



**SOLVENCY AND FINANCIAL  
CONDITION REPORT**

**AS OF 31 DECEMBER 2022**

**SCOR GLOBAL REINSURANCE  
IRELAND DAC**

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>5</b>
<b>A. BUSINESS AND PERFORMANCE .....</b>	<b>8</b>
A.1 Business .....	8
A.1.1 Overview .....	8
A.1.2 Business description .....	10
A.1.3 Significant Business events and other events in the period .....	12
A.2 Underwriting performance .....	13
A.2.1 Underwriting results by lines of business .....	13
A.2.2 Underwriting results by geographical areas .....	15
A.3 Investment performance .....	16
A.3.1 Investment income and expenses .....	16
A.3.2 Investment gains and losses recognised in equity .....	17
A.3.3 Securitised investments .....	17
A.4 Performance of other activities .....	17
A.5 Any other information .....	18
<b>B. SYSTEM OF GOVERNANCE .....</b>	<b>19</b>
B.1 General information on the system of governance .....	19
B.1.1 General governance principles .....	19
B.1.2 Legal structure and functional organization of SCOR Group .....	19
B.1.3 Group Governance structure at Group and legal entity level .....	19
B.1.4 Material changes in the governance in 2022 .....	22
B.1.5 Material transactions with shareholders, persons who exercise significant influence or members of the AMSB .....	22
B.1.6 Compensation policy and practices regarding the members of the administrative, management or supervisory bodies and employees .....	23
B.2 Fit and proper requirements .....	26
B.2.1 Objectives and general principles .....	26
B.2.2 Scope of SCOR's fit and proper principles .....	26
B.2.3 Fitness criteria .....	26
B.2.4 Propriety criteria .....	28
B.2.5 Fit and proper assessment process .....	29
B.3 Risk management system including the Own Risk and Solvency Assessment (ORSA) .....	30
B.3.1 Risk Appetite Framework .....	30
B.3.2 ERM Framework .....	31
B.3.3 Internal Model Contribution to the ERM Framework .....	33
B.3.4 ORSA Contribution to the ERM Framework .....	34
B.4 Internal Control System .....	35
B.4.1 Internal control system .....	35
B.4.2 Compliance function .....	35
B.5 Internal Audit .....	36
B.5.1 Internal Audit organization .....	36
B.6 Actuarial function .....	37
B.6.1 Implementation of the Actuarial function .....	37
B.7 Outsourcing .....	38
B.7.1 Outsourcing principles and organization .....	38
B.7.2 Main intragroup outsourcing arrangements .....	39

B.7.3 Main outsourced activities with external providers .....	39
B.8 Other material information regarding the system of governance. ....	39
<b>C. RISK PROFILE.....</b>	<b>40</b>
C.1 Introduction .....	40
C.1.1 General introduction .....	40
C.1.2 Sensitivity analysis .....	41
C.2 Underwriting risks.....	41
C.2.1 Non-Life Business .....	42
C.2.2 Life Business .....	45
C.2.3 Risks related to technical provisions.....	47
C.2.4 Retrocession and other risk mitigation techniques.....	48
C.3 Market risks.....	48
C.3.1 Overview of market risks .....	48
C.3.2 Management of market risks .....	49
C.4 Credit risks .....	50
C.4.1 Overview of credit risks .....	50
C.4.2 Management of credit risks .....	51
C.5 Liquidity risks.....	52
C.5.1 Overview of liquidity risks .....	52
C.5.2 Management of liquidity risks .....	52
C.5.3 Expected profits included in future premiums .....	53
C.6 Operational risks .....	53
C.6.1 Overview of operational risks.....	53
C.6.2 Management of operational risks.....	54
C.7 Other material risks .....	55
C.7.1 Strategic risks.....	55
C.7.2 Significant risk concentrations .....	60
C.8 Any other information .....	60
<b>D. VALUATION FOR SOLVENCY PURPOSES .....</b>	<b>61</b>
D.1 Assets .....	61
D.1.1 Property, plant and equipment.....	61
D.1.2 Participations and related undertakings.....	62
D.1.3 Cash and investments, other than participations .....	62
D.1.4 Insurance technical assets .....	63
D.1.5 Other assets including loans receivables and trade receivables.....	65
D.2 Technical Provisions .....	65
D.2.1 Non-Life technical provisions.....	65
D.2.2 Life technical provisions .....	68
D.2.3 Comparison with valuation in the financial statements .....	70
D.3 Other liabilities.....	72
D.3.1 Insurance technical liabilities .....	72
D.3.2 Deferred tax liabilities .....	73
D.3.3 Financial and other liabilities including subordinated liabilities.....	73
D.3.4 Financial liabilities other than debts owed to credit institutions .....	74
D.4 Alternative methods of valuation .....	74
D.5 Any other information .....	74
<b>E. CAPITAL MANAGEMENT .....</b>	<b>75</b>

E.1	Own funds.....	75
E.1.1	Own funds .....	75
E.1.2	Eligibility of own funds .....	76
E.1.3	Reconciliation with shareholders' equity .....	76
E.2	Solvency Capital Requirement and Minimum Capital Requirement.....	77
E.2.1	Solvency Capital Requirement.....	77
E.2.2	Minimum Capital Requirement.....	78
E.3	Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.....	78
E.4	Differences between the standard formula and any internal model used.....	78
E.4.1	Overview of the internal model .....	78
E.4.2	Uses of the internal model .....	80
E.4.3	Probability distribution forecasts .....	80
E.4.4	Loss absorbing capacity of deferred taxes.....	81
E.4.5	Key differences between the standard formula and the internal model .....	81
E.5	Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement.....	82
E.6	Any other information .....	82
<b>APPENDIX A: PUBLIC DISCLOSURE QRTS SGRI .....</b>		<b>83</b>

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 Global Reinsurance Ireland dac (further referred to as SGRI or “the Company” and formerly<sup>1</sup> SCOR Global Life Reinsurance Ireland dac or SGLRI)), presents information on SGRI and its solvency position as at December 31, 2022 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 SGRI 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:

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

SCOR SE is the immediate and ultimate parent of SGRI. SCOR SE is a European Company domiciled in France. SCOR SE, together with its consolidated subsidiaries (referred to collectively as “SCOR” or the “Group”), form the world’s 5<sup>th</sup> largest reinsurer<sup>2</sup> and is listed on the Euronext Paris regulated market and on the SIX Swiss Exchange (formerly SWX Swiss Exchange) in Zurich. SGRI holds an investment in SCOR Ireland dac (further referred to as SI, and formerly<sup>3</sup> SCOR Life Ireland dac or SLI).

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 Global Reinsurance Ireland dac Directors’ Report and Financial Statements for the Year Ended December 31, 2022 (further referred to as the 2022 Financial Statements) available on the CRO website;
- 2022 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-results](http://www.scor.com/en/financial-results) (further referred to as the 2022 Universal Registration Document or the URD).
- Solvency and Financial Condition Report for SCOR Group and SCOR SE as of December 31, 2022 (further referred to as SCOR Group SFCR) and available at [www.scor.com/](http://www.scor.com/).
- SCOR’s previous strategic plan, “Quantum Leap” (2019-2021, extended until 2022) is 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).

In 2023, SCOR has adapted its strategy to the rapidly changing environment, building its resilience and focusing on a 1-year action plan to best position the group in the new regime and deliver sustainable performance.

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<sup>1</sup> SCOR Global Life Reinsurance Ireland dac or SGLRI changed the name into SCOR Global Reinsurance Ireland dac or SGRI in May 2022. In the following the new name may be used even if referring to documents filed before the name change.

<sup>2</sup> By net reinsurance premiums written, source: “AM Best Special Report Global Reinsurance 2021”

<sup>3</sup> SCOR Life Ireland dac or SLI changed the name into SCOR Ireland dac or SI in March 2022. SCOR Ireland dac (SI). In the following the new name may be used even if referring to documents filed before the name change.

## SCOR Global Reinsurance Ireland dac

### Business and performance

As at December 31, 2022 SCOR Global Reinsurance Ireland dac (SGRI) underwrites Life and Health and Non-Life reinsurance business.

SGRI underwrites Life reinsurance business in the Americas, EMEA (Europe, Middle East and Africa) and Asia-Pacific 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, morbidity and behavioural 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.

Effective January 1, 2022, SGRI has extended its underwriting activity to include Non-Life Reinsurance business, replacing another SCOR subsidiary as an aggregator for Non-Life risks originally written by a number of other SCOR branches and subsidiaries around the world, excluding the US. The lines of business include:

- Property;
- Casualty or Liability;
- Other Speciality Risks;
- Natural and Man-made Catastrophes.

<b>SGRI in USD millions</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Eligible Own Funds (EOF)	2,361	3,399
Solvency Capital Requirement (SCR)	1,184	1,190
<b>Solvency ratio</b>	<b>199%</b>	<b>286%</b>
Gross written premiums	3,889	1,806

SGRI's Eligible Own Funds at December 31, 2022, consist of 100% of Tier 1 capital.

As per regulatory requirements, this report focuses on the developments in the financial year ending on December 31, 2022. All comparative tables for December 2021 relate to Life Business only as disclosed in the 2021 SFCR. The 2021 SFCR contains an addendum which follows the standard structure of the SFCR and covers either updates or additional information resulting from Non-Life transactions effective as at January 1, 2022.

The SCOR Group has consistently executed its strategic plans combining growth, profitability and solvency, and it continues to take actions to navigate the transition to new risk environments and fully seize new opportunities.

### System of governance

SGRI is a designated activity company incorporated in Ireland, with its registered office located at 6<sup>th</sup> Floor, 2 Grand Canal Square, Dublin 2 and registered with the Irish Companies Registrations Office under the number 366572. 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 licence.

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

### Risk profile

SGRI 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.

SGRI has identified the following categories of risk:

- 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;
- underwriting risks related to the Non-Life reinsurance business such as Property and Casualty (“P&C”) Long-tail risks; natural catastrophes and P&C Other Short tail risks;
- 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 SGRI’s Enterprise Risk Management (ERM) framework.

### Valuation for solvency purposes

Solvency II requires SGRI 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. SGRI’s EBS as at December 31, 2022 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. SGRI 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 SGRI uses estimates and assumptions are the 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 SGRI’s strategy. SGRI’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, SGRI’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 SGRI, 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 SGRI. Since January 1, 2016, the regulatory solvency position of SGRI has been assessed using SCOR’s internal model, which was approved in November 2015 by the relevant supervisory authorities. An extension for the use of the internal model for Non-Life business was approved in October 2021.

SGRI considers all its basic own funds, identified in line with Solvency II rules and resulting from economic adjustments made to SGRI’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 Global Life Reinsurance Ireland dac (SGLRI) changed its name to SCOR Global Reinsurance Ireland dac (SGRI) in May 2022. SCOR Global Reinsurance Ireland dac (SGRI), formerly SCOR Global Life Reinsurance Ireland dac (SGLRI), is a designated activity company. The new name may be used even if referring to documents filed before the name change.

##### Registered office of SGRI 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 SGRI AND SCOR GROUP

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

The Group's principal regulators in France are the financial markets authority (Autorité des Marchés Financiers (AMF)), and the French insurance supervisor (Autorité de Contrôle Prudentiel et de Résolution (ACPR)).

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 in which the ACPR and the Central Bank of Ireland (CBI) participate.

Name of the supervisory authority	Contact details	Entities in scope
Central Bank of Ireland (CBI)	Central Bank of Ireland	SCOR Global Reinsurance Ireland dac
	New Wapping Street	
	North Wall Quay	
	Dublin 1	
	Ireland	SCOR Ireland dac
Autorité de Contrôle Prudentiel et de Résolution (ACPR)	Autorité de Contrôle Prudentiel et de Résolution	SCOR SE
	4 Place de Budapest	
	CS 92459	
	75436 PARIS CEDEX 09	

##### A.1.1.3 STATUTORY AUDITORS

Statutory Auditors for SGRI are as follows:

Name	Contact details
KPMG	1 Harbourmaster Place
Represented by Hubert Crehan	International Financial Services Centre Dublin 1
	D01 F6F5
	Ireland



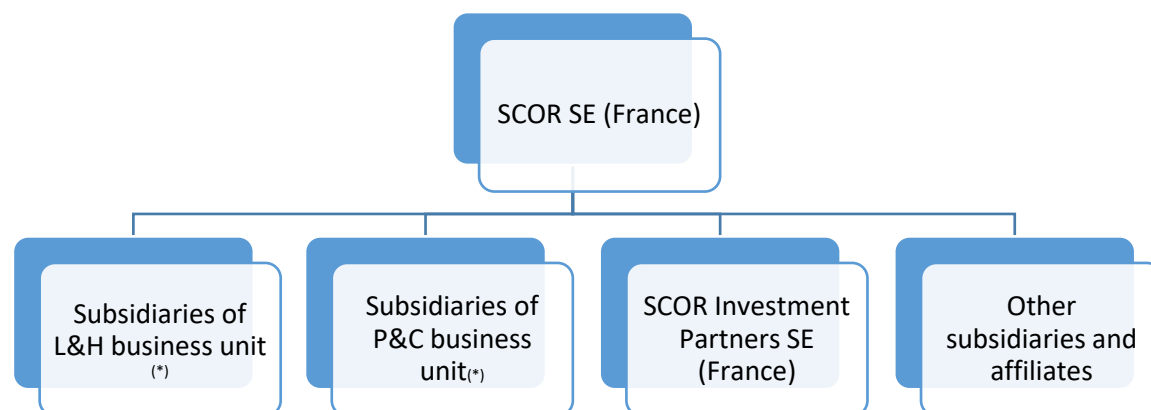
#### A.1.1.4 SIGNIFICANT SHAREHOLDERS

As at December 31, 2022, SCOR SE is the immediate parent company of SGRI (100% of control and interest). SCOR SE is a European Company domiciled in France.

#### 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 and on the SIX Swiss Exchange (formerly SWX Swiss Exchange) in Zurich. SCOR SE wholly owns a large majority of its operating subsidiaries.

The main elements of the Group's business structure are presented in the chart below<sup>4</sup>:



(\*) SGRI is included as a subsidiary of Life and Health business and P&C Business units at December 31, 2022.

The Group is built on three core businesses: SCOR L&H (Life and Health), SCOR P&C (Property and Casualty) and SCOR Investments. The Group's organizational choices were guided by the principles of mobilization of skills and expertise, operating efficiency, structural simplicity, clear reporting lines and balance between teams from the Group's different entities.

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

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

SCOR Investments, the Group's third business unit, is in charge of investments of the Group. It is responsible for defining, implementing and controlling the asset allocation of the Group's legal entities investment portfolios on a centralized basis. It is organized around two areas: Group functions and SCOR Investment Partners SE, an AMF-approved portfolio management company, which directly manages the assets of many SCOR Group subsidiaries as well as investment vehicles on behalf of the Group and third-party clients. Please refer to Section C.3.2.1 – Overview of risk management of assets for further details.

SGRI owns 74% of a subsidiary, SCOR Ireland dac incorporated in and domiciled in Ireland, and regulated by Central Bank of Ireland.

<sup>4</sup> The full organizational chart is available on SCOR's website ([www.scor.com](http://www.scor.com))

### A.1.2 BUSINESS DESCRIPTION

Since January 1, 2022, the Company operates as a composite entity reinsuring both Life and Non-Life business.

#### A.1.2.1 NON-LIFE BUSINESS

The Non-Life reinsurance portfolio is diversified in terms of business and geography covering various lines of business such as Property, Property Cat, Motor, Credit & Surety, Casualty, Engineering, Marine and Offshore and other smaller portfolios from SCOR entities across Asia Pacific (China, India), South Africa, United Kingdom and Europe (Germany, Switzerland, Spain, Italy).

This Non-Life intragroup retrocession business which has transferred to SGRI is comprised of both Proportional and Non-Proportional business and consists of:

- Inwards intragroup retrocession contracts with branches and subsidiaries of SCOR SE; and
- Outwards intragroup retrocession contracts with SCOR SE.

SGRI underwrites EEA risks on the basis of its European Passport and risks outside the EEA on a non-admitted basis to the extent permitted.

The lines of business currently written by SGRI since January 1, 2022, include:

#### Property

Property lines cover damage to the physical assets of the insured, as well as to their business income. It provides financial compensation, renovations or replacements for the physical damage sustained, and financial compensation for the loss of income that a business may experience as a consequence of the physical damage, if its business activity has been interrupted. Perils insured are both natural and man-made, and include notably fire, floods, water damage, explosion and theft. The sum insured and the specific types of events covered depend on whether the coverage is property or property catastrophe.

#### Casualty or Liability

The Casualty or Liability lines of business provide coverage for a broad variety of underlying liability indemnity products, encompassing both general and professional liability business. The underlying products, events or circumstances covered are driven by the underlying market the risks originate from.

Some specific types of Liability products covered, worth mentioning are:

- **Auto/Motor Liability** – Personal and business insurance for cars, trucks, motorcycles, and other road vehicles. The policy responds when the insured driver or vehicle causes or is accused of physical damage or bodily injury resulting from any liability that arising from incidents in or around a vehicle;
- **Medical Malpractice** – Med Mal provides coverage for the acts, errors, and omissions of physicians, surgeons, and allied healthcare operators such as nurses. This liability policy can encompass physicians only, hospitals only, or physicians and hospitals combined.

#### Other Specialty Risks

The lines of business considered Specialty consist of the following:

- **Aviation** covers damages to aircraft or equipment, operated by airlines, aircrafts manufacturers, space companies, or operators on the ground. The coverage is often split between hull (damage to or loss of the physical asset) and liability (damages to the passengers), with liability typically representing the largest and longest exposure of the two. SCOR affiliates participate in the aviation business through reinsurance and insurance solutions in all sectors of the Aviation market: airlines, aerospace and general aviation;
- **Marine and Energy** typically includes a hull and a liability part, for damages to cargos or other equipment at sea, such as drilling platforms. SCOR affiliates participate in the marine and energy business through (re)insurance solutions covering hull and cargo as well as marine liability and energy;
- **Engineering** covers risks resulting from the design and constructions of building, as well as related equipment & machinery. SCOR affiliates participate in the Engineering business through a broad range of reinsurance and insurance covering: Construction All Risks (CAR) and Erection All Risks (EAR) insurance, as well as advance loss of profits or delay in startup following a CAR or EAR loss, contractors' plant and machinery, electronic equipment, machinery, machinery loss of profits and combined machinery/electronic equipment and property;
- **Agriculture** SCOR affiliates provide customized risk transfer solutions and innovative approaches in the field of crop/crop hail, aquaculture, forestry, greenhouse and livestock/bloodstock insurance;
- **Credit and Surety** includes covers for payment default, frustration of assets, surety. It applies particularly to businesses trading abroad. SCOR affiliates participate in the Credit and Surety business e.g.
  - Domestic and Export Credit Insurance,
  - Various surety lines, like market surety and professional surety, and

- Political Risks: Confiscation Expropriation Nationalisation Deprivation (CEND), embargo and no currency transfer.
- **Decennial** covers inherent defects insurance for construction works. SCOR affiliates participate in the Decennial business through customised products and solutions tailored to local situations e.g.
  - basic cover of construction damage caused by inherent defects in structural works,
  - tailored cover, including material damage caused by inherent defects in waterproofing works and/or in other specific parts of construction, and
  - additional extensions to Insurance Defects Insurance (“IDI”) policies such as waiver of subrogation against builders and consequential third-party liability.

### Natural and Man-made Catastrophes

Natural Catastrophe insurance is coverage dedicated to low-probability, high-cost catastrophic events such as: Hurricanes and typhoons, Extratropical cyclones, Earthquakes and tsunamis, Floods, Thunderstorms including tornados, Hailstorms, Wildfires, as well as man-made risks such as terrorism etc. Catastrophe covers may not be limited to specific perils in the wording, however, generally, what is key to classify a loss as being covered is that the loss effects multiple insureds with amounts aggregating together defining the catastrophic event.

### Solvency II lines of business

Under Solvency II, insurance and reinsurance obligations are analysed by defined lines of business. The material lines of SGRI's Non-Life business are as follows:

- Motor vehicle liability insurance;
- Marine, aviation and transport insurance;
- Fire and other damage to property insurance;
- General liability insurance;
- Credit and suretyship insurance;
- Non-proportional property reinsurance;
- Others (regrouping smaller Lines of Business).

