe SE			As at December 31, 2020
in EUR thousands	**EBS**	**Statutory French GAAP**	**Difference**
Loans and mortgages	-	9,938	(9,938)
Receivables (trade, not insurance)	236	236	-
Any other assets	-	1	(1)
Total other assets	**236**	**10,175**	**(9,939)**

Valuation for solvency purposes

This section covers all other assets recognized 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 receivables 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 French GAAP accounts and the EBS.

The difference of EUR 9.9m is due to treasury bills, whom are classified in cash and cash equivalent for Solvency II reporting purpose and are classified in Loans and mortgage category under French GAAP (please refer to D.1.1 Cash and investments, other than property and participations)

D.2 Technical provisions

SCOR Europe'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 Europe.

SCOR Europe SE As at December 31, 2020 in EUR thousands	**EBS**
Non-Life technical provisions	**90,961**
TPs – Non-Life (excl. Health)	90,961
Best estimate	*89,313*
Risk margin	*1,648*
Non-Life reinsurance recoverables	**(76,484)**
Non-Life (excl. Health)	(76,484)
Net Non-Life technical provisions	**14,477**

D.2.1.1 SEGMENTATION BY LINES OF BUSINESS

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

SCOR Europe SE As at December 31, 2020 in EUR thousands	**Best estimates liabilities (BEL)**	**Reinsurance recoverables**	**Risk margin**	**Total net technical provisions**
Marine, aviation and transport	45,160	(45,742)	543	(39)
Fire and other damage to property	17,740	(18,286)	671	125
General liability	27,586	(17,797)	340	10,129
Credit and suretyship	(1,055)	4,977	94	4,015
Non-proportional casualty	14	8	-	22
Non-proportional marine, aviation and transport	2	(4)	-	(2)
Non-proportional property	(133)	359	-	226
Total	**89,314**	**(76,485)**	**1,648**	**14,477**

The P&C net technical provisions of EUR 14.5 million is the sum of P&C best estimate liabilities net of reinsurance recoverables of EUR 12.9 million and a risk margin of EUR 1.6 million.

The P&C net best estimate liabilities of EUR 12.9 million (comprising the gross best estimate liabilities of EUR 89.3 million and reinsurance recoverables of EUR (76.5) million, as presented in the above table) are composed of two parts: net claims provisions (EUR 14.7 million) and net premiums provisions (EUR (1.9) 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 (EUR 14.7 million) recognized within best estimate liabilities in SCOR Europe 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 by the local actuaries.
- Outstanding claims are the same as in French GAAP.
- 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 Europe takes into account all cash flows arising from expenses that will be incurred in servicing the recognized 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 Europe 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.

Premium provisions methodology and assumptions

The elements of Solvency II premium provisions (EUR (1.9) million) are described below:

- Future premiums correspond to the part of the premiums not yet written and relates to the difference between 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 French GAAP unearned premium reserves. The best estimate loss ratio used for future claims calculation is derived by SCOR Europe reserving actuaries from either pricing loss ratios or experience loss ratios.
- The premiums' estimates correspond to the part of the written premiums not yet received in cash. Premiums' estimates include the reinstatement and burning cost premiums which are calculated using the projected claims ultimate (so including IBNR). Given that IBNR under French GAAP 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 main assumptions.

List of the most commonly used methods

To assess the French GAAP and Solvency II Best Estimate, SCOR Europe 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 insurance contract terms and conditions, and the changes in claims processing that may potentially affect the Company's liabilities over time.

SCOR Europe uses in particular:

- 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 Europe 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 changes 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 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 Europe transfers part of its risks to reinsurers via reinsurance programs. The reinsurers then assume, in exchange for the payment of premium by SCOR Europe, 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 French GAAP 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 reinsurer. 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 French GAAP 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:

SCOR Europe SE As at December 31, 2020 in EUR thousands	EBS Claims provisions	French GAAP Claims provisions	Difference
Marine, aviation and transport	4,668	3,300	1,368
Fire and other damage to property	4,311	4,467	(155)
General liability	4,957	2,493	2,464
Credit and suretyship	947	937	11
Non-proportional casualty	(59)	(58)	-
Non-proportional marine, aviation and transport	1	-	-
Non-proportional property	(92)	(91)	(1)
Total	**14,734**	**11,047**	**3,686**

