



**SOLVENCY AND FINANCIAL  
CONDITION REPORT  
AS OF 31 DECEMBER 2019  
SCOR LIFE IRELAND DAC**

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Within the executive summary and the narratives of the rest of this report, figures have been presented in millions of currency units to improve readability. Tables containing figures in the rest of this report are presented in thousands of currency units. Small rounding differences may exist but the numbers included reflect the results presented in the Solvency II Quantitative Reporting Templates.

# EXECUTIVE SUMMARY

## INTRODUCTION

This document, the Solvency and Financial Condition Report (SFCR) for SCOR Life Ireland dac (further referred to as SLI), presents information on SLI and its solvency position as at December 31, 2019 and has been prepared in accordance with Solvency II regulations. SFCR appendices include key financial information in the standard format of Solvency II public Quantitative Reporting Templates.

The SLI SFCR is available at [www.scor.com](http://www.scor.com) and has also been submitted to the relevant supervisory authorities.

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

- Business and performance
- System of governance
- Risk profile
- Valuation for solvency purposes
- Capital management

SCOR Global Life Reinsurance Ireland dac (further referred to as SGLRI) is the immediate parent of SLI. The ultimate parent company is SCOR SE<sup>1</sup>, a European company domiciled in France. SCOR SE, together with its consolidated subsidiaries (further referred to as SCOR or the Group), form the world's fourth largest reinsurer<sup>2</sup> and is listed on the Euronext Paris regulated market.

Within the executive summary and the narratives of the rest of this report, figures have been presented in millions of currency units to improve readability. Tables containing figures in the rest of this report are presented in thousands of currency units.

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

- SCOR Life Ireland dac Directors' Report and Financial Statements for the period ended December 31, 2019 (further referred to as the 2019 Financial Statements);
- 2019 Document d'Enregistrement Universel – the Universal Registration Document of SCOR SE, including the consolidated financial statements of SCOR Group and unconsolidated corporate financial statements of SCOR SE (Etats financiers non consolidés de SCOR SE), filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) and available on SCOR's website [www.scor.com/en/financial-information](http://www.scor.com/en/financial-information) (further referred to as the 2019 Universal Registration Document or the URD);
- Solvency and Financial Condition Report for SCOR Group and SCOR SE as of December 31, 2019 (further referred to as SCOR Group SFCR) and available at [www.scor.com/](http://www.scor.com/)
- SCOR's new strategic plan, "Quantum Leap" covering the period mid-2019 to end of 2021 available at [www.scor.com/en/media/news-press-releases/scor-launches-its-new-strategic-plan-quantum-leap](http://www.scor.com/en/media/news-press-releases/scor-launches-its-new-strategic-plan-quantum-leap)

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<sup>1</sup> For further information on the merger which came into effect from January 1, 2019 please refer to Section A.1.3 - Significant events or other events.

<sup>2</sup> By net reinsurance premiums written, source: "AM Best Special Report Global Reinsurance 2019".

## SCOR Life Ireland dac

### Business and performance

SCOR Life Ireland dac (SLI) underwrites Life reinsurance business in the Americas and Europe (United Kingdom) in the following product lines:

- Protection;
- Financial Solutions;
- Longevity.

Protection encompasses the traditional Life reinsurance business for living and death benefits. The main risks undertaken are mortality and behavioral risks for individuals and groups of individuals. Financial solutions typically combine traditional Life reinsurance with financing components providing liquidity, balance sheet, solvency and/or income improvements to the client. Longevity products cover the risk of negative deviation from expected results due to the insured or annuitant living longer than assumed in the pricing of insurance cover provided by insurers or pension funds.

In 2019, SLI continued to grow profitability in a competitive life reinsurance market thanks to robust new business.

SLI in USD millions	December 31, 2019	December 31, 2018
Eligible Own Funds (EOF)	4,772	4,071
Solvency Capital Requirement (SCR)	1,889	1,834
<b>Solvency ratio</b>	<b>253%</b>	<b>222%</b>
Gross written premiums	3,408	3,205

As per regulatory requirements, this report focuses on the developments in the financial year ending on December 31, 2019. Since early 2020, the new Covid-19 virus has been spreading worldwide. On March 11, 2020, the World Health Organization declared the outbreak of Covid-19 a global pandemic. For an update as at the time of the publication of this report please see section A.5 – Any Other Information.

### System of governance

SLI is a designated activity company incorporated in Ireland, with its registered office located at 6th Floor, 2 Grand Canal Square, Dublin 2 and registered with the Irish Companies Registrations Office under the number 614549. It is authorized and regulated by the Central Bank of Ireland as a composite reinsurance company and is also authorized to operate:

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

The Constitution of SLI and the Internal Regulations of the SLI Board of Directors set forth the fundamental rules of its governance inter alia the structure, composition and organization of the SLI Board of Directors as well as the duties and responsibilities of the directors.

### Risk profile

SLI 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.

SLI has identified the following risk categories:

- underwriting risks related to the Life reinsurance business, 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 SLI's Enterprise Risk Management (ERM) framework.

### Valuation for solvency purposes

Solvency II requires SLI 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. 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 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 constitutes the valuation for solvency purposes. SLI's EBS as at December 31, 2019 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. SLI prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

The preparation of the EBS requires management to make certain judgements, 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 items for which SLI uses estimates and assumptions are technical provisions (best estimate liabilities and risk margin), insurance and reinsurance receivables/payables, liabilities relating to reinsurance operations, the fair value and impairment of financial instruments and deferred taxes.

### Capital management

Capital management is at the core of SLI's strategy. SLI's goal is to manage its capital in order to maximize its profitability, while maintaining solvency, in line with its risk/return strategy.

As a 100% subsidiary of the SCOR Group, SLI's capital management governance and processes are in line with those of the SCOR Group.

SCOR developed its internal model to ensure that its solvency is properly measured: the model is part of a comprehensive solvency framework which seeks to ensure that SCOR, including SLI, is solvent now and will continue to be solvent in the future. Based on a deep understanding of the risks SCOR faces, the internal model uses state-of-the-art techniques to measure solvency and assess capital requirements, including the SCR.

SCOR applies the same internal model across the Group, including SLI. The regulatory solvency position of SLI is assessed using SCOR's internal model, which was approved for the Group in November 2015 by the relevant supervisory authorities and extended to SLI in November 2018.

SLI considers all its basic own funds, identified in line with Solvency II rules and resulting from economic adjustments made to SLI's shareholder's equity under IFRS, as available and eligible to cover the SCR.

## A. BUSINESS AND PERFORMANCE

### A.1 Business

#### A.1.1 OVERVIEW

##### A.1.1.1 NAME AND LEGAL FORM

SCOR Life Ireland dac (SLI) is a designated activity company.

##### Registered office of SLI and contact information

6th Floor  
2 Grand Canal Square  
Dublin 2  
Ireland  
D02 A342  
Tel: +353 1 764 4500  
Fax: +353 1 764 4509

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

SLI's regulator is the Central Bank of Ireland (CBI).

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 French insurance supervisor.

Under Solvency II, supervisors from all EU Member States in which SCOR's subsidiaries are established are involved in the Group's supervision through the College of Supervisors comprising: the ACPR, the CBI and the Prudential Regulation Authority (PRA).

Name of the supervisory authority	Contact details	Entities in scope
Central Bank of Ireland (CBI)	Central Bank of Ireland	
	New Wapping Street	SCOR Life Ireland dac
	North Wall Quay	SCOR Global Life
	Dublin 1 Ireland	Reinsurance Ireland dac
Autorité de Contrôle Prudentiel et de Résolution (ACPR)	Autorité de Contrôle Prudentiel et de Résolution 61 rue Taitbout 75436 Paris Cedex 09 France	SCOR SE

##### A.1.1.3 STATUTORY AUDITORS

Statutory Auditors for SLI are as follows:

Name	Contact details
Ernst & Young Represented by Ciara McKenna	Harcourt Centre Harcourt Street Dublin 2 Ireland

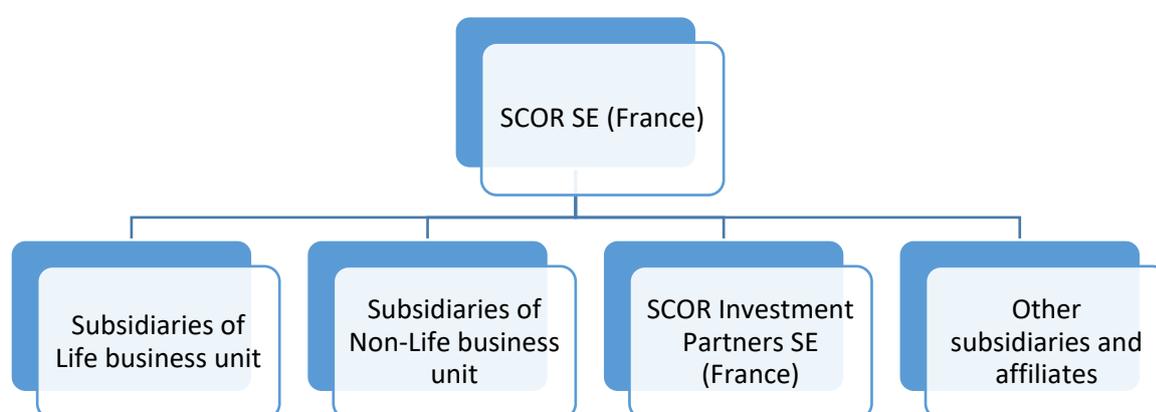
#### A.1.1.4 SIGNIFICANT SHAREHOLDERS

As at December 31, 2019, SGLRI is the immediate parent company of SLI with a 74% share. SGLRI is a company incorporated in and domiciled in Ireland. SCOR Global Life Americas Holding, Inc. (SGLAH) holds a minority share of 26%. SGLAH is a company incorporated and domiciled in the US.

#### A.1.1.5 LEGAL AND ORGANIZATIONAL STRUCTURE OF THE GROUP

The Group parent company is SCOR SE, domiciled in France. SCOR SE, together with its consolidated subsidiaries, is listed on the Euronext Paris regulated market. SCOR SE wholly owns its operating subsidiaries (excluding the shares held by directors), including SGLRI, SLI's parent company.

The main operational entities of the two Group's business units are presented in the chart below.<sup>3</sup>



The Group is a three engine group driven by SCOR Global Life (Life business unit), SCOR Global P&C (Non-Life business unit) and SCOR Global Investments.

SCOR Global Life, the Group's Life business unit, operates worldwide through the main global reinsurance company (SCOR SE) as well as insurance and reinsurance subsidiaries and branches in the EMEA region, including Germany, the UK, Ireland, Italy, Spain, Switzerland, the Netherlands, Sweden, Belgium, Russia, South Africa, in the Americas region, including Canada, the US, Latin America and in the Asia-Pacific region, including Australia, New Zealand, China, Hong Kong, Japan, Singapore, Malaysia, South Korea and India. It operates its reinsurance distribution solutions activities through a specialized subsidiary of SCOR SE.

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

SCOR Global Investments, the third business unit of the Group, manages the investment portfolio of the Group's legal entities. It is composed of the Group Investment Office and SCOR Investment Partners SE, a portfolio management company, approved by the AMF. The Group Investment Office manages the interaction between the SCOR Group and SCOR Investment Partners in managing the risk appetite, monitoring investment risks and recommending investment guidelines. SCOR Investment Partners SE manages directly the assets of many SCOR Group subsidiaries and also manages funds on the behalf of the Group and third party clients. Please refer to section C.3.2.1 – Risk Management of Assets – An Overview for further details.

<sup>3</sup> The full organizational chart is available on SCOR's website ([www.scor.com](http://www.scor.com))

### A.1.2 BUSINESS DESCRIPTION

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SLI underwrites Life reinsurance from the United States of America and the United Kingdom in the following product lines:

- Protection;
- Financial Solutions;
- Longevity.

#### Protection

Protection encompasses traditional Life reinsurance business on living and death benefits. The main risks undertaken are mortality and behavioral risks for individuals and groups of individuals. Protection is predominantly underwritten in the form of proportional treaties (quota share, surplus basis or a combination of both). Quota share treaties include structures whereby SLI's exposure is identical to those of its clients, and risk-based premium structures whereby treaty conditions differ from those of the underlying policies. A minority of the portfolio is underwritten in the form of non-proportional contracts: excess of loss per person, catastrophe excess of loss or stop loss.

The Protection reinsurance market, as well as SLI's Protection portfolio, is characterized by the dominance of long-term contractual relationships.

#### Financial Solutions

Financial Solutions combines traditional Life reinsurance with financial components providing liquidity, balance sheet, solvency and/or income improvements to the client. This type of reinsurance treaty is typically used by cedents to fund growth, stabilize earnings or optimize their solvency position (capital relief).

#### Longevity

Longevity products cover the risk of negative deviation from expected results due to the insured or annuitant living longer than assumed in the pricing of the cover provided by insurers or pension funds.

#### Solvency II Lines of Business

In order to align with the lines of business defined under Solvency II (Life and Health), Longevity is classified as purely Life reinsurance, while the Financial Solutions and Protection businesses may include both Life and Health Reinsurance business, depending on the underlying insurance contract and the nature of the insurance risk covered.

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

As at December 31, 2019, 100% of SLI's business is classified as Life reinsurance.

For further information on SLI's underwriting and performance by Solvency II lines of business, see section A.2 – Underwriting performance.

### A.1.3 SIGNIFICANT EVENTS OR OTHER EVENTS

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The following significant event occurred during 2019:

#### **Merger between SCOR SE and its subsidiaries SCOR Global Life SE and SCOR Global P&C SE, both directly wholly-owned by SCOR SE**

SCOR Global Life SE and SCOR Global P&C SE merged into SCOR SE on March 31, 2019, with a retroactive effect from 1 January 2019. This reorganization, which was announced by SCOR in September 2016 as part of its previous strategic plan "Vision in Action", enables SCOR to optimize its operational and legal structure and level of regulatory capital, thereby creating additional value for its shareholders, customers and other stakeholders.

As of April 1, 2019, all assets, rights, obligations and liabilities of SCOR Global Life SE and SCOR Global P&C SE have been transferred to SCOR SE. This transfer has no impact on current contractual obligations and SCOR SE is automatically substituted for SCOR Global Life SE and SCOR Global P&C SE, without modifying any of the terms and conditions of the transferred contracts.

## A.2 Underwriting performance

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

The tables in this section are presented in line with the 2019 Financial Statements.

SLI IFRS in USD thousands	Net underwriting result <sup>1</sup>	
	2019	2018
Health reinsurance	-	-
Life reinsurance	286,839	276,363
<b>Total</b>	<b>286,839</b>	<b>276,363</b>

<sup>1</sup> Net underwriting result includes the net technical results (net premiums, net claims, net commissions and revenues associated with financial reinsurance contracts) and interests on deposits.

The following comments on underlying business development reflect the management view of the business (Protection, Financial Solutions and Longevity) as aligned with other financial communications of the SCOR Group.

The solid operating profitability of SLI was achieved thanks to a robust technical performance. The US in-force book contributed with a robust performance given the strong reserve position and the successful repricing of individual reinsurance treaties, despite underlying US mortality claim experience being higher than expected. Changes in estimates across certain US portfolios in 2019 resulted in a one-off increase in profit before tax on these portfolios of USD 163 million. Both claim expenses and in-force management actions may vary over time.

#### Gross written premium by product line

SLI's gross written premium increased from USD 3,205 million in 2018 to USD 3,408 million in 2019.

#### Protection

Protection business accounts for 95% of total gross written premium in 2019 (2018: 94%).

SLI benefits from the strong position of SCOR in the US Life reinsurance market, the largest Life reinsurance market in the world.

#### Financial Solutions

In the Financial Solutions product line, accounting for 4% of gross written premiums in 2019 (2018: 5%),

#### Longevity

The Longevity product line accounts for 1% of SLI's gross written premium in 2019 (2018: 1%). The only active market to date for SLI is the UK.

#### Technical margin

The 2019 technical margin of 9% (2018: 9%) is calculated as the net technical result expressed as a percentage of net written premium.

### A.2.2 UNDERWRITING RESULTS BY GEOGRAPHICAL AREAS

SLI IFRS in USD thousands	As at December 31, 2019		
	EMEA	Americas	Total
Gross written premiums	29,392	3,378,462	3,407,854
<b>Net underwriting result<sup>1</sup></b>	<b>26,985</b>	<b>259,854</b>	<b>286,839</b>

<sup>1</sup> Net underwriting result includes the net technical results (net premiums, net claims, net commissions and revenues associated with financial reinsurance contracts) and interests on deposits.

SLI IFRS in USD thousands	As at December 31, 2018		
	EMEA	Americas	Total
Gross written premiums	26,405	3,178,988	3,205,393
<b>Net underwriting result<sup>1</sup></b>	<b>20,232</b>	<b>256,132</b>	<b>276,363</b>

<sup>1</sup> Net underwriting result includes the net technical results (net premiums, net claims, net commissions and revenues associated with financial reinsurance contracts) and interests on deposits.

The table above shows the breakdown by gross volume of premium written and underwriting performance by geographic area.

In 2019, SLI generated approximately 99% of its gross written premium in the Americas (2018: 99%), and 1% of its gross written premium in EMEA (2018: 1%).

## A.3 Investment performance

### A.3.1 INVESTMENT INCOME AND EXPENSES

#### Investment income and expenses by asset class

SLI		
IFRS in USD thousands	2019	2018
Investment revenues on invested assets - fixed income	66,215	6,445
Realized gains/losses on invested assets - fixed income	35,311	121
Investment income on invested assets	<b>101,526</b>	<b>6,566</b>
Net interest income on funds withheld and contract deposits	6,803	6,038
Investment management expenses	(5,035)	(351)
<b>Total net investment income</b>	<b>103,294</b>	<b>12,253</b>
Foreign exchange gains/losses	848	(1,052)
<b>IFRS investment income net of investment management expenses</b>	<b>104,142</b>	<b>11,201</b>
<b>Change in unrealized gains / (losses) on investments (through equity)</b>	<b>108,256</b>	<b>18,194</b>
Average invested assets <sup>1</sup>	2,070,308	2,054,169
<b>Return on invested assets (ROIA as a %)<sup>2</sup></b>	<b>4.90%</b>	<b>3.84%</b>

<sup>1</sup> For 2018 the invested asset value shown is as at December 31, 2018.

<sup>2</sup> Invested income on invested assets expressed as a percentage of investment assets as at December 31, 2018 and annualised.

Total investment income net of management expenses was USD 104.1 million for the year ended December 31, 2019:

- Investment income on invested assets were USD 101.5 million (equivalent to an annual return of 4.9% as compared to 3.84% in 2018<sup>4</sup>) and investment expenses were USD (5) million.
- Net interest income on funds withheld and contract deposits were USD 6.8 million in 2019, equivalent to a return of 2.9% compared to 3.5% in 2018.
- The foreign exchange impact for the year, net of the impact of hedging, was USD 1 million. This is mainly the product of the changes in the USD/GBP, USD/EUR and USD/BRL exchange rates.

The unrealized gain on investments amounts to USD 108.3 million and is recognized through equity. It relates to the asset revaluation reserves on assets classified as available for sale and on funds withheld.

#### Investment income on invested assets

Compared to total investment income as shown in the IFRS income statement, investment income on invested assets, shown above, excludes interest on deposits and foreign exchange gains/losses.

A benign inflationary environment permitted new expansionary monetary policies. While the US unemployment rate remained at its lowest level of 3.5% for the past 50 years, the CPI has been contained below 2.5%. Hence, the FED has decreased, by steps of 25 basis points, its reference rate from 2.25% to 1.50% and has stopped its balance sheet reduction started in 2018. Indeed, its assets size is increasing again and represents now USD 4,166 billion.

Hence, during the year, the 10-year rates have moved in the US from 2.7% to 1.9%. The same phenomenon affected the UK with 10-year rates at 0.8%.

The end of a low and even negative yield environment combined with subdued but positive economic forecasts enabled most financial assets to deliver positive performances.

The bond indices have been positive with an overperformance of bonds carrying the highest credit risk. Hence, high yield bonds (bonds issued by companies with a high level of indebtedness) have delivered a 14.4% return for the US market versus 7.0% for government bonds.

The main equity indices have followed the same trend, beating historical highs in the US. As a result, the S&P 500 total return was at 31.5%.

#### Income and expenses

Net investment income for the year ended December 31, 2019 amounted to USD 103.3 million compared to USD 12.3 million for the year ended December 31, 2018.

The return on invested assets in 2019 was 4.9% as compared to 3.84% in 2018.

<sup>4</sup> Return on invested assets expressed as  $[\text{Investment income on invested assets}] / [\text{Investments assets}]$ . The return on invested assets as at December 31, 2018 is annualised due to the fact that investment assets were not held by SLI before it was capitalized on November 29, 2018.

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

The losses recognized in equity are mainly due to changes in the unrealized gain / (loss) position on fixed income assets, driven by the impact of the evolution of the interest rates and credit spreads.

<b>SLI IFRS in USD thousands</b>	<b>2019</b>	<b>2018</b>	<b>Variance YTD</b>
Fixed income	95,304	21,508	73,796
Funds withheld and contract deposits	12,952	(3,314)	16,266
<b>Total</b>	<b>108,256</b>	<b>18,194</b>	<b>90,062</b>

**A.3.3 SECURITIZED INVESTMENTS**

SLI did not hold any securitized investments as at December 31, 2019.