#### A.1.2.2 LIFE & HEALTH BUSINESS

SGRI underwrites Life & Health Reinsurance from the Americas, EMEA and Asia-Pacific 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, morbidity and behavioural 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 SGRI'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 SGRI's Protection portfolio, is characterized by the dominance of long-term contractual relationships. SGRI also writes short-term Protection business in markets and product lines in which this is common practice.

Protection covers the following products and risks in reinsurance arrangements:

#### Mortality

SGRI underwrites mortality risk in all the geographical markets in which it operates.

#### Disability

Disability insurance mitigates the loss of income when the insured is totally or partially unable to continue his or her professional occupation or any occupation for which he or she is suited due to sickness or accident.

#### Critical Illness

Critical Illness insurance typically pays a lump sum benefit, to be used at the policyholder's discretion, if the insured suffers from a serious condition and survives a defined period.

### Medical

Medical insurance covers medical and surgical expenses incurred by the insured person.

### Personal Accident

Personal Accident insurance pays a lump sum benefit if the insured person dies or is seriously injured as a result of an accident.

### Financial Solutions

Financial Solutions combine 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 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.

The material lines of SGRI's Life business are as follows:

- Life Reinsurance;
- Health reinsurance.

For further information on SGRI's underwriting and performance by Solvency II lines of business, see Section A.2 - Underwriting performance.

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### A.1.3 SIGNIFICANT BUSINESS EVENTS AND OTHER EVENTS IN THE PERIOD

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The following significant events occurred during 2022:

#### Non-Life Business

As noted above the Company now operates as a composite entity reinsuring both Life and Non-Life business.

#### Dividends

During 2022, SGRI received a dividend from its subsidiary company SI of USD 259 million which had positive impact on the Company's 2022 results.

SGRI paid USD 579 million in dividends to SCOR SE during 2022.

#### Issuance of perpetual subordinated debt loan from SCOR SE and termination of an outstanding loan between the SGRI and SCOR SE

During 2021 SGRI entered into a loan agreement with SCOR SE which had a duration of 5 years. The principal amount of USD 200 million of the loan was repaid and replaced with a Tier 1 perpetual unsecured subordinated debt with an effective date of December 21, 2022.

#### Capital increase by SCOR SE by contribution of financial assets in kind

On December 2, 2022, SCOR SE increased the capital of SGRI by EUR 200 million (USD 208 million) through the contribution of financial assets in kind.

#### War in Ukraine

On February 24, 2022, Russia declared special military operation on Ukraine, leading to global geopolitical instability and subsequently wide-ranging macroeconomic consequences, including soaring energy prices, rising interest rates, heightened inflation and glooming global economic outlook.

SCOR has been closely monitoring the unfolding of the events and has fully complied with international sanctions related to the conflict. More generally, this conflict has consequences on business lines. SGRI has been proactively managing the impact.

#### Hurricane Ian

In September 2022, Hurricane Ian made landfall in the U.S., rapidly evolved into a Category 4 hurricane, and became one of the costliest hurricane events in terms of economic and insured losses.

SCOR has taken meaningful actions to reduce volatility and increase profitability since the start of 2022. On climate-sensitive risks specifically, SCOR reduced its natural catastrophe Probable Maximum Loss by 21% and tightened Non-Life underwriting discipline and exposures. These actions have contributed to SCOR's reduced market share market share on Hurricane Ian compared to the historical levels of past events. For SGRI, Hurricane Ian resulted in a net loss charge of USD 10 million as at December 31, 2022.

The losses of Hurricane Ian and a series of large natural catastrophe events, combined with a heightened inflationary environment, are further fueling an already hardening reinsurance market where capacity is scarce.

## A.2 Underwriting performance

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

SGRI underwrites both Life and Non-Life business since January 1, 2022. Each line of business underwrites several types of risks and offers various products and services, which are marketed via separate channels and the performance of which is managed on a different basis, in line with the nature of the business.

The tables in this section are presented in line with the 2022 Financial Statements.

#### A.2.1.1 OVERALL UNDERWRITING PERFORMANCE

SGRI IFRS in USD thousands	Net underwriting result <sup>1</sup>	
	2022	2021
Total Non-Life	25,375	-
Total Life	120,479	142,521
<b>Total</b>	<b>145,854</b>	<b>142,521</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), claims discount intangible asset movements and interests on deposits.

#### Premium written

Gross written premium for SGRI has developed as follows:

SGRI in USD thousands	Gross written premiums			
	2022		2021	
<b>By segment</b>				
Total Non-Life	2,228,842	57%	-	0%
Total Life	1,660,219	43%	1,805,666	100%
<b>Total</b>	<b>3,889,061</b>	<b>100%</b>	<b>1,805,666</b>	<b>100%</b>

#### A.2.1.2 UNDERWRITING RESULTS BY LINES OF BUSINESS – NON-LIFE

SGRI's Non-Life gross written premium for 2022 was USD 2,229 million. This includes premium of USD 573 million for various commutation, novation and retrocession transactions relating to the business previously underwritten by SCOR Switzerland AG.

The 2022 net technical result was negatively impacted by a strengthening of the IBNR due to the expected higher inflation. The 2022 net technical result includes the amortization of the Claims Discount Intangible asset that was established on the various commutation, novation and retrocession transactions relating to the business previously underwritten by SCOR Switzerland AG of USD 10 million.

**SGRI - Non-Life**

IFRS in USD thousands	Net underwriting result <sup>1</sup>
Income protection insurance	1,266
Workers' compensation insurance	153
Motor vehicle liability insurance	(25,962)
Marine, aviation and transport insurance	3,585
Fire and other damage to property insurance	(63,851)
General liability insurance	(29,375)
Credit and suretyship insurance	222
Miscellaneous financial loss	(4,045)
Non-proportional Health reinsurance	668
Non-proportional casualty reinsurance	3,157
Non-proportional marine, aviation, transport reinsurance	(12,310)
Non-proportional property reinsurance	124,723
Other*	27,144
<b>Total for SGRI Non-Life</b>	<b>25,375</b>

\*of which interest on deposits and claims discounting intangible asset movements are non-allocated and reported as "Other"

<sup>1</sup> Net underwriting result includes the net technical results (net premiums, net claims and net commissions), claims discount intangible asset movements and interests on deposits

**A.2.1.3 UNDERWRITING RESULTS BY LINES OF BUSINESS –LIFE**

SGRI - Life	Net underwriting result <sup>1</sup>	
IFRS in USD thousands	2022	2021
Health reinsurance	49,803	34,903
Life reinsurance	70,676	107,618
<b>Total SGRI Life</b>	<b>120,479</b>	<b>142,521</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.

Although a decrease in the underwriting result in comparison to prior year, the Company continued to improve its market share in the key European and Asia Pacific Markets in 2022. The 2021 result included the day-1 gain of the Life in-force retrocession transaction with with Covéa Coopérations ("Covéa").

**Gross written premium by product line**

Gross written premium has decreased from USD 1,806 million in 2021 to USD 1,660 million in 2022.

**Protection**

Protection business accounts for 88% of total Life gross written premium in 2022 (2021: 88%) and remains a key driver for premium growth.

SGRI reinforced its position in key European markets such as the UK. Asia-Pacific remains a region with significant growth opportunities both in terms of premium and profitability. Within the Protection product line, mortality was the main risk underwritten.

**Financial Solutions**

The Financial Solutions product line accounted for 10% of Life gross written premiums in 2022 (2021: 12%).

**Technical margin**

The 2022 Life technical margin of 9% (2021: 10%) is calculated as the net technical result expressed as a percentage of net written premium. The decrease over 2021 is primarily due to the Covéa transaction as outlined above which was offset by changes in estimates due to reserve changes and data assumptions updates in EMEA, Asia Pacific and US markets in 2022.

## A.2.2 UNDERWRITING RESULTS BY GEOGRAPHICAL AREAS

The tables below show the breakdown by gross volume of premium written and underwriting performance by geographic area.

## Non- Life Business

SGRI - Non-Life		As at December 31, 2022		
IFRS in USD thousands	EMEA	Americas	Asia-Pacific	Total
Gross written premiums	1,567,165	-	661,677	2,228,842
<b>Net underwriting result<sup>1</sup></b>	<b>(33,266)</b>	<b>-</b>	<b>43,001</b>	<b>9,735</b>

<sup>1</sup> net technical result includes net premiums, net claims, net commissions and interest on deposits

In 2022, SGRI Non-Life business generated approximately 70% of its gross written premium in EMEA with significant positions in Switzerland, the UK and Germany, and 30% of its gross written premium in Asia-Pacific.

## Life Business

SGRI - Life		As at December 31, 2022		
IFRS in USD thousands	EMEA	Americas	Asia-Pacific	Total
Gross written premiums	630,638	116,414	913,167	1,660,219
<b>Net underwriting result<sup>1</sup></b>	<b>19,142</b>	<b>48,802</b>	<b>52,564</b>	<b>120,508</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.

SGRI		As at December 31, 2021		
IFRS in USD thousands	EMEA	Americas	Asia-Pacific	Total
Gross written premiums	627,122	161,145	1,017,399	1,805,666
<b>Net underwriting result<sup>1</sup></b>	<b>132,757</b>	<b>(28,975)</b>	<b>38,739</b>	<b>142,521</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.

In 2022, SGRI generated approximately 55% of its Life gross written premium in Asia-Pacific (2021: 56%), 38% of its gross written premium in EMEA (2021: 35%) with significant positions in the UK, Spain and Germany, and 9% of its gross written premium in the Americas (2021:9%).



## A.3 Investment performance

### A.3.1 INVESTMENT INCOME AND EXPENSES

#### Investment income and expenses by asset class

<b>SGRI</b>		
<b>IFRS</b>		
<b>in USD thousands</b>	<b>2022</b>	<b>2021</b>
Investment revenues on financial assets not measured at FVTPL	25,530	13,327
<i>Financial instruments at FVTOCI – net gains (losses) on derecognition</i>	(1,964)	18
<i>Net gains/(losses) on financial assets designated at FVTPL</i>	261,871	-
<i>Net gains/(losses) on financial assets mandatorily measured at FVTPL</i>	(37,238)	-
<i>Investment revenue</i>	163	-
<i>Net interest income on funds withheld and contract deposits</i>	32,922	32,275
<b>Total other investment revenue</b>	<b>255,754</b>	<b>32,293</b>
<b>Net impairment losses</b>	<b>(1,017)</b>	<b>-</b>
<b>Investment management expenses</b>	<b>(1,214)</b>	<b>(859)</b>
<b>Total net investment income</b>	<b>279,053</b>	<b>44,761</b>
Foreign exchange gains/losses	(31,318)	(5,154)
<b>IFRS investment income net of investment management expenses</b>	<b>247,735</b>	<b>39,607</b>

Total investment income net of management expenses stands at USD 248 million as at December 31, 2022:

- Investment income on invested assets at USD 256 million (equivalent to a return of 0.76% (excludes dividend as per the comments below) as compared to 0.6% in 2021) and investment expenses at USD (1.2) million.
- Total other investment revenue includes of which USD 259 million relates to dividend income received from SI.
- Net interest income on funds withheld and contract deposits at USD 33 million in 2022, equivalent to a return of 2.0% compared to 2.4% in 2021.
- The foreign exchange impact for the year, net of the impact of hedging, is at USD (31.3) million. This is mainly the product of the adverse changes in the USD/EUR exchange rates.

#### Investment income on invested assets

The year 2022 will have been marked by a significant decline in value of the main asset classes due to the unprecedented monetary normalization policy adopted by most central banks, which ended a decade of zero interest rates policy.

The continued rise in inflation, which had long been considered transitory, led central banks to raise their key rates at a speed and magnitude not seen in forty years. Russia's invasion of Ukraine in February 2022 and the resulting increase in commodity prices led to additional inflationary pressures, particularly in Europe.

After an initial rate hike of 25bps in March, the Fed raised its rates by 50bps in May and then by 75bps in June, the first time this has happened since 1994, bringing Fed Funds to 1.75% at the end of the first half of the year. The ECB, for its part, put an end to ten years of negative or zero rates in July 2022 by announcing a 50bps increase in its deposit rate.

After the sharp decline in the first half of the year, markets rallied during the summer, fueled by the hope of a pivot by the Fed. Lower energy prices, as well as the first signs of a slowdown in US inflation, after the record level of 9.1% reached in June, contributed to this favorable development.

However, the recovery was only temporary, as Jerome Powell and the other central bankers put an abrupt end to the summer rally in Jackson Hole. The Fed Chairman reaffirmed the need to keep raising rates to contain inflation, whatever the cost to growth. The belief that the normalization of monetary policies would continue at full speed put fears of recession back at the center of discussions and caused a further decline in risky assets. The latter ended the third quarter close to their lowest levels of the year, while interest rates started to rise again. The disastrous announcement of the UK mini budget was an additional source of volatility, forcing the Bank of England to make emergency purchases of government bonds to avoid a bankruptcy of its pension funds.

The continued deceleration of US inflation, which seems to have peaked in June, as well as encouraging signs of normalization in the Eurozone, allowed for a relative stabilization of all markets at the end of the year, and in particular the interest rate markets, which were anticipating a slowdown in future key rate hikes. Although the Fed and the ECB confirmed these expectations by raising rates by only 50bps in December, their still very hawkish rhetoric put pressure on rates again at the end of the year. The prospect of higher terminal rates over an extended period of time, especially in the eurozone, caused rates to rise in the last days of December. This increase was further amplified by the Bank of Japan's decision to begin normalizing its monetary policy.

Emerging countries were also strongly impacted by monetary normalization and the strengthening of the US dollar. The Chinese economy, for its part, continued to suffer from its zero-covid policy and the deleveraging of its real estate sector.



Against this backdrop, despite the positive performance recorded in the fourth quarter, the S&P 500 recorded its biggest annual drop since 2008 (-18.1%), while the Euro Stoxx 50 index fell by 8.6%. However, corporate results were rather resilient in a context of rising energy prices and a sharp rise in interest rates.

The decline in sovereign bond markets was even more pronounced, driven by the Fed's 425bps rate hike and the ECB's 250bps hike. The government bond markets recorded a historic decline in 2022, of around 12.9% for the United States and 18.1% for the Eurozone. The rise in rates was accompanied by high volatility and a significant flattening of the curves, which led to an inversion of the US and EUR curves. US 2-year and 10-year rates rose by nearly 370bps and 240bps respectively to 4.4% and 3.9% at the end of December. In the Eurozone, the increase was of similar magnitude, with German 2-year and 10-year rates ending the year at 2.8% and 2.6%. The ECB's action has also caused peripheral spreads to widen. After reaching 250bps in September, the spread between Italian 10-year government debt and its German peer was above 200bps at the end of the year (+75bps compared to the end of 2021).

Despite growing fears of recession, the credit market has shown notable resilience, with limited spread widening (between 40 and 60bps for investment grade and 165bps for high yield).

In this particularly difficult environment, commodities and the US dollar were among the few asset classes to post positive performances. Although a large part of the rise caused by the invasion of Ukraine has since been erased, oil rose by 6.7% (US WTI) and 10.5% (Brent), while wheat and corn posted performances of 2.8% and 14.4% respectively. The US dollar, which benefited from the Fed's action and its safe-haven status, appreciated against all G10 currencies.

### Income and expenses

Net investment income for the year ended December 31, 2022 amounted to USD 279 million, compared to USD 45 million for the year ended December 31, 2021. The return on invested assets in 2022 was 0.76% as compared to 0.6% in 2021.

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

The table below sets out the change in the unrealized gains position on fixed income, funds withheld and contract deposit assets (net of deferred tax) at the end of 2022 and 2021.

SGRI IFRS in USD thousands	2022	2021	Variance
Fixed income	(67,389)	(1,946)	(65,443)
Funds withheld and contract deposits	(1,596)	(10,594)	8,998
<b>Total</b>	<b>(68,985)</b>	<b>(12,540)</b>	<b>(56,445)</b>

#### A.3.3 SECURITIZED INVESTMENTS

SGRI As at December 31, 2022 in USD thousands	AAA	AA	A	BBB	<BBB and non-rated	Total	Market to Book Value %
<b>Collateralized loan obligations</b>	<b>87,644</b>	-	-	-	-	<b>87,644</b>	<b>96%</b>
<b>Mortgage-backed securities</b>	<b>27,802</b>	<b>7</b>	-	-	-	<b>27,809</b>	<b>0%</b>
Agency RMBS	27,802	-	-	-	-	27,802	90%
Non-agency RMBS	-	7	-	-	-	7	106%
<b>Total</b>	<b>115,446</b>	<b>7</b>	-	-	-	<b>115,453</b>	<b>94%</b>

## A.4 Performance of other activities

### Other expenses (administration, other operating expenses and financing)

Administration and other operating expenses for the Company have increased to USD 32 million in 2022 compared to USD 27 million in 2021. The increase is mainly due to a once-off specific provision. Financing expenses have decreased from, USD 20 million in 2022 compared to USD 27 million in 2021, primarily due to a reduction in collateral fees.

For further details on other income and expenses incurred by SGRI 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 2022 Financial Statements: Note 8 – Administration and other operating expenses and Note 9 – Financing expenses.

## A.5 Any other information

### GOING CONCERN

As outlined in the 2022 Financial Statements, the Directors have a reasonable expectation that the Company will continue in operational existence for at least twelve months from the date of approval of the financial statements (“the period of assessment”). In their assessment the Directors have considered all currently known elements including: the Company’s capital position and the surplus over its required solvency capital ratio and minimum capital ratio; new Non-Life lines of business, Ukraine conflict; ongoing impacts of Covid-19; ORSA’s projected solvency ratio and stress testing; liquidity planning and forecasting together with the equivalent elements of its subsidiary SI and their impact on the Company. On the basis of the above, the Directors have concluded that the Company has no material uncertainties which would cast a significant doubt on its ability to continue as a going concern over the period of assessment.

### DIVIDEND

During 2022, SGRI received a dividend from its subsidiary company SI of USD 259 million which had positive impact on the Company’s 2022 results.

## B.SYSTEM OF GOVERNANCE

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

#### B.1.1 GENERAL GOVERNANCE PRINCIPLES

SGRI has an objective of adopting best practices with regards to governance because good governance contributes to meeting its strategic objectives and ensuring an appropriate management of risks. The governance of SGRI, aligned with SCOR SE and of SCOR Group 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 2022 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 2022 Solvency and Financial Condition Report of SCOR Group and SCOR SE, Section B.1.3 for further details in respect of the governance of the Group and SCOR SE.

##### B.1.3.1 GOVERNANCE OF SCOR GLOBAL REINSURANCE IRELAND DAC

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

SGRI 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 366572. 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.

SGRI 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 SGRI and the Internal Regulations of the SGRI Board of Directors set forth the fundamental rules of its governance.

###### Board of Directors and Board committees of SGRI

###### 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 SGRI'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 SGRI 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 SGRI 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 SGRI. 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, SGRI 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, SGRI 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 SGRI'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 SGRI'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 SGRI's Board of Directors operations are set by the applicable laws and regulations, by the Constitution of SGRI 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 SGRI Board**

The Board of Directors elects a Chairman from among its members and, in line with 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.

### **SGRI Board Committees**

SGRI'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 SGRI 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 SGRI 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 SGRI'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.

#### **SGRI Business Acceptance Committee**

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

#### **Executive Management of SGRI**

##### **Chief Executive Officer of SGRI (CEO)**

Responsibility for the general management of SGRI lies with the CEO, their exercise of such powers and responsibilities is limited to the corporate purpose of SGRI 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 SGRI'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 SGRI's long and short-term plans. The CEO serves as the main link between the SGRI Board and management of SGRI. The CEO may also communicate on behalf of SGRI to its' shareholder, employees, Government authorities, other stakeholders and the public.

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

Executive Risk Committees at SGRI level notably include:

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

#### **Four-eyes principle**

SGRI applies the "Four Eyes Principle", which specifies that it must be effectively run by at least two persons. The CEO of SGRI 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 SGRI, 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 Reserved Powers of the Board and the Powers of Authority, which sets out the criteria for decision making within SGRI, as any significant decisions are taken by the Board, Board Committees or Executive Risk Committees. In respect of Executive Risk 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 SGRI.

Key functions for SGRI 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 SGRI 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 SGRI on a regular basis.

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

The key function holders meet, at least once a year, with the Board of Directors of SGRI, or one of its specialized Committees.

Besides, the Board of Directors of SGRI 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**

SGRI'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 SGRI 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 2022**

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#### **Board of Directors**

During 2022, one Board member (INED) resigned from the Board in April. One Board member (NED) resigned in December 2022.

#### **Audit Committee**

During 2022, the Audit Committee consisted of one Non-Executive Director and two Independent Non-Executive Directors.