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

SCOR Europe SE As at December 31, 2020 in EUR thousands	EBS Premium provisions	French GAAP Premium provisions	Difference
Marine, aviation and transport	(5,243)	1,865	(7,108)
Fire and other damage to property	(4,922)	1,318	(6,240)
General liability	4,832	886	3,945
Credit and suretyship	2,974	51	2,923
Non-proportional casualty	80	1	80
Non-proportional marine, aviation and transport	(3)	1	(3)
Non-proportional property	316	(102)	418
Total	**(1,965)**	**4,020**	**(5,986)**

The main differences between French GAAP and Solvency II best estimate liabilities arise from the inclusion of premium/commission estimates inclusion 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 French GAAP whereas they are included in the technical provisions in a Solvency II view.

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

D.3 Other liabilities

The table below presents the liabilities of SCOR Europe 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.

SCOR Europe SE Liabilities as at December 31, 2020 in EUR thousands	EBS Solvency II	Section
Technical provisions – Non-Life	**90,961**	**D.2**
Deposits from reinsurers	**27,368**	**D.3.1**
Deferred tax liabilities	**(1,926)**	**D.3.2**
Derivatives	**3**	
Debts owed to credit institutions	**-**	**D.3.3**
Insurance and intermediaries' payables	**34,896**	**D.3.1**
Reinsurance payables	**38,759**	**D.3.1**
Payables (trade, not insurance)	**2,623**	**D.3.3**
Subordinated liabilities	**-**	**D.3.3**
Subordinated liabilities not in basic own funds	-	
Subordinated liabilities in basic own funds	-	
Any other liabilities, not elsewhere shown	**1,046**	**D.3.3**
TOTAL LIABILITIES	**193,730**	
EXCESS OF ASSETS OVER LIABILITIES	**17,414**	

D.3.1 INSURANCE TECHNICAL LIABILITIES

SCOR Europe SE in EUR thousands	EBS	As at December 31, 2020 Statutory French GAAP	Difference
Deposits from reinsurers	27,368	27,368	-
Insurance and intermediaries' payables	34,896	34,896	-
Reinsurance payables	38,759	187,799	(149,040)
Other technical provisions	-	12,045	(12,045)
Total insurance technical liabilities	**101,023**	**262,108**	**(161,085)**

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.1.2 – 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 reinsurer as collateral in relation to SCOR's outwards reinsurance contracts. SCOR Europe measures it deposits from reinsurers (or ceded fund withheld) at amortized 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 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 reinsurance costs that are still due to the reinsurer or the broker.

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

Other technical provisions

DAC asset is not recognized 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 recognized 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 Europe Audited Financial Statements 2020: Note 1 – Accounting Policies.

D.3.2 DEFERRED TAX LIABILITIES

SCOR Europe SE		As at December 31, 2020	
in EUR thousands	**EBS**	**Statutory French GAAP**	**Difference**
Deferred tax liabilities	(1,926)	-	(1,926)

Valuation for solvency purposes and comparison with valuation in financial statements

For further details on 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 Europe SE		As at December 31, 2020	
in EUR thousands	**EBS**	**Statutory French GAAP**	**Difference**
Payables (trade, not insurance)	2,623	2,623	-
Subordinated liabilities	-	-	-
Any other liabilities, not elsewhere shown	1,046	1,047	(1)
Total financial and other liabilities	**3,672**	**3,673**	**(1)**

Valuation for solvency purposes

Other liabilities

This section covers all other liabilities recognized 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 amortized cost as that approximates their market value.

Provisions are recognized when SCOR Europe 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 French GAAP.

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 Europe 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 Europe 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 Europe over the reporting period other than valuation of assets and liabilities presented in sections D.1 Assets to D.4 Alternative methods for valuation.