**A.4 Performance of other activities****Other expenses (administration, other operating expenses and financing)**

Administration and other operating expenses for the Company have increased by 7% from USD 58 million in 2018 to USD 63 million in 2019. Financing expenses have reduced by 13% from USD 8 million in 2018 to USD 7 million in 2019.

For further details on other income and expenses incurred by SLI over the reporting period other than income presented above in sections A.2 - Underwriting performance and A.3 - Investment performance, please refer to the following notes in the 2019 Financial Statements: Note 9 – Administration and other operating expenses and Note 10 – Financing expenses.

**A.5 Any other information****COVID-19 PANDEMIC UPDATE**

Throughout the past 50 years SCOR has built its reputation on being there for its clients, its employees and all its stakeholders in the most difficult times. The unprecedented crisis we are now facing is no different. On March 11, 2020, the World Health Organization declared the Covid-19 outbreak a global pandemic. The first quarter 2020 results of the SCOR group were not materially affected by the Covid-19 pandemic and the related economic and financial crisis, but this event is ongoing. The impact for the remainder of the financial year cannot be accurately assessed at this stage given the high uncertainty related to the magnitude and duration of the pandemic and of its wide-ranging social, economic and financial consequences on the one hand, and to the possible effects of ongoing and future governmental actions on the other hand. SCOR may see an increased level of claims in its Life and P&C businesses and an increased level of asset impairments during 2020. On the Life side, the current situation remains well-below the 1-in-200 year pandemic extreme scenario discussed in section C – Risk Profile.

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

SCOR is doing its utmost to help stop the spread of the COVID-19 virus, starting within the company. Actively protecting the health of our employees and their loved ones is our top priority. This is why we adopted early and strict prevention measures, before fully activating our Business Continuity Plan and switching to working from home in all Group offices, a move that came before lockdown and social distancing measures were even implemented in most countries. But we are also acting outside the company. SCOR has launched call to action with the “Spread knowledge, not the virus” campaign, which explains the importance of strict containment measures to combat the pandemic and calls on everyone to contribute to the fight against its spread. The Group is also sharing knowledge on the evolution of Covid-19 with regular publication of appropriate epidemiological data.

The resilience of SCOR’s operational capability, supported by high-performance IT systems and applications, means that the Group can continue to serve its clients in this period of crisis and immediately respond to their reinsurance needs.

The coronavirus pandemic is addressed by governments via lockdown policies and fiscal stimulus and by central banks via monetary policies to support financial markets and liquidity concerns. The outcome of these efforts, and notably the timetable at which the spread of the virus subsides, will become clearer over time.

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

## B.SYSTEM OF GOVERNANCE

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

#### B.1.1 GENERAL GOVERNANCE PRINCIPLES

SLI has an objective of adopting best practices with regards to governance as good governance contributes to meeting its strategic objectives and ensuring an appropriate management of risks. The governance of SLI is, aligned with SGLRI, SCOR SE and SCOR Group and derives from the following objectives:

- compliance with applicable laws in the countries where it operates, and in particular, for SCOR SE, with the French Commercial Code, the French Monetary and Financial Code, the AMF's General Regulation and the French Insurance Code;
- pragmatism, simplicity and operating efficiency, allowing for timely and effective decision-making and cost effectiveness;
- clear allocation of roles and responsibilities, including clear reporting lines and accountability;
- checks and balances;
- fostering of cooperation, internal reporting and communication of information at all relevant levels of the Group;
- robust management and internal control leveraging on the consistent application of policies, guidelines, procedures and tools such as IT systems;
- mobilization of skills and expertise;
- balance between strong governance at Group level involving a global vision and global steering of the business and of risk management, and empowerment of local Boards and management teams, allowing for local specificities to be considered;
- multicentricity, with Group functions being carried out in other geographical locations than Paris to benefit fully from the competencies within various locations;
- efficient flow of information bottom-up and top-down.

#### B.1.2 LEGAL STRUCTURE AND FUNCTIONAL ORGANIZATION OF SCOR GROUP

Please refer to 2019 Solvency and Financial Condition Report of SCOR Group and SCOR SE, section B.1.2 – Legal structure and functional organization of SCOR Group for further details.

#### B.1.3 GROUP GOVERNANCE STRUCTURE AT GROUP AND LEGAL ENTITY LEVEL

Please refer to 2019 Solvency and Financial Condition Report of SCOR Group and SCOR SE, section B.1.3 for further details on the governance of the Group and SCOR SE.

##### B.1.3.1 GOVERNANCE OF SCOR LIFE IRELAND DAC

###### Legal form and fundamental rules of governance of SLI

SLI is a designated activity company incorporated in Ireland, with its registered office located at 6th Floor, 2 Grand Canal Square, Dublin 2 and registered with the Irish Companies Registration Office under the number 614549. It is authorized and regulated by the Central Bank of Ireland (CBI) as a composite reinsurance company and is also authorized to operate:

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

SLI is subject to Irish and European Union applicable laws and regulations (including but not limited to the CBI's Corporate Governance Requirements for Insurance Undertakings which sets out minimum statutory requirements on how insurance undertakings should organize governance of their institutions) and is supervised by the CBI.

The Constitution of SLI and the Internal Regulations of the SLI Board of Directors set forth the fundamental rules of its governance.

###### Board of Directors and Board committees of SLI

###### Mission of the Board of Directors

The Board of Directors may exercise all the powers vested in it by Irish laws and regulations.

In accordance with Irish law, the main responsibility of the Board of Directors is to determine the guiding principles of the SLI's business plan and strategy and to monitor their application. With the exception of powers explicitly reserved to its'

shareholder and within the limits of the corporate purpose, the SLI Board addresses any matters related to performance and takes decisions regarding business issues concerning the Company. It designates the CEO and the persons effectively running the Company. Directly, or via its committees, it hears the key function holders for SLI at least annually and receives their reports. It takes part in the sound and prudent management of the Company. It is informed by management of the financial position, cash position and commitments of the Company. In accordance with legal provisions, it approves the financial statements, proposes and approves dividends and makes investment and financial policy decisions. 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 SLI. 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 of Directors**

Per the Internal Regulations, SLI must have a minimum of 5 Directors, with a majority of Non-Executive Directors and at least 2 Independent Non-Executive Directors.

Directors are subject to fit and proper requirements as detailed in section B.2 – Fit and proper requirements and are designated as Pre-Approval Control Functions (PCF) per the CBI's Fitness and Probity Regime. In addition, SLI complies with Board composition requirements as set out in the CBI's Corporate Governance Requirements for Insurance Undertakings (CGR) and Irish Company law.

#### **Directors' Duties**

Under Irish law Directors are required to comply with applicable law and SLI's Constitution. Directors may be held liable for any violations both individually and jointly with the other directors.

Each director has a duty of care to the Company. He or she shall not act in his or her own interest, against SLI's interests, and must avoid conflict of interests.

#### **Functioning of the Board of Directors**

The convening procedures, the holding of the meetings and other details of SLI's Board of Directors operations are set by the applicable laws and regulations, by the Constitution of SLI and by its Internal Regulations.

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.

The operations of the Board are assessed annually.

#### **Chairman of SLI Board**

The Board of Directors elects a Chairman from among its members and, in line with the CGR, the Chairman must be an independent Non-Executive Director or a Group Non-Executive Director.

The Chairman is responsible for organizing and directing the work of the Board of Directors.

#### **SLI Board Committees**

SLI's Board of Directors has established the following committees:

- Audit Committee;
- Risk Committee;
- Business Acceptance Committee; and
- Succession Committee (ad-hoc).

The missions, duties and responsibilities, composition rules and operations of these committees are set out in the Terms of Reference for the respective Committees. In particular:

#### **Audit Committee**

The Audit Committee is appointed by the SLI Board to assist it in monitoring and overseeing (1) the accounting and financial reporting processes and the audits of the financial statements, (2) the integrity of the financial statements, (3) the internal control framework and (4) the performance of the Company.

#### **Risk Committee**

The Risk's Committee's mission is to:

- examine, notably based on the own risk and solvency assessment, the major risks with which SLI is confronted, both on the assets and liabilities side, and ensure that tools for monitoring and controlling these risks are in place to the fullest extent possible.
- examine SLI's principal underwriting and financial commitments (underwriting, reserving, market, concentration, counterparty, asset-liability management, liquidity and operating risks) as well as relating to the evolution of prudential regulations.

### SLI Business Acceptance Committee

The Business Acceptance Committee's mission is to assist the Board in monitoring and overseeing (1) business review in line with SLI's policy on underwriting risk, (2) approval of deals within limits specified by the Board and (3) the execution of documents.

### Executive Management of SLI

#### Chief Executive Officer of SLI (CEO)

Responsibility for the general management of SLI lies with the CEO, their exercise of such powers and responsibilities is limited to the corporate purpose of SLI and is subject to the powers specifically conferred to the Board of Directors as per legal or regulatory provisions or the Constitution of the Company.

The CEO is responsible for defining and implementing SLI's long term strategy and objectives in line with the Group strategy. The CEO's leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing SLI's long and short-term plans. The CEO serves as the main link between the SLI Board and the management of SLI. The CEO may also communicate on behalf of SLI to its' shareholders, employees, Government authorities, other stakeholders and the public.

A number of management committees have been put in place which facilitate bottom-up reporting, the coordination of the action of all major functions in the entity, the involvement of senior management of SLI in significant decisions concerning SLI and the preparation of the work of the Board of SLI.

Management committees at SLI level notably include:

- Investment Risk Committee;
- Operational Risk Committee; and
- Underwriting Risk Committee.

#### Four-eyes principle

SLI applies the "Four Eyes Principle", which specifies that it must be effectively run by at least two persons. The CEO of SLI is assisted by the Senior Management Team, comprising of the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO) of the Company.

The "persons effectively running" SCOR including SLI, are subject to fit and proper requirements as set out by the Group Fit & Proper policy (see section B.2 – Fit and proper requirements).

There are a number of internal documents including the Reserve Powers of the Board and the Powers of Authority, which sets out the criteria for decision making within SLI, as any significant decisions are taken by the Board, Board Committees or Management Committees. In respect of Management Committees, any decision must include approval from a minimum of two of the CEO, the CFO and the CRO.

### Key functions

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

These functions are the following:

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

There are nominated key function holders for each of these roles in SLI.

Key functions for SLI may be outsourced (if only partially) to other entities, as and in accordance with the CBI requirements and the rules laid out in the Group Outsourcing Policy. Refer to section B.7 Outsourcing for further details.

### Roles and Responsibilities

For further information on roles and responsibilities of key functions, please refer to dedicated below sections, in particular section B.3 – Risk management system including the Own Risk and Solvency Assessment (ORSA), section B.4 - Internal control system, section B.5 - Internal audit and section B.6 - Actuarial function.

### Freedom from influences

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 CEO, through their management lines.

Each of the key function holders designated for SLI has a sufficiently high rank in the organization and is in a position to conduct their activities in an independent manner. The standing and the authority of the key function holders in the main

respectively relevant management governing bodies allow them to execute their tasks with the level of independence required set forth by the Solvency II regulations. In addition, the key function holders interact with the Board members and with the persons effectively running SLI on a regular basis.

#### **Access to the Board**

The key function holders meet, at least once a year, with the Board of Directors of SLI, or one of its specialized Committees. Besides, the Board of Directors of SLI and its Committees may contact the key function holders at their discretion, upon request from their respective Chairmen.

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

SLI's key function holders are approved by the Board. They are subject to specific fit and proper requirements which are set out in the Group Fit and Proper Policy (see section B.2 – Fit and proper requirements) and the CBI Fitness and Probity requirements. Upon designation, key function holders are notified to the CBI.

#### **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 that key function holders face difficulties in accessing relevant information, they shall refer the issue to the CEO or Chairperson of SLI for arbitration.

#### **Interactions with other key function holders**

Key function holders shall each 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.

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### **B.1.4 MATERIAL CHANGES IN THE GOVERNANCE IN 2019**

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During 2019, SLI did not make material changes to its corporate governance system however changes were made to the Board and Committee membership during 2019.

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

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#### **Material transactions with shareholders**

As set out in section A.1.1.4 Significant Shareholders, SGLRI is the immediate parent company of SLI with a 74% share. SGLAH holds a minority share of 26%. SGLRI and SGLAH are wholly owned by SCOR SE, the ultimate parent company. SLI did not pay a dividend to SGLRI or SGLAH during 2019.

SLI has several business relationships with entities within the SCOR Group, including:

- Reinsurance transactions made in the ordinary course of business;
- Parental guarantee agreement with SCOR SE, guaranteeing SLI'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 entities within the SCOR Group refer to Note 29 in the 2019 Financial Statements.

#### **Material transactions with members of the AMSB (Administrative, Management or Supervisory Body)**

SLI considers that members of the Board constitute key management personnel, as the Board has responsibility and authority for planning, directing and controlling the activities of SLI.

Refer to sections B.1.6.1- Compensation policy of the members of the Board of Directors and B.1.6.3– Main components of the compensation policy by staff category.

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

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.

SLI's related parties include:

- Parent entity;
- Other related entities; and

- 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.

SLI has several business relationships with related parties, in addition to those with SGLAH, SGLRI and 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 including interest rates and collateral as those prevailing at the same time for comparable transactions with other parties.

For more information on transactions with related parties refer to Note 29 in the 2019 Financial Statements.

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

SLI is strictly conforming to the Group Compensation Policy

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

The SLI Board is composed of an Executive Director, Non-Executive Directors employed by the SCOR Group and Independent Non-Executive Directors.

Independent Non-Executive Directors' (INED's) fees are allocated partly in one fixed sum per annum payable in quarters at the end of each quarter and partly based on the presence of the directors at the meetings of the Board of Directors and of its Committees, with an amount paid per Board or per Committee meeting they attend. The members of the SLI Board who are employees of the SCOR Group do not receive directors' fees in respect of their directorships.

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

SCOR pursues a human capital policy that is in line with the Group's corporate values, strategic plan and risk appetite. SCOR is committed to:

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

In order to achieve such objectives, SCOR has established a very structured and transparent compensation policy, within an overall framework. It is reviewed and submitted to the Board of Directors for approval at least annually. It was last updated in July 2019.

SCOR has established a "Partners"<sup>1</sup> program. This program which is specific and selective includes information sharing, career development and compensation schemes. There are four main Partner levels: Associate Partners (AP), Global Partners (GP), Senior Global Partners (SGP), and Executive Global Partners (EGP). Partners represent around 25% of the global workforce. The SCOR Group has a formal, carefully designed procedure for appointing and promoting Partners implemented every year during an Executive Committee meeting. Candidates must have consistently demonstrated their skills, leadership and commitment in the past. As at December 31, 2019, the proportions of partners by level across the Group is as follows: EGPs: 2%, SGPs: 7%, GPs: 31%, APs: 60%.

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

#### Overall compensation components

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

<sup>1</sup> The Partners are key executives, managers, experts, and high potentials formally identified across the Group. Partners are given specific responsibilities in terms of significant achievements, high impact project management and leadership. Therefore, they benefit from a specific and selective program in terms of information sharing, career development and compensation schemes

Senior management	✓	✓	Free shares, Stock options, LTIP	✓
Partners	✓	✓	Free shares, Stock options <sup>(3)</sup> LTIP	✓
Non partners	✓	✓	Free shares	✓

(1) As a member of the Group Board of Directors, the Chairman and Corporate Executive Officer receives directors' fees

(2) Long Term Incentive Plan

(3) Only Executive Global Partners and Senior Global Partners are awarded stock options

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

### Fixed compensation

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

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

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

### Variable cash compensation

#### Partners

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

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

#### Other employees

For employees who are not Partners, the SCOR cash bonus rewards individual performance over the previous year. The bonus varies between 0% and 12% of the annual base salary depending on the rating received in the individual appraisal by the employee's direct superior.

Non Partners are also eligible to the exceptional contribution bonus, ranging from 0% to a maximum of 6% of the annual reference salary.

### Share-based compensation

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

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

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

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

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

#### Partners

The allocation of free shares and stock options to Partners is primarily designed to retain and create loyalty amongst key Group employees. An allocation will not necessarily occur every year and not every Partner is guaranteed an allocation.

The vesting of the shares and options is subject to the satisfaction of presence conditions (3 years to 6 years depending of the nature of the plan) and performance conditions fully aligned with the objectives of the strategic plan (ROE and Solvency ratio). Moreover, beneficiaries must fully respect the Group's Code of Conduct (clawback policy).

#### Other employees

Free shares may be granted to employees that are not Partners under collective plans that do not include any performance conditions. In addition, under specific circumstances, performance shares can also be granted individually to certain employees who are not Partners.

#### Pension Plans

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

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

Generally, SCOR uses defined contribution pension plans.

## B.2 Fit and proper requirements

The Fit and Proper standards of the SCOR Group are embedded in the SCOR Group Fit and Proper policy and the local addendum for SLI which sets out the requirements in relation to the Central Bank of Ireland's (CBI) Fitness and Probity Regime (F&P). 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. These elements are further detailed below. SLI will not permit an individual to perform a Pre-Approval Control Function (PCF) and/or Control Function unless it is satisfied on reasonable grounds that the individual complies with the F&P Standards and has obtained confirmation that the individual has agreed to abide by those standards.

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### B.2.1 OBJECTIVES AND GENERAL PRINCIPLES

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SLI 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). SLI assumes that an individual is proper if there is no obvious evidence suggesting otherwise. Some criminal, civil or disciplinary sanctions are antagonistic with meeting propriety requirements, with no possible remediation. Such sanctions can occur both in an individual's private life and professional activities.

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

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

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

- Category A: Board members (hereafter directors), including the CEO. 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: Board Members and employees within the scope of the European Insurance Distribution Directive (as transposed into Irish law) (IDD) (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 SLI Board is deemed to be fit if, for each subject matter, at least one member is individually fit.

### B.2.3 FITNESS CRITERIA

SLI 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

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

SCOR expects individuals to hold the following qualifications:

Applicable to	Qualification requirements
Category A (directors, Chief Executive Officer and "persons effectively running the company")	<p>Master's degree or equivalent which relates at least to one of the following areas:</p> <ul style="list-style-type: none"> <li>■ strategy or business management;</li> <li>■ finance;</li> <li>■ risk management;</li> <li>■ actuarial science;</li> <li>■ engineering;</li> <li>■ economics;</li> <li>■ law.</li> </ul> <p>If an individual does not meet the above criteria, further consideration will be given to the individual's professional experience (see below).</p>
Category B (key function holders)	<p>Master's degree or equivalent.</p> <p>If the diploma is not related to his/her field of professional activity, further consideration will be given to his/her professional experience (see below).</p> <p>The actuarial function holder, shall have appropriate formal actuarial qualifications and be a Fellow or Accredited Member of a recognized actuarial professional body.</p>
Category C (Employees in the IDD scope)	<p>Qualification criteria are defined in the job profiles.</p>
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.	<p>Qualification criteria are defined by the local regulations.</p>
Category E (other staff)	<p>Qualification criteria are defined in the job profiles.</p>

#### B.2.3.2 PROFESSIONAL EXPERIENCE

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

Each individual must demonstrate:

Applicable to	Qualification requirements
Category A (directors, Chief Executive Officer and “persons effectively running the company”)	<p>Board members:</p> <ul style="list-style-type: none"> <li>■ recently acquired relevant experience (within the last five years);</li> <li>■ at least one member must have relevant knowledge and professional experience in each of the following fields:               <ul style="list-style-type: none"> <li>- understanding of (re)insurance markets;</li> <li>- (re)insurance company strategy and business model;</li> <li>- financial markets;</li> <li>- regulatory framework;</li> <li>- financial analysis;</li> <li>- actuarial;</li> <li>- risk management;</li> <li>- governance;</li> <li>- accounting;</li> </ul> </li> </ul> <p>The CEO and “other persons effectively running the company”:</p> <ul style="list-style-type: none"> <li>■ recently acquired five or more-year long relevant experience (within the last five years):               <ul style="list-style-type: none"> <li>- in an insurance or reinsurance company or;</li> <li>- in a field directly relevant to his/her field of responsibility.</li> </ul> </li> </ul>
Category B (key function holders)	<ul style="list-style-type: none"> <li>■ recently acquired relevant experience (within the last five years)</li> <li>■ the Actuarial key function holder shall have appropriate actuarial experience with an insurance or reinsurance company;</li> <li>■ the Risk Management key function holder shall have appropriate experience of risk management in the financial industry;</li> <li>■ the Compliance key function holder and the Internal Audit key function holder shall have appropriate experience in their field of responsibility (Audit, Finance, Law &amp; Compliance, Underwriting, claims handling, etc.).</li> </ul>
Category C (Employees in the IDD scope)	<ul style="list-style-type: none"> <li>■ Professional experience criteria are defined in job profiles</li> <li>■ Minimum of 15 hours per year of continuous professional training and development</li> </ul>
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.	Professional experience criteria are defined by the local regulations.
Category E (other staff)	Professional experience criteria are defined in the job profiles depending on the position.

## B.2.4 PROPRIETY CRITERIA

### B.2.4.1 PROPRIETY ASSUMPTION

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

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

SLI also takes actions to prevent conflicts of interest.

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

#### B.2.4.2 REMEDIATION

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

If an individual is subject to pending legal proceedings that may eventually lead to such penalties, he/she must inform SLI. Circumstances other than court decisions and ongoing judicial proceedings, which may cast doubt on the repute and integrity of the person, may also be considered (current investigations or enforcement actions, imposition of administrative sanctions for non-compliance with provisions governing banking, financial, securities or insurance activity, securities markets, securities or payment instruments).