#### **Risk Committee**

During 2022, the Risk Committee consisted of three Non-Executive Directors and two Independent Non-Executive Directors.

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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, SCOR SE is the immediate and ultimate parent company of SGRI (100% of control and interest) as at December 31, 2022. (See Section A.1.3 – Significant events or other events for more information).

The following are the material transactions with SCOR SE:

- SGRI paid USD 579 million in dividends to SCOR SE during 2022, consisting of a USD 308 million dividend in June 2022 and a USD 271 million dividend distribution in September 2022.
- SGRI received a EUR 200 million (USD 208 million) capital contribution from SCOR SE in the form of financial assets in kind.
- During 2021 SGRI entered into a loan agreement with SCOR SE which had a duration of 5 years. The principal amount (USD 200 million) of the loan was restructured into a Tier 1 perpetual unsecured subordinated debt with an effective date of December 21, 2022.
- On December 30, 2022 SGRI entered into a new stop loss retrocession treaty with SCOR SE, effective from January 1, 2023.

SGRI has several business relationships with SCOR SE, including:

- Reinsurance transactions made in the ordinary course of business;
- Parental guarantee agreement with SCOR SE, guaranteeing SGRI's payment obligations under its reinsurance contracts;
- Loan agreement with SCOR SE
- Subordinated debt agreement with SCOR SE
- Stop-loss arrangements with SCOR SE
- Various outsourcing agreements relating to the provision of services including investment management services.

For more information on transactions with entities within the SCOR Group, please refer to the following note in the 2022 Financial Statements: Note 29– Related party disclosures.

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

SGRI 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 SGRI.

Refer to Section 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.

SGRI's related parties include:

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

SGRI has several business relationships with related parties, in addition to those with SCOR SE as noted above. Transactions with such parties are made in the ordinary course of business and on substantially the same terms and conditions 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, please refer to the following note in the 2022 Financial Statements: Note 29 – Related party disclosures.

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

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SGRI conforms to the Group Compensation Policy

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

The SGRI 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 effective 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 SGRI 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 2022.

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, 2022, the proportions of partners by level across the Group is as follows: EGPs: 2%, SGPs: 7%, GPs: 27%, APs: 64%.

### 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>	X	X	Free shares, Stock options, LTIP <sup>(2)</sup>	X
Senior management	X	X	Free shares, Stock options, LTIP	X
Partners	X	X	Free shares, Stock options <sup>(3)</sup> LTIP	X
Non partners	X	X	Free shares	X

(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 payout 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)

<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



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.

#### **Equity-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 performance measurement period;
- 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 on 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 SGRI 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. SGRI 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.

### B.2.1 OBJECTIVES AND GENERAL PRINCIPLES

SGRI 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). SGRI 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.

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

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

- category A: Board members (hereafter directors), 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 other 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 SGRI Board is deemed to be fit if, for each subject matter, at least one member is individually fit.

### B.2.3 FITNESS CRITERIA

SGRI 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)	Qualification criteria are defined in the job profiles.
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)	Qualification criteria are defined by the local regulations.
Category E (other staff)	Qualification criteria are defined in the job profiles.

### 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. SGRI’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>■ a 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)	<ul style="list-style-type: none"> <li>■ professional experience criteria are defined by the local regulations.</li> </ul>
Category E (other staff)	<ul style="list-style-type: none"> <li>■ professional experience criteria are defined in the job profiles depending on the position.</li> </ul>

## 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.

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

SGRI 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 SGRI.

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 SGRI 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 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 updated information within an annual fit and proper questionnaire is 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 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 SGRI, in line with the proportionality principle, and are consistent with the approach adopted by SCOR Group.

SGRI'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.

### B.3.1 RISK APPETITE FRAMEWORK

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

SGRI'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 SGRI wishes to accept to achieve a desired level of profitability. This determines where SGRI is willing to position itself on the assumed risk-expected return spectrum, between extremely risk averse (low risk-low return) and extreme risk taking (high risk-high return). SGRI also defines 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 SGRI is willing to accept. Based on its risk appetite SGRI 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 SGRI's risk profile remains aligned with its risk appetite framework.

The Board of Directors defines and approves risk tolerance limits for SGRI by specific risk drivers and asset exposure in order to ensure that SGRI's risk profile remains aligned with its risk appetite framework. SGRI 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.

#### B.3.1.4 FOOTPRINT SCENARIOS

Footprint scenarios are an innovative and complementary risk management tool. Whereas risk drivers and extreme scenarios are probability-based, the footprint approach consists of carrying out an impact assessment at the level of the Group using a deterministic scenario. This approach is complementary to a probability-based view.

Considering SCOR's current exposure and all risk mitigation instruments, footprint scenarios provide impact assessments of past events on the Group's actual solvency ratio, liquidity, and current operations. SCOR regularly produces and evaluates footprint scenarios, providing comfort that the impact of such events on the Group's current solvency would be limited.

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

### B.3.2 ERM FRAMEWORK

The Chief Risk Officer (CRO) area 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 CRO area are to further develop the Enterprise Risk Management framework and promote an ERM culture within SGRI so that risks are managed consistently within each department.

The CRO area is supported in these tasks by the departments in charge of risk management at Group, SCOR SE and SCOR Global Investments. Dedicated departments from within the CRO area facilitate the definition and monitoring of the internal environment and the governance of risk management. The Risk Coverage department's primary focus is to develop and manage ERM mechanisms and to promote ERM concepts throughout the Group, in addition to providing risk management challenge and support for reinsurance underwriting and investments.

SGRI's business standards and practices are governed by its policies and underlying guidelines. SGRI policies are approved by the Executive Risk 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 SGRI. These policies are not intended to enumerate all the rules governing SGRI's activities, but rather to establish certain principles intended to ensure that SGRI and employees share a common understanding of SGRI's standards and that they work in compliance with these standards. When approved, these documents are made available to employees on the SGRI network. Refer to Section B.1 – General information on the system of governance for further details on SGRI's organization and governance structure.

#### B.3.2.2 SETTING OF OBJECTIVES

The strategic plans establish the Group's risk appetite framework, from which SGRI'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 and initiatives for identifying and assessing risks have been implemented to analyse risks from different angles and to deal with them in an exhaustive manner. They include:

- a risk information process: regular and comprehensive risk reporting including a "Risk Dashboard" which describes and assesses the major risks to which SGRI 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 SGRI's risk profile remains aligned with the risk level validated by the Board of Directors. SGRI 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:
  - a "risk driver" system that enables SGRI 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. Potential emerging risks are identified and individual risk assessments are carried out by experts from the business units and the Group functions. SCOR, as a member of the CRO Forum, also actively participates and contributes to the CRO Forum Emerging Risks Initiative (ERI) alongside other major insurers and reinsurers;
- SGRI's ORSA (Own Risk Solvency Assessment) generates forward-looking information on the respective risk and capital positions of SGRI for the Board and Management. The ORSA is completed as part of an integrated Group-wide ORSA process;
- SCOR's internal model, which is deeply embedded in SCOR's risk management system and contributes to the assessment of risks. SGRI uses the internal model for determining economic capital. Its results are used to implement SGRI's underwriting and investments policies and guidelines.

Where relevant, the analyses 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, SGRI 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 SGRI.



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;
- investments;
- 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 CRO area comprises the risk management function and collaborates with the Compliance team. Further information is presented below:

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

All functions across SGRI 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 SGRI.

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

#### B.3.2.7 INVESTMENTS

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 SGRI implements.

#### Governance and principles

SGRI has harmonized the principles governing the management of its assets based on three documents:

- the "Policy on Invested Assets" defines the policy and governance regarding invested assets;
- the "Sustainable Investment Policy" defines the main orientations of the sustainability approach of the Group in its asset management;
- "Investment Guidelines" determines the limits for concentration risk exposure to different asset classes as well as the conditions under which SCOR Global Investments will implement the SGRI Investment Policy as defined by the Group Investment Committee.

These documents set the rules to be applied by asset managers on behalf of SGRI.

The SGRI Investment Risk Committee meets at least once every quarter. Its role is to supervise the implementation of the investment strategy regarding the regulatory and contractual constraints and to monitor the compliance of the portfolios' positioning with the local investment guidelines.

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

#### Investment strategy

As far as invested assets are concerned, the primary investment objective of SGRI, in alignment with the SCOR Group is to generate recurring financial income in accordance with the risk appetite framework of SGRI and its sustainability preferences, and ensure that SGRI:

- 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 SGRI 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;
- contributing to the well-being and resilience of society.

### Operational framework

SGRI outsources the investment and reinvestment of all of their invested assets to SCOR SE. SCOR SE has outsourced its asset management activities to SCOR Investment Partners under a Master Investment Management Agreement ("MIMA"). SCOR Investment Partners may sub-delegate part of its investment services to third parties following the rules defined in the Investment Guidelines.

### Reporting and risk monitoring

SCOR Investment Partners (SIP) monitors, on an ex ante and ex post basis, the compliance of the portfolio positioning with regard to SGRI's risk appetite and investment guidelines. This is then reviewed by the Investment Risk Committee. SIP is also in charge of reporting processes related to invested assets. SIP provides SGRI 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 SGRI 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 SGRI.

SGRI 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 within SGRI. Any findings 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 Executive Risk Committee in SGRI. 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

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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.4.5 - Key differences between the standard formula and the internal model.

The risk categories reported out of the internal model include both Life and Non-Life 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.

SGRI 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 SGRI'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 SGRI 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 SGRI:

- 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 principles and governance for the independent validation of the 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 a major 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**

SGRI 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.

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

- descriptions of the risk profiles and the main risks SGRI 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 SGRI's strategy and risk profile, including an analysis of any excess or shortfall in the eligible own funds.

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 SGRI teams and regular involvement of Group and SGRI Management, as well as the involvement of the SGRI Board.

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 Reinsurance Ireland dac).

## B.4 Internal Control System

### B.4.1 INTERNAL CONTROL SYSTEM

SGRI applies the Internal Control System (ICS) standards defined at Group level, which are embedded in the Group Policy on ICS. These standards consist of ICS principles and mechanisms to be applied to assess the effectiveness of the internal control system. The ICS is applied in line with the principle of proportionality.

#### B.4.1.1 DESCRIPTION

SGRI operates an Internal Control System (ICS) which is consistent with the ICS adopted across SCOR Group. SCOR Group has an Internal Control System Competence Centre (ICS-CC), whose core objective is to pool the 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 principle of proportionality. ICS processes have been documented accordingly, focusing on those considered the most critical. The ICS documentation is regularly reviewed for continuous improvement.

The approach used to develop and maintain the ICS is specified in the ICS Group Policy, which is adopted by SGRI. 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 SGRI'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 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.

SGRI implements dedicated processes and tools to identify, assess and monitor its risk exposures on a regular basis. In addition, SGRI 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 periodic assignments, Group Internal Audit (GIA) provides independent and objective assessments on the adequacy, effectiveness and efficiency of the ICS. Any findings lead to recommendations and management remediation actions which are followed up by GIA.

### B.4.2 COMPLIANCE FUNCTION

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

It is SGRI's policy to ensure compliance with all applicable laws and regulations and the SCOR Group Code of Conduct wherever it conducts business. SGRI 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 performed by the SGRI Compliance function which is supported by the Group Compliance team, the Group General Secretariat, the Group Legal Department, Chief Legal Counsels and Hub legal.

At SGRI, the Head of Compliance is the key function holder who 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 SGRI operates free of any influences that may compromise its ability to perform its duties in an objective, fair and independent manner.

At SGRI, 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 SGRI'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 SGRI 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 SGRI 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 SGRI 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 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 SGRI.

#### Response

In response to compliance breaches, SGRI 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 SGRI. 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

#### B.5.1.1 GENERAL PRINCIPLES

All functions and operations carried out by SCOR are included in the Group Internal Audit's audit universe. 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 for 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, Group CEO, 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 SGRI (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 Group CEO, 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.

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.

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 SGRI 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 annual written Actuarial Function Reports 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 Holders to provide an opinion to the Board on the ORSA process.

At December 31, 2022 this role is undertaken by both the Life Head of the Actuarial Function for SGRI and the Non-Life Head of the Actuarial Function for SGRI and is supported by members of the reserving teams, with the involvement of other teams within SCOR (Underwriting teams, Retrocession teams, Risk Modelling teams, Capital Management).

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

### B.7.1 OUTSOURCING PRINCIPLES AND ORGANIZATION

The SGRI 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. SGRI'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, SGRI shall conduct a due diligence that is adequate and commensurate with the risks involved.

SGRI 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 SGRI.

A critical or important function is defined in the Policy as a function essential to the operation of SGRI, 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 fulfil its obligations on time;
- the difficulty of finding another service provider or resuming live activity;
- the ability of SGRI 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 SGRI 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 SGRI;
- 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 SGRI to adequately control and monitor the quality of the critical or important functions outsourced;

being specified that specific additional steps/requirements may also apply, as the case may be, to arrangements involving the outsourcing of a critical and important function to a cloud service provider.

### B.7.2 MAIN INTRAGROUP OUTSOURCING ARRANGEMENTS

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 centres of expertise for certain services, located in some Hubs, which provide expertise to all SCOR Group entities including SGRI.

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 SGRI for the specific key function, or (ii) the duly designated person of SGRI in charge of monitoring.

The risk management function is partly outsourced by SGRI, including structuring and validation of the internal model when relevant to the Group Financial Modelling & Risk Analysis team of SCOR Services Switzerland AG (SSSAG) 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 SGRI.

The compliance function is partly outsourced by SGRI, to the relevant legal and compliance teams 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 adequate outsourcing agreements and closely monitored by the compliance key function holder for SGRI.

The internal audit function for SGRI 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 adequate outsourcing agreements and are closely monitored by the internal audit key function holder for SGRI.

Actuarial operations are outsourced by SGRI to SCOR SE, SCOR Global Life Americas Reinsurance Co. (SGLA), SCOR Reinsurance Asia Pacific Korea Branch, SCOR Services Asia Pacific Pte Ltd and SCOR Services Switzerland AG (SSSAG). 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 SGRI.

Claims handling activities, considered as critical and important activities by SCOR, are outsourced by SGRI, to some extent and when relevant to SCOR SE, SGLA and SCOR Services Asia Pacific Pte Ltd. These outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by the designated person for SGRI.

The investment management activities are outsourced by SGRI to SCOR SE. This outsourcing relationship is documented through adequate outsourcing agreements and are closely monitored by the designated person for SGRI.

IT is outsourced by SGRI, to some extent and when relevant, to SCOR SE. This outsourcing relationship is documented through an adequate outsourcing agreement and is closely monitored by the designated person for SGRI.

Accounting activities, considered as critical and important activities by SCOR, are outsourced by SGRI, to some extent and when relevant to SCOR SE, SGLA, SCOR Reinsurance Asia Pacific Korea Branch, SCOR Services Asia Pacific Pte Ltd and SCOR Services Switzerland AG (SSSAG). The outsourcing relationship is documented through adequate outsourcing agreements and are closely monitored by the designated person for SGRI.

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

As of the date of this report, SGRI 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 SGRI'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

SGRI 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 other significant risks exist other than those disclosed in the section below. This section outlines the management's current view of SGRI's main risks and main risk management mechanisms currently in place.

SGRI has identified the following categories of risks:

- underwriting risks related to the Non-Life and Life businesses;
- market risks;
- credit risks;
- liquidity risks;
- operational risks;
- strategic risks (refer to Section C.7.1 – Strategic risk).

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

SGRI'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 SGRI'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 purpose. Many of SGRI's methods for managing risk and exposures are based on observed historical market behaviour, statistics based on historical models, or expert judgment. As a result, these methods may not fully predict future exposures, which may be significantly greater than estimated, particularly in unstable or volatile markets and environments. Other risk management methods involve assessing information regarding markets, clients, natural catastrophes or other matters that is publicly available or otherwise accessible to SGRI. This information may not always be accurate, complete, up-to-date or properly evaluated. Therefore, SGRI cannot rule out the possibility of its risk exposures exceeding the risk tolerance limits due to an incorrect estimation of these risks. If the risks disclosed in this section were to occur, they could potentially have a significant effect on SGRI's present and future business, cash flows, eligible own funds and solvency position.

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

Emerging risks may adversely affect SGRI'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 SGRI's business. In addition, emerging risks may also have a direct impact on SGRI's operations, for instance by generating unexpected additional expenses.

Environmental, social and governance (ESG) trends may also negatively impact SGRI's business and operations. In particular, major environmental and social issues such as global climate change and environmental degradation have a potential to create new risks or exacerbate existing risks within the risk categories identified above. Risks that are originated by ESG trends are also referred to as "sustainability risks". Where relevant, identified sustainability risks and the management thereof are described in the respective subsections.

Specifically, climate change creates a number of challenges for the re/insurance industry and therefore for SCOR. Climate change is likely to impact the risks associated with SCOR's strategy, underwriting, investments and operations due to 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 (due to the shift towards a low-Carbon economy) and through the potential to negatively impact SCOR's reputation.



As mentioned in Section B.3.3 – Internal Model contribution to the ERM framework, the risk categories reported in the Internal Model include, non-life and 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.

SGRI 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.

### War in Ukraine

SCOR is exposed to the impacts of the war in Ukraine through direct effects on its business portfolios, investments and operations and through secondary effects, including those from adverse future economic, trade, interest rate and inflation developments. Given the uncertainty related to both the magnitude and the duration of the conflict, it is difficult to assess the consequential impacts for SCOR. The main uncertainties revolve around three themes: economic, political and social, and their effects on the (re)insurance business. Each factor is subject to significant unknowns, and, in many cases, the factors interact with each other. This means that the range of collateral effects and resulting financial impacts on SCOR is very wide and challenging to assess.

The economic effects from the Russian invasion of Ukraine add to the downward pressures on economic growth and inflationary pressures. Depending on the military success of the warring parties and measures taken by them and by third parties (e.g. sanctions, weapon shipments), the conflict could last over different time horizons with secondary economic effects of different scales. Its impact on the availability and price of certain materials and goods, as well as on financial systems, could lead to a continued weakening of the euro, credit spread increases, persistent high inflation in the US and stagflation in Europe.

In addition, there are numerous political and social uncertainties, e.g. regarding the number of refugees, their location, integration into host societies, and their eventual repatriation.

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## C.1.2 SENSITIVITY ANALYSIS

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SGRI maintains a resilient solvency position. SGRI 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 risks. 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. Sensitivity analysis for SGRI is performed on a look through basis to reflect the risks related to the participation in SI. The most significant exposures for SGRI under these measures are a long-term mortality deterioration, long term longevity improvements, P&C long-tail reserves deterioration or a mortality shock (e.g. a pandemic).

## C.2 Underwriting risks

The main risk SGRI faces in relation to insurance and reinsurance contracts is that the actual amounts of claims and indemnity payments, or the timing thereof, differ from estimates. The frequency of claims, their severity, the actual payments made, the development of long-tail claims (whether they be litigated or not), and long-term mortality trends as well as external factors (such as those listed below), are all beyond SGRI's control. Additionally, SGRI 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. In view of these uncertainties, SGRI seeks to ensure that sufficient reserves are available to cover its liabilities.

Generally, SGRI'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 SGRI'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.

SGRI 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 SGRI 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.2.4 – Retrocession and other risk mitigation techniques. SGRI predominantly underwrites Non-Life and Life business from SCOR affiliates but also directly reinsures business from external clients.

## C.2.1 NON-LIFE BUSINESS

The main risks linked to the Non-Life reinsurance business (and insurance activity) underwritten by SGRI are P&C long-tail risks, such as large liability losses, natural catastrophes, and some other P&C short-tail risks, (such as acts of terrorism), as well as other risks beyond its direct control, including systemic crises or the cyclicity of the business.

### C.2.1.1 P&C LONG-TAIL RISKS

Long-tail lines of business, such as casualty lines (including general liability, professional liability and financial lines, and medical malpractice), inherent defect and construction warranty, motor (first and third-party liability) and workers' compensation, are exposed to the risk of material reserve deterioration (or long-tail reserve deterioration). This is due to the time required for claims materialization and settlement.

Long-tail reserve deterioration occurs when the frequency and severity of Non-Life claims are higher than assumed in the initial calculation of the Best Estimate Liabilities (BEL). For casualty business, the frequency and severity of claims and the related amounts of indemnities paid can be affected by several factors. One of the most significant factors is claims inflation, mainly influenced by general economic inflation and the changing regulatory and legal environment, including developments in legislation and litigation (often referred to as "social inflation"), such as the recent revival statutes enacted by certain US states. Such legislative changes allowing previously time-barred claims to be brought up again in legal suits, or changes extending the statute of limitations retroactively, can materially impact the frequency and severity of claims on long-tail business lines.