E. CAPITAL MANAGEMENT

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

SCOR Europe SE in EUR thousands	December 31, 2020	December 31, 2019	Variance
Eligible Own Funds (EOF)	**17,414**	**8,724**	**8,690**
Solvency Capital Requirement (SCR)	**14,259**	**7,874**	**6,385**
Excess Capital (EOF - SCR)	3,155	850	2,305
Solvency ratio	**122%**	**111%**	**11%**

E.1 Own funds

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

SCOR Europe has had strong capital management governance and processes in place with integrated supervision of regulatory constraints at Group level, ensuring an optimised use of capital and fungibility of capital within the Group. On a quarterly basis, SCOR Europe monitors and updates the regulatory solvency position (actuals and one-year projections) 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 Group's bi-annual financial operating plan 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 Europe is a 100% owned subsidiary of ultimate parent SCOR SE.

SCOR Europe's own funds eligible to cover the SCR are EUR 17.4 million at December 31, 2020.

Total eligible own funds to cover the MCR as at December 31, 2020 is EUR 15.5 million.

SCOR Europe SE Own funds structure as at December 31, 2020

in EUR thousands	Tier 1	Tier 2	Tier 3	Total
Basic own funds	**15,488**	**-**	**1,926**	**17,414**
Ordinary share capital	21,700	-	-	21,700
Share premium	-	-	-	-
Surplus funds	-	-	-	-
Reconciliation reserve	(6,212)	-	-	(6,212)
Revaluation reserves	-	-	-	-
Consolidated reserves	-	-	-	-
Net income for the year	-	-	-	-
Equity based instruments	-	-	-	-
Foreseeable dividends	-	-	-	-
Subordinated liabilities	-	-	-	-
Net deferred tax assets	-	-	1,926	1,926
Other items approved by supervisory authority	-	-	-	-
Ancillary own funds	**-**	**-**	**-**	**-**
Total available own funds	**15,488**	**-**	**1,926**	**17,414**
Total eligible own funds to cover the SCR (after limit deductions)	**15,488**	**-**	**1,926**	**17,414**
Total eligible own funds to cover the MCR (after limit deductions)	**15,488**	**-**	**-**	**15,488**

SCOR Europe SE Own funds structure as at December 31, 2019

in EUR thousands	Tier 1	Tier 2	Tier 3	Total
Basic own funds	**7,543**	**-**	**1,883**	**9,426**
Ordinary share capital	14,700	-	-	14,700
Share premium	-	-	-	-
Surplus funds	-	-	-	-
Reconciliation reserve	(7,157)	-	-	(7,157)
Revaluation reserves	-	-	-	-
Consolidated reserves	-	-	-	-
Net income for the year	-	-	-	-
Equity based instruments	-	-	-	-
Foreseeable dividends	-	-	-	-
Subordinated liabilities	-	-	-	-
Net deferred tax assets	-	-	1,883	1,883
Other items approved by supervisory authority	-	-	-	-
Ancillary own funds	**-**	**-**	**-**	**-**
Total available own funds	**7,543**	**-**	**1,883**	**9,426**
Total eligible own funds to cover the SCR (after limit deductions)	**7,543**	**-**	**1,181**	**8,724**
Total eligible own funds to cover the MCR (after limit deductions)	**7,543**	**-**	**-**	**7,543**

SCOR Europe 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 Europe does not recognise any ancillary own funds.

Ordinary paid-in share capital and the related share premium of SCOR Europe 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 Europe'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. The reconciliation reserve is classified as tier 1 basic own funds.

For more details on the deferred taxes and the valuation please refer to the section D – Valuation for Solvency purposes, chapter D.1.6.

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 (with or without benefitting from the transitional arrangement) eligible as tier 1 capital must be less than 20% of total tier 1 capital.

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

E.1.2 RECONCILIATION WITH SHAREHOLDERS' EQUITY

The table below presents the differences between SCOR Europe's shareholders' equity presented in accordance with French Gaap 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 Europe's assets and liabilities calculated in accordance with French Gaap 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 Europe SE as at December 31, 2020 in EUR thousands	2020	2019
Statutory – French Gaap Shareholders' equity	**22,694**	**14,900**
Economic adjustments	**(5,280)**	**(5,475)**
Goodwill	-	-
Other intangible assets	-	-
Investments	449	53
Net technical balances	(7,655)	524
Net technical balances, excluding risk margin – Non-Life	*(6,007)*	*1,329*
Risk margin – Non-Life	*(1,648)*	*(805)*
Financial liabilities	-	(158)
Deferred taxes	1,926	1,883
Other assets and liabilities	-	(7,778)
Excess of assets over liabilities in the Solvency II EBS	**17,414**	**9,424**
Subordinated liabilities	-	-
Own shares	-	-
Deductions for foreseeable dividends	-	-
Total available own funds	**17,414**	**9,426**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

This section is linked to the Quantitative Reporting Templates S.25.01 – Solvency capital requirement and S.28.01 – Minimum capital requirement in Appendix A.