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

#### B.2.4.3 TIME AVAILABILITY

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

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

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

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

Applicant to	Assessor
Board / CEO / Other “persons effectively running the company”	<ul style="list-style-type: none"> <li>■ Board and CEO</li> </ul> Based on a proposal made by the Head of Corporate and Regulatory Affairs with the support of Human Resources for applicants who are also SCOR employees.
Key function holders	<ul style="list-style-type: none"> <li>■ CEO</li> </ul> Based on a proposal made by Human Resources
Employees	<ul style="list-style-type: none"> <li>■ Direct Managers</li> </ul> Based on a proposal made by Human Resources

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

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

Each year, the Corporate and Regulatory Affairs Team/HR department/Direct Managers update their information with an annual fit and proper questionnaire collected from directors, CEO, other “persons effectively running the company, key function holders, Pre-Approval Control Function/Control Function role holders and employees within the scope of IDD.

Furthermore, when the Corporate and Regulatory Affairs Team/HR department receives notification of any changes affecting an individual’s propriety, it updates the latest assessment.

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

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

The risk management principles, mechanisms and processes, described hereafter, are defined for SLI, in line with the proportionality principle, and are consistent with the approach adopted by SCOR Group.

SLI'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 while remaining aligned with the risk appetite framework.

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### B.3.1 RISK APPETITE FRAMEWORK

The risk appetite framework is an integral part of the Group's strategic plan. SLI's risk appetite is approved by the Board of Directors and considers the Group's strategic plan.

SLI's risk appetite framework encompasses the concepts of risk appetite, risk preferences and risk tolerances.

#### B.3.1.1 RISK APPETITE

Risk appetite defines the quantity of risk that SLI wishes to accept to achieve a desired level of profitability. This determines where SLI wishes to position itself on the assumed risk-expected return spectrum, between extremely risk averse (low risk-low return) and extreme risk taker (high risk-high return). SLI uses a comfort solvency ratio as well as a target expected profitability. This then provides a comprehensive definition of its risk appetite, with such metrics being regularly reported to the Board of Directors via the Risk Committee.

#### B.3.1.2 RISK PREFERENCES

Risk preferences are qualitative descriptions of the risks which SLI is willing to accept. Based on SLI's risk appetite, which considers the Quantum Leap strategic plan launched in 2019, SLI pursues an approach of thorough risk selection to optimize its risk profile and aims to:

- actively seek risks related to reinsurance and selected primary insurance
- assume a moderate level of interest rate risk, credit risk, FX and other market risks
- minimize its own operational and reputational risks
- minimize underwriting of cedent's asset-related risks.

#### B.3.1.3 RISK TOLERANCES

The risk tolerances define the limits set out in order to ensure that SLI's risk profile remains aligned with its risk appetite framework. The Board of Directors defines and approves risk tolerance limits for SLI by specific risk drivers and asset exposure in order to ensure that SLI's risk profile remains aligned with its risk appetite framework. SLI uses various risk assessment measures to verify that its exposures remain within these limits. These measures can take several forms depending on the technical constraints or the level of information available and are based on either internal model outputs, scenarios or expert opinions.

For further information on specific risk management strategies, processes and reporting on each risk category, refer to Chapter C – Risk profile.

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### B.3.2 ERM FRAMEWORK

The Risk Management function relies on an ERM framework with various risk management mechanisms as described in the following sections.

#### B.3.2.1 INTERNAL ENVIRONMENT

The main tasks of the Risk Management team are to further develop the Enterprise Risk Management framework and promote an ERM culture within SLI so that risks are managed consistently within each department.

The Risk Management team is supported in these tasks by the departments in charge of risk management at Group, SCOR SE and SCOR Global Investments. Compliance with local regulations and constraints is ensured by the Corporate and Regulatory Affairs team.

SLI's business standards and practices are governed by its policies and underlying guidelines. SLI policies are approved by the management committees and for relevant topics are submitted on a regular basis to the relevant committees of the Board and, ultimately, to the Board of Directors of SLI. These policies are not intended to enumerate all the rules

governing SLI's activities, but rather to establish certain principles intended to ensure that SLI and employees share a common understanding of SLI's standards and that they work in compliance with these standards. When approved, these documents are made available to employees on the SLI network. Refer to Section B.1 – General information on the system of governance for further details on SLI's organization and governance structure.

### **B.3.2.2 SETTING OF OBJECTIVES**

The strategic plan "Quantum Leap" sets out the Group risk appetite framework, from which SLI's strategy stems, namely to support the strategy of its ultimate shareholder which is SCOR Group, subject to satisfying all local laws and regulatory requirements.

### **B.3.2.3 IDENTIFICATION AND ASSESSMENT OF RISKS**

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

- a risk information process: regular and comprehensive risk reporting is provided to the SLI Risk Committee and Board. This includes a quarterly "SLI Risk Dashboard" which describes and assesses the major risks SLI 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 SLI's risk profile remains aligned with the risk level validated by the Board of Directors. SLI 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 SLI to manage the annual aggregate exposure to each major risk. The objective is to avoid overconcentration of risk and hence maximize diversification benefits. The amount of post-tax retained annual exposure per main risk driver (with a probability of 1 in 200 years) is limited to a maximum monetary amount.
  - sub limits for invested assets;
  - limits per risk which are set in the underwriting and investment guidelines.
- an Emerging Risks process: which is part of SCOR's ERM Framework and relevant results are presented on an ad-hoc basis to the SLI Risk Committee. Potential emerging risks are identified and individual risk assessments are carried out by experts from SCOR SE and the Group functions. Significant emerging risks are then reported to the Risk Committee. 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;
- certain risks related to climate change are assessed via the Emerging Risks process. The scientific consensus is that human-induced increases in global temperatures are impacting human and natural systems, including through alterations in the frequency and/ or severity of extreme weather events, although the long-term impacts on underwriting activities are difficult to estimate. SLI's asset portfolio may equally be exposed to potential physical and transition risks over the longer term. Additionally, as part of its Corporate Social Responsibility program, SCOR is gradually implementing a set of low-Carbon initiatives in an effort to limit anthropogenic carbon emissions. These initiatives are further described in Appendix D of the Universal Registration Document;
- SLI's ORSA (Own Risk Solvency Assessment), which provides SLI's Board and Management with forward-looking information on the respective risk and capital positions of SLI. SLI will complete the ORSA as part of the Group ORSA process;
- SCOR's internal model, which is deeply embedded in SCOR's risk management system and contributes to the assessment of risks. SLI uses the internal model for determining economic capital. Its results are used to implement SLI's underwriting and asset management policies and guidelines.

Where relevant, the analysis from these processes are reported to the Risk Committee and to the Board of Directors on a regular basis.

### **B.3.2.4 MAIN CONTROL ACTIVITIES**

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

This section does not detail these risks, but aims to summarize the principal activities and participants of risk control for the following important areas:

- risk management function;
- activities related to reinsurance;
- asset management;

- accounting management.

The control activities described below are considered as the principal activities for controlling risks specific to those areas.

#### **B.3.2.5 RISK MANAGEMENT FUNCTION**

The Risk Management area comprises the risk management function and collaborates with the Corporate and Regulatory Affairs department. Further information is presented below;

- the Risk Management function's primary focus is to develop and manage ERM mechanisms, promote ERM concepts throughout SLI and perform a second-level control over reinsurance underwriting;
- the Corporate and Regulatory Affairs Department monitors Irish prudential regulations and advises SLI accordingly. It coordinates SLI's actions to comply with regulatory requirements for the supervision of (re)insurance companies in Ireland and SLI's interactions with the Central Bank of Ireland (CBI). It also coordinates SLI's efforts to adapt to new major prudential regulations, such as Solvency II.

All functions across SLI are responsible for contributing to an effective risk management system, which is overseen by the Risk Management function.

#### **B.3.2.6 ACTIVITIES RELATED TO REINSURANCE**

The operating and control procedures concerning underwriting, pricing, administration of reinsurance contracts and claims management are validated by SLI.

For further information on how the main underwriting risks relate to Life reinsurance business are managed, please refer to Section C.2 - Underwriting risks.

#### **B.3.2.7 ASSET MANAGEMENT**

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

##### **Governance and principles**

SLI has harmonized the principles governing the management of its assets: the Policy on Invested Assets defines SLI's governance in terms of asset management and the Investment Guidelines determine the limits for concentration risk as well as limits of exposure to different asset classes. The Investment Guidelines thus determine the conditions under which SCOR Global Investments will implement SLI's investment policy as defined by the SLI Board. The SLI Investment Committee meets at least once every quarter. Its role is to supervise the implementation of the investment strategy with regard to the regulatory and contractual constraints and to monitor the compliance of the portfolios positioning with the SLI investment guidelines.

For more on liquidity see Section C.5 – Liquidity risks.

##### **Investment strategy**

The investment strategy at SLI is risk based and the portfolio's positioning is derived from the risk appetite allocated to invested assets as well as the SLI risk tolerance, which is aligned with the SCOR Group.

The primary investment objective of SLI is to generate recurring financial income in accordance with the risk appetite framework of SLI, and to ensure that SLI:

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

while,

- preserving the liquidity and level of solvency,
- protecting the capital,
- allowing SLI to operate on a day-to-day basis as well as over the long term,
- complying with the investment regulations, risk appetites and regulatory capital requirements (level of capital and type of admissible assets), and investment guidelines;
- being committed to Environmental, Social and Governance (ESG) investing, for which SLI prioritises investments that have a positive sustainability impact.

##### **Operational framework**

SLI outsources the investment and reinvestment of all of their invested assets to SCOR SE. This relationship is put in place through an Investment Management Agreement (IMA) which includes local investment guidelines. SCOR SE delegates to SCOR Investment Partners the implementation of the investment strategy for its invested assets. This relationship is put in place through a Master Investment Management Agreement (MIMA) which includes the list of invested asset portfolios for SLI and its investment guidelines.

## Reporting and risk monitoring

The Group Investment Office (GIO) monitors, on an ex ante and ex post basis, the compliance of the portfolio positioning with regard to SLI's risk appetite and investment guidelines. This is then reviewed by the Investment Risk Committee. The GIO is also in charge of reporting processes related to invested assets. The GIO provides SLI with regular reports used for the monitoring of the asset portfolios. Breaches are escalated to the Investment Risk Committee. Investments falling outside of the scope of the Investment Guidelines are subject to special referral procedures managed by the Investment Risk Committee.

### B.3.2.8 ACCOUNTING MANAGEMENT

The Solvency II reporting process is built upon the Group-wide IFRS reporting process and ensures quality and consistency of SLI and Group solvency reporting. It therefore benefits from controls over the accounting and consolidation process.

### B.3.2.9 INFORMATION AND COMMUNICATION

For the published Solvency and Financial Condition Report, a specific process has been implemented to coordinate the contribution of all relevant functions and the consistency of the information provided. A final review is performed by Management and the Board of Directors.

### B.3.2.10 MONITORING OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The monitoring of the internal control and risk management systems is ensured by a number of complementary mechanisms within SLI.

SLI implements dedicated processes and tools to identify, assess and monitor its risk exposure on a regular basis. See Section B.3.2.3 - Identification and assessment of risks.

For more information on the Internal control system see Section B.4.1 – Internal control system.

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

For more information, refer to Section B.5 – Internal audit

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

The regulatory authorities require that insurance and reinsurance companies determine the Solvency Capital Requirement using a standard formula. Subject to regulatory approval an internal model can be used for this purpose. SCOR has used its experience and knowledge to develop an internal model which accurately reflects SCOR's risk profile as a global reinsurer. For more detail on the internal model and how it differs from the standard formula, please refer to Section E.4.4 - Key differences between the standard formula and the internal model.

The risk categories reported out of the internal model include Life & Health underwriting and reserving risk, Market risk, Currency risk, Credit risk, Interest rate risk and Operational risk.

For further information on risks included in SCOR's internal model, refer to Chapter E – Capital Management.

SLI is exposed to other risks not modelled within the internal model including Strategic, Liquidity and Emerging risks. These risks are not expected to have an immediate impact on the Solvency Ratio and are monitored and managed through specific processes.

### B.3.3.1 ROLE OF THE INTERNAL MODEL IN THE RISK MANAGEMENT SYSTEM

The internal model is a key feature of SLI's risk management; see Sections E.4.1 and E.4.2 for a description of the internal model and some of its uses.

### B.3.3.2 INTERNAL MODEL GOVERNANCE

The internal model governance framework forms an important component of the risk governance at SLI and seeks to ensure the appropriate management and supervision of the internal model and its outputs.

The governance framework includes in its scope the operational run of the model, Model Changes and Independent Validation as outlined in their own respective policies. The Internal Model Management Committee is responsible for ensuring that the internal model operates properly on a continuous basis. It approves internal model results and provides recommendations to the Board on model changes.

The development and use of SCOR's internal model are managed through the following three key policies, which are adopted by SLI:

- Group Internal Model Policy;
- Group Policy on Model Change;
- Group Internal Model Validation Policy.

The Group Internal Model Policy sets out the overarching principles and governance of the internal model. The Group Policy on Model Change sets out the principles and governance for managing the development of the model and the Group Internal Model Validation Policy sets out the corresponding independent validation of both use and development of the internal model and requires that each module is validated at least every year for the annual SCR calculation or whenever there is model change with impact on the SCR or a significant change in the risk profile. There were no material changes in the internal model validation governance during the reporting period.

### **B.3.3.3 INTERNAL MODEL VALIDATION PRINCIPLES AND TOOLS**

SLI maintains a robust process for the validation of the internal model, which is completed in parallel with, and leverages, the Group process. It is performed based on the principles stated in the validation policy and fully complies with Solvency II internal model validation standards.

#### **General principles**

The validation of the internal model aims to review the reasonableness and accuracy of the internal model and the results thereof.

The main principles governing the validation process are:

- Independence and Expertise: the validation is performed by qualified experts who are independent from the design, implementation and run of the model.
- Proportionality: the validation work on the various components of the model is proportionate to the materiality of their impact on the results.

#### **Governance**

The Internal Model Independent Validation governance follows the overall internal model governance (as above) in Section B.3.3.1 – Role of the internal model in the risk management system.

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### **B.3.4 ORSA CONTRIBUTION TO THE ERM FRAMEWORK**

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SCOR's ORSA is a key mechanism of the ERM framework and is an integral part of the Risk Management System. It leverages the capital management and strategic planning processes.

SCOR performs the Group-wide ORSA at both Group and legal entity levels based on clearly defined principles and objectives. It involves close cooperation between Group and SLI teams and regular involvement of Group and SLI Management, as well as the involvement of the SLI Board.

The ORSA provides forward-looking information on the respective risk and capital positions of SLI, taking into account SLI's strategy and risk appetite and includes:

- descriptions of the risk profiles and the main risks SLI is exposed to;
- overviews of expected changes in the risk profiles over the ORSA time horizon; and
- prospective assessments of overall capital needs over the ORSA time horizon, taking into account SLI's strategy and risk profile, including an analysis of any excess or shortfall in the eligible own funds.

It is performed at least annually or more frequently when significant changes in the risk profile occur and the ORSA results are approved by the Board of Directors. (Refer to Section B.1.3.1 – Governance of SCOR Life Ireland dac).

## **B.4 Internal control system**

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### **B.4.1 INTERNAL CONTROL SYSTEM**

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SLI applies the Internal Control System (ICS) standards defined at Group level, which are embedded in the Group Policy on ICS. The ICS is applied in line with the proportionality principle.

#### **B.4.1.1 DESCRIPTION**

SLI operates an Internal Control System (ICS) which is consistent with the ICS adopted across SCOR Group. SCOR Group has an Internal Control System Competence Center (ICS-CC), whose core objective is to pool ICS expertise in order to foster a consistent ICS approach and application of ICS standards across the Group. The ICS standards are

applied based on the proportionality principle. ICS processes have been documented accordingly, focusing on those considered to be the most critical. The ICS documentation is reviewed regularly for continuous improvement.

The approach used to develop and maintain the internal control system is specified in the ICS Group Policy, which is adopted by SLI. The policy sets out the reference framework and details the 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 SLI'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. 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.

SLI implements dedicated processes and tools to identify, assess and monitor its risk exposures on a regular basis. In addition, SLI implements dedicated risk management mechanisms 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 provides independent and objective assessments on the adequacy, effectiveness and efficiency of the internal control system.

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## **B.4.2 COMPLIANCE FUNCTION**

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### **B.4.2.1 ORGANIZATION OF THE COMPLIANCE FUNCTION**

It is SLI's policy to ensure compliance with all applicable laws and regulations and the SCOR Group Code of Conduct wherever it conducts business. SLI 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.

Compliance activities are mostly performed by the compliance function, which is composed of the legal and compliance teams (SLI Corporate & Regulatory Affairs Team, Group General Secretariat including the Group Compliance team and the Group Legal Department, 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 SLI, 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**

The compliance function both at Group and at SLI operates free of any influences that may compromise its ability to perform its duties in an objective, fair and independent manner.

At SLI, the Compliance Key Function Holder has direct access to the Chairman and CEO and reports at least annually to the Board of Directors regarding material compliance assessment and any breaches that may impact SLI'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**

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

#### **Prevention**

Preventing compliance breaches includes:

- monitoring compliance-related regulatory developments, assessing their impact on SCOR and SLI and disseminating this information to the relevant governing bodies and employees;
- identifying, assessing and monitoring compliance risks;

- issuing compliance-related policies and guidelines;
- providing training to employees;
- providing advice to employees regarding specific compliance matters;
- implementing and maintaining compliance tools;
- maintaining a Code of Conduct awareness;
- introducing controls as part of SCOR's internal control system (ICS);
- providing reports on compliance matters.

#### Detection

Compliance breaches may be detected by any of the following:

- employee reporting process: all employees are responsible for ensuring compliance with applicable laws, regulations and policies in their daily duties as well as for escalating any actual or suspected compliance breach;
- controls as part of ICS procedures and other compliance tools;
- leverage from business unit cross-reviews, whereby an operational team operating in a different region from the entity subject to the review performs, checks and reviews compliance-related topics;
- audits conducted by Group Internal Audit;
- audits by external auditors (e.g. accounting and tax);
- operational loss events;
- complaints or litigation initiated by third-parties against SLI.

#### Response

In response to compliance breaches, SLI takes appropriate corrective actions to mitigate the consequences of the breach, and to prevent further reoccurrences of similar breaches in the future.

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

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

## B.5 Internal Audit

The principles and organization as defined and implemented at Group level apply similarly to the Internal Audit function for SLI. The scope of internal audit engagements issued during the reporting period and audit plan – although deriving from the Group – are specific at legal entity level.

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### B.5.1 INTERNAL AUDIT ORGANIZATION

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#### B.5.1.1 GENERAL PRINCIPLES

The Group Internal Audit's audit universe of potential areas within its scope includes all functions and operations carried out by SCOR. Group Internal Audit has no direct operational responsibility or authority over any of the activities it can review. Accordingly, Group 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.

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

Vis-a-vis SCOR subsidiaries and legal entities, Group Internal Audit is the outsourced provider of the internal audit function of legal entities in the scope of the Group Internal Audit Charter, to the extent it is compliant with local laws and regulations. If local obligations related to internal audit matters are not covered by the Group Internal Audit Charter, the Head of Group Internal Audit and legal entity's representatives, must act in a timely manner when implementing complements or adjustments as deemed adequate by the appropriate departments and described in an Internal Audit Charter Addendum.

#### B.5.1.2 ORGANIZATION WITHIN THE GROUP

Group Internal Audit is composed of Regional and specialized Internal Audit Units, managed by Deputy Heads who report directly to the Head of Group Internal Audit. There is no reporting line to the regional or other management.

Planning, Auditing and Monitoring: Regional/legal entities' Internal Audit Plans 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 Group Internal Audit's resources and comply with rotating principles.

Reporting: The Head of Group Internal Audit can delegate to Regional Deputies the duties related to the internal audit reporting to pre-defined affiliates' Audit Committees and Supervisory Bodies. The Head of Group Internal Audit ensures that the reported information is aligned and consistent across the Group.

Exceptions: In specific cases where the general principles above are not applied, the case must be submitted for approval to the relevant Audit Committee, CEO and Chairman of the Board of SCOR SE, the Chairman of the Audit Committee of the Board of SCOR SE and other bodies as deemed necessary.

The Head of Group Internal Audit or a delegate (Deputy Head) is invited to, attend and reports during the regular Audit Committee meetings of SLI (and the other SCOR legal entities) on the internal audit activities and performance and meet privately with the Chairperson of the relevant Audit Committee (at least annually). For entities having no specific Audit committee, the Head of Group Internal Audit is invited to, attends and reports during the Board meeting. The Head of Group Internal Audit issues an annual report when asked to by the Audit Committee or required by laws or regulations.

### B.5.1.3 INDEPENDENCE PRINCIPLES

Within SCOR, the Head of Group Internal Audit reports directly to the CEO and Chairman of the Board of SCOR SE, to provide the necessary independence, and allow it the greatest possible freedom of investigation, while at the same time ensuring the effective and timely implementation of its recommendations and management actions. The Head of Group Internal Audit also reports functionally to the Chairman of the Audit Committee of the Board of SCOR SE, who approves decisions regarding his/her appointment and removal and makes appropriate inquiries to ensure that audits are performed within an appropriate scope with adequate resources, and may steer Group Internal Audit's activities in a specific direction.

The Head of Group Internal Audit submits a written report to the SLI 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 should depend upon the impairment. This principle is applied in the same manner for SCOR Group entities

Group 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 department being audited and management.