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

#### Casualty loss events

The specific nature of the catastrophic casualty loss events to which SGRI is exposed can vary widely, from systemic liability events caused by the negative impacts of commonly used materials on human health (with asbestos as a typical example) to massive product liability losses emanating from items produced by a single manufacturer, or cyber-risk events, such as ransomware and data theft. Casualty events can also be triggered by a single disastrous event (e.g. Deepwater Horizon oil rig explosion), which may also simultaneously lead to material losses on property or other lines of business.

Casualty catastrophes are likely to emerge gradually and the full extent of the losses is often not known for a significant time. This leads to loss estimates being uncertain especially in the early stages of loss emergence.

### C.2.1.2 NATURAL CATASTROPHES CLAIMS

SGRI's property business is exposed to multiple insured losses arising from single or multiple events, which can be catastrophic. Natural catastrophes, such as but not limited to hurricanes, typhoons, windstorms, floods, hail, severe winter storms and earthquakes can generate material insured losses in property, engineering, agriculture and possibly other lines of business.

The most material natural catastrophes to which SGRI is exposed include windstorms in Europe and both hurricanes and earthquakes in North America,

With respect to climate change, SGRI's Non-Life underwriting business could be exposed to physical climate risks, caused by changes in the frequency and severity of certain natural catastrophe events that are predicted in climate warming scenarios. Although scientific understanding of the precise causal mechanisms between climate warming and the occurrence of particular natural phenomena is still being established, catastrophe events that are potentially impacted include hurricane (including storm surge and pluvial flooding components), flood (both river flooding and pluvial flooding), heatwave, wildfire and drought. SGRI's long-term profitability and the ongoing insurability of certain classes of business could be negatively impacted in the event that climate change causes an increase in the frequency and/or severity of these natural phenomena if there is no timely adaptation in the strategy.

### C.2.1.3 P&C OTHER SHORT-TAIL RISKS

SGRI's property business is exposed to multiple insured losses arising from single or multiple man-made events, which can be catastrophic. The short-tail lines of business mostly exposed to man-made catastrophe are property (other than natural catastrophe), marine, credit and surety, aviation and space, engineering and agriculture.

Man-made catastrophes refer to negligent or deliberate human actions, e.g. a large explosion and/or fire at a major industrial site and acts of terrorism. These events can have major consequences on businesses, property and lives. Acts of terrorism often target large cities and key landmarks such as international airports and governmental facilities.

SGRI is exposed to single or multiple terrorist attacks through some P&C treaties. Terrorism exposures are monitored on a worldwide basis as a fully integrated part of the Underwriting Management Framework. Underwriting guidelines stipulate the rules and procedures for terrorism risk for Reinsurance and Specialty Insurance. SCOR monitors this risk using a very conservative approach.

### C.2.1.4 OTHER RISKS

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

### Systemic Crises

Historically, reinsurers have experienced significant fluctuations in operating income due to volatile and unpredictable developments, many of which are beyond the control of the reinsurer including general economic conditions, amounts of capacity offered by the reinsurance market, competition with regards to pricing, and changes in regulations and societal attitudes (for instance regarding the support of industry sectors that contribute to climate change). In particular, some of SGRI's lines of business which are directly linked to financial activities are more exposed to global economic recessions (e.g. the 2007-2008 Global Financial Crisis), for example, credit and surety or liability risk such as errors & omissions and directors & officers liability.

### Cyclicity of the business

Non-Life insurance and reinsurance businesses are cyclical. The primary consequences of a softening of the reinsurance market are a reduction in Non-Life reinsurance premium volumes in the market, driven by an increase in competition within the reinsurance market. This could potentially lead to a loss of profitability for SGRI.

Beyond the general trends, the premium rate cycle affects certain geographic markets and/or certain lines of business in different ways and to different extents, independently of each other.

### Risk Concentrations

The accumulation of risks, such as by regions, by lines of business or by exposure to individual events, may produce risk concentrations. Material concentration of risk in the Non-Life business portfolio particularly relates to accumulation of exposures to natural catastrophes. In terms of individual events, the largest concentrations of exposure are to European Windstorms.

SCOR generates its Non-Life business, part of which is retroceded internally to SGRI, both through brokers and through direct relationships with insurance company clients. The risk for SGRI is mainly the concentration of premiums written through a limited number of brokers. A significant reduction in the business generated through these brokers could potentially reduce premium volume and net income.

#### C.2.1.5 MANAGEMENT OF UNDERWRITING RISKS RELATED TO THE NON-LIFE BUSINESS

The Chief Risk Officer (CRO) area is organized to enable the assessment and control of Non-Life underwriting risks. SGRI writes predominantly internal retrocessions, assumed from other SCOR Group entities. The below describes how these risks are managed by the underlying cedents throughout the SCOR Group, in addition to details of how the risks are further managed once transferred to SGRI.

- Most of the business underwritten is periodically renewed at agreed dates. This enables SGRI to establish annual underwriting plans, both qualitative (description of the environment) and quantitative (activity budget);
- Non-Life underwriters manage external client relationships and offer reinsurance support after a careful review and assessment of the clients' exposures and management procedures. They are responsible for writing treaty or facultative business in their respective territories within the limits of their individually delegated underwriting authority and the scope of underwriting guidelines. Initial pricing of retrocessions from SCOR affiliates to SGRI will be constructed in line with the Group Internal retrocession applicable policies/guidelines and will be approved by SGRI leadership. The pricing and structure of the internal retrocession treaties is then presented to the Business Acceptance Committee;
- Underwriting and pricing guidelines, applicable to all Group entities including SGRI, specify the underwriting capacities delegated to each underwriter in each entity, as well as the underwriting rules and principles and pricing parameters to be applied. These guidelines are subject to a regular review and approval process. SCOR's underwriting guidelines are more restrictive regarding certain areas with difficult or uncertain legal environments.
  - Underwriting guidelines in place within the P&C business unit specify (i) the underwriting rules and principles to be complied with; (ii) the underwriting capacities individually delegated to the underwriters in each of the markets and lines of business in which the SGRI operates as well as (iii) the relevant maximum acceptable commitments per risk and per event,
  - pricing guidelines and parameters apply to all treaties priced within the P&C business unit. These guidelines seek to ensure that the analyses provide: i) a best estimate of the costs and profitability of a treaty as well as the uncertainty surrounding estimates; ii) assistance with underwriting decisions and iii) the suitable outputs needed for the risk management process, in particular the internal model. The guidelines aim to provide consistency and continuity across the organization while taking into account differences in the underlying risks. Parameters are revised at least once a year. Contracts that

meet certain thresholds are subject to mandatory peer reviews that have to be performed and documented before pricing is completed.

- The Non-Life underwriting teams are supported by a central underwriting management department. This department provides worldwide treaty and facultative underwriting guidelines, policies regarding the delegation of capacity, underwriting support to specific lines of business or individual risks when required, ceding company portfolio analysis and risk surveys, and is responsible for the monitoring and referral of non-standard business and for authorizing exceptions to the underwriting guidelines. This centralized underwriting management process allows for consistent application of underwriting guidelines throughout the Group.
- Business opportunities going beyond the stipulations of the guidelines previously defined are subject to special referral procedures at two levels: (i) by the central underwriting management and, where applicable, by Legal and/or Finance; (ii) and for cases which may have a significant impact on the balance sheet (thresholds and/or conditions defined in a procedure or specific guidelines) by the CRO area.
- Pricing & Modeling teams are responsible for the pricing of the reinsurance business at individual contract level and the insurance business. Guidelines, methods and tools are set and maintained centrally and are used by the local pricing teams across the SCOR offices. Delegation authorities specify criteria under which the underwriters may price certain contracts still subject to the use of the Pricing Guidelines and tools. Pricing actuaries work closely with underwriters and modelers by market or line of business.
- Accumulations across all lines of business are monitored by a dedicated team. Gross exposures to earthquake and storm risks are measured using proprietary vendor models from industry-leading catastrophe model suppliers, including Risk Management Solutions RiskLink® ("RMS") and AIR Worldwide Catrader® ("AIR"). These tools enable the Group to quantify its exposure in terms of a probable maximum loss ("PML") at various levels of probability for each peril and geographic location as well as its overall aggregate annual PML per peril, allowing for potential multiple events, providing information required to determine the appropriate level of retrocession and other alternative risk transfer solutions (e.g. catastrophe bonds).
- In relation to climate change, the models used to price natural catastrophe business are calibrated using recent claims data. As such, changes in frequency and severity of the natural perils that SGRI underwrites, whether related to climate change signals or not, are considered in the pricing of contracts. In terms of managing climate transition risks, SCOR has already made certain underwriting commitments that make a start towards reducing the Company's exposure to certain carbon-intensive sectors. In addition, SCOR has introduced referral procedures and Environmental, Social and Governance (ESG) scoring components for the underwriting of insurance and facultative reinsurance within the mining and energy sectors;
- For non-Nat Cat business, per-risk accumulation limits are defined in the underwriting guidelines. Terrorism exposures are monitored on a worldwide basis as a fully integrated part of the Underwriting Management Framework. Underwriting guidelines stipulate the rules and procedures relating to the terrorism risks to which Reinsurance and Specialty Insurance are exposed.
- SGRI transfers part of its Non-Life risks to SCOR SE via non-proportional retrocession programs. SCOR SE assumes, in exchange for the payment of a premium by SGRI, the losses related to claims covered by the retrocession contracts;
- Claims handling is performed by the dedicated claims teams, which review, process and monitor reported claims. This team is responsible for the implementation and overview of the overall claims handling and commutation management policy for the P&C business unit, implementing worldwide control and reporting procedures and managing commutation of portfolios and commitments. It supports and controls the day-to-day activity and takes over the direct management of large, litigious, serial and latent claims. In addition, periodic audits are conducted on specific claims and lines of business, and claims processing and procedures are examined at the ceding companies' offices with the aim of evaluating their claims adjustment process, valuation of case reserves and overall performance. When needed, recommendations are given to underwriters and SGRI management;
- The adequacy of SGRI's technical provisions is controlled based on specific procedures. For further information on how risks related to technical provisions are managed, see Section C.2.3 – Risks related to technical provisions;
- Risks specific to the administration of contracts are subject to checks performed through the "Internal Control System" framework. The application of this framework is regularly controlled by Group Internal Audit. SCOR's Group Information System includes multiple automatic checks and additional tools. A quarterly review of technical results is performed by SGRI. The review enables the analysis of technical results by underwriting year, by nature and by line of business;
- SGRI's CRO area organises meetings of the Board Risk Committee, which is responsible for reviewing the main risks to which SGRI is exposed;
- Cross reviews are conducted to assess the quality of underwriting, pricing and claims handling of particular market areas or lines of business. This includes an evaluation of the appropriateness and effectiveness of

controls and proposals for additional risk management measures, including mitigating actions. The selection process to define the order of priority of cross reviews is guided by a risk-based approach.

## C.2.2 LIFE BUSINESS

The main underwriting risks for SGRI's Life business are described below. For quantitative information on Life & Health underwriting risks refer to Section E.2.1 - Solvency Capital Requirement.

### C.2.2.1 LONG-TERM MORTALITY DETERIORATION

Long-term mortality deterioration 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 SGRI. This could result from inherent volatility, incorrect estimation of the expected claim level or an adverse long-term trend.

#### C.2.2.2 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. Most recently in March 2020, the Covid-19 outbreak was declared a global pandemic. The occurrence of such events could cause large losses to SGRI due to 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 impact SGRI's results.

#### C.2.2.3 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 long-term care covers and on other longevity protection products.

#### C.2.2.4 POLICYHOLDER BEHAVIOUR RISKS

SGRI is also exposed to risks related to policyholder behaviour, including risks 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 upon the product design, higher or lower policyholder lapses than assumed in the pricing or reserving may reduce SGRI'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 chance of claiming is high or higher than average;
- terminate a policy in the knowledge that their chance of claiming is low or lower than average; or
- choose and exercise a policy option which increases the policyholder's 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.

#### C.2.2.5 MORBIDITY RISKS

Products such as Critical Illness, Short-Term and Long-Term disability and Long Term Care, which all contain morbidity risk, are subject to the risk of negative trends in health, as well as to the consequences of improved medical diagnosis capabilities which increase the number of claims due to conditions that otherwise may have remained undetected. Medical progress may in the future enable better treatment, resulting in higher claims, since certain diseases would have otherwise led to a much shorter life expectancy of the insured. Products providing cover for medical expenses are in particular subject to the risk of higher than expected incidence and inflation of medical costs.

### 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, longevity and mortality shock events (e.g. pandemics).

#### C.2.2.6 OTHER RISK CONSIDERATIONS

Other factors could have an adverse impact, whether related to policyholder behaviour such as 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, may claim more lives with increasing severity. Over a longer time horizon, rising temperatures could change the patterns of disease distribution, for example, through expansion in the geographic range of disease vectors such as mosquitos.

### C.2.2.7 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, SGRI 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 adjustment clauses for some products;
- Lapse risks are mitigated through appropriate reinsurance treaty clauses, as well as product, client and market 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 and is monitored on a quarterly basis against prior year development. In addition, the Business Plan and regular updates are provided to the Board Committees and Executive Risk Committees;
- The Life business is underwritten following 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 SGRI 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, morbidity and policyholder behaviour. 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 the valuation of reserves;

- Guidelines and other documents defined by the L&H 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 event. These guidelines outline contract types and terms and conditions of acceptance. Furthermore, they set out the level of retention of SCOR's L&H 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 L&H business unit level by Business Acceptance Department and, where applicable, the Finance Department. Cases which may have a significant impact on the Group's balance sheet are submitted for a second review by Chief Risk Officer (CRO) area;

- 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 protects the net retained lines in respect of proportional and per-risk acceptances. SGRI uses the Risk Management Solution (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 SGRI's exposure from various types of treaties underwritten, whether proportional or non-proportional, covering individual or Group 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.2.4 - 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 SGRI's Technical Provisions is monitored based on specific procedures. For further information on how risks related to Technical Provisions are managed, please see Section C.2.3 - 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 review of technical results is performed on a quarterly basis;
- SGRI's CRO area organizes regular meetings of the Board Risk Committee, which is responsible for reviewing the main risks to which SGRI is exposed.

### C.2.3 RISKS RELATED TO TECHNICAL PROVISIONS

#### C.2.3.1 SGRI'S RISKS RELATED TO TECHNICAL PROVISIONS

SGRI'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 SGRI 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 incorrect and/or incomplete, this could have an adverse effect on SGRI. 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 and the reporting of the loss to the primary insurer and ultimately to SGRI.

The fact that some of SGRI's activities are long-term in nature such as long-term care, whole Life products or, longevity reinsurance is another factor of uncertainty. In the past SGRI has had to revise estimated potential loss exposure on such lines of business.

#### C.2.3.2 MANAGEMENT OF TECHNICAL PROVISIONS RISK

With regards to technical provisions risk, SGRI 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.

SGRI'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 SGRI'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 the 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, insofar as they relate to Technical Provisions, 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:

- for Non-Life business, externally audited IFRS reserves (loss reserves and undiscounted IBNR) are the starting point for calculating the Solvency II technical provisions (before discounting). Thereafter, the adjustments made to move from IFRS reserves to the Solvency II technical provisions are reviewed internally and across functions according to the area of expertise of the appropriate stakeholders;
- for Life business 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 internal model 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.

#### C.2.4 RETROCESSION AND OTHER RISK MITIGATION TECHNIQUES

Reinsurers typically purchase reinsurance to cover their own risk exposures. Reinsurance of a reinsurer's business is called retrocession. SGRI remains primarily liable to the direct insurer on all risks reinsured, while the retrocessionaire is liable to SGRI to the extent of the cover limits purchased.

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

SGRI aims to diversify its retrocession and risk mitigation instruments as well as its 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 avoids overdependence on a small number of counterparties.

SCOR has implemented a "Capital Shield Strategy", which combines the following solutions:

- traditional retrocession (proportional or non-proportional);
- capital markets solutions and alternative risk transfer solutions (3<sup>rd</sup> party capital, collateralized retrocession, Insurance-Linked Securities including catastrophe bonds);
- solvency buffer: SCOR has set out a solvency scale with clear and well-defined buffers safeguarding the Group's franchise.

SGRI's CRO Area co-ordinates with Finance as well as L&H and P&C Business units to determine and place retrocession coverage. The retention and the retrocession structure are reviewed every year.

The availability and efficiency of SGRI's retrocession and risk mitigation program is regularly monitored in order to ensure that SGRI's overall exposure remains within predefined risk tolerances.

For further information on how credit default risk related to retrocessionaires is managed, refer to Section C.4.1.1 - Credit risk related to bond portfolios.

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

- (1) manage SGRI'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 OVERVIEW OF MARKET RISKS

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

- interest rate risk;
- currency risk;
- equity risk;
- real estate risk;
- credit spread risk on these invested assets.

For further information on credit risk, refer to Section C.4 – Credit risks.

Market risks can be influenced by various overarching factors, including political, macroeconomic, monetary, societal and environmental trends. Environmental trends include risks linked to sustainability, including those consequential to climate change, which can impact any of the market risks listed above. Specifically, climate risks correspond to the risk that the value of assets could be negatively impacted by acute physical risks, risks linked to the transition to a low carbon economy and the possibility that investment choices may result in risks to SCOR's reputation. Longer-term, uncertainties, mainly around policy responses for transition risks and climate evolution for physical risks may lead to higher volatility in assets valuations.

For further information on how macroeconomic changes (such as changes in the general price level from its current trend) may impact SGRI's assets, refer to Section C.7.1.1 – Risks related to the geopolitical and macroeconomic environment affecting SCOR's strategy.



For quantitative information on market risk on invested assets, refer to Section E.2.1 – Solvency Capital Requirement. The presentation of SGRI'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 SGRI'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. Interest rates across most large economies experienced significant increase in 2022 following major central banks rates hikes to counteract the elevated inflation observed during the year.

An increase in interest rates usually leads to a fall in the market value of fixed income securities that SGRI holds. In the case of a need for cash, SGRI may be obliged to sell fixed income securities, possibly realizing capital losses.

On the other hand, 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. While 2022 was marked by significant interest rate increases, the risk of declining interest rates in 2023 and beyond remains in place.

SGRI's underwriting business is also exposed to interest rate risk. The value of reinsurance 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 depending on the duration mismatch between assets and liabilities.

As such, changes in interest rates can affect the Eligible Own Funds, the Solvency Capital Requirement and the Solvency Ratio of SGRI. Information on the sensitivity of the SGRI's Solvency Ratio to interest rate movements, see Section C.1.2 – Sensitivity analysis.

### **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 SGRI'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**

SGRI reports in USD, however the majority 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.

### **C.3.1.3 EQUITY RISK**

SGRI has a participation in SI. However, from a risk profile perspective this is considered on a look through basis. Aside from the participation, SGRI has very limited equity exposure.

### **C.3.1.4 REAL ESTATE RISK**

SGRI does not currently have any real estate holdings.

### **C.3.1.5 CREDIT SPREAD RISK**

Credit spread risk on invested assets is the risk of incurring a financial loss as a result of a 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 SGRI's fixed-income securities and loans.

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

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

The 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.

SGRI 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 parametric or footprint scenarios on the invested assets portfolio. These scenarios cover changes in interest rates, inflation, equities, credit spreads and

the real estate market. Analysis of portfolio sensitivity to major risks is an important management technique which is performed when making portfolio reallocation or hedging decisions.

In currency and geographic terms, SGRI is exposed to USD, EUR and GBP denominated assets with a strong focus on fixed income. In terms of asset class, SGRI is mainly exposed to Corporate bonds and Government bonds. For more information regarding the principles applied to invest the assets in a prudent manner see Section B.3.2.7 – Investments.

To better address climate risks and improve the resilience of its asset portfolios, SCOR carefully monitors environmental, social and governance (ESG) criteria when managing invested assets, based on exclusions of issuers most exposed to sustainability risks and ESG screening of assets in which the Group invests.

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

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

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

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

SGRI's only material equity exposure is its participation in SI. The exposure to SI is closely monitored by SGRI and the risks stemming from it are considered on a look through basis to provide an appropriate view of the actual risk profile of the Company.

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

SGRI does not currently have any real estate holdings.

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

SGRI 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 counterparty default risk arising from investments.