E.2.1 SOLVENCY CAPITAL REQUIREMENT

SCOR Europe maintains regulatory capital calculated on the Solvency II Standard Formula basis. Calculations have been performed following the Delegated Acts of 2015 and are in line with the latest amendments applicable as at July 2020. The table below shows the standalone and diversified solvency capital requirement (SCR) for each risk module.

The SCR amounts to EUR 14.3 million as at December 31, 2020. This is the second financial year end for the entity which was created on January 1, 2019.

SCOR Europe SE SCR based on Standard Formula in EUR thousands	December 31, 2020		December 31, 2019		Variation	
	Standalone Capital[1]	Contribution to SCR[2]	Standalone Capital[1]	Contribution to SCR[2]	Standalone Capital[1]	Contribution to SCR[1]
Non-life underwriting	7,289	6,125	4,519	3,887	2,770	2,238
Market	5,929	4,136	2,361	1,292	3,568	2,844
Counterparty default	2,848	1,872	3,518	2,805	(669)	(933)
Diversification	(3,933)	-	(2,413)	-	(1,520)	-
Basic SCR	**12,133**	**12,133**	**7,985**	**7,985**	**4,148**	**4,148**
Operational	3,640	3,640	2,395	2,395	1,245	1,245
Adjustment for loss absorbing capacity of deferred taxes	(1,515)	(1,515)	(2,506)	(2,506)	991	991
SCOR Europe SE SCR	**14,259**	**14,259**	**7,874**	**7,874**	**6,384**	**6,384**

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 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 Europe'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 due to the standard formula methodology which takes into account the reduced 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 Europe's ability to carry forward losses to offset future taxable profits over the Company's planning time horizon. For more details on the deferred taxes and the valuation please refer to the section D – Valuation for Solvency purposes, chapter D.1.10.6.

Non-life underwriting standalone risk is EUR 7.3 million. This is composed of net premium and net claims reserve risk on the one hand and catastrophe risk on the other hand, with net premium and net claims reserve risk being the more dominant risk.

Market standalone risk is EUR 5.9 million and is the second largest risk, due to increasing investments size (in line with activity growth). This reflects the mix in invested assets, which is predominantly in corporate and government bonds.

Counterparty default standalone risk is EUR 2.8 million, reflecting the extensive risk mitigation in place through retrocession programs. This risk also includes the risk of default on net receivables and cash held at bank.

The required pre-tax basic solvency capital requirement (BSCR) is EUR 12.1 million with **diversification benefit** of EUR 3.9 million.

Operational risk is EUR 3.6 million. This amount is obtained directly from the Standard Formula and is proportional to the BSCR.

The **loss absorbing capacity of deferred taxes** is EUR 1.5 million.

E.2.1.1 DATA USED IN THE CALCULATIONS

SCOR Europe participates in the group wide data processes and flows which also underly SCOR Group's internal model data to ensure the accuracy and appropriateness of the data used. 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

As allowed by the Delegated Acts, and in view of the operational complexity, SCOR Europe has used simplified calculations in the counterparty default risk module for:

- Risk mitigating effect for reinsurance arrangements

The Company does not use undertaking-specific parameters in its Standard Formula SCR calculation.

E.2.2 MINIMUM CAPITAL REQUIREMENT

SCOR Europe SE in EUR thousands	As at December 31, 2020	As at December 31, 2019	Variation	% Variation
MCR Minimum (25% of SCR)	3,565	1,969	1,597	81%
MCR Linear	2,664	1,248	1,416	113%
MCR Maximum (45% of SCR)	6,416	3,544	2,873	81%
MCR with Standard Formula cap & floor	**3,565**	**1,969**	**1,597**	**81%**

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. Prescribed factors in the Solvency II Delegated Acts are applied to the premium and technical provision amounts and added 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. The MCR for SCOR Europe is equal to absolute minimum floor for MCR. According to the classes of business that SCOR Europe is authorized to underwrite, this floor is EUR 3.7 million as at December 31, 2020.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

SCOR Europe 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 Europe maintains regulatory capital calculated on the Solvency II Standard Formula basis.