## B.6 Actuarial function

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### B.6.1 IMPLEMENTATION OF THE ACTUARIAL FUNCTION

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The SLI Actuarial Function is organized along the same lines as the Actuarial Function for the Group.

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

The role of the actuarial key function is to:

- coordinate the calculation of Technical Provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of Technical Provisions;
- assess the sufficiency and quality of the data used in the calculation of Technical Provisions;
- compare best estimates against experience;
- inform the 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;

- produce an annual written Actuarial Function Report submitted to 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 provision, overall underwriting policy and the adequacy of reinsurance arrangements, a description of any deficiency and recommendations on how such deficiencies can be remedied and
- the Domestic Actuarial Regime also requires the Actuarial Function Holder to provide an opinion to the Board on the ORSA process.

This role is undertaken by the Head of the Actuarial Function for SLI.

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

## B.7 Outsourcing

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### B.7.1 OUTSOURCING PRINCIPLES AND ORGANISATION

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The SLI Policy on Outsourcing sets forth the principles, framework and rules to be followed by all employees considering the outsourcing of critical or important functions by any SCOR entity to another entity, within or outside the SCOR Group. SLI's policy is aligned with the SCOR Group Policy on Outsourcing.

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

SLI monitors and reviews the quality of the service provided and maintains internally the competence and ability to assess whether the service provider delivers the service according to the outsourcing agreement.

Pursuant to Solvency II requirements, specific rules apply to the outsourcing of critical or important functions by SLI.

A critical or important function is defined in the Policy as a function essential to the operation of SLI, i.e. a function the interruption of which would be considered as likely to have a significant impact on:

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

in view of the following:

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

The outsourcing of a critical or important function by SLI shall be subject to the following process:

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

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### B.7.2 MAIN INTRAGROUP OUTSOURCING ARRANGEMENTS

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The SCOR Group operates through a Hub structure whereby certain Hub employees provide services to SCOR Group entities operating in the relevant Hub jurisdictions. In addition, the SCOR Group has developed centers of expertise for certain services, located in some Hubs, which provide expertise to all SCOR Group entities including SLI.

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 are documented through adequate outsourcing agreements and closely monitored by (i) the key function holder of SLI for the specific key function, or (ii) the duly designated person of SLI in charge of monitoring.

The risk management function is partly outsourced by SLI, including structuring and validation of the internal model when relevant to the Group Financial Modelling & Risk Analysis team of SCOR Services Switzerland AG and to the Group Actuarial Modelling team of SCOR SE. Other SCOR EU entities may provide services in support of the execution of this key function, when necessary. These outsourcing relationships are documented through adequate outsourcing agreements and are closely monitored by the risk management key function holder for SLI.

The compliance function is partly outsourced by SLI, to the relevant legal and compliance teams of SCOR SE based in the jurisdictions and regions where it operates, notably the Hub legal and compliance teams managed by Hub General Counsels. This outsourcing relationship is documented through an adequate outsourcing agreement and closely monitored by the compliance key function holder for SLI.

The internal audit function for SLI is outsourced to the Group internal audit team hosted by SCOR SE. In the execution of its mission, the Group internal audit team of SCOR SE relies on all its staff employed in various SCOR entities. This outsourcing relationship is documented through an adequate outsourcing agreement and is closely monitored by the internal audit key function holder for SLI.

Actuarial operations are outsourced by SLI to SCOR SE and SGLA. Other SCOR EU entities may provide services in support of the execution of this key function, when necessary. These outsourcing relationships are documented through adequate outsourcing agreements and are closely monitored by the designated person for SLI.

Claims handling activities, considered as critical and important activities by SCOR, are outsourced by SLI, to some extent and when relevant to SGLA. The outsourcing relationship is documented through an adequate outsourcing agreement and closely monitored by the designated person for SLI.

The asset management activities are outsourced by SLI to SCOR SE. This outsourcing relationship is documented through an adequate outsourcing agreement and is closely monitored by the designated person for SLI.

IT is outsourced by SLI, to some extent and when relevant, to SCOR SE. These outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by the designated person for SLI.

Accounting activities, considered as critical and important activities by SCOR, are outsourced by SLI, to some extent and when relevant to SGLA. The outsourcing relationship is documented through an adequate outsourcing agreement and closely monitored by the designated person for SLI.

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### **B.7.3 MAIN OUTSOURCED ACTIVITIES WITH EXTERNAL PROVIDERS**

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As of the date of this report, SLI has not outsourced any critical or important functions to any external service providers outside the SCOR Group.

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

No other material information is reported regarding SLI'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

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

SLI has identified the following categories of risks:

- Underwriting risks related to the Life reinsurance businesses;
- Market risks;
- Credit risks;
- Liquidity risks;
- Operational risks;
- Strategic risks (refer to Section C.7 – Other material risks).

These risks described in this chapter are managed through a variety of mechanisms in SLI's ERM framework.

SLI'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 SLI's 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 in order to prevent all risks from having a significant impact, there is no guarantee that these mechanisms achieve their intended objective. Many of SLI's methods for managing risk and exposures are based on observed historical market behavior, 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 are publicly available or otherwise accessible to SLI. This information may not always be accurate, complete, up-to-date or properly evaluated.

SLI 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 SLI operates, such as changes in professional practices or in legal, jurisdictional, regulatory, social, political, economic, financial and environmental conditions.

Emerging risks may adversely affect SLI's reinsurance business due to either a change in interpretation of the contracts leading to extensions of cover beyond what policyholders had 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 SLI's business. In addition, emerging risks may also have a direct impact on SLI's operations, for instance by generating unexpected additional expenses.

Specifically, climate change creates a number of challenges for the re/insurance industry and therefore for SCOR. Climate change is likely to interact with the risks associated with SCOR's business, 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 SCOR's reputation.

Therefore, SLI cannot exclude the possibility of its risk exposures exceeding the risk tolerance limits due to an incorrect estimation of these risk exposures. If the risks disclosed in this section were to occur, they could potentially have a significant effect on SLI's present and future business, cash flows, eligible own funds and solvency position.

As mentioned in Section B.3.3 – Internal Model contribution to the ERM framework, the risk categories reported in the Internal Model include, life underwriting and reserving risk, market risk including interest rate risk and currency risk, credit risk, and operational risk.

For further information on risks included in SCOR's internal model, refer to Chapter E – Capital Management.

SLI is exposed to other risks not modelled within the internal model 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, refer to Section E.2.1 – Solvency Capital Requirement.

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### C.1.2 SENSITIVITY ANALYSIS

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SLI maintains a resilient solvency position. SLI monitors its Solvency Ratio sensitivity to the economic assumptions which could have the most significant impact on the Solvency Ratio over the coming year.

For more information on interest rate risk see Section C.3.1.1 – Interest rate risk.

Sensitivity to underwriting risks is evaluated through a variety of mechanisms explained in Section B.3.2.3 – Identification and assessment of risk. These include the analysis of extreme scenarios corresponding to the estimated post-tax net 1-in-200 year annual single event exposures or aggregate exposures. The most significant exposures for SLI under these measures are a long-term mortality deterioration, long term longevity improvements or a mortality shock (e.g. a pandemic).

## C.2 Underwriting risks

The main risk SLI 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. Additionally, SLI is dependent on the quality of underwriting of its cedents for certain reinsurance treaties and on the quality of claims management by these companies and the data provided by them. Under these uncertainties, SLI seeks to ensure that sufficient reserves are available to cover its liabilities.

Generally, SLI'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 SLI'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 treaty clauses) or by increasing the frequency and/or severity of claims beyond what was anticipated at the time of the underwriting.

SLI mitigates its underwriting risks through the purchase of risk mitigation covers, in the traditional retrocession market and through internal retrocession with other SCOR entities. However, there is a risk that SLI may not be able to transfer its liabilities through the purchase of such instruments on economically viable terms and conditions in the future. For further details on retrocession and other risk mitigation techniques, see Section C.2.3 – Retrocession and other risk mitigation techniques.

SLI predominantly underwrites Life Business from SCOR affiliates.

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### C.2.1 LIFE REINSURANCE

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The main underwriting risks for SLI are described below. For quantitative information on Life underwriting risks refer to Section E.2.1 - Solvency Capital Requirement.

#### C.2.1.1 LONG-TERM MORTALITY DETERIORATION

This risk refers to potential negative deviations in future mortality relative to current best-estimate assumptions due to a higher than anticipated number of deaths (i.e. increased mortality rates) among the portfolio of lives reinsured by SLI. This could result from inherent volatility, initial incorrect estimation of the expected claim level or an adverse long-term trend.

#### C.2.1.2 PANDEMIC

In Life reinsurance, a severe pandemic is a major risk. In the past century, three major outbreaks of influenza occurred and claimed millions of lives. The occurrence of a similar event could cause large losses to SLI due to an increased mortality far beyond the usual volatility. A lethal virus strain not only of influenza but of any other communicable disease could lead to a material increase in mortality rates and increased medical costs which could significantly affect SLI's results.

#### C.2.1.3 LONGEVITY

Longevity risk refers to the risk of a negative deviation from expected results due to the insured or annuitant living longer than assumed in the pricing or reserves. This risk could have an impact on longevity swaps, annuity and on other longevity protection products.

#### C.2.1.4 POLICYHOLDER BEHAVIOR RISKS

SLI is also exposed to risks related to policyholder behavior, such as lapsation and adverse selection.

Lapses refer to either non-payment of premiums by the policyholder, or to policies which are terminated by the policyholder before the maturity date of the policy. Depending on product design and other factors, higher or lower policyholder lapses than assumed in the pricing or reserving may reduce SLI's expected future income.

Adverse selection refers to the problem of asymmetry of information between the insured and the insurer. An individual applying for Life or Health insurance cover usually has better knowledge about his or her own state of health than the insurer. The risk to the (re)insurer is of policyholders deliberately deciding among other things to:

- take out a policy in the knowledge that either their chances of claiming are high or higher than average;
- terminate a policy in the knowledge that their chances of claiming are low or lower than average, or;
- choose and exercise a policy option which increases their expected benefit.

This might lead to a portfolio composition which differs from the one assumed during pricing and might imply lower than expected profits for both the direct insurer and the reinsurer.

#### Other risks

##### Risk concentrations

Accepting large amounts of risks may produce risk concentrations, such as exposure to certain regions or events. The largest concentration of risk in the Life business is in relation to long term mortality deterioration and mortality shock events (e.g. pandemics).

#### C.2.1.5 OTHER RISK CONSIDERATIONS

In addition to the main underwriting risks of SLI as listed above, other factors could have an adverse impact, whether related to policyholder behavior such as morbidity, resale or purchase of policies by third parties with no insurable interest, or other risk factors such as risks related to product guarantees.

Climate change could also have impacts on the Life reinsurance business which could manifest both in adverse events and in long-term trends. For instance, increases in the frequency and severity of extreme heat events have the potential to negatively influence mortality and morbidity through, for example, the aggravation of cardiovascular and respiratory illnesses. Natural catastrophes, such as wildfires and hurricanes, are likely to claim more lives with increasing severity. Over a longer time horizon, rising temperatures will change the patterns of disease distribution, for example, through expansion in the geographic range of disease vectors such as mosquitos. Various other mechanisms through which climate change could impact the life reinsurance business are being investigated.

#### C.2.1.6 MANAGEMENT OF UNDERWRITING RISKS RELATED TO THE LIFE REINSURANCE BUSINESS

In addition to the transversal risk management mechanisms described in the introduction to this section, SLI also implements mechanisms to mitigate certain risks specific to Life reinsurance:

- Claims deterioration risks are mitigated through yearly renewable terms for parts of the mortality business, and through premium adjustments for some products.
- Lapse risks are mitigated through appropriate reinsurance treaty clauses, as well as product and client diversification.
- Adverse selection risks are mitigated through careful product design and a well-defined medical and financial underwriting process.
- Generally, the Life reinsurance business is underwritten throughout the year. The Life business underwritten is monitored on a quarterly basis against prior year development as well as the business plan and regular updates are provided to the Board Committees and Management Committees.
- The Life business is underwritten in accordance with internal underwriting and pricing guidelines. Mandates for underwriting Life reinsurance business are assigned to teams on a mutually exclusive basis.
- In order to ensure that SLI is continually up-to-date with biometric trends and scientific developments, the expertise of specialists is used to analyse and assess the key factors underlying mortality, longevity and policyholder behavior. These teams provide recommendations for the implementation of the research results into the pricing, underwriting and determination of exposure limits. Regarding the potential impacts of climate change, SCOR's specialists are following medical literature to identify the links between climate change and certain medical conditions and diseases. Where appropriate, this information is fed into decisions related to current and future underwriting, pricing and valuation of reserves.
- Guidelines and other documents defined by the Life business unit specify the underwriting rules and principles to be complied with, underwriting capacities delegated to the underwriters and pricing actuaries in each of the markets in which the Group operates, as well as maximum acceptable commitments per risk and per event. These guidelines outline contract type and terms and conditions of acceptance. Furthermore, they set out the

level of retention of SCOR's Life business unit for various risks and types of cover. Revisions and updates follow a formalised approval process

Business opportunities going beyond the stipulations of these guidelines and documents are subject to a special referral process in order to ensure that the business complies with established risk-adjusted return criteria and risk tolerance limits. These cases are examined at the Life business unit level by Pricing and Risk Management and, where applicable, the Finance Department. Cases which may have a significant impact on the balance sheet of the Group are additionally reviewed by the Group Risk Management Department. Thresholds or conditions for a referral to the Group Risk Management Department are outlined in specific SLI guidelines.

- Accumulations of risk particularly exposed to catastrophes in the Life business are regularly assessed in "footprint" scenarios and local catastrophe scenarios. Specific tools are used to monitor known Group cover accumulation in selected geographical areas. Specifically designed retrocession programs aim at protecting the Life reinsurance business. One program protects assumed catastrophe excess of loss acceptances; another one protects the net retained lines in respect of proportional and per risk acceptances. SLI uses the Risk Management Solutions (RMS) model for infectious diseases in order to assess the potential exposure to risk arising from global pandemics.
- Maximum underwriting capacities are established to limit SLI's exposure from various types of treaties underwritten, proportional and non-proportional, covering individual policies. These capacities are reviewed each year, taking into account the capacities obtained by retrocession coverage. The exposure is monitored throughout the year against defined risk limits and used for decisions on mitigating measures. Monitoring of peak exposures is included in Life regular risk reporting. See Section C.2.3 - Retrocession and other risk mitigation techniques for further information on how these instruments are managed.
- Claims handling is performed by local claims teams or outsourced to other SCOR affiliates as appropriate. Claims exceeding a predefined threshold are reviewed by the Life business unit's medical underwriting and claims specialists. In addition, where deemed appropriate, audits are conducted on claims or specific lines of business at the ceding companies' offices.
- The adequacy of SLI's technical provisions is monitored based on specific procedures. For further information on how risks related to reserves are managed, please see Section C.2.2 - Risks related to Technical Provisions.
- Risks specific to the management of contracts are mitigated by specific controls supported by SCOR's IT systems which include numerous automatic controls and additional tools.
- A quarterly review of technical results is performed.
- SLI's Risk Management Department organizes quarterly meetings of the Board Risk Committee, which is responsible for reviewing the main risks to which SLI is exposed.
- In addition, "cross reviews" are commissioned by the Life Chief Executive Officer to evaluate, on the one hand, the quality of underwriting, pricing, medical underwriting and claims handling of particular market areas or lines of business and, on the other hand, to identify and assess risks, to evaluate the appropriateness and effectiveness of controls and to propose risk management actions. SLI leverages these "cross reviews" as appropriate.

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## C.2.2 RISKS RELATED TO TECHNICAL PROVISIONS

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### C.2.2.1 SLI'S RISKS RELATED TO TECHNICAL PROVISIONS

SLI's technical provisions are established based on the information it receives from its cedent insurance companies, 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 SLI reviews available historical data and tries to anticipate the impact of various factors such as changes in laws and regulations, judicial decisions, social and political attitudes, trends in mortality and morbidity, and changes in general economic conditions.

If some information were to be incorrect and/or incomplete, this could have an adverse effect on SLI.

As is the case for all other reinsurers, 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 primary insurer and ultimately to SLI.

Another factor of uncertainty resides in the fact that some of SLI's activities are long-tail in nature such as, whole Life products or, longevity reinsurance. It has, in the past, been necessary to revise estimated potential loss exposure on such lines.

### C.2.2.2 MANAGEMENT OF TECHNICAL PROVISIONS RISK

With regards to technical provisions risk, SLI seeks high confidence in their 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.

SLI's Solvency II Best Estimate Liabilities (BEL) are audited as part of the Central Bank of Ireland's requirement to have an external audit of Solvency II regulatory returns. If necessary, internal audits of its portfolios are performed.

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

In order to ensure an adequate and efficient monitoring of the reserves, the Actuarial Function Report (AFR) is prepared on a yearly basis by the Actuarial Function Holder who provides his or her opinion on the adequacy of the reported year-end technical provisions. The main objective of this report is to provide the Board, Audit Committee and management with an overall opinion on the adequacy of SLI's technical provisions but also to highlight the inherent uncertainties surrounding this assessment.

### Solvency II Technical Provisions

The Solvency II Technical Provisions are composed of BEL and the Risk Margin. The Actuarial Function holder coordinates the calculation of technical provisions. It relies upon the existing processes and controls as provided in the AFR. 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, refer to Section D.2 – Technical provisions.

The contribution of the Actuarial Function to the management of the risk on technical provisions includes additional specific controls:

- The BEL is computed centrally based on projected Best Estimate cash flows. Consistency checks on projected cash flows are carried out, as well as analysis on changes in the BEL compared to previous periods.
- The risk margin is calculated in SCOR's internal model, which is subject to an independent validation (for further information on the IM related governance, refer to Section B.3.3 – Internal model contribution to the ERM framework). The methodology used is aligned with Solvency II requirements.

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

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

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Reinsurers typically purchase reinsurance to cover their own risk exposures. Reinsurance of a reinsurer's business is called retrocession. SLI remains primarily liable to its cedents on all risks reinsured although the retrocessionaire is liable to SLI to the extent of the cover limits purchased.

The level of retrocession is selected each year to ensure that SLI's retained risk profile respects the specific SLI risk appetite framework and to help SLI achieve its return on capital and solvency objectives.

SLI aims to diversify its retrocession and risk mitigation instruments as well as counterparties in order to take advantage of all different sources of capacities on the market. This enables the retrocession and risk mitigation program to be constructed with complementary mitigation effects offering optimal efficiency and also to avoid overdependence on a limited number of counterparties for future placements.

SLI Risk Management co-ordinates with a Life centralised retrocession team to determine and place retrocession coverage. The retention and the retrocession structure are revised every year.

The availability and efficiency of SLI's retrocession and risk mitigation program is monitored on a regular basis in order to ensure that SLI's overall exposure remains within pre-defined risk tolerances.

For further information on how credit default risk related to retrocessionaires is managed, see Section C.4.1.2 - Credit risk related to retroceded liabilities.

In addition to externally placed retrocession, SLI uses intragroup reinsurance/retrocession mainly in order to:

- (1) manage SLI's net risk profiles, required solvency capital and volatility of results;
- (2) organize an internal pooling of risks to transfer to the external retrocession covers.

## C.3 Market risks

### C.3.1 MARKET RISKS – RISK OVERVIEW

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 includes interest rate risk and currency risk, further described below to which SLI is exposed through its investments. Market Risk also includes credit spread risk on these invested assets, in addition to sustainability risks, including those as a consequence of climate change. For further information on credit risk, refer to Section C.4 - Credit risk.

For further information on how other macro-economic changes (such as changes in the general price level from its current trend) may impact SLI's assets, refer to Section C.7.1.1 – Risks related to macro-economic environment affecting SLI's strategy.

For quantitative information on market risk on invested assets, refer to Section E.2.1 – Solvency Capital Requirement. The presentation of SLI's assets giving rise to market and credit risks is provided in Section D.1 – Assets.

#### C.3.1.1 INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of 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 SLI's assets.

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. The current low yield environment increases the potential materialisation of this risk.

On the other hand, an increase in interest rates could lead to a fall in the market value of fixed income securities that SLI holds.

SLI's reinsurance business is also exposed to interest rate risk. The value of certain life insurance contracts, the risk margin and deposits with cedents are also subject to discounting. The discounting impact from a change in interest rates on assets and liabilities will offset to some extent. For information on interest rate sensitivities see section C.1.2 - Sensitivity Analysis.

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

#### C.3.1.2 CURRENCY RISK

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

##### Translation risk

SLI reports in USD, which is consistent with the majority of its liabilities. Nevertheless, a material part of its liability portfolio is denominated in currencies other than USD. Consequently, fluctuations in the exchange rates used to convert these currencies into USD may have a significant impact on its reported net income and net equity from year to year.

##### Equity risks

SLI does not currently have any equity holdings.

#### C.3.1.3 REAL ESTATE RISK

SLI does not currently have any real estate holdings.

#### C.3.1.4 CREDIT SPREAD RISK

Credit spreads reflect the market's assessment of the credit quality of a financial instrument (e.g. a bond) and are derived from the market value of the instrument. Credit spread risk is the risk that the credit spread increases i.e. the market value deteriorates leading potentially to a loss on the financial instrument.

Credit spread risk on invested assets is the risk of incurring a financial loss arising 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 SLI's fixed-income securities.