## **C.4 Credit risks**

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

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### **C.4.1 OVERVIEW OF CREDIT RISKS**

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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.

SGRI is mainly exposed to the following credit risks or the accumulation of such risks in a single counterparty, the same sector of activity or the same country: from bond and loan portfolios, retroceded liabilities 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) or borrower can, for example, lead to its insolvency and to the partial or total loss of coupons and of the principal invested or lead to a loss in value.

The financial situation of companies to which SGRI is exposed through its invested asset portfolio could be affected by physical and transition risks from global climate change. Physical risks relate to exposures to climate-related extreme events (acute) or to global trends due to climate change (chronic). Transition risks mainly concern carbon-intensive industry sectors or companies working with carbon-intensive industries that may have stranded assets if new regulations are not anticipated.

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

SGRI transfers part of its risk 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, SGRI 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. SGRI 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**

SGRI 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 in principle discharge SGRI of its liability towards the cedent in cases where it is unable 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. In principle, it is therefore possible that SGRI will remain liable for claims due under the reinsurance treaty without being able to offset all or part of the corresponding deposits. SGRI is also exposed to credit risk on its Credit and Surety portfolio in the form of underwriting losses which may accumulate under severe adverse economic conditions.

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, SGRI expects to receive premiums from its cedents over several years. These often exceed expected future payments for claims, commissions, etc., meaning that SGRI 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, SGRI 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**

SGRI 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 honour its commitments (e.g. following liquidation). The current main risk for SGRI is the significant concentration of deposits in a small number of banks. This risk is a direct result of the selection of the most stable banks.

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

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

SGRI mitigates the credit risk related to bond portfolios by careful analysis and selection of issuers, by a policy of geographic sector diversification. SGRI 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 so that appropriate action can be taken.

SCOR uses different approaches to assess climate-related risks and other sustainability risks in investment activities, including quantitative models and simulations, scenario and stress-testing and portfolio screening. SCOR excludes certain activities or issuers from its investment universe in line with its Sustainability policy. The list of exclusions is communicated to all investment managers. New investments in excluded activities or issuers are prohibited and the remaining positions are actively managed in order to accelerate their liquidation.

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

SGRI 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

SGRI favours 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

A substantial proportion of SGRI's contracts are with SCOR affiliates. SGRI monitors the development of its cedents' financial situation through regular contact, which enables SGRI 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

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

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

SGRI needs liquidity to pay claims, operating expenses, interest payments and declared dividends on its share capital. Without sufficient liquidity, SGRI may be forced to curtail its operations, and business will suffer.

Liquidity needs may also arise from increased collateral requirements. Some of the facilities that SCOR uses to grant letters of credit to cedents require 100% collateral from SCOR, for example in case of default (non-compliance with financial covenants, a significant decrease in the Group's financial strength rating ...etc.), which would result in a deterioration of the Group's liquidity level. In addition, cedents have the right to draw down on letters of credit issued by a bank in SCOR's name at any time, however the impact on their relationship with SCOR would be considered. The risk of this occurring would increase if cedents' concerns of SCOR not honouring its obligations increase. In a severe scenario for SCOR, multiple cedents could draw down on letters of credit simultaneously, requiring SCOR to provide the total amount of required cash or fungible assets resulting in a liquidity strain for SCOR. Collateral arrangements, including the posting of assets or Letters of Credit, are used by SGRI when the jurisdiction(s) in which it operates demand collateral or when clients demand collateral for risk mitigation purposes. 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 under less favourable conditions, creating additional costs.

#### C.5.1.2 SOURCES OF LIQUIDITY

The principal internal sources of SGRI'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 include bank overdraft facilities.

SCOR's, and SGRI's, ability to access external sources of liquidity may be subject to adverse capital and credit market conditions.

Liquidity risks are increased when capital and credit markets experience extreme volatility or disruption, as SCOR may need to sell a significant portion of its assets quickly and on unfavourable terms, particularly if current internal resources do not satisfy its liquidity needs. A catastrophic event that impacts financial markets and leads to large (re)insurance losses for SGRI's, could result in material liquidity risks.

This risk may be increased due to the characteristics of certain assets held, whose liquidity may be limited due to contractual or regulatory constraints (e.g. investments in corporate, real estate or infrastructure loans).

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### C.5.2 MANAGEMENT OF LIQUIDITY RISKS

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

- actions to be taken by the (re)insurance 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 obligations as they fall due.

Short-term liquidity, or cash management, includes the day-to-day cash requirements under normal business conditions. Liquidity considerations over the long-term are assessed in a way which takes into consideration the possibility of various unexpected and potentially adverse business conditions where assets may not be sold for current market values. SGRI estimates the level of its immediately tradable assets (i.e. non-pledged assets) which could be sold within a reasonable timeframe.

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

SGRI's expected profit in future premiums (EPIFP) as at December 31, 2022 amounts to USD 453 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

### C.6.1 OVERVIEW OF OPERATIONAL RISKS

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

Operational risks are inherent to all businesses including SGRI'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:

- Incidents (incl. erroneous capturing of data) due to mistakes or non-compliance with instructions, guidelines or policies; these could also be caused by additional strain on staff resulting from heavy backlog of tasks and multiple project involvements;
- malicious or fraudulent acts by internal staff mandated by SGRI with authorized access to SGRI's offices or systems, or taking advantage of SGRI'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 SGRI to perform its operations by internal or external staff, which could lead to significant remediation costs (including those related to rebuilding databases or systems);
- 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.

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

Risks related to systems or facilities can arise as follows:

- a malfunction or a major breakdown in SCOR's IT systems, outages, disruptions due to viruses, attacks by hackers, thefts or data breaches and erroneous data processing. This can occur within SGRI's own environment or to a third-party providing services or data to SGRI;
- interruption of any of SCOR's IT systems leading to loss of data, delays in service or in a loss of efficiency of teams, which could lead to remediation costs, loss of contracts or damage to 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 SGRI and outsourced providers operates might be impacted by natural or man-made hazards. They could also be affected by legal or management decisions (e.g. due to pandemic or social conflict).

#### C.6.1.3 RISKS RELATED TO PROCESSES

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

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

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

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

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

##### **Legal and regulatory risk in SGRI's operating environment**

As a member of an international group, SGRI 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 SGRI's operations refer *inter alia* to the economic trade sanction 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 sanction laws, regulations and directives of the European Union and its member states. Other international directives with which SGRI complies apply to anti-money laundering, corruption, terrorism financing and insider trading. Regarding anti-corruption laws and regulations, SGRI must comply with, amongst others, the Foreign Corrupt Practices Act (FCPA) and other laws such as the UK Bribery Act. Additionally, SGRI must comply with regulatory requirements regarding data management (both SGRI's data and that of its clients), in particular the General Data Protection Regulation (GDPR) enacted by the European Union and the Chinese Personal Information Protection Law (PIPL).

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

##### **Other risks related to external events**

SGRI is exposed to external fraud which is characterized by the theft of certain SGRI assets by third parties or by cedents. External fraud may be committed using 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 SGRI.

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

SGRI 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 violation of SGRI's regulatory or contractual obligations.

Any of the above could inflict significant damage to SGRI's systems or data, create a reputational risk, give rise to a breach of SGRI's legal responsibility, and may result in regulatory sanctions depending on the level of sensitivity of the data or system that is successfully attacked.

A cyber attack could also assist those who commit external fraud, resulting in a financial loss.

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

The process owners are responsible for managing operational risks within the processes. To meet high quality standards, SGRI relies on 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 SGRI 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.

SGRI has also implemented regular risk reporting mechanisms in order to provide an overview of operational risks across the Company.

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

In relation to climate risk, the exposure of SGRI 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.

## 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 or development of risks 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 SGRI is exposed are described below.

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

The main risks are related to the uncertain geopolitical and economic environment, particularly with regards to the future development of economic growth, interest rates and inflation, due to the effects of current geopolitical tensions, the war in Ukraine and the Covid-19 pandemic that may affect SGRI's growth in both emerging and advanced economies, and the poor returns on financial markets exacerbating the adverse competitive environment.

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

The economic environment has become increasingly volatile due to the combination of the depressive shock from the war in Ukraine, the further increase in public debt, the continuous acceleration of inflation and the tightening monetary policy. While there have been signs of stabilization in the US, inflation continues to soar in Europe due to the war and resulting energy crisis. However, more worryingly, core inflation shows no signs of abating as service costs continue to rise at a rapid pace both in the US and in Europe. In this context, central banks are determined to bring inflation back on target at all costs. At the same time, governments have put in place short-term support programs to ease the burden of soaring energy prices on households and corporates, potentially fueling more inflation pressures. The US Federal Reserve currently appears committed to fighting inflation, even if this comes at a significant cost to the US economy, forcing other central banks to follow the same path and thereby increasing the risk of (severe) recessions, especially in Europe. The impact of these factors could be intensified in the event of a total embargo on Russian trade. The risk of a severe recession, especially in Europe, is very high.

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

In the event of extreme prolonged market events, such as global credit crises, SGRI could incur significant losses given its large investment portfolio.

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

SGRI's premiums could decline in the event of an unfavourable macroeconomic environment and its profit margins could erode. In an economic downturn, the demand for SGRI'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 SGRI's business. The level of interest rates also plays a significant role in the total amount of reinsurance capital and hence capacity and prices; low interest rates lead to an inflow of alternative capital into the industry which contributes to a softening of the reinsurance market.

SGRI may also experience an elevated incidence of claims or be impacted by a decrease in demand for reinsurance and increased surrenders of policies from cedents (see paragraph on lapse risk in Section C.2.2.4 – Policy behaviour risks) that could affect the current and future profitability of its business.

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

SGRI's liabilities are exposed to the risk of a significant increase in the rate of inflation (prices and salaries) which would require an increase in technical provisions, in particular in respect of P&C long-tail business, e.g. general liability (medical among others) and motor bodily injury claims. For further information on P&C long-tail technical provision deterioration, see Section C.2.1.1 – P&C long-tail risks

SGRI's assets are also exposed to the risk of increased inflation or raised 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.

In light of current volatility and uncertainty, both inflation and deflation risks must be considered.

Inflation increased significantly across the globe in 2022 and reached levels not seen in decades in most developed countries. Despite the significant central bank tightening of monetary policy observed in 2022 to bring inflation back on target, the risk of a prolonged period of strong inflation remains high, at least in the short term. The risk that the economy could experience a period of stagflation, comprising a decline in activity and a surge in prices, remains despite resilient activity and manufacturing levels. In the event of stagflation, underwriting volumes would also be negatively impacted, and with them the SGRI's net income and net asset value.

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

A prolonged period of deflation could impact SGRI in several ways. For example, the value of SGRI's invested assets would be impacted if deflation is associated with a fluctuation in interest rates and corporate credit spreads. Another scenario could be that a fall in prices, leading to a decrease in premiums for a given amount of risk, combined with a decrease in organic growth due to the economic slowdown, would result in a drop in the volume of newly acquired premiums.

In conclusion, both high inflation and a protracted period of deflation could have a material adverse impact on SGRI.

### **The Reinsurance Industry and SCOR's activities and results could be significantly impacted by heightened geopolitical tensions and trends**

Geopolitical risks may impact SCOR's activities and results directly and indirectly in the short and medium term, while certain trends may materially impact SCOR's strategy and the wider (re)insurance industry on a medium- to long-term basis.

Direct and indirect impacts would mainly result from specific geopolitical escalations such as direct conflict or war, sanctions and countersanctions, or from other national or regional measures put in place that restrict global trade and capital flows. These events and their secondary impacts on the economy and financial or (re)insurance markets could result in losses in the (re)insurance business, losses or impairment on invested and other assets, and / or restrict or impact SCOR's operations.

Longer-term geopolitical trends such as increased nationalism and a slowdown or reversal of globalization could materially impact the (re)insurance industry as a whole and SCOR's strategy more specifically as a result of an increased risk of conflict, higher trade and capital barriers, and a higher base level of inflation from reshoring of production and supply chains.

More local risks related to social and political instability are also relevant, particularly in emerging markets where these risks are prevalent, and where both business units operate. These risks could lead to significantly reduced business growth in these target markets.



## 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 SGRI'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

**SGRI, 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. 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. Particularly, when available reinsurance capacity, via traditional reinsurers or capital markets, is greater than the demand from ceding companies. Its competitors, in particular (re)insurers with higher ratings than SCOR or other competitors in alternative capital markets, may be better positioned to enter new contracts and gain market share at SCOR's expense. 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, which may result in SCOR losing 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.

## 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 legal entity level.

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

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

The Company is subject to comprehensive and detailed regulations and to the supervision of the insurance and reinsurance competent authorities in every country in which it operates. Some of these authorities are considering or may in the future consider enhanced or new regulatory requirements. These tightened measures of control and higher capital requirements, intended to further strengthen the protection of policyholders and/or financial stability, could affect the calculation of the local solvency ratio and have a material adverse impact on the Group (including SGRI), including a restricted underwriting capacity. Insurance and reinsurance supervisory authorities have broad administrative powers over many aspects of the reinsurance industry and SGRI cannot predict the timing or form of any future regulatory initiatives. While the material uncertainties listed below relate to known legal and regulatory developments that generally follow a predictable timeline, the risk remains that some material developments may be proposed and enacted into law in a short and unpredictable timeframe.

Known regulatory uncertainties include those stemming from protectionist trends, the ongoing Solvency II review.

The ongoing Solvency II review could lead to additional requirements for insurance and reinsurance undertakings. The European Commission proposal for an Insurance Recovery and Resolution Directive (IRR) may lead to additional requirements and supervisory powers on recovery and resolution as well as industry funding of resolution financing mechanisms. The regulatory impetus on systemic regulation emerging from the International Association of Insurance Supervisors (IAIS) holistic framework and the Solvency II review may lead to additional liquidity risk management requirements, including scenario testing. Restrictions and additional reporting on internal model capital requirements may also emerge from the Solvency II review.

Restrictions on dividends may be re-imposed in future crisis situations, bearing in mind that in 2020, EIOPA called for regulated entities to suspend dividend distributions.

As part of the IAIS common framework for Internationally Active Insurance Groups (IAIGs), the "ComFrame", the IAIS intends to develop Insurance Capital Standards (ICSs) to be applied by all IAIGs, with full implementation in 2025. This could jeopardize the scope of recognition of diversification effects and the use of internal models and involve risks in terms of fair competition.

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

Additionally, SCOR's strategy might be impacted by future legal or regulatory developments related to environmental, social or governmental (ESG) issues, particularly climate change or biodiversity loss. Tighter regulatory controls and/or government legislation introduced to significantly curb carbon emissions may in turn place restrictions on the business that SCOR can underwrite (e.g. carbon intensive industries such as coal first and foremost, but possibly extending to other non-renewable energy sectors over time).

### 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 initiated by various administrative and regulatory authorities, as well as to regulations 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 negatively impact on SGRI. Particularly, large and material contractual agreements may expose SGRI to the risk of financial impacts in the event of non-performance of the contracts and related potential disputes. In this respect, SGRI jointly with SI has initiated arbitration proceedings on November 10, 2022 against Covéa Coopérations regarding the retrocession of June 30, 2021 between Covéa and respectively SGRI and SI that were concluded pursuant to a settlement agreement of June 10, 2021 between SCOR and Covéa. For further information on risks related to current legislation and regulations and their impact on SGRI's operations, see Section C.6.1.4 – Risks related to external events - Legal and regulatory risks in SGRI's operating environment.

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

SGRI has extensive experience in managing risks related to the continuous evolution of laws and regulations. SGRI takes an active position in relation to the requirements to which it is exposed or could be exposed in the different jurisdictions where it operates, for example through associations and forums. In addition, developments in existing or emerging prudential regulations (such as Solvency II, ComFrame or the regulations on systematic risk) 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. SGRI benefits from these monitoring activities at Group level.

#### C.7.1.4 DOWNGRADE RISK

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

The Group's reinsurance activities are affected by the way its existing and prospective clients perceive its financial strength, particularly through its ratings, as ceding companies wish to reinsure their risks with companies that have a satisfactory financial position. For more details on the current rating of the Group, refer to SCOR 2022 Universal Registration Document, Section 1.2.4 - Ratings Information. Due to parental support, the rating of SGRI is aligned with that of the Group. Therefore, the downgrade risk of SGRI is equivalent to the downgrade risk on SCOR's group.

##### Impact on SGRI's reinsurance business

Some of the credit models or reinsurance guidelines of cedents 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 result in a loss of competitive advantage for SCOR.

Consequently, SGRI's reinsurance activities are affected by the way its existing and prospective clients perceive its financial strength, particularly through its ratings.

Many of SGRI'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 SGRI's letters of credit

Some of SGRI'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.

Some LOCs issued by banks providing such facilities may be collateralized with securities. The value of the collateral can be different from the amount of the LOC. For some facilities, initial collateral requirements may be increased following a downgrade of SCOR's rating, or if other conditions about its financial position are not met, impacting the Group's liquidity level. In the case of a LOC being drawn by a cedent, the bank has the right to request a cash payment from this collateral, up to the amount drawn by the cedent.

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

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 SGRI 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 is currently rated by Standard & Poor's at "A+/Stable", by Fitch at "A+/Stable", by Moody's at "A1/Stable" and by AM Best at "A/Stable". A downgrade by one notch would have a limited impact on its future business development, its liquidity position or its capacity to raise funds. For further information on SCOR's current rating, see Section 1.2.4 Ratings Information of the 2021 Universal Registration Document.

SGRI has a Standard & Poor's rating of A+ and a Fitch rating of A+/Stable.

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 and reports published on the reinsurance market, on SCOR and 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

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

#### Risks related to capital

##### Overview of risks related to capital

**SGRI is reliant on the SCOR Group for access to capital and liquidity. Adverse capital and credit market conditions may significantly affect SCOR'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 SCOR's access to the capital required to operate its business, most significantly its insurance operations. Such market conditions may limit its ability to:

- replace, in a timely manner, maturing debts;
- access the capital needed to grow its business;
- satisfy statutory and regulatory capital requirements and maintain a Solvency Ratio in line with its risk appetite framework.

As such, the Company may be forced to delay raising capital, issue shorter term securities than it prefers, or bear an unattractive cost of capital which could decrease its profitability and significantly reduce its financial flexibility.

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

#### Management of risks related to capital

SGRI'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 SGRI, 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 Acquisitions

Acquisitions are managed at Group level, in coordination with each division depending on the size of the operation or the lines of business concerned. SCOR Group's acquisitions may impact SGRI, either directly, by participating in the financing of the acquisition or taking on all or parts of the acquired business, or indirectly, by entering into risk-sharing or retrocession agreements with other SCOR affiliates directly impacted by the acquisition.

#### Risks related to the valuation of deferred tax assets

**Changes in the valuation of its deferred tax assets may have a material adverse impact on SGRI**

The recognition of deferred tax assets, *i.e.* the likelihood of recognizing sufficient profits in the future to offset losses, depends on the performance of SGRI as well as applicable tax laws, regulatory requirements and accounting methods. The occurrence of events, such as actual operating earnings being lower than projections or losses continuing over a longer period than originally anticipated or changes in tax legislation, regulatory requirements, or accounting methods, could lead to the derecognition of some of the deferred tax assets for accounting and/or regulatory purposes.

#### Management of risks related to the valuation of deferred tax assets

Valuation risks related to SGRI's deferred tax assets are managed through robust processes and controls. For further information on how valuation risks are managed, see Section C.6 – Operational risks, Section B.4.1 – Description of the internal control system, and Section D.1 – Assets.

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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 SGRI's exposure to mortality risk and how these and other risks are managed, see Section C.2.1 –Non-Life business and C.2.2 – Life business;
- Market risks, in particular in case of major events impacting specific types of assets to which SGRI 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 SGRI is exposed. For further information on credit risks and how they are managed, see Section C.4 – Credit risks.

For further information on the accumulation of risks within SGRI 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 SGRI.

## D. VALUATION FOR SOLVENCY PURPOSES

Solvency II requires SGRI 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 constitute the valuation for solvency purposes. SGRI's EBS as at December 31, 2022 has been prepared based on the assumption that SGRI will continue as a going concern, in line with the preparation of the financial statements. SGRI 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 SGRI 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 SGRI 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 SGRI 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.