E.5 Non-compliance with MCR and non-compliance with the SCR

SCOR Europe has complied with the MCR and the SCR requirement throughout the period covered by this report.

E.6 Any other information

No other material information is reported regarding SCOR Europe'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 EUROPE

S.02.01.02 – Balance Sheet

SCOR Europe SE Assets as at December 31, 2020 In EUR thousands	Solvency II value
Intangible assets	**-**
Deferred tax assets	**-**
Pension benefit surplus	**-**
Property, plant and equipment held for own use	**-**
Investments	**87,984**
Property (other than for own use)	-
Participations and related undertakings	-
Equities	-
Equities - listed	-
Equities - unlisted	-
Bonds	65,502
Government bonds	*10,014*
Corporate bonds	*55,488*
Structured notes	-
Collateralised securities	-
Collective Investments Undertakings	21,528
Derivatives	955
Deposits other than cash equivalents	-
Other investments	-
Assets held for index-linked and unit-linked contracts	**-**
Loans and mortgages	**-**
Loans on policies	-
Loans and mortgages to individuals	-
Other loans and mortgages	-
Reinsurance recoverables	**76,484**
Non-life and Health similar to Non-life	76,484
Non-life excluding Health	76,484
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	-
Deposits to cedents	**757**
Insurance and intermediaries' receivables	**18,047**
Reinsurance receivables	**7,243**
Receivables (trade, not insurance)	**236**
Own shares	**-**
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**-**
Cash and cash equivalents	**20,393**
Any other assets, not elsewhere shown	**-**
TOTAL ASSETS	**211,144**

S.02.01.01 – Balance Sheet (continued)

SCOR Europe SE **Liabilities as at December 31, 2020** **In EUR thousands**	**Solvency II value**
Technical provisions – Non-life	**90,961**
Technical provisions – Non-life (excl. Health)	90,961
TP calculated as a whole	*-*
Best estimate	*89,313*
Risk margin	*1,648*
Technical provisions – Health (similar to Non-life)	-
TP calculated as a whole	-
Best estimate	-
Risk margin	-
Technical provisions – Life (excl. index-linked and unit-linked)	**-**
Technical provisions – Health (similar to Life)	-
TP calculated as a whole	-
Best estimate	-
Risk margin	-
Technical provisions – Life (excl. Health and index-linked and unit-linked)	-
TP calculated as a whole	-
Best estimate	-
Risk margin	-
Technical provisions – index-linked and unit-linked funds	**-**
TP calculated as a whole	-
Best estimate	-
Risk margin	-
Other technical provisions	**-**
Contingent liabilities	**-**
Provisions other than technical provisions	**-**
Pension benefit obligations	**-**
Deposits from reinsurers	**27,368**
Deferred tax liabilities	**(1,926)**
Derivatives	**3**
Debts owed to credit institutions	**-**
Financial liabilities other than debts owed to credit institutions	**-**
Insurance and intermediaries' payables	**34,896**
Reinsurance payables	**38,759**
Payables (trade, not insurance)	**2,623**
Subordinated liabilities	**-**
Subordinated liabilities not in basic own funds	-
Subordinated liabilities in basic own funds	-
Any other liabilities, not elsewhere shown	**1,046**
TOTAL LIABILITIES	**193,730**
EXCESS OF ASSETS OVER LIABILITIES	**17,414**