### **C.3.1.5 CLIMATE RISKS**

Climate risk reflects the risk that the value of assets could be impacted by climate change. This covers the potential negative aspects of acute physical risks on the value of assets, risks linked to the transition to a low Carbon economy and the potential for risks to SCOR's reputation linked to investment choices

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

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### **C.3.2.1 RISK MANAGEMENT OF ASSETS – AN OVERVIEW**

The investment strategy is prudent with the majority of assets held in cash and fixed income securities. It is defined in line with the risk appetite and risk tolerance limits and considers the economic and market environment and the ALM (asset liability management) process.

Investment Guidelines outline the investment universe and limits, including concentration limits, in line with the risk appetite. They are approved by the Board of Directors or Investment Risk Committee.

SLI has outsourced the implementation of its investment strategy to SCOR SE who have in turn outsourced the activity to the asset management company SCOR Investment Partners SE. They are provided with the Investment Guidelines.

Exposures to major risks are monitored frequently and stress tests measure the impact of changes in risk drivers on the invested assets portfolio. These scenarios cover changes in interest rates, inflation, equities, credit spreads and real estate market. 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, SLI is mainly exposed to the USD denominated assets with a strong focus on fixed income. In terms of business sector, SLI is mainly exposed to Consumer Business and Government bonds. For more information regarding the principles applied to invest the assets in a prudent manner see Section B.3.2.7 – Asset Management.

### **C.3.2.2 MANAGEMENT OF INTEREST RATE RISK**

Interest rate risk is managed from a holistic point of view. SLI monitors the interest rate sensitivity in the EBS. Stress tests and regular monitoring enable the exposures to be compared with risk tolerance limits set by SLI.

SLI 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 RISK**

As SLI matches the currency risk on a Group IFRS basis, for other reporting bases such as Solvency II, SLI may have a residual exposure to currency risk. In particular, fluctuations of the non-US currencies, particularly Sterling, may have an adverse effect on eligible own funds from year to year.

### **C.3.2.4 MANAGEMENT OF EQUITY RISK**

SLI does not currently have any equity holdings.

### **C.3.2.5 MANAGEMENT OF REAL ESTATE RISK**

SLI does not currently have any real estate holdings.

### **C.3.2.6 MANAGEMENT OF CREDIT SPREAD RISK**

SLI 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.3.2.7 MANAGEMENT OF CLIMATE RISK**

To better address climate risks and improve the resilience of its invested assets portfolios, SCOR has developed a sustainable investing strategy framed by a Sustainable Investing Policy. The 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. To manage climate risk, SCOR is using and developing a number of methods to assess and better protect the invested assets portfolios against physical and transition climate risks.

## C.4 Credit risks

For quantitative information on credit risk, refer to Section E.2.1 – Solvency Capital Requirement. The presentation of SLI's assets giving rise to market and credit risks is provided in Section D.1 – Assets.

### C.4.1 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 our counterparties.

SLI 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 portfolios, liabilities retroceded also called share of retrocessionaires in contract liabilities, deposits with cedents, future cash-flows from Life reinsurance treaties and cash deposits at banks.

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.7.2 - Significant risk concentrations.

#### C.4.1.1 CREDIT RISK RELATED TO BOND PORTFOLIOS

A deterioration in the financial situation of an issuer (sovereign, public or private) 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.

#### C.4.1.2 CREDIT RISK RELATED TO RETROCEDED LIABILITIES

SLI transfers part of its risks to retrocessionaires via retrocession programs in exchange for the payment of premiums. The retrocessionaires then assume the losses related to claims covered by the retrocession contracts. If a retrocessionaire defaulted, or its financial situation deteriorated, SLI could lose part or all of the coverage provided by its retrocessionaire whereas it would retain its liability towards the cedent for the payment of all claims covered under the reinsurance contract.

SLI could also lose receivables from the defaulting retrocessionaire (receivables are due to a timing difference between statement accounts received and real payment due for positive balances of retrocessionaire accounts).

#### C.4.1.3 CREDIT RISK RELATED TO DEPOSITS WITH CEDENTS

SLI may be exposed to credit risk in relation to amounts deposited with ceding companies in respect of reinsurance reserves which cover its liabilities. However, depositing these amounts does not a priori discharge SLI of its liability towards the cedent in cases where it is not able to recover all or part of these amounts in the event of a cedent default or a deterioration in the financial situation of that cedent. Hence, it is, at least in principle, possible that SLI may remain liable for paying claims due under the reinsurance treaty without being able to offset all or part of the corresponding deposits.

A legal opinion was obtained in respect of those jurisdictions where it has deposited material amounts with cedents, to provide assurance that the contractual right of offset exists.

#### C.4.1.4 CREDIT RISK RELATED TO FUTURE CASH-FLOWS OF LIFE REINSURANCE TREATIES

Under most of its Life reinsurance contracts, SLI expects to receive premiums from its cedents over several years. These often exceed expected future payments for claims, commissions, etc., meaning that SLI expects to receive future positive cash flows.

Credit risk on future cash flows from Life reinsurance policies arises from two risk factors:

- the payment of future cash flows expected under Life reinsurance contracts requires that the cedent is financially sound. Therefore, SLI risks a reduction in the value of its portfolio of Life contracts in the event of a deterioration in the financial strength of the cedent;
- a reduction in the value of future cash flows could arise from material unexpected lapsation of policies following a deterioration of the cedent's credit rating or standing or an event which has a negative effect on the cedent's reputation.

#### C.4.1.5 CREDIT RISK RELATED TO CASH DEPOSITS AT BANKS

SLI is exposed to the risk of losing all or part of any cash deposited with banks in the event a bank is no longer able, due to insolvency, to honor its commitments (e.g. following liquidation). The current main risk for SLI 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.

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## C.4.2 MANAGEMENT OF CREDIT RISKS

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### Management of credit risk related to bond portfolios

SLI mitigates the credit risk related to bond portfolios by careful analysis and selection of issuers, and by a policy of geographic sector diversification. SLI maintains its investment policy in high-quality assets and in countries with the lowest sovereign risk.

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

### Management of credit risk related to retroceded liabilities

SLI selects retrocessionaires carefully, taking into account their financial strength, and regularly monitors its exposure to retrocessionaires and provides summary reports to the Board Risk Committee on a regular basis.

### Management of credit risk related to deposits with cedents

SLI favors deposit arrangements with the ability to offset liabilities against deposits with high legal certainty.

Deposits with cedents are monitored through a quarterly analysis of exposure and associated risks. Actions aiming at reducing or limiting the exposure (e.g. ad-hoc legal opinions, introduction of offset clauses) can be implemented where needed.

### Management of credit risk related to future cash flows from Life reinsurance treaties

All of SLI's reinsurance contracts are with SCOR affiliates. SLI monitors the development of its cedents' financial situation through regular contact, which enables SLI to take appropriate action when deemed necessary. In addition, credit risk on future cash flows from Life reinsurance policies is mitigated by industry-wide protection solutions in several countries.

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

SLI selects bank counterparties according to their rating and credit quality. Concentration risk from cash deposits at banks is mitigated by setting counterparty exposure limits. SLI 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 risks.

## C.5 Liquidity risks

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### C.5.1 OVERVIEW OF LIQUIDITY RISKS

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

#### C.5.1.1 LIQUIDITY NEEDS

SLI needs liquidity to pay claims, operating expenses, interest payments and declared dividends on its share capital. Without sufficient liquidity, SLI 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.

Liquidity needs may also arise from increased collateral requirements. Collateral arrangements, including the posting of assets or Letters of Credit, are used by SLI when the jurisdictions in which it operates demand collateral. This is especially the case in the US for business falling under the NAIC Model Regulation XXX or Valuation of Life Insurance Policies Model Regulation, commonly referred to as Regulation XXX (or Triple X). Letters of Credit carry the risk of a duration mismatch i.e. that short-term Letters of Credit are covering long-term business and might have to be renewed at less favorable conditions, creating additional cost.

#### C.5.1.2 SOURCES OF LIQUIDITY

The principal internal sources of SLI's liquidity are reinsurance premiums, cash flows from its investment portfolio and other assets, consisting mainly of cash or assets that are readily convertible into cash.

External sources of liquidity are bank overdraft facilities.

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### C.5.2 MANAGEMENT OF LIQUIDITY RISKS

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SLI assesses liquidity risks arising from both short-term and long-term liquidity needs. SLI 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 need 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. SLI estimates the level of its immediately tradeable assets (i.e. non-pledged assets) which could be sold within a reasonable timeframe.

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

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SLI's expected profit in future premiums (EPIFP) as at year-end 2019 amounts to USD 5,400 million. EPIFP results are produced by SCOR solely 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

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### C.6.1 OVERVIEW OF OPERATIONAL RISKS

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For quantitative information on operational risk, refer to Section E.2.1 – Solvency Capital Requirement.

Operational risks are inherent to all businesses including SLI's. Operational risks may be split into four main causes further described below: 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;
- internal staff mandated by SLI having authorized access to SLI's offices or systems taking advantage of SLI'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 SLI to perform its operations by internal or external staff, which could lead to significant remediation costs (including those released to rebuilding databases or systems).

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

Risks related to systems or facilities can arise as follows:

- a malfunction or a major breakdown in IT systems, outages, disruptions due to viruses, attacks by hackers and thefts or data breaches. This can occur within SLI's own environment or to a third-party providing services or data to SLI;
- interruption of any 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 SCOR'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 SLI and outsourced providers operate might be impacted by natural or man-made perils. 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.

#### C.6.1.3 RISKS RELATED TO PROCESSES

SLI'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 SLI's processes are partially or fully outsourced both externally and to other entities within the SCOR Group. The failure of outsourced processes could lead to direct losses and other operational incidents. Since SLI 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 SLI to its clients or a breach of contract may lead to a loss of profitable business relationships.

In addition, SLI may be involved in legal and arbitration proceedings due to non-protective terms of a contract, denounced either by third parties or internally which could lead to an unfavorable outcome.

For further details on the main current regulatory developments which may have an impact on SLI, please refer to Section C.7.1.3 - Risks related to legal and regulatory developments.

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

SLI may be exposed to an unfavorable business environment such as evolving or additional regulatory constraints potentially hindering its business model.

##### Legal and regulatory risk in SLI's operating environment

As a member of an international group, SLI 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 SLI'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 international directives with which SLI complies apply to anti-money laundering, corruption, terrorism financing and insider trading (e.g. the European directive from April 2014 on market abuses). Regarding anti-corruption laws and regulations, SLI must comply with the Foreign Corrupt Practices Act (FCPA) and other laws such as the UK Bribery Act. Additionally, SLI must comply with regulatory requirements regarding data management (both SLI's data and that of its clients), in particular the General Data Protection Regulation (GDPR) enacted by the European Union. Any breach to these requirements could lead to regulatory sanctions, including significant fines and expose SLI to legal proceedings from clients and generate reputational damage.

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 SLI. The large number of different regulatory environments, in which SLI operates, as well as changes in present and future regulations increase the complexity of the related processes. Any violation of laws, regulations or accounting requirements could potentially expose SLI to fines, class actions with compensation payments, account restatements or business restrictions.

In relation to Brexit, SLI has planned for its activities in the event of a "Hard" exit – referred to as a hard Brexit scenario - and expects to continue to reinsure business with UK clients post Brexit. SLI stands ready to make any additional operational changes required as Brexit terms progress.

##### Other risks related to external events

###### External Fraud

SLI is exposed to external fraud which is characterized by the theft of certain SLI assets by third parties. 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 SLI.

###### Cyber Attack

SLI 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 SLI's regulatory or contractual obligations.

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

###### Climate Risk

SCOR's offices and essential infrastructure (e.g. IT data centres) could also be potentially exposed to acute and chronic physical climate risks with impacts on the continuity of SCOR's operations, depending on geographical location (e.g. office locations exposed to river flood, sea-level rise or hurricanes). In addition, some of SCOR's activities could become negatively perceived by stakeholders due to their environmental (e.g. underwriting the non-renewable energy industry) impacts. Such activities could lead to reputation damage with the possibility of reducing SCOR's ability to attract or retain key personnel.

## C.6.2 MANAGEMENT OF OPERATIONAL RISKS

The two main principles driving the operational risk management approach are:

- exhaustiveness: ensure that a complete and exhaustive identification of all risks within SLI 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, SLI 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 which SLI has locally adopted. According to the ICS standards, process owners should be in a position to identify the critical operational risks within the processes assigned to their area of responsibility. The process owners design, implement and operate appropriate key controls and maintain the net risk exposure at or below an acceptable level of possible damage.

SLI has also implemented regular risk reporting mechanisms in order to provide an overview of risks across the Company, as well as mitigate and monitor risks identified.

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 SLI 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, SLI adapts its risk management, for example by organising specific training programs and sending regular warnings and detailed instructions to its employees.

In relation to climate risk, the exposure of SLI and SCOR's operations to acute and chronic physical climate risks is principally managed through the Business Continuity Plan. In addition, SCOR manages the Carbon footprint generated by its direct operations by focusing on three main areas:

- environmental certification of office buildings;
- energy consumption management – using renewable energy sources where possible;
- voluntary offsetting of greenhouse gas emissions via initiatives such as afforestation projects.

For more information on SCOR's management of its Carbon footprint, refer to SCOR's 2019 Universal Registration Document, Appendix D "Non-financial performance declaration – 4.4 "Management of Operational Processes".

## 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.

The main strategic risks to which SLI is exposed are described below.

#### C.7.1.1 RISKS RELATED TO THE MACROECONOMIC ENVIRONMENT AFFECTING SCOR'S STRATEGY

The main risks are that of a global recession that may affect SLI's growth in both emerging and advanced economies, and a drop in returns on financial markets exacerbating the adverse competitive environment.

##### **A deterioration of financial markets and the global economy will have significant implications for SLI's results.**

SLI's results could be significantly affected by the economic and financial situations particularly in the United States of America and the United Kingdom and elsewhere around the world. The threat of a global economic recession due to both cyclical and commercial reasons (e.g. the ongoing U.S – China trade war) remains, and a lasting macroeconomic deterioration could affect SLI's activities and results. The current low interest rate environment is reaching previously unknown levels and, in the event that interest rates rise, the current level of indebtedness would become a source of major financial instability. Current monetary policy, particularly within the Eurozone area, seems to have reached a point where any additional easing would probably have little significant economic effect. These trends could result in financial markets experiencing a period of very high volatility, with consequences including waves of corporate bankruptcies and potentially sovereign defaults in vulnerable regions, a fall in the value of asset classes (bonds, equity and real estate), and even a major liquidity crisis.

Although growth in the Eurozone has become more robust over the years, thanks to both internal and external momentum, its maintenance may become increasingly difficult due to several challenges; for example, the outcome of Brexit negotiations, continuing economic disparities between EU countries and increased political risks.

#### **Impact on SLI's Investment activities**

SLI has a large investment portfolio. In the event of extreme prolonged market events, such as global credit crises, SLI could incur significant losses in its investment portfolio.

Even in the absence of a market downturn, SLI remains exposed to a substantial risk of losses due to market volatility.

#### **Impact on SLI's reinsurance business**

SLI is also dependent on customer behavior and premium growth. SLI's premiums could decline in the case of an unfavourable macroeconomic environment and its profit margins could erode. In an economic downturn, the demand for SLI's and its clients' products could be adversely affected. Factors such as government and consumer spending, corporate investment, the volatility and strength of both debt and equity markets, and inflation, all affect the business and economic environment and ultimately, the size and profitability of SLI's business. In addition, the ongoing low interest rate environment continues to stimulate the inflow of alternative capital and this has been contributing to the current soft market i.e. the reduction in (re)insurance premium rates.

SLI may also experience an elevated incidence of claims or be impacted by a decrease in demand for reinsurance and increased surrenders of policies from the cedents (see paragraph on lapse risk in section C.2.1.4 – Policy behavior risk) that could affect the current and future profitability of its business. Although written premiums have seen steady growth in prior years, a prolonged economic crisis could result in lower written premiums in the future.

#### **SLI is exposed to significant and protracted deviations of inflation from its trend**

SLI's assets are also exposed to increased inflation or inflationary expectations, accompanied by a rise in the yield curve with a subsequent reduction in the market value of its fixed income portfolios. Increased inflation could also have a negative impact on the solvency of bond issuers; a widening of credit spreads would lead to a loss of value for the issuers' bonds.

Although the risk of inflation is less likely in the current macroeconomic environment, at least in the short term, the economy could experience a period of stagflation, combining a decline in activity with a surge in prices. In this case, underwriting volume would also be negatively impacted, and with it the combined ratio, the net income and the net asset value of SLI.

The risk of deflation, defined as a fall in prices and usually associated with an economic slowdown, cannot be ruled out in the current environment, characterised by the imminent risk of recession and lack of room for manoeuvre in relation to economic policies.

In this case, underwriting volume would also be negatively impacted, and with it the combined ratio, the net income and the net asset value of SLI.

In conclusion, both high inflation and a protracted episode of deflation could have a material adverse effect on SLI.

#### **Management of risks related to the macro-economic environment**

These risks are monitored via regular risk reporting mechanisms to the Board Risk Committee, including complementary risk analyses on ad-hoc topics, where deemed necessary. Potential impacts on SLI's risk profile are managed through a variety of dedicated and transversal risk management mechanisms.

#### **C.7.1.2 RISKS RELATED TO THE COMPETITIVE ENVIRONMENT**

##### **SLI, as a member of SCOR Group operates in a highly competitive sector and would be adversely affected by losing competitive advantage or if adverse events had an impact on the reinsurance industry.**

Reinsurance is a highly competitive sector. As is the case for all other reinsurers, SCOR's position in the reinsurance market is based on several factors, such as its financial strength as perceived by the rating agencies, its underwriting expertise, its reputation and experience in the lines written, the countries in which it operates, the premiums charged, as well as the quality of the proposed reinsurance products and services offered, particularly in terms of claims settlement and payment. The Group competes for business in the European, American, Asian and other international markets with numerous international and domestic reinsurance companies, some of which have a larger market share than SCOR, greater financial resources, state backing, and, in certain cases, higher ratings from the rating agencies.

Therefore, SCOR remains exposed to the risk of losing its competitive advantage. In particular, when available reinsurance capacity, via traditional reinsurers or capital markets, is greater than the demand from ceding companies. Its competitors, in particular (re)insurers benefiting from higher ratings than SCOR's or other competitors in alternative capital markets, may be better positioned to enter new contracts and gain market share at SCOR's expense. Furthermore, competitors are currently promoting innovation, impacting all areas of the business, in addition to its products and services, and the underlying risks. While innovation is also an important part of SCOR's strategy, if competitors are quicker at

integrating innovative solutions into their business, products and services, or make choices which have a bigger impact on future reinsurance trends, SCOR might lose its competitive advantage.

Finally, the Group's reputation is sensitive to reinsurance sector information. It can be affected by adverse events concerning competitors but also by its own business activity, such as financial difficulties following a major market event. Loss of reputation due to internal risks would also weaken SCOR's competitive position.

#### **Consolidation in the insurance and reinsurance industries could adversely impact SLI**

There has been no significant M&A activity in 2019, but challenging business conditions, sub-par performance of some players, the continued convergence of alternative and traditional capital, as well as other challenges, are expected to lead to further mergers in the next few years.

Within the reinsurance industry, such external growth activity could potentially enhance these players' competitive position, e.g. in terms of being able to offer greater capacity or broader product offerings, which could permit them to gain market share at SLI's expense.

#### **Management of risks related to the competitive environment**

As for risks related to the macro-economic environment, risks related to the competitive environment are monitored via a robust strategic planning approach and regular risk reporting mechanisms to the Board Risk Committee, including complementary risk analyses on ad-hoc topics, where deemed necessary. For further information on risk reporting mechanisms, refer to Section B.3 - Risk management system including the ORSA and Section B.1.3 – Group Governance structure at Group and entity level.

### **C.7.1.3 RISK RELATED TO LEGAL AND REGULATORY DEVELOPMENTS**

#### **Main risks related to legal and regulatory developments**

SLI is subject to comprehensive and detailed regulations and to the supervision of insurance and reinsurance competent authorities. Insurance and reinsurance supervisory authorities have broad administrative powers over many aspects of the reinsurance industry and SLI cannot predict the timing or form of any future regulatory initiatives.

The Solvency II regime came into force on January 1, 2016 in the European Economic Area. It was transposed into Irish law in 2015. The ongoing Solvency II review could lead to additional requirements for insurance and reinsurance undertakings. Furthermore, Solvency II may no longer apply in the United Kingdom after its departure from the European Union and the new regulatory framework could lead to additional requirements for SLI.

Similarly, changes in tax legislation and regulations, or in their interpretation, may have a negative impact on SLI's performance, including financial results and business model.

#### **Other legal and regulatory developments**

The reinsurance sector has been exposed in the past, and may be exposed in the future, to involvement in legal proceedings, regulatory inquiries and actions by various administrative and regulatory authorities, as well as to regulation concerning certain practices used in the insurance sector.

More generally, adverse changes in laws or regulations or an adverse outcome of any legal proceeding could have an adverse impact on SLI. For further information on risks related to current legislation and regulations and their impact on SLI's operations, see Section C.6.1.4 - Legal and regulatory risks in SLI's operating environment.

#### **Management of risks related to legal and regulatory developments**

SLI monitors the legal and regulatory developments which could have an impact on SLI, ensuring in particular that it takes an active position regarding the requirements to which it is exposed or could be exposed in the different jurisdictions where it operates and that it prepares in due time for their implementation.

In addition, developments in existing or emerging prudential regulations (such as Solvency II, ComFrame or systemic risk regulations) are monitored at Group level by the Prudential and Regulatory Affairs department. Regulations relating to corporate law and business compliance are monitored by the General Secretariat and, within it, the Legal department. SLI benefits from these monitoring activities at Group level.