<b>SGRI Assets as at December 31, 2022 in USD thousands</b>	<b>EBS Solvency II</b>	<b>Sections</b>
<b>Property, plant and equipment held for own use</b>	<b>473</b>	<b>D.1.1</b>
<b>Investments</b>	<b>4,241,099</b>	
Participations and related undertakings	2,220,316	D.1.2
Bonds	1,316,043	D.1.3
Collective Investments Undertakings	668,303	D.1.3
Derivatives	32,758	D.1.3
Deposits other than cash equivalents	3,677	D.1.3
<b>Loans and mortgages</b>	<b>71,800</b>	<b>D.1.5</b>
<b>Reinsurance recoverables</b>	<b>835,819</b>	<b>D.1.4</b>
Non-Life excluding Health	514,856	
Health similar to Non-Life	-	
Life and Health similar to Life, excluding Health and index-linked and unit-linked	320,963	
Health similar to Life	42,452	
Life excluding Health and index-linked and unit-linked	278,511	
<b>Deposits to cedents</b>	<b>1,974,099</b>	<b>D.1.4</b>
<b>Insurance and intermediaries receivables</b>	<b>332,429</b>	<b>D.1.4</b>
<b>Reinsurance receivables</b>	<b>12,549</b>	<b>D.1.4</b>
<b>Receivables (trade, not insurance)</b>	<b>8,017</b>	<b>D.1.5</b>
<b>Cash and cash equivalents</b>	<b>122,233</b>	<b>D.1.3</b>
<b>Any other assets, not elsewhere shown</b>	<b>-</b>	<b>D.1.5</b>
<b>TOTAL ASSETS</b>	<b>7,598,518</b>	

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

##### Valuation for solvency purposes

Property, plant and equipment (referred to as property) is distinguished in the EBS between property held for own use by SGRI and property other than for own use (investment property).

Property held for own use primarily relates to office furniture, equipment, leasehold improvements and right-of-use assets. SGRI does not hold any direct investment in property.

SGRI has applied IFRS 16 – Leases (please refer to the Note 2 – Accounting Principles in the 2022 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. As at 31 December 2022, the Company did not have any active leases in place.

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

Property held by SGRI 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 2022 Financial Statements: Note 2 - Accounting principles and Note 12 - Tangible assets.

### D.1.2 PARTICIPATIONS AND RELATED UNDERTAKINGS

The participations value in the EBS represents SGRI's share in SCOR Ireland dac (formerly SCOR Life Ireland dac).

#### Valuation for solvency purposes

For the purpose of the EBS, SGRI values its holding in SI using the adjusted equity method. The value of the participation reflects SGRI's share of the excess of assets over liabilities of the related undertaking valued in accordance with Solvency II rules.

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

The participation is recognized in the financial statements of SGRI at acquisition cost. The difference between the EBS and the statutory value is therefore driven by the revaluation, as explained above.

SCOR Ireland dac has published its own Solvency and Financial Condition Report. Please refer to SI's SFCR and Note 11 - Investment in subsidiary in the 2022 Financial Statements for more information.

### D.1.3 CASH AND INVESTMENTS, OTHER THAN PARTICIPATIONS

SGRI in USD thousands	As at December 31, 2022		
	EBS	Statutory IFRS	Difference
Bonds	1,316,043	1,316,043	-
Collective investments undertakings	668,303	668,303	-
Derivatives	32,758	32,758	-
Deposits other than cash equivalents	3,677	-	3,677
Cash	122,233	125,911	(3,678)
<b>Total investments and cash</b>	<b>2,143,014</b>	<b>2,143,015</b>	<b>(1)</b>

#### Valuation for solvency purposes

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

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

Financial assets valued using quoted prices comprise corporate bonds and government bonds. For collateralised securities the values are based on models prepared by internal and external experts using observable market inputs. For derivative financial instruments, fair value is determined by reference to either published bid values, or values based on models prepared by internal and external experts using observable market inputs.

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

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



**Bonds (government, corporate and collateralised securities)**

SGRI's investments in bonds comprise government bonds, corporate bonds and collateralised securities. SGRI's investments in government and corporate 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. For collateralised securities the values are based on models prepared by internal and external experts using observable market inputs.

**Collective investment undertakings**

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

**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.

SGRI 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)**

SGRI 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**

There are no valuation differences between the EBS and the financial statements. 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 2022 Financial Statements: Note 2 - Accounting principles, Note 13 - Financial instruments and Note 20 - Cash and cash equivalents.

**D.1.4 INSURANCE TECHNICAL ASSETS**

SGRI in USD thousands	As at December 31, 2022		
	EBS	Statutory IFRS	Difference
Intangible Assets	-	15,639	(15,639)
Deferred acquisition costs (DAC)	-	313,411	(313,411)
Reinsurance recoverables	835,819	1,246,467	(410,648)
<i>Non-Life</i>	514,856	538,616	(23,760)
<i>Life</i>	320,963	707,851	(386,888)
Deposits to cedents	1,974,099	1,919,224	54,875
Insurance and intermediaries receivables	332,429	1,479,708	(1,147,279)
Reinsurance receivables	12,549	12,549	-
<b>Total insurance technical assets</b>	<b>3,154,896</b>	<b>4,986,998</b>	<b>(1,832,102)</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:

**Intangible assets**

Intangible assets in the EBS represent only those intangible assets that can be sold separately and where a value for the same or similar assets can be derived from quoted market prices in active markets.

In its EBS, SGRI does not have any intangibles which meet the above criteria.



**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 SGRI'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 SGRI'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 where applicable for certain deposits.

The calculation of these cash flows is based on the characteristics of the underlying contracts.

For deposits with a contractual fixed and guaranteed return rate, SGRI 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.

**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.

Reinsurance recoverables and receivables includes a reclassification of outstanding claims from IFRS Life contract liabilities as these are not included in Solvency II technical provisions.

IFRS allows for the recognition of a variety of other intangible assets. SGRI's balance sheet includes a Claims Discount (CD) asset within intangible assets and this is a result of expanded presentation and arises on a non-life business loss portfolio transfer, please refer to Note 27 Non-Life transaction in the 2022 Financial Statements.

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 2022 Financial Statements: Note 2 - Accounting principles, Note 15 - Net technical reserves, Note 17 - Assumed reinsurance accounts receivable, Note 18 - Accounts receivables from ceded reinsurance transactions and Note 19 - Deferred expenses- assumed.

**D.1.5 OTHER ASSETS INCLUDING LOANS RECEIVABLES AND TRADE RECEIVABLES**

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

SGRI in USD thousands	As at December 31, 2022		
	EBS	Statutory IFRS	Difference
Loans and mortgages	71,800	71,800	0
Receivables (trade, not insurance)	8,017	8,067	(50)
<b>Total other assets</b>	<b>79,817</b>	<b>79,867</b>	<b>(50)</b>

**Valuation for solvency purposes**

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

Loans and mortgages in the EBS represent other loans and mortgages.

**Comparison with the valuation in the financial statements**

Other assets are carried at a value that is not materially different from market value and there are small valuation differences between IFRS and the EBS mainly due to reclassifications between line items and timing differences.

The difference in the table above is presentational and reflects a reclassification from the investment categories – see Section D.1.3 – Cash and investments, other than participations.

**D.2 Technical Provisions**

SGRI'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. SGRI 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, SGRI 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 December 31, 2022. 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).

**D.2.1 NON-LIFE TECHNICAL PROVISIONS**

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

SGRI As at December 31, 2022 in USD thousands	EBS
<b>Non-Life technical provisions (TPs)</b>	<b>2,220,419</b>
TPs – Non-Life (excl. Health)	2,199,272
<i>Best estimate</i>	2,187,109
<i>Risk margin</i>	12,163
TPs – Health similar to Non-Life (NSLT)	21,148
<i>Best estimate</i>	21,032
<i>Risk margin</i>	116
<b>Non-Life reinsurance recoverables</b>	<b>(514,856)</b>
Non-Life (excl. Health)	(514,856)
Health NSLT	-
<b>Net Non-Life technical provisions</b>	<b>1,705,563</b>

## D.2.1.1 SEGMENTATION BY LINES OF BUSINESS

The table below shows the valuation of Non-Life net technical provisions of SGRI as at December 31, 2022, presented by line of business (LoB) as defined for Solvency II reporting purposes.

<b>SGRI As at December 31, 2022 in USD thousands</b>	<b>Best estimates liabilities (BEL)</b>	<b>Reinsurance recoverables</b>	<b>Risk margin</b>	<b>Total net technical provisions</b>
Income protection insurance	11,254	-	61	11,315
Workers' compensation insurance	1,907	-	11	1,918
Motor vehicle liability insurance	161,638	-	858	162,496
Marine, aviation and transport insurance	195,259	(50,198)	1,109	146,170
Fire and other damage to property insurance	474,649	(1,385)	2,458	475,722
General liability insurance	143,214	-	899	144,113
Credit and suretyship insurance	147,116	-	853	147,969
Miscellaneous financial loss	5,480	-	33	5,513
Non-proportional Health reinsurance	7,871	-	44	7,915
Non-proportional casualty reinsurance	562,947	-	3,342	566,289
Non-proportional marine, aviation, transport reinsurance	61,297	-	344	61,641
Non-proportional property reinsurance	435,509	(463,273)	2,267	(25,497)
<b>Total</b>	<b>2,208,141</b>	<b>(514,856)</b>	<b>12,279</b>	<b>1,705,563</b>

The Non-Life net technical provisions of USD 1,706 million correspond to the sum of Non-Life best estimate liabilities net of reinsurance recoverables of USD 1,693 million and a risk margin of USD 12 million. The Non-proportional property reinsurance is negative as the best estimate liabilities is net of future premiums whilst the reinsurance recoverables does not have future premiums due to the nature of the reinsurance contract.

The Non-Life net best estimate liabilities of USD 1,693 million (comprising gross best estimate liabilities of USD 2,208 million and reinsurance recoverables of USD (515) million, as presented in the above table) are composed of two parts: net claims provisions (USD 1,681 million) and net premiums provisions (USD 12 million). The expected future premiums and premium estimates net of commissions are not shown on the assets side of the EBS but are netted down from the future claims on the liability side.

## D.2.1.2 BEST ESTIMATE LIABILITY

## Claims provisions methodology and assumptions

The elements of claims provisions recognized within best estimate liabilities in the SGRI EBS are described below.

- IBNR corresponds to the reserves for claims incurred but not yet reported and not sufficiently reserved. It is calculated in the SCOR system at actuarial segment/underwriting year level using Best Estimate Ultimate Loss Ratios which are based on an annual analysis conducted each year by the local actuaries;
- outstanding claims are the same as under IFRS. with the following exception: UK motor liability with cancellation of the discount on loss reserves. The impact on the final BEL number is minimal because the discount cancellation on case reserves is compensated by a longer payment pattern;
- claims estimates mainly correspond to the loss corridor clause, which is a feature of the contract defining a range of loss ratios between which the reinsurer will pay a percentage defined in the contract. An estimation of the amounts to be paid is computed according to the best estimate loss ratios;
- premium estimates that are already earned are reallocated from premium reserves to claim reserves. These amounts come as a reduction of claims estimates;
- in calculating the unallocated loss adjustment expenses (ULAE) and overhead expenses, SGRI takes into account all cash flows arising from expenses that will be incurred in servicing the recognized insurance and reinsurance obligations over the lifetime thereof. This includes administrative expenses, investment management expenses and claims management handling expenses;
- claims discount represents the adjustment for the time value of money linked to claims estimates, outstanding claims, IBNR and ULAE reserves. The discount on claims reserves is calculated using underwriting years' claims patterns calculated by SGRI and risk-free rates yield curves published by EIOPA;
- the underwriting claims patterns gross of retrocession are estimated each year by local actuaries at actuarial segment level. In most cases, patterns are calculated using the Chain-Ladder method, derived from the claims paid triangles;

- each and every year, relevant assumptions made in the calculation of best estimates are reviewed and updated, especially for the annuities discount. SGRI considers market exogenous information such as medical inflation and interest rates flows.

### Premium provisions methodology and assumptions

The elements of Solvency II premium provisions are described below:

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

### List of the most commonly used methods

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

SCOR uses in particular:

- deterministic methods (e.g. Chain Ladder, Bornhuetter-Ferguson, Average cost or Loss ratio methods) for Best Estimate and patterns assessment;
- stochastic approaches (e.g. Mack model, Bootstrap) for reserves' volatility estimates;
- experts' judgments (e.g. exogenous a priori loss ratios provided by SCOR Global Non-Life pricing or underwriting, market benchmark such as Reinsurance Association of America patterns);
- tailor made solutions: depending on data availability and portfolio complexity, SCOR develops tailor made solutions. Some parameters used in these models can be subject to dedicated studies. These parameters include, but are not limited to, interest rates, legal development and inflation.

#### D.2.1.3 LEVEL OF UNCERTAINTY

In the Non-Life business, the uncertainty arises primarily from:

- the level of ultimate loss ratios used to compute the reserves. Some reserving methods require the use of a *priori* ultimate loss ratios. Pricing loss ratios are often used; sensitivities around these ratios are tested;
- the level of the case reserves which is tested through two tests: the first tests the tail development and the second tests outstanding claims reserves;
- the legal precedent. For some contracts (especially bodily injuries), the level of uncertainty arises from the annuities payment parameters such as mortality table and capitalization rate. These parameters can vary over time due to the economic environment, market changes and legal precedents.

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

#### D.2.1.4 REINSURANCE RECOVERABLES

SGRI transfers part of its Non-Life risks to SCOR SE via non-proportional retrocession programs. SCOR SE assumes, in exchange for the payment of a premium by SGRI, the losses related to claims covered by the retrocession contracts.

#### Retrocession IBNR

For non-proportional retrocession under the Solvency II framework, it is considered that the retrocession IBNRs booked under IFRS reflect the best estimates position.

### Retrocession discount

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

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

Since SGRI has only internal retrocession programs with SCOR SE and due to the Parental Guarantee in place, Reinsurance Bad Debt is assumed to be nil.

### Retrocession segmentation

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

#### D.2.1.5 RISK MARGIN

The general risk margin methodology is described in Section D.2.2.6.

### D.2.2 LIFE TECHNICAL PROVISIONS

The table below presents the Life technical provisions of SGRI as at December 31, 2022.

SGRI As at December 31, 2022 in USD thousands	EBS
<b>Life technical provisions</b>	<b>1,640,023</b>
TPs – Health SLT	172,304
<i>Best estimate</i>	54,703
<i>Risk margin</i>	117,601
TPs – Life (excl. Health and unit linked)	1,467,719
<i>Best estimate</i>	923,121
<i>Risk margin</i>	544,598
<b>Life reinsurance recoverables</b>	<b>(320,963)</b>
Health SLT	(42,452)
Life (excl. Health and unit linked)	(278,511)
<b>Net Life technical provisions</b>	<b>1,319,060</b>

#### D.2.2.1 SEGMENTATION BY LINES OF BUSINESS

Life technical provisions are segmented in the SGRI economic balance sheet 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.

SGRI As at December 31, 2022 in USD thousands	Best estimate liabilities (BEL)	Reinsurance recoverables	Risk margin	Total net technical provisions
Reinsurance Life	923,121	(278,511)	544,598	<b>1,189,208</b>
Reinsurance Health	54,703	(42,452)	117,601	<b>129,852</b>
<b>Total net Life provisions</b>	<b>977,824</b>	<b>(320,963)</b>	<b>662,199</b>	<b>1,319,060</b>

#### D.2.2.2 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 Life 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 SGRI's best estimate assumptions. For the vast majority of SGRI'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 behavioural 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 reviews.

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

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

SGRI'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

Compared to last year, the main changes were the impact of new business, model and assumption changes as well as economic impacts.

#### D.2.2.3 SIGNIFICANT SIMPLIFIED METHODS USED

SGRI uses simplified methods to value approximately 17% of its Life and Health 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 serialised 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.

#### D.2.2.4 LEVEL OF UNCERTAINTY - SENSITIVITIES

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, SGRI applies expert judgement to enrich data, derive parameters for the forecast, and reduce uncertainty in estimations. SGRI 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 analysed through sensitivity tests. Their impacts are described below.

#### Mortality sensitivity

The most significant set of parameters in determining SGRI's Life portfolio 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 SGRI's Life 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 significantly increase SGRI's Life and Health Technical Provisions. The impact would not be as severe as a comparable change to expected mortality, as the exposure of SGRI's portfolio to morbidity risk is lower. SGRI's exposure to morbidity risk has grown in recent years due to its Asia Pacific business.

#### Lapse sensitivity

Technical provisions for SGRI 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 reduce the overall SGRI's Life and Health Technical Provisions. This would be partly offset by a decrease of the market value of deposits. A parallel downward shift would cause the opposite impact.

#### D.2.2.5 REINSURANCE RECOVERABLES

SGRI 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 SGRI'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.2.2.6 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.

The projected SCR's also capture underwriting, operational and credit risk and are run off in proportion to the projected underwriting risk. SGRI 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. SGRI allocates the calculated risk margin to the underlying lines of business in proportion to their contribution to SCR.

### D.2.3 COMPARISON WITH VALUATION IN THE FINANCIAL STATEMENTS

This section presents the main differences between the Solvency II net technical balances and the corresponding statutory IFRS balances for SGRI reported as at December 31, 2022, which are shown in the following table.

<b>SGRI As at December 31, 2022 in USD thousands</b>	<b>EBS</b>	<b>Statutory - IFRS</b>	<b>Difference</b>
Net deferred acquisition costs	-	312,943	(312,943)
Intangible assets	-	15,639	(15,639)
Net deposits	1,593,353	1,538,477	54,876
Reinsurance recoverables	835,819	1,246,467	(410,648)
(Re)insurance receivables / payables	(252,809)	1,140,084	(1,392,893)
Technical provisions / BEL	(3,185,966)	(6,041,020)	2,855,056
<i>Non-Life</i>	(2,208,140)	(3,626,576)	1,418,436
<i>Life</i>	(977,824)	(2,414,444)	1,436,620
Risk margin	(674,478)	-	(674,478)
<b>Total net technical balances</b>	<b>(1,684,079)</b>	<b>(1,787,410)</b>	<b>103,331</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.1.4 – 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. The CD intangible asset is not included in the EBS as it does not meet the EBS intangible assets criteria as outlined in section D.1.4 - Insurance technical assets.

In addition to the above for SGRI, valuation differences are due to differences:

- in the methodology for assessing the reserves;
- in prudency margins, both implicit and explicit, allowed for under IFRS but not under Solvency II;
- between best estimate and non-economic assumptions;
- in interest rate assumptions;
- in allowance for specific fees; and
- in allowances for internal administration expenses.

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 2022 Financial Statements: Note 2 - Accounting principles, Note 15 - Net technical reserves and Note 19 - Deferred expenses - assumed and Note 27- Non-Life transaction.



The main differences between Statutory IFRS and EBS Non-Life reserves (excluding risk margin) as at December 31, 2022 are shown in the following tables, which are split between claims and premium reserves:

<b>SGRI As at December 31, 2022 in USD thousands</b>	<b>Non-Life EBS Claims provisions</b>	<b>Non-Life Statutory - IFRS claims provisions</b>	<b>Difference</b>
Income protection	11,406	11,642	(236)
Workers' compensation	1,905	2,198	(293)
Motor vehicle liability	140,843	101,817	39,026
Marine, aviation and transport	145,850	91,359	54,491
Fire and other damage to property	466,200	360,463	105,737
General liability	154,104	152,382	1,722
Credit and suretyship	161,958	111,324	50,634
Miscellaneous financial loss	7,195	(3,042)	10,237
Non-proportional Health	7,922	8,700	(778)
Non-proportional casualty	557,294	624,693	(67,399)
Non-proportional marine, aviation and transport	61,169	65,547	(4,378)
Non-proportional property	(34,777)	(42,976)	8,199
<b>Total</b>	<b>1,681,069</b>	<b>1,484,107</b>	<b>196,962</b>

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

<b>SGRI As at December 31, 2022 in USD thousands</b>	<b>Non-Life EBS Premium provisions</b>	<b>Non-Life Statutory - IFRS Premium provisions</b>	<b>Difference</b>
Income protection	(153)	1,014	(1,167)
Workers' compensation	2	58	(56)
Motor vehicle liability	20,795	71,821	(51,026)
Marine, aviation and transport	(789)	89,520	(90,309)
Fire and other damage to property	7,065	132,167	(125,102)
General liability	(10,890)	34,068	(44,958)
Credit and suretyship	(14,842)	70,925	(85,767)
Miscellaneous financial loss	(1,716)	9,947	(11,663)
Non-proportional Health	(51)	98	(149)
Non-proportional casualty	5,653	44,749	(39,096)
Non-proportional marine, aviation and transport	128	5,404	(5,276)
Non-proportional property	7,013	33,740	(26,727)
<b>Total</b>	<b>12,215</b>	<b>493,511</b>	<b>(481,296)</b>

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

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

## D.3 Other liabilities

The table below presents the liabilities of SGRI 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.