S.05.01.02 – Premiums, claims and expenses by line of business

	Line of business* for Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							
SCOR Europe SE **As at December 31, 2020** **In EUR thousands**	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
Premiums written								
Gross - Direct business	-	-	-	41,691	49,403	41,417	19,940	-
Gross - Proportional reinsurance accepted	-	-	-	(2,824)	-	-	-	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	36,392	49,386	39,140	19,822	-
Net	-	-	-	2,475	17	2,277	118	-
Premiums earned								
Gross - Direct business	-	-	-	40,532	34,842	35,287	612	-
Gross - Proportional reinsurance accepted	-	-	-	17,105	-	-	-	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	55,477	35,332	33,793	546	-
Net	-	-	-	2,160	(490)	1,494	66	-
Claims incurred								
Gross - Direct business	-	-	-	34,585	9,297	22,924	733	-
Gross - Proportional reinsurance accepted	-	-	-	13,686	-	-	-	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	46,158	8,995	21,843	718	-
Net	-	-	-	2,114	302	1,080	15	-
Changes in other technical provisions								
Gross - Direct business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted								
Reinsurers' share	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-
Expenses incurred	-	-	-	(277)	(1,178)	(522)	(127)	-
Other expenses								
Total expenses								

*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 Europe SE **As at December 31, 2020** **In EUR thousands**	**Line of business for accepted non-proportional reinsurance** Health	Casualty	Marine, aviation, transport	Property	**TOTAL**
Premiums written					
Gross - Direct business					**152,451**
Gross - Proportional reinsurance accepted					**(2,824)**
Gross - Non-proportional reinsurance accepted	-	146	68	1,630	**1,844**
Reinsurers' share	-	136	65	561	**145,502**
Net	-	10	3	1,069	**5,969**
Premiums earned					
Gross - Direct business					**111,272**
Gross - Proportional reinsurance accepted					**17,105**
Gross - Non-proportional reinsurance accepted	-	134	52	974	**1,160**
Reinsurers' share	-	127	49	120	**125,444**
Net	-	7	3	854	**4,094**
Claims incurred					
Gross - Direct business					**67,539**
Gross - Proportional reinsurance accepted					**13,686**
Gross - Non-proportional reinsurance accepted	-	84	19	99	**202**
Reinsurers' share	-	79	18	47	**77,857**
Net	-	6	1	52	**3,571**
Changes in other technical provisions					
Gross - Direct business					**-**
Gross - Proportional reinsurance accepted					**-**
Gross - Non- proportional reinsurance accepted	-	-	-	-	**-**
Reinsurers’ share	-	-	-	-	**-**
Net	-	-	-	-	**-**
Expenses incurred	-	(4)	(1)	(135)	**(2,243)**
Other expenses					**1,337**
Total expenses					**(906)**

S.05.02.01 – Premiums, claims and expenses by country

SCOR Europe SE As at December 31, 2020 In EUR thousands	Home country**	Top 5 countries (by amount of gross premiums written) - Non-life obligations					Total Top 5 and home country
		Norway (NO)	Germany (DE)	Netherlands (NL)	Greece (GR)	Spain (ES)	
Premiums written							
Gross - Direct business	49,755	-	-	-	-	-	**127,007**
Gross - Proportional reinsurance accepted	(92)	-	-	-	-	-	**(295)**
Gross - Non-proportional reinsurance accepted	1,384	-	-	-	-	-	**1,485**
Reinsurers' share	50,286	-	-	-	-	-	**123,718**
Net	761	-	-	-	-	-	**4,478**
Premiums earned							
Gross - Direct business	26,007	-	-	-	-	-	**81,815**
Gross - Proportional reinsurance accepted	1,845	-	-	-	-	-	**2,978**
Gross - Non-proportional reinsurance accepted	929	-	-	-	-	-	**1,027**
Reinsurers' share	29,618	-	-	-	-	-	**83,856**
Net	(837)	-	-	-	-	-	**1,964**
Claims incurred							
Gross - Direct business	25,887	-	-	-	-	-	**60,159**
Gross - Proportional reinsurance accepted	(573)	-	-	-	-	-	**486**
Gross - Non-proportional reinsurance accepted	85	-	-	-	-	-	**147**
Reinsurers' share	24,325	-	-	-	-	-	**58,032**
Net	1,073	-	-	-	-	-	**2,760**
Changes in other technical provisions							
Gross - Direct business	-	-	-	-	-	-	**-**
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	**-**
Gross - Non- proportional reinsurance accepted	-	-	-	-	-	-	**-**
Reinsurers 'share	-	-	-	-	-	-	**-**
Net	-	-	-	-	-	-	**-**
Expenses incurred	(467)	-	-	-	-	-	**(2,640)**
Other expenses							**-**
Total expenses							**(2,640)**