### **C.7.1.4 DOWNGRADE RISK**

#### **Overview of SCOR's downgrade risk**

Credit ratings are very important to all reinsurance companies, including SCOR, as ceding companies wish to reinsure their risks with companies having a satisfactory financial position. For more details on the current rating of the Group, refer to SCOR 2010 Universal Registration Document, section 1.2.4 - Ratings information. Due to parental support, the rating of SLI is aligned with that of the Group. Therefore, the downgrade risk of SLI is equivalent to the downgrade risk on SCOR's group.

#### **Impact on SLI's reinsurance business**

Some of SCOR's cedents' credit models or reinsurance guidelines face regulatory capital requirements or depend on their reinsurers' credit rating. If SCOR's rating deteriorates, cedents could be forced to increase their capital requirements in respect of their counterparty risk on SCOR. This could lead to a loss of competitive advantage for SCOR.

Consequently, SLI's Life reinsurance activities are sensitive to the way its existing and prospective clients perceive its financial strength notably through its ratings.

Many of SLI's reinsurance treaties, notably in the US, and also increasingly in Europe, contain clauses concerning the financial strength of SCOR, and provide for the possibility of early termination for its cedents if the rating of SCOR Group is downgraded. Early termination may also occur when the net financial position of SCOR falls below a certain threshold, or if it carries out a reduction in share capital.

#### **Impact on the SLI's letters of credit**

Many of the SLI's reinsurance treaties contain a requirement to put in place letters of credit (LOC) as a general requirement or when triggered by a downgrade of SCOR or one of its subsidiaries. In certain circumstances, the cedent has the right to draw down on a LOC issued by a bank in SCOR's name.

In the case of a large number of LOCs being drawn simultaneously, SLI could encounter difficulties in providing the total amount of required cash or fungible assets, i.e. exposing itself to a liquidity risk.

Moreover, some of SLI's facilities contain conditions about its financial situation which, if not met, constitute a default and might result in the suspension of the use of current credit facilities and/or a prohibition on obtaining new lines of credit or result in the need to negotiate new LOC facilities under adverse conditions.

For more details on liquidity risks, refer to Section C.5 Liquidity risks.

#### **Impact on capital resources**

A significant multiple-notch downgrade of the Group could negatively impact the ability of SLI to generate new business or retain in-force business (potentially leading to a reduction in eligible own funds due to a reduction in expected future cash flows under existing reinsurance treaties e.g. Life business).

#### **Management of downgrade risk**

SCOR's current ratings are at the highest levels within the reinsurance sector after Standard and Poor's and Fitch upgraded the Group's ratings to "AA-/Stable" from "A+/Positive" in 2015, followed by a Moody's upgrade to "Aa3/Stable" in 2016 and AM Best's upgrade of SCOR's rating to "A+/Stable" in 2017. Therefore, a downgrade by one notch would have a limited impact on its future business development, its liquidity position nor its capacity to raise funds. For further information on SCOR's current rating, see the 2019 Universal Registration Document, Section 1.2.4 – Ratings information.

SLI has a Standard & Poor's rating of AA- and a Fitch rating of AA-.

SCOR monitors its ratings assigned by the top four rating agencies via a dedicated team placed under the supervision of the Group CFO.

This team analyses rating agencies' methodologies, reports published on the reinsurance market, on SCOR and on its main competitors, in order to anticipate any potential rating actions. It also monitors specific qualitative and quantitative Key Performance Indicators developed by the four main rating agencies and performs analyses of selected deterministic scenarios. The team also monitors the capital adequacy level as measured by the capital models developed by rating agencies.

#### **C.7.1.5 OTHER STRATEGIC RISKS**

SLI may be exposed to other less significant strategic risks described below.

##### **Risks related to capital**

###### **Overview of risks related to capital**

**Adverse capital and credit market conditions may significantly affect SLI's ability to access capital and/or liquidity or increase the cost of capital.**

Disruptions, uncertainty or volatility in the capital and credit markets may also limit SLI's access to capital required to operate its business, most significantly its insurance operations.

For further information on Risks related to the macro-economic environment that could impact SLI, refer to section C.7.1.1. – Risks related to the macroeconomic environment affecting SCOR's strategy.

###### **Management of risks related to capital**

SLI's ability to access capital is facilitated through the Group. However, as a legal entity, it may be exposed to the risk of increased local regulatory constraints. Within SLI, the capital position is monitored each quarter and if necessary, action is taken to keep the solvency ratio above the monitor level as defined in its Risk Appetite Statement.

For further information on capital management, refer to Chapter E – Capital Management.

### Risks related to cashflow

Acquisitions could result in the concentration of business and the reliance on intermediate business relationships

In certain cases. E.g. SCOR's acquisition of Transamerica Re's mortality reinsurance portfolio from a company (the vendor) where not all underlying reinsurance agreements between cedants and the vendor are immediately novated could reduce or terminate reinsurance premium payments.

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### C.7.2 SIGNIFICANT RISK CONCENTRATIONS

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

- Underwriting risks, in particular through mortality risk and other accumulation risks across lines of business or within certain geographical areas. For further information on SLI's exposure to mortality risk and how these and other risks are managed, see Section C.2.1 – Life reinsurance.
- Market risks, in particular in case of major events impacting specific types of assets to which SLI is exposed. For further information on market risks and how they are managed, see Section C.3 – Market risks.
- Credit risk, in case of major events impacting certain types of counterparties or certain individual counterparties to which SLI is exposed, see Section C.4 – Credit risks.

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

## C.8 Any other information

Not applicable to SLI.

## D. VALUATION FOR SOLVENCY PURPOSES

Solvency II requires SLI 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. SLI's EBS as at December 31, 2019 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. SLI prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

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 line items for which SLI uses estimates and assumptions are reinsurance reserves, receivables and liabilities relating to reinsurance operations and the fair value and impairment of financial instruments and deferred taxes.

The EBS for SLI is presented in Quantitative Reporting Template S.02.01 (see Appendix A). The relevant extracts of the EBS are included at the beginning of each section together with a clear reference to the relevant sections within this chapter explaining the valuation bases and methods used for Solvency II purposes.

### D.1 Assets

The table below presents the assets of SLI as per the EBS together with references to the relevant sections within this chapter explaining the valuation basis and methods used for Solvency II purposes.

SLI Assets as at December 31, 2019 in USD thousands	EBS Solvency II	Sections
<b>Property, plant and equipment held for own use</b>	<b>294</b>	<b>D.1.1</b>
<b>Investments</b>	<b>1,915,435</b>	
Bonds	1,803,112	D.1.2
Collective Investments Undertakings	15,707	D.1.2
Derivatives	184	D.1.2
Deposits other than cash equivalents	96,431	D.1.2
<b>Reinsurance recoverables</b>	<b>758,261</b>	<b>D.1.3</b>
<b>Deposits to cedents</b>	<b>259,812</b>	<b>D.1.3</b>
<b>Insurance and intermediaries receivables</b>	<b>743,399</b>	<b>D.1.3</b>
<b>Reinsurance receivables</b>	<b>62,188</b>	<b>D.1.3</b>
<b>Receivables (trade, not insurance)</b>	<b>11,226</b>	<b>D.1.4.</b>
<b>Cash and cash equivalents</b>	<b>25,321</b>	<b>D.1.2</b>
<b>TOTAL ASSETS</b>	<b>3,775,936</b>	

#### D.1.1 PROPERTY, PLANT AND EQUIPMENT

##### Valuation for solvency purposes

Property held for own use primarily relates to leased assets. As of January 1, 2019, SLI is applying IFRS 16 – Leases (please refer to the Note 2 – Accounting Policies in the 2019 Financial Statements) that requires the recognition of a lease liability reflecting the present value of future lease payments and a 'right-of-use asset' for lease contracts on the balance sheet. Right-of-use assets are included in the balance sheet line item Property, plant and equipment held for own use. Lease liabilities are included on the EBS item Financial Liabilities. Depreciation of the right-of use assets and interest expense on the lease liability in accordance with the effective interest rate method are recognized in the income statement.

##### Comparison with the valuation in the financial statements

Property held by SLI is carried in the financial statements at cost, net of accumulated depreciation and impairment losses. There are no valuation differences between the EBS and the financial statements.

For further details on IFRS balances and valuation methods applied to property, please refer to the following notes in the 2019 Financial Statements: Note 2 - Accounting policies and Note 13 – Right-of-use assets.

### D.1.2 CASH AND INVESTMENTS

SLI in USD thousands	As at December 31, 2019		
	EBS	Statutory IFRS	Difference
Bonds	1,803,112	1,803,112	-
Collective investments undertakings	15,707	15,000	707
Derivatives	184	184	-
Deposits other than cash equivalents	96,431	-	96,431
Cash	25,321	121,752	(96,431)
<b>Total investments and cash</b>	<b>1,940,755</b>	<b>1,940,048</b>	<b>707</b>

#### Valuation for solvency purposes

Investments in the EBS include financial assets such as bonds (corporate bonds and government bonds), collective investments undertakings, derivatives and cash. SLI does not hold any assets in index-linked or unit-linked funds and does not have any participations.

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 corporate bonds and government bonds. For collective investment funds and 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.

#### Bonds

SLI's investments in bonds are all traded in an active financial market and so the value is determined by reference to quoted market bid prices, at the close of business on the reporting date.

#### 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.

#### Derivatives (assets and liabilities)

Derivative instruments are carried as assets when the economic values are positive and as liabilities when the economic values are negative.

SLI uses derivative financial instruments such as forward currency contracts and currency swaps to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at economic value on the date on which a derivative contract is entered into and are subsequently remeasured at economic value.

#### Cash and cash equivalents (including deposits other than cash equivalents)

SLI applies the same definition of cash for both IFRS and Solvency II reporting purposes, which means that cash and cash equivalents (including deposits other than cash equivalents) includes cash, net bank balances and short-term deposits or investments which have maturity less than three months at the reporting date.

#### Comparison with the valuation in the financial statements

The valuation difference in the Collective investment undertaking relates to timing differences.

The valuation method applied to financial assets in the Solvency II EBS does not differ from IFRS for all other assets. The reclassifications between investment categories result from the difference between the Solvency II definitions and those used in the financial statements.

For further details on IFRS balances and valuation methods applied to investments, please refer to the following notes in the 2019 Financial Statements: Note 2 - Accounting policies, Note 12 - Financial instruments, Note 15 - Derivative financial instruments and Note 22 - Cash and cash equivalents.

### D.1.3 INSURANCE TECHNICAL ASSETS

SLI in USD thousands	As at December 31, 2019		
	EBS	Statutory IFRS	Difference
Deferred acquisition costs (DAC)	-	1,755,950	(1,755,950)
Reinsurance recoverables	758,261	333,836	424,425
Deposits to cedents	259,812	259,910	(98)
Insurance and intermediaries receivables	743,399	1,050,307	(306,908)
Reinsurance receivables	62,188	46,816	15,372
<b>Total insurance technical assets</b>	<b>1,823,660</b>	<b>3,446,819</b>	<b>(1,623,159)</b>

#### Valuation for solvency purposes

Insurance technical assets are balances that relate to insurance and reinsurance 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 considers all cash flow projections related to existing insurance and reinsurance contracts, including premium, benefit and expense payments. As a result, some balances that exist in the IFRS balance sheet are either cancelled or adjusted on transition to the EBS, as follows:

#### DAC

DAC which represents the deferral of costs directly associated with the acquisition of new contracts (mainly commission) is not 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 (retrocession) in respect of SLI's reinsurance treaties.

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 retroceded 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 ceding companies as collateral for SLI's reinsurance commitments.

Under IFRS, deposits to cedents are valued based on the fair value of the underlying collateral posted in accordance with the terms of each reinsurance contract. In the EBS, the IFRS value of deposits to cedents is adjusted to a revaluation of the funds by discounting the future cash flows.

The calculation of these cash flows is based on the characteristics of the underlying contracts, thus creating two different categories of deposits for SLI:

- Deposits with a contractual fixed and guaranteed return rate: SLI calculates the market value of this category of deposit as the IFRS value plus a market value adjustment (MVA). The MVA for these deposits is derived from the discounted value of projected cash flows in respect of the deposited reserves. The calculation of cash flows related to deposits reflects the characteristics of the underlying contract, in particular the reimbursement of interest thereon. As for best estimate liabilities, these are discounted with risk-free interest rates aligned to those published by EIOPA.
- 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.

#### Insurance, intermediaries and reinsurance receivables

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

Reinsurance receivables are amounts linked to reinsurance (retrocession) due (and overdue) from reinsurers which are not included in reinsurance recoverables. The receivables include amounts due from reinsurers relating to settled claims. Receivables are carried at cost (with allowance for recoverability, if appropriate) as it is a good approximation of their market value.

#### Comparison with the valuation in the 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.

Adjustments to the value of deposits to cedents are calculated consistently with the adjustments to best estimate liabilities. Insurance and intermediaries receivables include a reclassification of assumed outstanding claims estimates from IFRS Life contract liabilities, as these are not included in Solvency II technical provisions, and timing differences.

Reinsurance receivables and receivables include a reclassification of outstanding claims from IFRS contract liabilities as these are not included in Solvency II technical provisions, and timing differences.

For the remaining insurance technical assets, the valuation method applied in the Solvency II EBS does not differ from IFRS.

For further details on IFRS valuation methods and balances applied to insurance technical assets, please refer to the following notes in the 2019 Financial Statements: Note 2 - Accounting policies, Note 14 - Funds withheld and accrued interest, Note 16 - Net technical reserves, Note 18 - Assumed reinsurance accounts receivable, Note 19 - Accounts receivables from ceded reinsurance and Note 20 - Deferred expenses.

#### D.1.4 OTHER ASSETS

##### Valuation for solvency purposes

This section covers all other assets recognized in the EBS, including trade receivables and any other assets.

Trade receivables include amounts receivable from various business partners, the State (for example Irish Tax authorities), US tax authorities and others that are not insurance or reinsurance related.

##### Comparison with the valuation in the financial statements

Trade receivables include a minor reclassification to reinsurance receivables. Other assets are carried at a value that is not materially different from market value and hence there is no valuation difference between IFRS and the EBS.

## D.2 Technical Provisions

SLI'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. SLI determines the risk margin under Solvency II according to the specified cost-of-capital method, using the risk-free rate for discounting and the cost of capital rate. In order to estimate future SCRs, SLI uses the SCOR internal model. Consistent with the prescribed transfer scenarios for the RM calculation, the future SCRs capture underwriting, credit and operational risks.

The calculated risk margin is then allocated to underlying lines of business.

This chapter provides an overview of the Technical Provisions at year end 2019. In addition, the bases, methods and assumptions used for the calculations are described including an analysis of significant simplifications and the related uncertainties. Where deemed appropriate, the valuation of deposits to cedents and from retrocessionaires are commented on as they are closely linked to the BEL calculation.

The risk-free interest rates used are those provided by EIOPA. For some minor currencies, no risk-free rate is provided by EIOPA, and SCOR derives risk free rates using the methodology specified by EIOPA. Unadjusted risk-free rates are used with no transitional or long-term guarantee measures (e.g. volatility adjustments).

The table below presents the Life Technical Provisions of SLI.

SLI As at December 31, 2019 in USD thousands	EBS
<b>Life technical provisions</b>	<b>(1,735,452)</b>
TPs – Health SLT	-
<i>Best estimate</i>	-
<i>Risk margin</i>	-
TPs – Life (excl. Health and unit linked)	(1,735,452)
<i>Best estimate</i>	(3,958,939)
<i>Risk margin</i>	2,223,487
<b>Life reinsurance recoverables</b>	<b>(758,261)</b>
Health SLT	-
Life (excl. Health and unit linked)	(758,261)
<b>Net Life technical provisions</b>	<b>(2,493,713)</b>

**D.2.1 SEGMENTATION BY LINES OF BUSINESS**

Life Technical Provisions are segmented in the SLI EBS into life (excl. health and unit-linked) and health similar to life (SLT). These correspond to the assumed reinsurance life and assumed reinsurance health lines of business as required under Solvency II.

<b>SLI As at December 31, 2019 in USD thousands</b>	<b>Best estimate liabilities (BEL)</b>	<b>Reinsurance recoverables</b>	<b>Risk margin</b>	<b>Total net technical provisions</b>
Reinsurance Life	(3,958,939)	(758,261)	2,223,487	<b>(2,493,713)</b>
Reinsurance Health	-	-	-	-
<b>Total net Life provisions</b>	<b>(3,958,939)</b>	<b>(758,261)</b>	<b>2,223,487</b>	<b>(2,493,713)</b>

**D.2.2 BEST ESTIMATE LIABILITY**

The BEL is calculated as the net present value of future cash flows in respect of assumed reinsurance contracts (i.e. gross of retrocession), projected deterministically using best estimate assumptions. Amounts recoverable from reinsurance contracts are projected separately and follow the same valuation methodology as the BEL.

The cash flows considered for the BEL cover all liability cash flows related to premiums, benefits and expenses including the time value of options and guarantees. In general, cash flows are projected using actuarial valuation models that reflect the specific contractual conditions.

**Actuarial bases and methodologies**

Cash flows are projected using SLI's best estimate assumptions. For the great majority of SLI's exposure, projections are based on recent data of individual policyholders reinsured under the reinsurance contracts, with modelling either at an individual policyholder level (seriatim models) or based on aggregated model points derived from individual policyholder data.

The term of the projection usually corresponds to the projected run-off of the block of business until natural expiry of the policies (subject to contract boundaries), or 65 years if shorter.

All technical cash flows arising from the reinsurance contracts are projected with an allowance for relevant expenses.

Cash flows are generally calculated and reported in the relevant original currency, with some minor exposures mapped to similar currencies and discounted at the assumed risk-free rate for the relevant currency.

**Best estimate assumptions**

The main categories for best estimate assumptions are related to biometric risks, policyholder behavioral risks, expenses associated with the management of reinsurance contracts including investment management expenses and economic assumptions. Assumptions are regularly reviewed and updated, where appropriate, based on the best available information at the date of valuation, including both internal and publicly available information. The information and data used to set assumptions for material portfolios is re-evaluated annually. Assumptions are derived by actuarial modelling teams and relevant experts, and are subject to independent internal and external reviews.

The main biometric assumptions are for mortality (e.g. mortality rates, mortality improvement, impact of selection and anti-selection), longevity and morbidity (e.g. claims incidence rates, recovery rates).

Policyholder behavior is modelled by the use of assumptions related to lapse, surrender and premium payment patterns.

SLI's total actual expenses are subdivided between maintenance, covering administrative and claims management expenses, acquisition, investment and one-off expenses based on the related activities. Projected cash flows include projected maintenance expenses, with an allowance for future inflation, and projected investment expenses.

Collateral costs are projected using assumptions based on the characteristics of the relevant collateral.

Economic assumptions (inflation rates, exchange rates, interest rates, implied volatility rates) have been calibrated to the prices of relevant financial market instruments observable at the date of valuation.

Foreign exchange rates used at the valuation date are the same as IFRS closing rates, assuring consistency with the IFRS balance sheet, which forms the base for the EBS as of that date.

**Comparison to prior period**

The main changes to best estimate assumptions in 2019 were an update to US mortality and lapse assumptions and an update to UK longevity base mortality and mortality improvement assumptions. These were updated to reflect recent experience. Other changes were made to less material assumptions.

**D.2.3 SIGNIFICANT SIMPLIFIED METHODS USED**

SLI applies a number of simplifications in the methodology used to calculate certain cashflows within the Technical Provisions, such as the allowance for future actions on the part of SLI or its cedents and the use of a deterministic projection of future cashflows. SLI operates a process for estimating the impact of these simplifications. In addition, SLI

has adopted simplified methods to quantify a range of potential impacts on the Technical Provisions from the uncertainty around recently-emerging experience (including adverse US mortality claims), which reflect the mixture of lighter and heavier claim experience among different subsets of SLI's population of insured lives. In both cases, SLI has taken account of the potential effects on the different components of the Technical Provisions and the interaction with the SCR. This work is validated in accordance with the system of governance applying to the full set of technical provision calculations; the processes have identified that individual components of these analyses may be material and have concluded that SLI's aggregate Technical Provisions are appropriate.

SLI uses simplified methods to value 3% of its Life portfolio, measured in terms of the present value of projected future claims. These simplified methods either rely on model policies which are not derived from recent serial policy data; or are purely based on the historic aggregate accounting data of a treaty, extrapolating existing accounting data history under a duration and run-off assumption; or are models with other simplifications. Adjustments may be made to better reflect treaty conditions.

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#### **D.2.4 LEVEL OF UNCERTAINTY - SENSITIVITIES**

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The key area of uncertainty associated with the value of the Technical Provisions arises from the setting of best estimate assumptions. Assumptions are therefore reviewed on a regular basis, updated based on the best available information and are subject to independent reviews. In particular, while some assumptions can be reliably observed from market information or derived from recent experience data, other assumptions must be set for periods far in the future and so must allow for the development of trends and external influences, or for exposures for which less experience data are available. In these cases, SLI applies expert judgement to enrich data, derive parameters for the forecast, and reduce uncertainty in estimations. SLI applies expert judgement within a framework to make sure that its application is proportionate to the quantity and quality of data available, and to its potential impact.

The sensitivity of the BEL to the best estimate assumptions is analyzed through sensitivity tests. Their impacts are described below.

##### **Mortality sensitivity**

The most significant set of parameters to determine SLI's Technical Provisions are those for the projection of current and future mortality rates. A deterioration of expected mortality would cause a significant increase in the Technical Provisions, as mortality risk is a core element of SLI's risk appetite.