SGRI Liabilities as at December 31, 2022 in USD thousands	EBS Solvency II	Sections
<b>Technical provisions – Non-Life</b>	<b>2,220,419</b>	<b>D.2.1</b>
<b>Technical provisions - Life (excluding index-linked and unit-linked)</b>	<b>1,640,023</b>	<b>D.2.2</b>
Technical provisions - Health (similar to Life)	172,304	
Technical provisions - Life (excluding Health and index-linked and unit-linked)	1,467,719	
<b>Deposits from reinsurers</b>	<b>380,746</b>	<b>D.3.1</b>
<b>Deferred tax liabilities</b>	<b>5,082</b>	<b>D.3.2</b>
<b>Derivatives</b>	<b>6,475</b>	<b>D.3.3</b>
<b>Debts owed to credit institutions</b>	<b>-</b>	<b>D.3.3</b>
<b>Financial liabilities other than debts owed to credit institutions</b>	<b>170,369</b>	<b>D.3.4</b>
<b>Insurance and intermediaries payables</b>	<b>568,279</b>	<b>D.3.1</b>
<b>Reinsurance payables</b>	<b>29,508</b>	<b>D.3.1</b>
<b>Payables (trade, not insurance)</b>	<b>33,903</b>	<b>D.3.3</b>
<b>Subordinated liabilities</b>	<b>199,890</b>	<b>D.3.3</b>
Subordinated liabilities not in BOF	-	
Subordinated liabilities in BOF	199,890	
<b>Any other liabilities, not elsewhere shown</b>	<b>358</b>	<b>D.3.3</b>
<b>TOTAL LIABILITIES</b>	<b>5,255,054</b>	

### D.3.1 INSURANCE TECHNICAL LIABILITIES

SGRI in USD thousands	EBS	Statutory IFRS	As at December 31, 2022 Difference
Deposits from reinsurers	380,746	380,746	-
Insurance and intermediaries payables	568,279	102,607	465,672
Reinsurance payables	29,508	249,566	(220,058)
<b>Total insurance technical liabilities</b>	<b>978,533</b>	<b>732,919</b>	<b>245,614</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.

#### Deposits from reinsurers

Deposits from reinsurers are deposits received from or deducted by a reinsurer as collateral in relation to SGRI's outwards reinsurance (retrocession) contracts. SGRI measures its deposits from retrocessionaires (or ceded funds held) at amortised cost.

#### 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 Life IFRS technical reserves, as these are not included in Solvency II technical provisions.

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 2022 Financial Statements: Note 2 - Accounting principles, Note 21 - Assumed reinsurance accounts payable and Note 22 - Accounts payable on ceded reinsurance transactions.

#### D.3.2 DEFERRED TAX LIABILITIES

SGRI in USD thousands	As at December 31, 2022		
	EBS	Statutory IFRS	Difference
Deferred tax assets	-	7,884	(7,884)
Deferred tax liabilities	(5,082)	-	(5,082)
<b>Net deferred tax (liabilities) / assets</b>	<b>(5,082)</b>	<b>7,884</b>	<b>(12,966)</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 appropriate tax rate applicable to the adjustment.

For further details on IFRS balances and valuation methods applied to deferred taxes please refer to the following notes in the 2022 Financial Statements: Note 2 - Accounting principles and Note 16 - Tax receivable and payable.

#### D.3.3 FINANCIAL AND OTHER LIABILITIES INCLUDING SUBORDINATED LIABILITIES

SGRI in USD thousands	As at December 31, 2022		
	EBS	Statutory IFRS	Difference
Derivatives	6,475	6,475	-
Payables (trade, not insurance)	33,903	33,908	(5)
Subordinated liabilities	199,890	200,482	(592)
Any other liabilities, not elsewhere shown	358	758	(400)
<b>Total financial and other liabilities</b>	<b>240,626</b>	<b>241,623</b>	<b>(997)</b>

### Valuation for solvency purposes

#### Financial liabilities

Financial liabilities in the EBS include derivatives and subordinated liabilities.

Derivative instruments are carried as liabilities when the economic values are negative. Derivatives are valued based on quoted market prices. For more information on derivatives please refer to Section D.1.3 Cash and investments, other than participations.

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

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

#### **Other liabilities including trade payables**

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

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

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**

Subordinated liabilities EBS valuation includes the change from amortized cost to fair value for subordinated debt and the elimination of changes in the SGRI's own credit standing.

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 ceded deferred acquisition costs reflected on a financial statement basis, reclassifications between line items and timing differences.

For further details on IFRS balances and the valuation methods applied to financial and other liabilities, please refer to the following note in the 2022 Financial Statements: Note 2 - Accounting principles, Note 13 - Financial instruments and Note 23 - Other liabilities.

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

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#### **Valuation for solvency purposes**

Financial liabilities, other than debts owed to credit institutions in the EBS, consist of a loan principal amount from related parties, SCOR SE Zurich branch. SGRI initially recognises its financial liabilities at fair value less directly attributable transaction costs and subsequently measures at amortised cost using the effective interest rate method.

#### **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 differ from IFRS.

For further details on the IFRS balance and valuation methods applied please refer to the following notes in the 2022 Financial Statements: Note 2 – Accounting Principles, Note 14 – Intercompany loans and Note 23 – 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, SGRI 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 SGRI are explained within the relevant sections: D.1 - Assets and D.3 - Other liabilities.

## **D.5 Any other information**

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

## E. CAPITAL MANAGEMENT

This section provides an overview of the year end 2022 capital position for SGRI.

The table below includes the key results as at December 31, 2022 and December 31, 2021, respectively.

The 2022 figures reflect both Life and Non-Life business while 2021 figures reflect Life business only.

SGRI in USD thousands	As at December 31, 2022	As at December 31, 2021	Variance
<b>Eligible Own Funds (EOF)</b>	<b>2,361,355</b>	<b>3,398,696</b>	<b>(1,037,341)</b>
<b>Solvency Capital Requirement (SCR)</b>	<b>1,184,208</b>	<b>1,189,929</b>	<b>(5,721)</b>
Excess Capital (EOF - SCR)	1,177,147	2,208,767	(1,031,620)
<b>Solvency ratio</b>	<b>199%</b>	<b>286%</b>	<b>-86%</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

SGRI is a 100% subsidiary of SCOR SE. SGRI own funds eligible to cover the SCR are USD 2,361 million at December 31, 2022.

##### SGRI Own funds structure as at December 31, 2022

in USD thousands	Tier 1	Tier 2	Tier 3	Total
<b>Basic own funds</b>	<b>2,361,355</b>	-	-	<b>2,361,355</b>
Ordinary share capital	3,352	-	-	3,352
Share premium	110,632	-	-	110,632
Reconciliation reserve	1,758,017	-	-	1,758,017
Subordinated liabilities	199,890	-	-	199,890
Other items approved by supervisory authority	289,465	-	-	289,465
<b>Ancillary own funds</b>	-	-	-	-
<b>Total available own funds</b>	<b>2,361,355</b>	-	-	<b>2,361,355</b>
<b>Total eligible own funds to cover the SCR (after limit deductions)</b>	<b>2,361,355</b>	-	-	<b>2,361,355</b>
<b>Total eligible own funds to cover the MCR (after limit deductions)</b>	<b>2,361,355</b>	-	-	<b>2,361,355</b>

##### SGRI Own funds structure as at December 31, 2021

in USD thousands	Tier 1	Tier 2	Tier 3	Total
<b>Basic own funds</b>	<b>3,398,696</b>	-	-	<b>3,398,696</b>
Ordinary share capital	3,352	-	-	3,352
Share premium	110,632	-	-	110,632
Reconciliation reserve	3,203,532	-	-	3,203,532
Subordinated liabilities	-	-	-	-
Other items approved by supervisory authority	81,181	-	-	81,181
<b>Total available own funds</b>	<b>3,398,696</b>	-	-	<b>3,398,696</b>
<b>Total eligible own funds to cover the SCR (after limit deductions)</b>	<b>3,398,696</b>	-	-	<b>3,398,696</b>
<b>Total eligible own funds to cover the MCR (after limit deductions)</b>	<b>3,398,696</b>	-	-	<b>3,398,696</b>

SGRI considers all its basic own funds, identified in line with Solvency II rules and resulting from economic adjustments made to the SGRI'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 funds item, and on whether it is permanently available to absorb losses on a going concern basis and/or is subordinated such that it is

available to absorb losses in the event of a winding-up, and as described in the Articles 71, 73, 75 and 77 of the Delegated Acts.

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

Ordinary paid-in share capital and the related share premium of SGRI 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 2022 Financial Statements, net of any adjustments, 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.

“Other items approved by supervisory authority” relate to capital contributions which received approval from the Central Bank of Ireland as tier 1 own funds in 2015 (USD 81 million) and 2022 (USD 208 million).

Subordinated liabilities represent debt issued by SGRI that meet the own funds recognition criteria. Subordinated liabilities are classified into tiers based on terms and conditions as specified in each debt instrument’s prospectus.

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

SGRI As at December 31, 2022 in thousands	Outstanding amount in USD	Issue date	Maturity date	Tier	Optional redemption	
					First call date	Call dates thereafter <sup>(1)</sup>
USD 200 million Perpetual Subordinated	199,890	21/12/2022	Perpetuity	1	21/10/2032	Every 5

(1) at any interest payment date

On December 21, 2022, SCOR SE granted perpetual subordinated notes to SGRI in the amount of USD 200 million eligible as tier 1 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.

Within those limits, the total of subordinated liabilities (with or without benefiting from the transitional measures) eligible as tier 1 capital must be less than 20% of total tier 1 capital.

The application of the above limits determines SGRI's eligible own funds. As at December 31, 2022, none of these limits are exceeded by SGRI.

### E.1.3 RECONCILIATION WITH SHAREHOLDERS' EQUITY

The table below presents the differences between the shareholders' equity in the 2022 Financial Statements prepared under IFRS and the net assets over liabilities as calculated for solvency purposes and presented in the EBS.

SGRI in USD thousands	December 31, 2022
<b>Statutory - IFRS Shareholders' equity</b>	<b>1,623,305</b>
<b>Economic adjustments</b>	<b>720,160</b>
Other intangible assets	(15,639)
Investments	629,316
Net technical balances	118,502
<i>Net technical balances, excluding risk margin – Life</i>	<i>509,113</i>
<i>Net technical balances, excluding risk margin – Non-Life</i>	<i>283,866</i>
<i>Risk margin – Life</i>	<i>(662,198)</i>
<i>Risk margin – Non-Life</i>	<i>(12,279)</i>
Financial liabilities	592
Deferred taxes	(12,965)
Other assets and liabilities	354
<b>Excess of assets over liabilities in the Solvency II EBS</b>	<b>2,343,465</b>
Subordinated liabilities	199,890
Deductions for foreseeable dividends	(182,000)
<b>Total available own funds</b>	<b>2,361,355</b>

The economic adjustments represent revaluations necessary to remeasure all of SGRI'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 SGRI 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.

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

SGRI's SCR is USD 1,184 million as at December 31, 2022 and has decreased by USD 6 million, or less than 1%, over the year from USD 1,190 million as at December 31, 2021.

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.

SGRI In USD thousands	0.5% VaR As at December 31, 2022	0.5% VaR As at December 31, 2021	Changes from 2021 to 2022
Non-Life underwriting	907,482	-	907,482
Life underwriting	1,460,553	1,431,858	28,696
Market	642,714	756,210	(113,496)
Credit	271,594	240,743	30,852
Operational	119,496	164,077	(44,581)
<b>Required capital before diversification</b>	<b>3,401,839</b>	<b>2,592,887</b>	<b>808,952</b>
Diversification	(1,946,034)	(1,116,380)	(829,655)
Loss absorbing capacity of deferred taxes	(271,597)	(286,579)	14,982
<b>SCR</b>	<b>1,184,208</b>	<b>1,189,929</b>	<b>(5,720)</b>

The standalone required capital, before diversification between risk categories and tax, has increased by USD 809 million compared to December 31, 2021. This is due to the combined effects of model refinements, economic developments, business and investment portfolio updates, as well as the completion of the take on of Non-Life business whereby SGRI and SI are now exposed to Non-Life risks. The business updates also include the impact of the introduction of two new non-proportional contracts covering Life and Non-Life business for SGRI and SI, respectively. The changes by risk categories are due to the following:

- Non-Life underwriting standalone risk has increased to USD 907 million from zero as at December 2021 as a result of the completion of the take on of Non-Life business;
- Life underwriting standalone risk has increased by USD 29 million compared to December 31, 2021. The net increase is driven by the growth in critical illness and health risk, partially offset by the introduction of the two internal non-proportional contracts covering SGRI and SI, respectively. The standalone risk is reduced by the economic developments, increases in US and UK interest rates, which affect both the direct business of SGRI and the Life business of SI, which is 74% owned by SGRI and thus also visible in the table above on a look-through basis<sup>6</sup>;
- Market standalone risk includes invested assets, FX, interest rate, and credit spread risk. It has decreased by USD 113 million compared to December 31, 2021. This decrease is mainly driven by higher interest rates and consequent decreased exposure to spread and FX risk. The impact on the SCR after diversification is much less because market risk diversifies well with other risk categories;
- Credit standalone risk includes default risk and credit rating migration risk on assets. It has increased by USD 31 million compared to December 31, 2021. This is mainly due to the increase in assets following the take on of Non-Life business, which is partly offset by lower exposures from economic developments due to higher interest rates. The impact on SGRI's SCR is small after diversification because credit risk diversifies well with other risk categories;
- Operational standalone risk has decreased by USD 45 million; mainly due to reduction of Life exposure to operational risk and model refinements.

<sup>6</sup> A look-through basis is where risk exposures arising from SGRI's participations are allocated to the underlying risk categories.



- Diversification and the loss absorbency benefit of taxes decreases the SCR by an increased amount of USD 815 million, compared to December 31, 2021, mainly as a result of the take on of Non-Life business.

## E.2.2 MINIMUM CAPITAL REQUIREMENT

SGRI In USD thousands	December 31, 2022	December 31, 2021	Variation	% Variation
MCR Minimum (25% of SCR)	296,052	297,482	(1,430)	(0)%
MCR Linear	1,120,899	704,297	416,601	59%
MCR Maximum (45% of SCR)	532,894	535,468	(2,574)	(0)%
<b>MCR with Internal Model cap &amp; floor</b>	<b>532,894</b>	<b>535,468</b>	<b>(2,574)</b>	<b>(0)%</b>

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

Minimum capital requirement (MCR) calculations include Non-Life and Life exposures. The Non-Life exposures used for the MCR calculation are the net premium amounts written in the previous 12 months and the net best estimate technical provisions, both split by line of business. Predefined regulatory factors are applied to the premium and technical provision elements and added up to obtain the Non-Life linear MCR. Similarly, the Life linear MCR is obtained by applying predefined factors to the net best estimate technical provisions classified by product type as well as to the capital at risk for all Life exposures.

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. For SGRI, the MCR as at December 31, 2022 is equal to the cap (45% of SCR).

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

SGRI does not use a duration-based equity risk sub-module in the calculation of the solvency capital requirement.

## 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 SGRI.

### 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 SGRI, 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, Section E.4.4 provides further information about the loss absorbing capacity of deferred taxes and Section E.4.5 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 L&H and P&C business units are represented alongside SCOR Investments.

The internal model covers the entirety of SCOR's worldwide (re)insurance activities. It is 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, SGRI and SI.

### 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

SGRI groups the risks modelled into five categories as at December 31, 2022: Non-Life underwriting, Life underwriting, market, credit and operational risks. The definitions of the risk categories are as follows:

- **Non-Life underwriting** risk is the risk of change in the value of Non-Life liabilities. It also includes related risks such as those associated with expenses, deposits to cedents, reinsurance recoverables and reinsurance payables. Underwriting risk covers risks from business written to date and business planned to be written over the next year;
- **Life underwriting** risk is the risk of change in the value of Life 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 creditworthiness 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 SGRI'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;
- **Loss absorbing capacity of deferred taxes.** For each modelled scenario, the internal model calculates the tax impact of the change in economic value. In unprofitable scenarios, like the 1-in-200 loss scenario associated with the SCR, it captures the loss absorbing capacity of deferred taxes by modelling the change in value of the deferred tax positions which reduces the impact of the loss on the basic own funds. See Section E.4.4 – Loss absorbing capacity of deferred taxes for more details.

### Data used in the internal model

The probability distribution forecast of SGRI'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, SGRI carefully manages data to ensure its proper and structured storage, reliability, and accessibility. SGRI 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 SGRI 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, SGRI 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.

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

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.2.3 – 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 Non-Life 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.

#### E.4.3 PROBABILITY DISTRIBUTION FORECASTS

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.

##### Non-Life Underwriting Risk

The business covered by the Non-Life risk category is all Non-Life/insurance and retrocession contracts from both in-force business and new business within the one-year time period. The forecasts are determined for three categories of business (Treaty, Facultative and Natural Catastrophe) and for reserve risk.

SCOR leverages its own experience to understand its Non-Life risks and to derive observed statistical characteristics of these risks, particularly probability distributions, the nature of the dependencies between them and their expected behavior over the next year. Particular attention is paid to extreme events and SCOR uses a statistical (Bayesian) method to supplement the data on these. This method (PrObEx) combines expert judgment with existing industry and economic data, both internal and external, and improves SCOR's understanding of adverse scenarios.

Probability distributions are generated for each of the three different categories of business and for reserve risk, based on the nature of the underlying risks and forecast using claim inflation curves and economic trends.

##### Life Underwriting Risk

To model its Life 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 behaviour over the next year.

Probability distribution functions are chosen to model the underlying risk factors such as mortality, longevity and policyholder behaviour. 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 Scenario Generator Model (SGM), which produces scenarios representing various plausible states of the world specified in terms of Life and economic risk factors, to determine how the economic balance sheet would react under these various scenarios.

The internal model determines, for each scenario, the impact on the underlying economic balance sheet item. Repeating this exercise many times for different future 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 two stages.

Firstly, the rating migrations (including defaults) of every counterparty are simulated, Secondly, given these rating states, the P&L is determined from the exposure of every counterparty. The calibration of this model is based on historical data and a strong link to the economic risk factors used for the market risk exist.

## Operational Risk

SCOR models annual losses at the entity level and by 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

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.

### E.4.4 LOSS ABSORBING CAPACITY OF DEFERRED TAXES

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

In unprofitable scenarios, like the 1-in-200 scenario associated with the SCR, it captures the loss absorbing capacity of deferred taxes by modelling the change in value of the deferred tax positions which reduces the impact of the loss on the modelled basic own funds. The internal model determines this item by modelled entity and by scenario. The Group tax effects represent the aggregated tax effects of the modelled entities. A recoverability test is performed based on an estimated evolution of profits in future years to verify that they are sufficient to support the amount of deferred tax assets. This is calculated based on assumptions about the future profitability, which includes a prudent allowance for the increasing uncertainty over time. The tax model parameters are calibrated on the basis of expert judgment provided by experts from the Finance, Tax and Risk Management functions.

At December 31, 2022, the loss-absorbing capacity of deferred taxes reduces the SCR by USD 272 million (or 19% of the SCR before tax), which is expected to be recoverable based on the projected future profits.

### E.4.5 KEY DIFFERENCES BETWEEN THE STANDARD FORMULA AND THE INTERNAL MODEL

SGRI 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 (including stochastically modelling tax).

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 Non-Life underwriting, SCOR determines the probability distributions and models natural catastrophe risk using sophisticated proprietary tools applied to SCOR's own portfolio. The internal model also captures the specific characteristics of non-proportional reinsurance;

- for Life underwriting, a wider range of risk factors than considered in the standard formula is modelled. In addition, 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 scenario generator 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 creditworthiness 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**

As at December 31, 2022, SGRI is compliant with the requirements regarding the coverage of the minimum capital requirement and solvency capital requirement.