**United Kingdom

S.17.01.02 – Non-life Technical Provisions

SCOR Europe SE **As at December 31, 2020** **In EUR thousands**	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
Technical provisions calculated as a whole	-	-	-	-	-	-	-
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	-	-	-	(15,560)	(30,571)	(7,660)	(3,143)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	(10,311)	(25,714)	(12,492)	(6,117)
Net best estimate of premium provisions	-	-	-	(5,249)	(4,857)	4,832	2,974
Claims provisions							
Gross	-	-	-	60,720	48,311	35,246	2,088
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	56,052	44,000	30,289	1,140
Net best estimate of claims provisions	-	-	-	4,668	4,311	4,957	947
Total best estimate - gross	-	-	-	45,160	17,740	27,586	(1,055)
Total best estimate - net	-	-	-	(582)	(545)	9,789	3,921
Risk margin	-	-	-	543	671	340	94
Amount of the transitional on technical provisions							
Technical provisions calculated as a whole	-	-	-	-	-	-	-
Best estimate	-	-	-	-	-	-	-
Risk margin	-	-	-	-	-	-	-
Technical provisions - total							
Technical provisions - total	-	-	-	45,703	18,411	27,926	(962)
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	-	-	45,742	18,286	17,797	(4,977)
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-	-	-	(39)	125	10,129	4,015

(*) 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 Europe SE As at December 31, 2020 In EUR thousands	Accepted non-proportional reinsurance: Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-life obligation
Technical provisions calculated as a whole	-	-	-	-	-
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	-	(16)	(7)	(178)	(57,134)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	(96)	(4)	(495)	(55,229)
Net best estimate of premium provisions	-	80	(3)	318	(1,905)
Claims provisions					
Gross	-	30	9	44	146,448
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	88	8	136	131,714
Net best estimate of claims provisions	-	(59)	1	(92)	14,734
Total best estimate - gross	-	14	2	(133)	89,313
Total best estimate - net	-	22	(2)	226	12,829
Risk margin	-	-	-	-	1,648
Amount of the transitional on technical provisions					
Technical provisions calculated as a whole	-	-	-	-	-
Best estimate	-	-	-	-	-
Risk margin	-	-	-	-	-
Technical provisions - total					
Technical provisions - total	-	14	2	(133)	90,961
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	(8)	4	(359)	76,484
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-	22	(2)	226	14,477

S.19.01.21 – Non-life Insurance Claims Information

Total Non-life Business - Underwriting year

Gross Claims Paid (non-cumulative) (absolute amount)

	Development year												
	0	1	2	3	4	5	6	7	8	9	10 & +	In current year	Sum of years (cumulative)
Prior											592	592	592
N-9	-	-	-	-	-	-	-	-	5	9		9	14
N-8	-	-	-	-	-	-	-	(153)	(45)			(45)	(198)
N-7	-	-	-	-	-	-	(9)	(56)				(56)	(66)
N-6	-	-	-	-	-	16	(1,120)					(1,120)	(1,104)
N-5	-	-	-	-	26	260						260	286
N-4	-	-	-	200	(33)							(33)	167
N-3	-	-	1,407	3,267								3,267	4,674
N-2	-	11,196	5,446									5,446	16,642
N-1	7,178	20,747										20,747	27,925
N	2,709											2,709	2,709
											Total	31,775	51,641

Gross undiscounted best estimate Claims Provisions (absolute amount)

	Development year											
	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
Prior											1,326	1,341
N-9	-	-	-	-	-	-	-	-	739	585		591
N-8	-	-	-	-	-	-	-	202	117			118
N-7	-	-	-	-	-	-	(12)	(4)				(5)
N-6	-	-	-	-	-	94	91					92
N-5	-	-	-	-	460	330						333
N-4	-	-	-	-	2,208							2,242
N-3	-	-	5,720	6,234								6,303
N-2	-	37,290	33,135									33,344
N-1	36,820	60,750										60,779
N	40,992											41,310
											Total	146,448