Some reduction in Technical Provisions would be observable on the annuity business in the case of a mortality increase. However, this is less material compared to the potential impact from the mortality business for the comparable scenario.

##### **Morbidity sensitivity**

A deterioration of expected morbidity would increase the SLI Technical Provisions. The impact would be far lower than from a comparable change to expected mortality, as the exposure of SLI's portfolio to morbidity risk is lower.

##### **Lapse sensitivity**

Technical Provisions for SLI would increase and the market value of deposits would decrease with an increase in assumed future lapse rates. Lapse rates can change due to the influence of external factors.

##### **Interest rate sensitivity**

A parallel upward shift to the yield curve would increase the overall SLI Technical Provisions. The impact would be partly offset by a decrease of the market value of deposits.

A parallel downward shift would cause the opposite impact.

The overall impacts can vary directionally from year to year.

#### **D.2.4.1 REINSURANCE RECOVERABLES**

SLI transfers part of its risks to retrocessionaires via retrocession programs. The reinsurance recoverables associated with these programs are calculated using the same methodology, systems and processes as the underlying BEL of assumed reinsurance treaties. Special purpose vehicles are not in place for SLI's life portfolio retroceded. The exposure to default risk on the retrocession recoverables is minor, as in most Life retrocessions, positive cash flows are expected to be ceded.

#### **D.2.4.2 RISK MARGIN**

The underwriting risk capital charge calculation applies an estimated runoff pattern to homogenous lines of business, or in some cases more granularly on individual perils.

From these profiles, the specified VaR threshold defines future capital requirements. Credit and operational risk capital charges are presumed to run off in proportion to the projected underwriting risk capital charge. SLI thereby derives the estimated future total capital requirement of the prescribed reference undertaking.

The calculated risk margin is then allocated to underlying lines of business. SLI allocates the calculated risk margin to the underlying lines of business in proportion to their contribution to SCR.

## D.2.5 COMPARISON WITH VALUATION IN FINANCIAL STATEMENTS

This section presents the main differences between the Solvency II net technical balances and the corresponding statutory IFRS balances for SLI reported as at December 31, 2019, which are shown in the following table.

SLI As at December 31, 2019 in USD thousands	EBS	Statutory - IFRS	Difference
Net deferred acquisition costs	-	1,755,950	(1,755,950)
Net deferred income liability	-	(690,185)	690,185
Net deposits	259,812	259,910	(98)
Reinsurance recoverables	758,261	333,836	424,425
(Re)insurance receivables / payables	805,528	1,032,400	(226,872)
Technical provisions / BEL	3,958,939	(1,882,976)	5,841,915
Risk margin	(2,223,487)	-	(2,223,487)
<b>Total net Life technical balances</b>	<b>3,559,053</b>	<b>808,935</b>	<b>2,750,118</b>

The analysis of valuation differences between economic valuation and IFRS in the table above considers BEL, risk margin and market value adjustment on deposits in comparison to the corresponding statutory IFRS amounts. A neutral element is the difference in (re)insurance receivables/payables, which represents a reclassification of IFRS technical provision component, which is not modelled in the BEL. As mentioned in section D.1.3 – Insurance technical assets, DAC (deferred acquisition costs) recognized in IFRS, are eliminated for the purpose of the EBS, as underlying cash-flow projections are already considered in best estimate liabilities and reinsurance recoverables. As mentioned in section D.3.3 – Financial and Other Liabilities, DIL (deferred income liability) recognized in IFRS, is eliminated for the purposes of the EBS, as underlying cash-flow projections are already considered in best estimate liabilities and reinsurance recoverables.

In addition to the above for SLI, valuation differences are due to prudence margins, both implicit and explicit, allowed for under IFRS but not under Solvency II, but also from differences:

- between best estimate and static non-economic assumptions;
- in interest rate assumptions;
- in allowance for specific fees;
- in allowances for internal administration expenses; and
- in the methodology for assessing the reserves;

of which the main sources of valuation difference are the methodology used and the difference in non-economic assumptions.

For further detail on the IFRS valuation method and balances, please refer to the following notes in the 2019 Financial Statements: Note 2 - Accounting policies, Note 14 - Funds withheld and accrued interest, Note 16 - Net technical reserves, Note 20 - Deferred expenses and Note 21 – Deferred Income – assumed.

## D.3 Other liabilities

The table below presents the liabilities of SLI as per the EBS together with references to the relevant sections within this chapter explaining the valuation bases and methods used for Solvency II purposes

SLI Liabilities as at December 31, 2019 in USD thousands	EBS Solvency II	Sections
Technical provisions - Life (excluding index-linked and unit-linked)	(1,735,452)	D.2
Deferred tax liabilities	616,549	D.3.2
Financial liabilities other than debts owed to credit institutions	149	D.3.4
Insurance and intermediaries payables	59	D.3.1
Payables (trade, not insurance)	49,296	D.3.3
Any other liabilities, not elsewhere shown	18,261	D.3.3
<b>TOTAL LIABILITIES</b>	<b>(1,051,138)</b>	

### D.3.1 INSURANCE TECHNICAL LIABILITIES

SLI

As at December 31, 2019

in USD thousands	EBS	Statutory IFRS	Difference
Insurance and intermediaries payables	59	168	(109)
Reinsurance payables	-	64,555	(64,555)
<b>Total insurance technical liabilities</b>	<b>59</b>	<b>64,723</b>	<b>(64,664)</b>

### Valuation for solvency purposes

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

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 the Solvency II best estimate liabilities and risk margin takes into account all cash flow projections related to existing insurance and reinsurance contracts, including premium, benefit and expense payments. As a result, some liability balances that exist in the IFRS balance sheet are adjusted on transition to the EBS.

#### Insurance, intermediaries and reinsurance payables

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

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

The reinsurance payables are amounts linked to retrocession costs which have not yet been settled and therefore cash flows are still due to the reinsurer.

Payables are carried at amortized cost as it is a good approximation of their market value.

#### Comparison with the valuation in the financial statements

As explained above, technical cash flows that are taken into account in the Solvency II net best estimate liabilities are not recognized separately in the EBS. Reinsurance payables include a reclassification of ceded outstanding claims estimates from IFRS technical reserves, as these are not included in Solvency II technical provisions, and timing differences.

For the remaining insurance technical liabilities the valuation method applied in the Solvency II EBS does not differ from IFRS, however there are reclassifications between line items.

For further details on IFRS balances and valuation methods applied to insurance technical liabilities, please refer to the following notes in the 2019 Financial Statements: Note 2 - Accounting policies, Note 23 - Assumed reinsurance accounts payable and Note 24 - Accounts payable on ceded reinsurance transactions.

### D.3.2 DEFERRED TAX LIABILITIES

SLI	As at December 31, 2019		
in USD thousands	EBS	Statutory IFRS	Difference
<b>Net deferred tax liability</b>	<b>616,549</b>	<b>38,160</b>	<b>578,389</b>

#### Valuation for solvency purposes and comparison with the valuation in the financial statements

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 temporary differences primarily relate to the impact of Solvency II adjustments to bring IFRS figures to EBS market value. These adjustments result in an increase in net assets, therefore all deferred tax impacts arising from the recording of economic adjustments are reflected in the deferred tax liability.

The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date. Deferred taxes are not discounted.

Deferred taxes retained on the EBS are recorded in accordance with IAS 12 Income Taxes.

#### Comparison with the valuation in the financial statements

Measurement of deferred taxes for the 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 IFRS balance sheet and its tax base).

Deferred tax balances are adjusted for the impacts of the differences between the IFRS and Solvency II valuation bases – the main difference being driven by revaluation of technical balances. For the purpose of the EBS, the appropriate deferred tax effect of all adjustments between the IFRS balance sheet and EBS is recognized using the effective tax rate.

For further details on IFRS balances and valuation methods applied to deferred taxes please refer to the following notes in the 2019 Financial Statements: Note 2 – Accounting policies and Note 17 – Tax receivable and payable.

### D.3.3 FINANCIAL AND OTHER LIABILITIES

SLI in USD thousands	As at December 31, 2019		
	EBS	Statutory IFRS	Difference
Payables (trade, not insurance)	49,296	49,296	-
Any other liabilities, not elsewhere shown	18,261	708,446	(690,185)
<b>Total financial and other liabilities</b>	<b>67,557</b>	<b>757,742</b>	<b>(690,185)</b>

### Valuation for solvency purposes

#### Trade payables

Trade payables include amounts due to various business partners, employees, the State (for example US and Irish tax authorities) and others that are not insurance or reinsurance related.

#### Other Liabilities

This section covers all other liabilities recognized in the EBS.

Any other liabilities primarily include accruals. Trade and other liabilities are carried at amortized cost as it is a good approximation of their market value.

#### Comparison with the valuation in the financial statements

Other liabilities (including trade payables) are carried at their fair value for IFRS. The difference between the value of trade payables in the EBS and the financial statements is attributable to reclassifications between line items and timing differences.

The difference in the value of other liabilities, not elsewhere shown is primarily made due to a Deferred Income Liability of USD 690 million (2018: USD 728 million) which relates to capitalized ceding commission received by the company for business transfers.

For further details on IFRS balances and the valuation methods applied to financial and other liabilities, please refer to the following note in the 2019 Financial Statements: Note 2 - Accounting policies, Note 15 - Derivative financial instruments and Note 25 - Other liabilities.

### D.3.4 FINANCIAL LIABILITIES OTHER THAN DEBTS OWED TO CREDIT INSTITUTIONS

#### Valuation for solvency purposes

Financial liabilities other than debts owed to credit institutions in the EBS includes lease liabilities. Lease liabilities are recognized under financial liabilities following the first time application of the IFRS 16 standard on lease contracts (please refer to Note 2 – Accounting policies in the 2019 Financial Statements).

#### Comparison with the valuation in the financial statements

The valuation method applied to financial liabilities other than debts owed to credit institutions in the Solvency II EBS does not materially differ from IFRS.

For further details on the IFRS balance and valuation methods applied please refer to the following notes in the 2019 Financial Statements: Note 2 – Accounting policies and Note 25 – Other liabilities.

## 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, SLI 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 SLI are explained within relevant sections in chapters D.1 - Assets and D.3 - Other liabilities.

## D.5 Any other information

No other material information was identified by SLI 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 provides an overview of the year end 2019 capital position for SLI.

The table below includes the key results as at December 31, 2019 and December 31, 2018 respectively.

SLI in USD thousands	As at December 31, 2019	As at December 31, 2018	Variance
<b>Eligible Own Funds (EOF)</b>	<b>4,772,074</b>	<b>4,071,321</b>	<b>700,753</b>
<b>Solvency Capital Requirement (SCR)</b>	<b>1,889,486</b>	<b>1,834,255</b>	<b>55,231</b>
Excess Capital (EOF - SCR)	2,882,588	2,237,066	645,522
<b>Solvency ratio</b>	<b>253%</b>	<b>222%</b>	<b>31%</b>

### E.1 Own funds

#### E.1.1 OWN FUNDS

For more information on own funds please also refer to Quantitative Reporting Template S.23.01.01 – Own funds, presented in Appendix A.

##### E.1.1.1 OWN FUNDS STRUCTURE

SLI is a subsidiary of SGLRI and SGLAH with SGLRI owning 74% and SGLAH owning 26%.

SLI own funds eligible to cover the SCR are USD 4,772 million at December 31, 2019.

##### SLI Own funds structure as at December 31, 2019

in USD thousands	Tier 1	Tier 2	Tier 3	Total
<b>Basic own funds</b>	<b>4,772,074</b>	-	-	<b>4,772,074</b>
Ordinary share capital	2,150,000	-	-	2,150,000
Share premium	-	-	-	-
Reconciliation reserve	2,622,074	-	-	2,622,074
Other items approved by supervisory authority	-	-	-	-
<b>Total available own funds</b>	<b>4,772,074</b>	-	-	<b>4,772,074</b>
<b>Total eligible own funds to cover the SCR (after limit deductions)</b>	<b>4,772,074</b>	-	-	<b>4,772,074</b>
<b>Total eligible own funds to cover the MCR (after limit deductions)</b>	<b>4,772,074</b>	-	-	<b>4,772,074</b>

##### SLI Own funds structure as at December 31, 2018

in USD thousands	Tier 1	Tier 2	Tier 3	Total
<b>Basic own funds</b>	<b>4,071,321</b>	-	-	<b>4,071,321</b>
Ordinary share capital	2,150,000	-	-	2,150,000
Share premium	-	-	-	-
Reconciliation reserve	1,921,321	-	-	1,921,321
Other items approved by supervisory authority	-	-	-	-
<b>Total available own funds</b>	<b>4,071,321</b>	-	-	<b>4,071,321</b>
<b>Total eligible own funds to cover the SCR (after limit deductions)</b>	<b>4,071,321</b>	-	-	<b>4,071,321</b>
<b>Total eligible own funds to cover the MCR (after limit deductions)</b>	<b>4,071,321</b>	-	-	<b>4,071,321</b>

SLI considers all its basic own funds, identified in line with Solvency II rules and resulting from economic adjustments made to the SLI's equity under IFRS, as available and eligible to cover the SCR.

Solvency II own funds are classified into three tiers depending on whether it is a basic or ancillary own fund 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 the Articles 71, 73, 75 and 77 of the Delegated Acts.

The table above presents the components of basic own funds. SLI does not recognize any ancillary own funds.

Ordinary paid-in share capital and the related share premium of SLI 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 the 2019 Financial Statements and the economic valuation differences. The economic valuation differences result from adjustments made to the statutory financial statements balance sheet to arrive at the economic value of all assets and liabilities recognized in the Solvency II EBS.

The reconciliation reserve is classified as tier 1 basic own funds.

### E.1.2 ELIGIBILITY OF OWN FUNDS

For the purposes of compliance with the SCR, tier 1 capital must account for at least half of 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.

The application of the above limits determines SLI's eligible own funds. As at December 31, 2019, none of these limits are exceeded by SLI.

### E.1.3 RECONCILIATION WITH SHAREHOLDERS' EQUITY

The table below presents the differences between the shareholders' equity in the 2019 Financial Statements prepared under IFRS and the net assets over liabilities as calculated for solvency purposes and presented in the EBS.

SLI Reconciliation between statutory IFRS equity and EBS net assets in USD thousands	December 31, 2019
<b>Statutory - IFRS Shareholders' equity</b>	<b>2,654,133</b>
<b>Economic adjustments</b>	<b>2,172,941</b>
Investments	384
Net technical balances	2,059,934
<i>Net technical balances, excluding risk margin – Life</i>	4,283,421
<i>Risk margin – Life</i>	(2,223,487)
Financial liabilities	480
Deferred taxes	(578,389)
Other assets and liabilities	690,532
<b>Excess of assets over liabilities in the Solvency II EBS</b>	<b>4,827,074</b>
Deductions for foreseeable dividends	(55,000)
<b>Total available own funds</b>	<b>4,772,074</b>

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

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

### E.2.1 SOLVENCY CAPITAL REQUIREMENT

The solvency capital requirement (SCR) of SLI is calculated using its approved internal model, which is consistent with that of the SCOR Group. Therefore, the risk categories are the same as those described in the SFCR of the SCOR Group and SCOR SE, except in relation to P&C underwriting risks which are not relevant for SLI.

This section provides a breakdown of the SCR by risk category. This is followed by an overview of the internal model, including a description of the risk categories.

This section is linked to the Quantitative Reporting Template S.25.03 – SCR-IM in the Appendix A.

#### E.2.1.1 SCR BY RISK COMPONENT

SLI's SCR is USD 1,889 million as at December 31, 2019 and has increased by 3% or USD 55 million over the year from USD 1,834 million as at December 31, 2018.

The table below shows the standalone 0.5% Value-at-Risk (VaR) for each risk category, and the diversification and tax components. The risk categories are described in section E.4.1 – Overview of the internal model.

SLI In USD thousands	0.5% VaR as at December 31, 2019	0.5% VaR as at December 31, 2018	Changes from 2018 to 2019
Life underwriting	2,242,314	2,215,410	26,904
Market	1,129,068	958,458	170,610

Credit	311,418	19,849	291,569
Operational	112,299	61,134	51,165
<b>Required capital before diversification</b>	<b>3,795,099</b>	<b>3,254,850</b>	<b>540,249</b>
Diversification	(1,417,176)	(936,358)	(480,818)
Taxes	(488,438)	(484,237)	(4,201)
<b>SCR</b>	<b>1,889,486</b>	<b>1,834,255</b>	<b>55,231</b>

The standalone required capital, before diversification between risk categories and tax, has increased by USD 540 million compared to December 31, 2018. This is mainly due to the following:

- Life underwriting standalone risk has increased by USD 27 million compared to December 31, 2018. This is the net effect of increases due to exposure growth and adverse economic developments (notably the deterioration in interest rates in the US and UK), and reductions due to model refinements together with favourable developments in expected profits.
- Market standalone risk includes invested assets, FX, interest rate, and credit spread risk. It has increased by USD 171 million compared to December 31, 2018 primarily due to adverse economic developments (as noted above).
- Credit standalone risk includes default risk and credit rating migration risk on assets. It has increased by USD 292 million compared to December 31, 2018. This is mainly due to refinements in the credit risk model which resulted in a once-off reallocation of credit risk within the Group to SLI. Despite this increase in the standalone capital, the impact on SLI's SCR is small after diversification because credit risk diversifies well with other risk categories. This is the main driver of the increase in the diversification observable in the table above.
- Operational standalone risk has increased by USD 51 million, mainly due to scenario refinements and data updates.

Diversification and the loss absorbency benefit of taxes decreases the SCR by an additional USD (485) million, compared to December 31, 2018.

## E.2.2 MINIMUM CAPITAL REQUIREMENT

SLI In USD thousands	December 31, 2019	December 31, 2018	Variation	% Variation
MCR Minimum (25% of SCR)	472,371	458,564	13,807	3%
MCR Linear	826,087	817,790	8,297	1%
MCR Maximum (45% of SCR)	850,269	825,415	24,854	3%
<b>MCR with Standard Formula cap &amp; floor</b>	<b>826,087</b>	<b>817,790</b>	<b>8,297</b>	<b>1%</b>

The table above presents MCR calculations based on the internal model SCR.

The life linear Minimum Capital Requirement (MCR) is obtained by applying pre-defined factors to the net best estimate technical provisions classified by product type as well as to the capital at risk for all life exposures. In the case of SLI, the best estimate technical provisions are negative, and this charge is floored to zero. The MCR is the result of this specified linear formula subject to a floor of 25% and a cap of 45% of the SCR calculated based on the internal model.

The MCR for SLI is equal to the linear MCR but is close to the maximum level of the MCR i.e. 45% of the internal model SCR.

## E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

SLI does not use a duration-based equity risk sub-module in the calculation of the SCR.

## E.4 Differences between the standard formula and any internal model used

The following sections describe SCOR's internal model and show how it is used within SLI.

### E.4.1 OVERVIEW OF THE INTERNAL MODEL

SCOR developed its internal model to ensure that its solvency is properly measured: the model is part of a comprehensive solvency framework which seeks to ensure that SCOR, including SLI, is solvent now and will continue to be solvent in the future. It is deeply embedded in SCOR's Risk Management system and used extensively for strategic purposes and business steering. The model is materially complete in its coverage of risk and entities. For this purpose, material is defined as being at a level above which information could influence the decision-making or judgment of the intended users of that information.

Since 2003 SCOR, has used its experience and knowledge to develop an internal model which accurately reflects SCOR's risk profile as a global reinsurer. SCOR received approval from regulators to use its internal model for the calculation of its Solvency II SCR from the effective in-force date of Solvency II (January 1, 2016).

This section gives an overview of the internal model. Section E.4.2 gives examples of SCOR's use of the internal model. Section E.4.3 provides more detail on the operation of the internal model, describing how SCOR forecasts the probability distributions for its risks and section E.4.4 describes the key differences between the standard formula and SCOR's internal model.

### Summary of the approach

The internal model produces a probability distribution of SCOR's economic balance sheet at a date one year in the future. It does this by calculating, for many thousands of scenarios, the value of the balance sheet items exposed to risk. SCOR leverages its experience to forecast a probability distribution for each of these risks and to determine how the different risks interact. SCOR then uses this to produce a single probability distribution of the change in economic value. See section E.4.3 for more details. The model allows for diversification and for the loss absorbing effect of deferred taxes.

### Scope of the internal model

#### Business units

The internal model is a global model and operates under the same standards across the Group, within and outside the Solvency II regime. SCOR manages its business using a Group and business unit approach as described in section A.1.1.5 - Legal and organizational structure of the Group, under which the activities of the Life and P&C business units are represented alongside SCOR Global Investments.

The internal model covers the entirety of SCOR's worldwide (re)insurance activities. It therefore designed to include all known material quantifiable risks to which the Group is exposed and SCOR has robust processes in place to ensure the continued adequacy of the internal model to its risk profile.

The internal model is used to calculate the Solvency II SCR of the Group and the following Solvency II regulated entities: SCOR SE, SGLRI and SLI.

#### Risk measure and time period

The risk measure used to determine the Solvency Capital Requirement is the Value-at-Risk (VaR) of the change in basic own funds over a one-year period with a confidence level of 99.5% (i.e. VaR 0.5%).