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

SGRI 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 SGRI

### S.02.01.02 - Balance Sheet

#### SGRI

Assets as at December 31, 2022

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	473
<b>Investments (other than assets held for index-linked and unit-linked contracts)</b>	R0070	4,241,099
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	2,220,316
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	1,316,043
Government bonds	R0140	378,166
Corporate bonds	R0150	908,569
Structured notes	R0160	-
Collateralised securities	R0170	29,309
Collective Investments Undertakings	R0180	668,303
Derivatives	R0190	32,758
Deposits other than cash equivalents	R0200	3,677
Other investments	R0210	-
<b>Assets held for index-linked and unit-linked contracts</b>	R0220	-
<b>Loans and mortgages</b>	R0230	71,800
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	71,800
<b>Reinsurance recoverables from:</b>	R0270	835,819
Non-life and Health similar to Non-life	R0280	514,856
Non-life excluding Health	R0290	514,856
Health similar to Non-life	R0300	-
Life and Health similar to Life, excluding Health and index-linked and unit-linked	R0310	320,963
Health similar to Life	R0320	42,452
Life excluding Health and index-linked and unit-linked	R0330	278,511
Life index-linked and unit-linked	R0340	-
<b>Deposits to cedants</b>	R0350	1,974,099
<b>Insurance and intermediaries receivables</b>	R0360	332,429
<b>Reinsurance receivables</b>	R0370	12,549
<b>Receivables (trade, not insurance)</b>	R0380	8,017
<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	122,233
<b>Any other assets, not elsewhere shown</b>	R0420	-
<b>TOTAL ASSETS</b>	R0500	7,598,518

## S.02.01.02 - Balance Sheet (continued)

## SGRI

Liabilities as at December 31, 2022

In USD thousands

Solvency II value

		C0010
<b>Technical provisions – Non-life</b>	R0510	<b>2,220,419</b>
Technical provisions – non-life (excluding health)	R0520	2,199,272
<i>Technical provisions calculated as a whole</i>	R0530	-
<i>Best estimate</i>	R0540	2,187,109
<i>Risk margin</i>	R0550	12,163
Technical provisions - health (similar to non-life)	R0560	21,148
<i>Technical provisions calculated as a whole</i>	R0570	-
<i>Best estimate</i>	R0580	21,032
<i>Risk margin</i>	R0590	116
<b>Technical provisions - life (excluding index-linked and unit-linked)</b>	R0600	<b>1,640,023</b>
Technical provisions - health (similar to life)	R0610	172,304
<i>Technical provisions calculated as a whole</i>	R0620	-
<i>Best estimate</i>	R0630	54,703
<i>Risk margin</i>	R0640	117,601
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	1,467,719
<i>Technical provisions calculated as a whole</i>	R0660	-
<i>Best estimate</i>	R0670	923,121
<i>Risk margin</i>	R0680	544,598
<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>380,746</b>
<b>Deferred tax liabilities</b>	R0780	<b>5,082</b>
<b>Derivatives</b>	R0790	<b>6,475</b>
<b>Debts owed to credit institutions</b>	R0800	-
<b>Financial liabilities other than debts owed to credit institutions</b>	R0810	<b>170,369</b>
<b>Insurance and intermediaries payables</b>	R0820	<b>568,279</b>
<b>Reinsurance payables</b>	R0830	<b>29,508</b>
<b>Payables (trade, not insurance)</b>	R0840	<b>33,903</b>
<b>Subordinated liabilities</b>	R0850	<b>199,890</b>
Subordinated liabilities not in basic own funds	R0860	-
Subordinated liabilities in basic own funds	R0870	199,890
<b>Any other liabilities, not elsewhere shown</b>	R0880	<b>358</b>
<b>TOTAL LIABILITIES</b>	R0900	<b>5,255,054</b>
<b>EXCESS OF ASSETS OVER LIABILITIES</b>	R1000	<b>2,343,464</b>



## S.05.01.01- Premiums, claims and expenses by line of business

SGRI As at December 31, 2022 In USD thousands	Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)*									Line of business for accepted non-proportional reinsurance				TOTAL
	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss		Health	Casualty	Marine, aviation, transport	Property	
	C0020	C0030	C0040	C0060	C0070	C0080	C0090	C0120		C0130	C0140	C0150	C0160	C0200
<b>Premiums written</b>														
Gross - Direct business R0110	-	-	-	-	-	-	-	-						-
Gross - Proportional reinsurance accepted R0120	13,216	1,178	237,931	312,492	641,924	127,150	290,910	23,509						1,648,309
Gross - Non-proportional reinsurance accepted R0130										2,370	206,790	47,881	323,492	580,533
Reinsurers' share R0140	557	50	10,037	13,258	36,918	5,378	12,271	992		100	8,723	2,020	13,646	103,949
Net R0200	12,658	1,128	227,894	299,234	605,006	121,772	278,639	22,517		2,270	198,067	45,861	309,846	2,124,893
<b>Premiums earned</b>														
Gross - Direct business R0210	-	-	-	-	-	-	-	-						-
Gross - Proportional reinsurance accepted R0220	10,511	1,095	126,433	188,369	454,639	70,585	183,478	10,131						1,045,242
Gross - Non-proportional reinsurance accepted R0230										2,260	152,515	41,325	275,790	471,890
Reinsurers' share R0240	557	50	10,037	13,232	32,475	5,375	12,271	992		100	8,723	2,020	13,646	99,477
Net R0300	9,953	1,046	116,397	175,136	422,165	65,211	171,207	9,139		2,161	143,792	39,305	262,144	1,417,655
<b>Claims incurred</b>														
Gross - Direct business R0310	-	-	-	-	-	-	-	-						-
Gross - Proportional reinsurance accepted R0320	3,339	723	96,513	146,820	356,382	55,538	94,786	9,582						763,683
Gross - Non-proportional reinsurance accepted R0330										1,273	117,434	45,829	203,446	367,981
Reinsurers' share R0340	-	-	-	41,080	2,393	5	-	-		-	-	-	104,277	147,756
Net R0400	3,339	723	96,513	105,739	353,989	55,532	94,786	9,582		1,273	117,434	45,829	99,169	983,909
<b>Changes in other technical provisions</b>														
Gross - Direct business R0410	-	-	-	-	-	-	-	-						-
Gross - Proportional reinsurance accepted R0420	-	-	-	-	-	-	-	-						-
Gross - Non- proportional reinsurance accepted R0430										-	-	-	-	-
Reinsurers' share R0440	-	-	-	-	-	-	-	-		-	-	-	-	-
Net R0500	-	-	-	-	-	-	-	-		-	-	-	-	-
<b>Expenses incurred</b> R0550	5,388	174	46,335	66,540	133,784	39,326	76,908	3,641		228	23,791	5,946	39,318	441,380
<b>Other expenses</b> R1200														(15,115)
<b>Total expenses</b> R1300														426,265

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

SGRI		Line of business* for Life reinsurance obligations		TOTAL
As at December 31, 2022		Health reinsurance	Life reinsurance	
In USD thousands				
		C0270	C0280	C0300
<b>Premiums written</b>				
Gross	R1410	843,063	817,157	1,660,219
Reinsurers' share	R1420	159,685	201,196	360,881
Net	R1500	683,378	615,961	1,299,338
<b>Premiums earned</b>				
Gross	R1510	835,054	817,035	1,652,089
Reinsurers' share	R1520	168,750	201,196	369,946
Net	R1600	666,303	615,839	1,282,143
<b>Claims incurred</b>				
Gross	R1610	629,055	692,686	1,321,741
Reinsurers' share	R1620	171,817	184,336	356,153
Net	R1700	457,238	508,350	965,588
<b>Changes in other technical provisions</b>				
Gross	R1710	-	-	-
Reinsurers' share	R1720	-	-	-
Net	R1800	-	-	-
<b>Expenses incurred</b>	R1900	170,658	61,503	232,161
<b>Other expenses</b>	R2500			9,384
<b>Total expenses</b>	R2600			241,546

\*This table presents lines of business applicable to SGRI

## S.05.02.01 – Non-Life premiums, claims and expenses by country

SGRI As at December 31, 2022 In USD thousands		Home country	Top 5 countries (by amount of gross premiums written) - Non-life obligations					Total Top 5 and home country
	R0010		(CH) Switzerland	(CN) China	(GB) United Kingdom	(DE) Germany	(IN) India	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>								
Gross - Direct business	R0110	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0120	-	608,970	456,068	137,623	147,362	115,559	1,465,581
Gross - Non-proportional reinsurance accepted	R0130	-	150,141	60,621	157,414	107,228	29,429	504,833
Reinsurers' share	R0140	-	32,021	22,063	12,445	10,739	15,739	93,008
Net	R0200	-	727,089	494,626	282,591	243,851	129,249	1,877,407
<b>Premiums earned</b>								
Gross - Direct business	R0210	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0220	-	375,682	277,982	61,124	124,826	82,607	922,221
Gross - Non-proportional reinsurance accepted	R0230	-	132,444	33,453	109,925	103,384	21,296	400,502
Reinsurers' share	R0240	-	32,021	22,063	12,445	10,739	11,267	88,536
Net	R0300	-	476,104	289,372	158,604	217,470	92,636	1,234,187
<b>Claims incurred</b>								
Gross - Direct business	R0310	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0320	-	295,573	169,142	80,588	105,955	41,910	693,170
Gross - Non-proportional reinsurance accepted	R0330	-	122,609	19,083	92,749	67,303	3,724	305,468
Reinsurers' share	R0340	-	81,103	4,866	7,946	40,367	2,860	137,142
Net	R0400	-	337,079	183,359	165,391	132,892	42,775	861,496
<b>Changes in other technical provisions</b>								
Gross - Direct business	R0410	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers'share	R0440	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	-	-	-
<b>Expenses incurred</b>	R0550	-	151,689	102,678	47,231	62,397	19,557	383,552
<b>Other expenses</b>	R1200							457
<b>Total expenses</b>	R1300							384,009

## Home country

Ireland

## S.05.02.01 – Life premiums, claims and expenses by country (continued)

SGRI As at December 31, 2022 In USD thousands								Total Top 5 and home country
		Home country	Top 5 countries (by amount of gross premiums written) - Life obligations					
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		(GB) United Kingdom	(CN) China	(KR) Korea, Republic of	(BM) Bermuda	(JP) Japan	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
<b>Premiums written</b>								
Gross	R1410	72,666	458,045	423,205	287,386	103,670	86,385	1,431,357
Reinsurers' share	R1420	19,779	106,807	40,556	89,479	34,567	23,404	314,592
Net	R1500	52,887	351,238	382,649	197,907	69,103	62,981	1,116,765
<b>Premiums earned</b>								
Gross	R1510	72,666	458,045	412,351	286,667	103,670	85,992	1,419,391
Reinsurers' share	R1520	19,779	106,807	48,045	89,404	34,567	23,427	322,030
Net	R1600	52,887	351,238	364,305	197,263	69,103	62,566	1,097,361
<b>Claims incurred</b>								
Gross	R1610	62,662	412,006	295,534	256,348	114,364	65,160	1,206,074
Reinsurers' share	R1620	19,013	107,481	68,377	82,846	20,304	20,076	318,097
Net	R1700	43,649	304,525	227,157	173,502	94,060	45,084	887,977
<b>Changes in other technical provisions</b>								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-
<b>Expenses incurred</b>	R1900	1,719	49,272	115,116	18,332	(1,110)	11,959	195,288
<b>Other expenses</b>	R2500							9,040
<b>Total expenses</b>	R2600							204,327

## Home country

Ireland

### S.12.01.02 - Life and Health SLT Technical Provisions

SGRI As at December 31, 2022 In USD thousands	Insurance with profit participation	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)		
		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										
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	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									-	-				-	-	
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030									923,121	923,121					54,703	54,703
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080									278,511	278,511					42,452	42,452
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090									644,610	644,610					12,251	12,251
Risk Margin	R0100									544,598	544,598					117,601	117,601
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110									-	-					-	-
Best estimate	R0120									-	-					-	-
Risk margin	R0130									-	-					-	-
Technical provisions - total	R0200									1,467,719	1,467,719					172,304	172,304

## S.17.01.01– Non-life Technical Provisions

SGRI As at December 31, 2022 In USD thousands		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss
		C0020	C0030	C0040	C0050	C0070	C0080	C0090	C0100	C0130
<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 as a whole	R0050	-	-	-	-	-	-	-	-	-
<b>Technical provisions calculated as a sum of BE and RM</b>										
<b>Best estimate</b>										
Premium provisions										
Gross	R0060	-	(153)	2	20,795	(764)	7,233	(10,888)	(14,842)	(1,716)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	-	-	-	25	168	2	-	-
Net best estimate of premium provisions	R0150	-	(153)	2	20,795	(789)	7,065	(10,890)	(14,842)	(1,716)
<b>Claims provisions</b>										
Gross	R0160	-	11,406	1,905	140,843	196,023	467,417	154,102	161,958	7,195
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	-	50,173	1,217	(2)	-	-
<b>Net best estimate of claims provisions</b>	R0250	-	11,406	1,905	140,843	145,850	466,200	154,104	161,958	7,195
<b>Total best estimate - gross</b>	R0260	-	11,254	1,907	161,638	195,259	474,649	143,214	147,116	5,480
<b>Total best estimate - net</b>	R0270	-	11,254	1,907	161,638	145,061	473,264	143,214	147,116	5,480
<b>Risk margin</b>	R0280	-	61	11	858	1,109	2,458	899	853	33
<b>Amount of the transitional on technical provisions</b>										
Technical provisions calculated as a whole	R0290	-	-	-	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-	-	-	-
<b>Technical provisions - total</b>										
Technical provisions - total	R0320	-	11,314	1,919	162,496	196,368	477,107	144,113	147,969	5,513
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default -	R0330	-	-	-	-	50,198	1,385	-	-	-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	-	11,314	1,919	162,496	146,170	475,722	144,113	147,969	5,513

The table above presents lines of business applicable to SGRI

## S.17.01.02 – Non-life Technical Provisions (continued)

SGRI As at December 31, 2022 In USD thousands		Accepted non-proportional reinsurance				Total Non-life obligation
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
<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 as a whole	R0050	-	-	-	-	-
<b>Technical provisions calculated as a sum of BE and RM</b>						
<b>Best estimate</b>						
Premium provisions						
Gross	R0060	(51)	5,653	128	7,013	12,410
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	-	-	-	195
Net best estimate of premium provisions	R0150	(51)	5,653	128	7,013	12,215
<b>Claims provisions</b>						
Gross	R0160	7,922	557,294	61,169	428,497	2,195,730
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	463,274	514,661
<a href="#">Net best estimate of claims provisions</a>	R0250	7,922	557,294	61,169	(34,777)	1,681,069
<b>Total best estimate - gross</b>	R0260	7,871	562,947	61,297	435,510	2,208,140
<b>Total best estimate - net</b>	R0270	7,871	562,947	61,297	(27,764)	1,693,284
<b>Risk margin</b>	R0280	44	3,342	344	2,266	12,279
<b>Amount of the transitional on technical provisions</b>						
Technical provisions calculated as a whole	R0290	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-
<b>Technical provisions - total</b>						
Technical provisions - total	R0320	7,915	566,289	61,641	437,776	2,220,419
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	-	-	463,274	514,856
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	7,915	566,289	61,641	(25,498)	1,705,563



## S.19.01.21 – Non-life Insurance Claims Information

## Total Non-life Business - Underwriting year

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

	Development year											Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											37,608	37,608
N-9	-	-	-	-	-	-	-	-	-	1,714		1,714
N-8	-	-	-	-	-	-	-	-	9,280			9,280
N-7	-	-	-	-	-	-	-	7,933				7,933
N-6	-	-	-	-	-	-	16,133					16,133
N-5	-	-	-	-	-	33,696						33,696
N-4	-	-	-	-	43,223							43,223
N-3	-	-	-	61,929								61,929
N-2	-	-	171,016									171,016
N-1	-	339,449										339,449
N	(23,337)											(23,337)
<b>Total</b>											698,645	698,645

**Gross undiscounted best estimate Claims**  
**Provisions (absolute amount)**

	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											310,794	282,401
N-9	-	-	-	-	-	-	-	-	-	26,741		23,116
N-8	-	-	-	-	-	-	-	-	35,793			31,352
N-7	-	-	-	-	-	-	-	49,476				42,354
N-6	-	-	-	-	-	-	87,544					76,792
N-5	-	-	-	-	-	152,628						135,477
N-4	-	-	-	-	238,023							212,591
N-3	-	-	-	225,798								203,584
N-2	-	-	424,254									388,323
N-1	-	760,174										710,088
N	668,430											624,467
<b>Total</b>												2,730,545

## S.23.01.01 – Own funds

SGRI As at December 31, 2022 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	3,352	3,352		-	
Share premium account related to ordinary share capital	R0030	110,632	110,632		-	
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	1,758,017	1,758,017			
Subordinated liabilities	R0140	199,890		199,890	-	-
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	289,465	289,465	-	-	-
<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	2,361,355	2,161,464	199,890	-	-
<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	2,361,355	2,161,464	199,890	-	-
Total available own funds to meet the MCR	R0510	2,361,355	2,161,464	199,890	-	-
Total eligible own funds to meet the SCR	R0540	2,361,355	2,161,464	199,890	-	-
<b>Total eligible own funds to meet the MCR</b>	R0550	2,361,355	2,161,464	199,890	-	-
<b>SCR</b>	R0580	1,184,208				
<b>MCR</b>	R0600	532,894				
<b>Ratio of Eligible own funds to SCR</b>	R0620	199.40%				
<b>Ratio of Eligible own funds to MCR</b>	R0640	443.12%				

SGRI As at December 31, 2022 In USD thousands		Total
		C0060
<b>Reconciliation reserve</b>		
Excess of assets over liabilities	R0700	2,343,464
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	182,000
Other basic own fund items	R0730	403,448
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
<b>Reconciliation reserve</b>	R0760	1,758,017
<b>Expected profits</b>		
Expected profits included in future premiums (EPIFP) - Life business	R0770	349,101
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	103,620
<b>Total expected profits included in future premiums (EPIFP)</b>	R0790	452,720

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

SGRI

As at December 31, 2022

In USD thousands

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
A.1	Non - Life underwriting	907,482
A.2	Life underwriting	1,460,553
A.3	Market	642,714
A.4	Credit	271,594
A.5	Operational	119,496
		C0100
<b>Calculation of Solvency Capital Requirement (SCR)</b>		
Total undiversified components	R0110	3,401,839
Diversification	R0060	(1,946,034)
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	1,184,208
Capital add-ons already set	R0210	-
<b>Solvency Capital Requirement</b>	R0220	1,184,208
<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	(271,597)
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	-
		C0109
Approach based on average tax rate	R0590	No
		C0130
<b>Calculation of loss absorbing capacity of deferred</b>		
Amount/estimate of LAC DT	R0640	(271,597)
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	-
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	(271,597)
Amount/estimate of LAC DT justified by carry back, current year	R0670	-
Amount/estimate of LAC DT justified by carry back, future years	R0680	-
Amount/estimate of Maximum LAC DT	R0690	(273,250)

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

**SGRI**  
**As at December 31, 2022**  
**In USD thousands**

**S.28.01.01.01****Linear formula component for Non-life insurance and reinsurance obligations**

		C0010
MCR <sub>NL</sub> Result	R0010	413,046

**S.28.01.01.02**

		Background information	
		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	11,254	9,464
Workers' compensation insurance and proportional reinsurance	R0040	1,907	1,070
Motor vehicle liability insurance and proportional reinsurance	R0050	161,638	125,758
Other motor insurance and proportional reinsurance	R0060	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	145,061	137,122
Fire and other damage to property insurance and proportional reinsurance	R0080	473,264	540,625
General liability insurance and proportional reinsurance	R0090	143,214	83,773
Credit and suretyship insurance and proportional reinsurance	R0100	147,116	173,512
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	5,480	21,041
Non-proportional health reinsurance	R0140	7,871	2,113
Non-proportional casualty reinsurance	R0150	562,947	153,638
Non-proportional marine, aviation and transport reinsurance	R0160	61,297	40,625
Non-proportional property reinsurance	R0170	-	264,125

**S.28.01.01.03****Linear formula component for life insurance and reinsurance obligations**

		C0040
MCR <sub>L</sub> Result	R0200	707,852

**S.28.01.01.04**

Total capital at risk for all life (re)insurance obligations		Net (of reinsurance/SPV) Best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		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	656,861	-
Total capital at risk for all life (re)insurance obligations	R0250	-	991,511,716

**S.28.01.01.05****Overall MCR calculation**

		C0070
Linear MCR	R0300	1,120,899
SCR	R0310	1,184,208
MCR cap	R0320	532,894
MCR floor	R0330	296,052
Combined MCR	R0340	532,894
Absolute floor of the MCR	R0350	4,175
<b>Minimum Capital Requirement</b>	<b>R0400</b>	<b>532,894</b>