S.23.01.01 – Own funds

SCOR Europe SE As at December 31, 2020 In EUR thousands	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector					
Ordinary share capital (gross of own shares)	**21,700**	21,700		-	
Share premium account related to ordinary share capital	**-**	-		-	
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	**-**		-	-	-
Reconciliation reserve	**(6,212)**	(6,212)			
Subordinated liabilities	**-**		-	-	-
An amount equal to the value of net deferred tax assets	**1,926**				1,926
Other own fund items approved by the supervisory authority as basic own funds not specified above	**-**	-	-	-	-
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					
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	**-**	-			
Deductions					
Deductions for participations in financial and credit institutions	**-**	-	-	-	
Total basic own funds after deductions	**17,414**	**15,488**	**-**	**-**	**1,926**

S.23.01.01 – Own funds (continued)

SCOR Europe SE As at December 31, 2020 In EUR thousands	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
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	-			-	-
Total ancillary own funds	-			-	-
Available and eligible own funds					
Total available own funds to meet the SCR	**17,414**	15,488	-	-	1,926
Total available own funds to meet the MCR	**15,488**	15,488	-	-	
Total eligible own funds to meet the SCR	**17,414**	15,488	-	-	1,926
Total eligible own funds to meet the MCR	**15,488**	15,488	-	-	
SCR	**14,259**				
MCR	**3,700**				
Ratio of Eligible own funds to SCR	**122.13%**				
Ratio of Eligible own funds to MCR	**418.59%**				

S.23.01.01 – Own funds (continued)

SCOR Europe SE As at December 31, 2020 In EUR thousands	Total
Reconciliation reserve	
Excess of assets over liabilities	17,414
Own shares (held directly or indirectly)	-
Foreseeable dividends, distributions and charges	-
Other basic own fund items	23,626
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
Reconciliation reserve	**(6,212)**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	-
Expected profits included in future premiums (EPIFP) - Non-life business	(2,548)
Total expected profits included in future premiums (EPIFP)	**(2,548)**

S.25.01.21 – Solvency capital requirement – Standard Formula

SCOR Europe SE Standard Formula As at December 31, 2020 In EUR thousands	**Gross solvency capital requirement**	**USP**	**Simplifications**
Market risk	5,929		0
Counterparty default risk	2,848		
Life underwriting risk	-	0	0
Health underwriting risk	-	0	0
Non-life underwriting risk	7,289	0	0
Diversification	(3,933)		
Intangible asset risk	-		
Basic Solvency Capital Requirement	**12,133**		

Calculation of Solvency Capital Requirement (SCR)	
Operational risk	3,640
Loss-absorbing capacity of technical provisions	-
Loss-absorbing capacity of deferred taxes	(1,515)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	-
Solvency Capital Requirement, excluding capital add-on	**14,259**
Capital add-ons already set	-
The overall Solvency Capital Requirement	**14,259**
Other information on SCR	
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	-

Approach based on average tax rate	No
Calculation of loss absorbing capacity of deferred taxes	
Amount/estimate of LAC DT	(1,515)
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	-
Amount/estimate of LAC DT justified by reference to probable future taxable	(1,515)
Amount/estimate of LAC DT justified by carry back, current year	-
Amount/estimate of LAC DT justified by carry back, future years	-
Amount/estimate of Maximum LAC DT	(1,515)

S.28.01.01 – Minimum capital requirement

SCOR Europe SE
As at December 31, 2020
In EUR thousands

Linear formula component for Non-life insurance and reinsurance obligations

MCR_{NL} Result	2,664

	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	-	2,679
Fire and other damage to property insurance and proportional reinsurance	-	252
General liability insurance and proportional reinsurance	9,789	2,491
Credit and suretyship insurance and proportional reinsurance	3,921	214
Legal expenses insurance and proportional reinsurance	-	-
Assistance and proportional reinsurance	-	-
Miscellaneous financial loss insurance and proportional reinsurance	-	-
Non-proportional health reinsurance	-	-
Non-proportional casualty reinsurance	22	11
Non-proportional marine, aviation and transport reinsurance	-	4
Non-proportional property reinsurance	207	1,085

Linear formula component for life insurance and reinsurance obligations

MCR_L 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		-

Overall MCR calculation

Linear MCR	2,664
SCR	14,259
MCR cap	6,416
MCR floor	3,565
Combined MCR	3,565
Absolute floor of the MCR	3,700
Minimum Capital Requirement	**3,700**