#### Risk categories

SLI groups the risks modelled into four categories<sup>6</sup>: Life underwriting, market, credit and operational risks. The definitions of the risk categories are as follows:

- **Life underwriting** risk is the risk of change in the value of life and health liabilities. It also includes related risks such as those associated with deposits to cedents, reinsurance recoverables and reinsurance payables and interest income on funds withheld. Underwriting risk covers risks from business written to date and business planned to be written over the next year.
- **Market** risk is the risk of loss to balance sheet items (for instance provisions, payables, investments and debt) from changes in the level of market prices.
- **Credit** risk is the risk resulting from the default or changes in the rating of insurance or investment counterparties.
- **Operational** risk is the risk of loss from inadequate or failed internal processes, personnel or systems or from external events. Operational risk includes legal risks, and excludes risks arising from strategic decisions and reputational risks.

The risk categories are reported before tax and diversification. These are then shown separately:

- **Diversification.** This is the impact of determining the joint capital requirements of the four risk categories. The aggregated capital requirement is less than the sum of the individual capital requirements because of SLI's diversified portfolio which significantly reduces the likelihood of simultaneous occurrence of adverse experience and because losses in one area are offset by gains in another.

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<sup>6</sup> SCOR Group also models P&C underwriting risk but SLI has no exposure to this risk.

- **Taxes.** For each modeled scenario, the internal model calculates the tax impact of the change in economic value.

#### Data used in the internal model

The probability distribution forecast of SLI's economic balance sheet requires forecasts to be made for the economic background, for each risk factor, and for the dependencies between the various risk factors. These forecasts rely on actuarial, economic, financial and business portfolio assumptions and data. Because the accuracy and appropriateness of this data are important, SLI carefully manages data to ensure its proper and structured storage, reliability, and accessibility. SLI applies a data quality management framework to identify key data affecting internal model results, in particular the SCR, and data quality criteria to all of this data. Section E.4.3 describes in more detail the data used for each risk category and how SLI ensures that the data is appropriate.

In some areas, there is little data available, the data lacks reliability, or its relationship to the forecast being made is only indirect. In these cases, SLI applies expert judgement, within a framework, to make sure that its application is proportionate to the quantity and quality of data available, and to its potential impact on the SCR.

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#### E.4.2 USES OF THE INTERNAL MODEL

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The internal model is used to support the Group's business initiatives and to provide input for management decisions. See for example sections B.3.1.3 – Risk tolerances, B.3.2.3 – Identification and assessment of risks and C.2.2 – Risks related to technical provisions. Other examples are as follows:

- SCOR uses the internal model to determine solvency and profitability and for economic and solvency capital assessment. The internal model is used to produce distributions of scenarios for changes in basic own funds over the coming year for SCOR Group and material Group entities, in accordance with Solvency II principles.
- SCOR uses the internal model for strategic solvency management. The internal model is the core tool for setting and maintaining SCOR's strategic solvency target to align shareholder returns, business growth, profitability and solvency protection for clients.
- The internal model plays an important role in SCOR's System of Governance, and Risk Management System and helps to optimize shareholder return. SCOR designed and developed the model specifically for its own risks, so the internal model provides a better understanding of its risk profile than an industry-standard or standard formula approach.
- SCOR's Capital Shield strategy, uses a range of protection mechanisms to ensure that the retained risk profile remains in line with the risk appetite framework and risk tolerances.
- SCOR's SCR is mainly driven by its underwriting risks, with high diversification through well-balanced Life and P&C portfolios. Full distribution modelling and capital allocation steer SCOR's risk return profile to the optimum allocation of economic capital to business units and lines of business, and to new business. Thus, the pricing of new business with an understanding of the resulting capital allocation assists SCOR in targeting business which is expected to provide an attractive return on capital.
- SCOR uses the internal model for risk analysis to support acquisitions and other major decisions and to assess the impact on the Group's (and relevant entity's) solvency.

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#### E.4.3 PROBABILITY DISTRIBUTION FORECASTS

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This section describes how SCOR forecasts the probability distribution for each risk category. The approach can be summarized as follows:

- SCOR determines the exposure of the economic balance sheet items exposed to risk using the economic characteristics of its portfolio.
- SCOR analyses each risk category into a number of risk factors and generates probability distributions for each of these risk factors, using its own experience and expertise applied to internal, external and market data.
- SCOR uses Monte-Carlo simulation techniques to produce the full probability distribution forecast for each risk category.

#### Life Underwriting Risk

To model its life and health risks SCOR combines global expertise and significant amounts of experience, including data from acquisitions. It uses this to derive the statistical characteristics of these risks, particularly their current probability distributions, the nature of the dependencies between them and their expected behavior over the next year.

Probability distribution functions are chosen to model the underlying risk factors such as mortality, longevity and policyholder behavior. SCOR applies expert judgment and scenario analyses where experience data are relatively scarce, for example lapse and morbidity risks.

The internal model takes future management actions into account, reflecting the optionality available to SCOR on certain blocks of business in the event of adverse mortality or critical illness experience.

## Market Risk

The market risk category comprises a number of risk factors, including interest rates, credit spreads, inflation and currency exchange rates (FX).

SCOR applies probability distributions for these risk factors to the values of economic balance sheet items. Within this risk category, SCOR also applies probability distributions for interest rates to the modelled values of discounted best estimate liabilities and deposits to cedents.

SCOR forecasts the probability distributions of the risk factors, and the dependencies between them, using economic scenarios for a number of major currencies. These economic scenarios are created by SCOR's Economic Scenario Generator (ESG), which produces scenarios representing various plausible states of the economy specified in terms of economic risk factors, to determine how the economic balance sheet would react under these various scenarios.

The internal model determines, for each ESG scenario, the impact on the underlying economic balance sheet item. Repeating this exercise many times for different future economic scenarios gives the full probability distribution forecast for market risk.

## Credit Risk

The probability distribution forecast for credit risk includes migration and default risk, and is determined in three stages. Firstly, using historical data, the risks of counterparty rating migration (including default) are forecasted. Secondly, the impact of the rating migration or default is determined from the exposure to the counterparty. Finally, this exercise is repeated many times for different future economic scenarios to arrive at the probability distribution forecast for credit risk.

## Operational Risk

SCOR models annual losses at the entity level and by key operational areas. There are two main data sources for modelling operational risk: scenario analyses from experts and historical losses. The methodology for modelling losses for each operational risk area is based on a Bayesian approach. This allows for the combination of several input data sources for each modelled operational risk area to obtain credible data.

## Other

**Tax.** The modelled economic balance sheet includes actual deferred tax assets and deferred tax liabilities recognized at the beginning of the year. For each modeled scenario, the internal model calculates the tax impact of the change in economic value (i.e. economic profit or loss).

**Minor balance sheet items**, such as intangible assets or debt, are assumed to carry a low intrinsic risk. These are modelled in a simplified way and included in the relevant risk category.

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### E.4.4 KEY DIFFERENCES BETWEEN THE STANDARD FORMULA AND THE INTERNAL MODEL

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SLI uses its approved internal model to calculate its SII SCR (see section E.4.1), as opposed to the Solvency II standard formula. SCOR designed and developed the internal model specifically for its own risks, so it provides a better understanding of its risk profile than an industry-standard or standard formula approach.

SCOR's internal model is similar to the standard formula in that both use a risk category approach, apply diversification between the risk categories, and calculate the SCR at a 99.5% VaR. However, in contrast to the simplified factor approach of the standard formula, the full distribution is modelled in the internal model.

SCOR's internal model structure reflects geographical market specificity by use of appropriate risk factor calibration. The standard formula uses generic diversification factors for all (re)insurers, whereas the SCOR internal model reflects the benefits of risk diversification specific to a global reinsurer as compared to a less diversified local insurance undertaking.

Additional key differences are summarized below by risk category:

- For Life underwriting, a wider range of risk factors than considered in the standard formula is modelled. Also, for Life underwriting, the standard formula only covers risks from business in force, whereas the SCOR internal model also includes risks from future business expected to be written over the next year according to the business plan.
- For Market risk, SCOR uses its own ESG which reflects dependencies over the full range of outcomes (not just those at the 99.5th percentile) between the different components of market risk.
- For Credit risk, SCOR models migration and default risk comprehensively for marketable securities and covers default of future profits from cedents. Migration risk reflects a potential loss in the book value of assets due to changes in the credit quality of counterparties, despite no actual default.
- For Operational risk, SCOR adopts a granular approach, which reflects actual historical operational loss data from key operating areas.

## **E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement**

SLI has complied with the Solvency II MCR and the SCR requirements at all times during the reporting period covered by this report.

## **E.6 Any other information**

SLI has no other material information, in addition to that already contained in other sections, to report about its capital management.

## APPENDIX A: PUBLIC DISCLOSURE QRTS SLI

### S.02.01.02 - Balance Sheet

#### SLI

Assets as at December 31, 2019

In USD thousands

Solvency II value

		C0010
<b>Goodwill</b>	R0010	
<b>Deferred acquisition costs</b>	R0020	
<b>Intangible assets</b>	R0030	-
<b>Deferred tax assets</b>	R0040	-
<b>Pension benefit surplus</b>	R0050	-
<b>Property, plant &amp; equipment held for own use</b>	R0060	<b>294</b>
<b>Investments (other than assets held for index-linked and unit-linked contracts)</b>	R0070	<b>1,915,435</b>
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
<i>Equities - listed</i>	R0110	-
<i>Equities - unlisted</i>	R0120	-
Bonds	R0130	1,803,112
<i>Government bonds</i>	R0140	293,909
<i>Corporate bonds</i>	R0150	1,509,203
<i>Structured notes</i>	R0160	-
<i>Collateralised securities</i>	R0170	-
Collective Investments Undertakings	R0180	15,707
Derivatives	R0190	184
Deposits other than cash equivalents	R0200	96,431
Other investments	R0210	-
<b>Assets held for index-linked and unit-linked contracts</b>	R0220	-
<b>Loans and mortgages</b>	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
<b>Reinsurance recoverables from:</b>	R0270	<b>758,261</b>
Non-life and Health similar to Non-life	R0280	-
Non-life excluding Health	R0290	-
Health similar to Non-life	R0300	-
Life and Health similar to Life, excluding Health and index-linked and unit-linked	R0310	758,261
Health similar to Life	R0320	-
Life excluding Health and index-linked and unit-linked	R0330	758,261
Life index-linked and unit-linked	R0340	-
<b>Deposits to cedants</b>	R0350	<b>259,812</b>
<b>Insurance and intermediaries receivables</b>	R0360	<b>743,399</b>
<b>Reinsurance receivables</b>	R0370	<b>62,188</b>
<b>Receivables (trade, not insurance)</b>	R0380	<b>11,226</b>
<b>Own shares (held directly)</b>	R0390	-
<b>Amounts due in respect of own fund items or initial fund called up but not yet paid in</b>	R0400	-
<b>Cash and cash equivalents</b>	R0410	<b>25,321</b>
<b>Any other assets, not elsewhere shown</b>	R0420	-
<b>TOTAL ASSETS</b>	R0500	<b>3,775,936</b>

## S.02.01.02 - Balance Sheet (continue)

SLI		Solvency II value	
Liabilities as at December 31, 2019		C0010	
In USD thousands			
<b>Technical provisions – Non-life</b>	R0510		-
Technical provisions – non-life (excluding health)	R0520		-
<i>Technical provisions calculated as a whole</i>	R0530		-
<i>Best Estimate</i>	R0540		-
<i>Risk margin</i>	R0550		-
Technical provisions - health (similar to non-life)	R0560		-
<i>Technical provisions calculated as a whole</i>	R0570		-
<i>Best Estimate</i>	R0580		-
<i>Risk margin</i>	R0590		-
<b>Technical provisions - life (excluding index-linked and unit-linked)</b>	R0600		<b>(1,735,452)</b>
Technical provisions - health (similar to life)	R0610		-
<i>Technical provisions calculated as a whole</i>	R0620		-
<i>Best Estimate</i>	R0630		-
<i>Risk margin</i>	R0640		-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650		(1,735,452)
<i>Technical provisions calculated as a whole</i>	R0660		-
<i>Best Estimate</i>	R0670		(3,958,939)
<i>Risk margin</i>	R0680		2,223,487
<b>Technical provisions – index-linked and unit-linked</b>	R0690		-
<i>Technical provisions calculated as a whole</i>	R0700		-
<i>Best Estimate</i>	R0710		-
<i>Risk margin</i>	R0720		-
<b>Other technical provisions</b>	R0730		-
<b>Contingent liabilities</b>	R0740		-
<b>Provisions other than technical provisions</b>	R0750		-
<b>Pension benefit obligations</b>	R0760		-
<b>Deposits from reinsurers</b>	R0770		-
<b>Deferred tax liabilities</b>	R0780		<b>616,549</b>
<b>Derivatives</b>	R0790		-
<b>Debts owed to credit institutions</b>	R0800		-
<b>Financial liabilities other than debts owed to credit institutions</b>	R0810		<b>149</b>
<b>Insurance &amp; intermediaries payables</b>	R0820		<b>59</b>
<b>Reinsurance payables</b>	R0830		-
<b>Payables (trade, not insurance)</b>	R0840		<b>49,296</b>
<b>Subordinated liabilities</b>	R0850		-
Subordinated liabilities not in basic own funds	R0860		-
Subordinated liabilities in basic own funds	R0870		-
<b>Any other liabilities, not elsewhere shown</b>	R0880		<b>18,261</b>
<b>TOTAL LIABILITIES</b>	R0900		<b>(1,051,138)</b>
<b>EXCESS OF ASSETS OVER LIABILITIES</b>	R1000		<b>4,827,074</b>

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

SLI	Line of Business for: life insurance obligations						Life reinsurance obligations		TOTAL
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to health insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
As at December 31, 2019 In USD thousands	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
<b>Premiums written</b>									
Gross	R1410						-	3,407,854	<b>3,407,854</b>
Reinsurers' share	R1420						-	273,221	<b>273,221</b>
Net	R1500						-	3,134,633	<b>3,134,633</b>
<b>Premiums earned</b>									
Gross	R1510						-	3,407,854	<b>3,407,854</b>
Reinsurers' share	R1520						-	273,221	<b>273,221</b>
Net	R1600						-	3,134,633	<b>3,134,633</b>
<b>Claims incurred</b>									
Gross	R1610						-	2,904,181	<b>2,904,181</b>
Reinsurers' share	R1620						-	319,367	<b>319,367</b>
Net	R1700						-	2,584,814	<b>2,584,814</b>
<b>Changes in other technical provisions</b>									
Gross	R1710						-	-	-
Reinsurers' share	R1720						-	-	-
Net	R1800						-	-	-
<b>Expenses incurred</b>	R1900						-	332,317	<b>332,317</b>
<b>Other expenses</b>	R2500								<b>224</b>
<b>Total expenses</b>	R2600								<b>332,541</b>

## S.05.02.01 – Premiums, claims and expenses by country

SLI As at December 31, 2019 In USD thousands	Home country	Top 5 countries (by amount of gross premiums written) - Life obligations						Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	
	R1400		(US) United States	(BB) Barbados	(GB) United Kingdom			
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
<b>Premiums written</b>								
Gross	R1410	-	3,326,289	52,173	29,392	-	-	3,407,854
Reinsurers' share	R1420	-	273,221	-	-	-	-	273,221
Net	R1500	-	3,053,067	52,173	29,392	-	-	3,134,633
<b>Premiums earned</b>								
Gross	R1510	-	3,326,289	52,173	29,392	-	-	3,407,854
Reinsurers' share	R1520	-	273,221	-	-	-	-	273,221
Net	R1600	-	3,053,067	52,173	29,392	-	-	3,134,633
<b>Claims incurred</b>								
Gross	R1610	-	2,921,647	(17,196)	(270)	-	-	2,904,181
Reinsurers' share	R1620	-	319,367	-	-	-	-	319,367
Net	R1700	-	2,602,280	(17,196)	(270)	-	-	2,584,814
<b>Changes in other technical provisions</b>								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-
<b>Expenses incurred</b>	R1900	-	326,523	3,487	2,307	-	-	332,317
<b>Other expenses</b>	R2500							224
<b>Total expenses</b>	R2600							332,541

## Home country

Ireland

S.12.01.02 - Life and Health SLT Technical Provisions

		Index-linked and unit-linked insurance				Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees				
SLI As at December 31, 2019 In USD thousands		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200
<b>Technical provisions calculated as a whole</b>	R0010															
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020									-	-					
<b>Technical provisions calculated as a sum of BE and RM</b>																
<b>Best estimate</b>																
<b>Gross best estimate</b>	R0030									(3,958,939)	(3,958,939)					
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080									758,261	758,261					
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090									(4,717,200)	(4,717,200)					
<b>Risk Margin</b>	R0100									2,223,487	2,223,487					
<b>Amount of the transitional on technical provisions</b>																
Technical provisions calculated as a whole	R0110									-	-					
Best estimate	R0120									-	-					
Risk Margin	R0130									-	-					
<b>Technical provisions - total</b>	R0200									(1,735,452)	(1,735,452)					

## S.23.01.01 – Own funds

SLI As at December 31, 2019 In USD thousands		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>						
Ordinary share capital (gross of own shares)	R0010	2,150,000	2,150,000	-	-	-
Share premium account related to ordinary share capital	R0030	-	-	-	-	-
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-	-	-	-
Subordinated mutual member accounts	R0050	-	-	-	-	-
Surplus funds	R0070	-	-	-	-	-
Preference shares	R0090	-	-	-	-	-
Share premium account related to preference shares	R0110	-	-	-	-	-
<b>Reconciliation reserve</b>	R0130	2,622,074	2,622,074	-	-	-
Subordinated liabilities	R0140	-	-	-	-	-
An amount equal to the value of net deferred tax assets	R0160	-	-	-	-	-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-	-	-	-	-
<b>Deductions</b>						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	-
<b>Total basic own funds after deductions</b>	R0290	4,772,074	4,772,074	-	-	-
<b>Ancillary own funds</b>						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-	-	-	-	-
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-	-	-	-	-
Unpaid and uncalled preference shares callable on demand	R0320	-	-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-	-	-	-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-	-	-	-	-
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-	-	-	-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-	-	-	-	-
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-	-	-	-	-
Other ancillary own funds	R0390	-	-	-	-	-
<b>Total ancillary own funds</b>	R0400	-	-	-	-	-
<b>Available and eligible own funds</b>						
Total available own funds to meet the SCR	R0500	4,772,074	4,772,074	-	-	-
Total available own funds to meet the MCR	R0510	4,772,074	4,772,074	-	-	-
Total eligible own funds to meet the SCR	R0540	4,772,074	4,772,074	-	-	-
<b>Total eligible own funds to meet the MCR</b>	R0550	4,772,074	4,772,074	-	-	-
<b>SCR</b>	R0580	1,889,486	-	-	-	-
<b>MCR</b>	R0600	826,087	-	-	-	-
<b>Ratio of Eligible own funds to SCR</b>	R0620	252.56%	-	-	-	-
<b>Ratio of Eligible own funds to MCR</b>	R0640	577.67%	-	-	-	-

## S.23.01.01 – Own funds (continue)

SLI As at December 31, 2019 In USD thousands		Total
		C0060
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	R0700	4,827,074
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	55,000
Other basic own fund items	R0730	2,150,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
<b>Reconciliation reserve</b>	<b>R0760</b>	<b>2,622,074</b>
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) - Life business	R0770	5,399,507
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	-
<b>Total expected profits included in future premiums (EPIFP)</b>	<b>R0790</b>	<b>5,399,507</b>

## S.25.03.21 – Solvency Capital Requirement - for undertakings on Full Internal Models

SLI

As at December 31, 2019

In USD thousands

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
A.1	Life underwriting	2,242,314
A.2	Market	1,129,068
A.3	Credit	311,418
A.4	Operational	112,299
<b>Calculation of Solvency Capital Requirement</b>		
		C0100
Total undiversified components	R0110	3,795,099
Diversification	R0060	(1,417,176)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	R0160	-
<b>Solvency Capital Requirement excluding capital add-on</b>	R0200	1,889,486
Capital add-ons already set	R0210	-
<b>Solvency Capital Requirement</b>	R0220	1,889,486
<b>Other information on SCR</b>		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(488,438)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for Article 304	R0440	-

## S.28.01.01 – Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

SLI  
As at December 31, 2019  
In USD thousands

*Linear formula component for Non-life insurance and reinsurance obligations*

		C0010	Background information	
MCR <sub>NL</sub> Result	R0010	-	Net (of reinsurance/SPV) Best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	-	-	-
Income protection insurance and proportional reinsurance	R0030	-	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	-	-	-
Other motor insurance and proportional reinsurance	R0060	-	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	-	-	-
General liability insurance and proportional reinsurance	R0090	-	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	-	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-	-
Assistance and proportional reinsurance	R0120	-	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	-	-
Non-proportional health reinsurance	R0140	-	-	-
Non-proportional casualty reinsurance	R0150	-	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-	-
Non-proportional property reinsurance	R0170	-	-	-

*Linear formula component for life insurance and reinsurance obligations*

		C0040	Net (of reinsurance/SPV) Best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
MCR <sub>L</sub> Result	R0200	826,087	C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	-	-	-
Obligations with profit participation - future discretionary benefits	R0220	-	-	-
Index-linked and unit-linked insurance obligations	R0230	-	-	-
Other life (re)insurance and health (re)insurance obligations	R0240	-	-	-
Total capital at risk for all life (re)insurance obligations	R0250	-	-	1,180,124,717

*Overall MCR calculation*

		C0070
Linear MCR	R0300	826,087
SCR	R0310	1,889,486
MCR cap	R0320	850,269
MCR floor	R0330	472,371
Combined MCR	R0340	826,087
Absolute floor of the MCR	R0350	4,037
<b>Minimum Capital Requirement</b>	<b>R0400</b>	<b>826,087</b>