

Press Release

September 4, 2019 - N° 28

SCOR launches its new strategic plan

QUANTUM/LEAP

2019/2021

Consistency and transformation

At its annual Investor Day in Paris, SCOR presents its new strategic plan, **QUANTUM/LEAP**. This is the seventh strategic plan SCOR has launched and implemented since 2002, after “Back on Track”, “Moving Forward”, “Dynamic Lift”, “Strong Momentum”, “Optimal Dynamics” and “Vision in Action”.

The plan runs from July 1, 2019 to until December 31, 2021 to coincide with the new IFRS 17 accounting standard that the Group will implement effective January 1, 2022.

The Group’s Board of Directors approved the **QUANTUM/LEAP** plan on July 24, 2019.

SCOR successfully concludes “Vision in Action”

SCOR had to face a number of headwinds during its strategic plan “Vision in Action”, which was launched in July 2016. A high rate of cat events, a P&C cycle that only turned recently, a continued low yield environment, regulatory shocks such as the Ogden reform in the UK, the US tax reform and geopolitical uncertainties all have weighed on the reinsurance industry’s performance over the last three years.

SCOR delivered an impressive performance in this challenging environment thanks to its nimbleness and the strict application of its four cornerstones. These guiding principles – controlled risk appetite, high diversification, robust capital shield and strong franchise – are instrumental to the Group’s shock-absorbing capacity and superior long-term value creation.

The Group has successfully delivered on its “Vision in Action” profitability and solvency targets, recording across the course of this plan an average normalized Return on Equity of 9.5% or 876 bps over the risk-free rates, and an average solvency ratio of 219%, in the upper part of the optimal solvency range. Meanwhile, the Group has strongly expanded and deepened its franchise globally in target geographical areas and lines of business.

This strong performance bears witness to the depth of SCOR’s franchise and to the relevance of the strategy which the Group has consistently followed over the years.

Reinsurance is an attractive industry with positive perspectives

The reinsurance industry is navigating through an increasingly complex environment that presents both challenges and opportunities.

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SCOR firmly believes that reinsurance is an attractive industry benefiting from long-term growth drivers. The sector enjoys solid foundations and should benefit from positive dynamics:

- The risk universe is expanding increasingly rapidly. The sphere of insurable risks is increasing while the sphere of uninsurable risks is narrowing, resulting in a positive shift of the insurability frontier. In particular, emerging risks linked to new technologies are progressively becoming insurable.
- The demand for insurance and reinsurance cover is itself expanding and aversion to risk is increasing as nations become wealthier and governments are pushing insurance companies to increase their capacity through the reinsurance industry;
- There is a major protection gap, as demonstrated by the lower prevalence of insurance solutions in emerging markets – as well as in more industrialized markets - and closing this gap will support demand for insurance and reinsurance;
- The reinsurance industry benefits from the ongoing technological and financial revolution, which includes alternative capital as well as data-driven technology such as connected objects, big data, Artificial Intelligence, automation, and so on;
- The potential for innovation in the reinsurance industry remains strong and is supported by evolving needs from insurers, changing regulation, increased knowledge of risk and risk correlation, and better understanding by insurers of their own risk portfolios.
- Finally, the reinsurance industry, and more particularly the diversified global reinsurers, have proved their resilience to the most extreme events over the long term, in terms of both claims shocks and financial crises.

In this environment, SCOR, an independent Tier 1 global reinsurer, has strong potential for continued profitable growth and long-term value creation.

With the QUANTUM/LEAP plan, SCOR pursues strong growth of around 4 to 7% per year, and sets equally weighted profitability and solvency targets that are ambitious in the current financial and economic environment:

- A **high return on equity** above 800 basis points over the 5-year risk-free rates over the cycle¹;
- An **optimal solvency ratio**² in the 185-220% range.

QUANTUM/LEAP aims to increase the Group's efficiency and unlock value while transitioning SCOR towards IFRS 17, a more economic-based accounting framework than IFRS 4.

SCOR accelerates its transformation to integrate technological developments

This plan aims to create the reinsurance company of tomorrow. To this end, SCOR is transforming profoundly, accelerating its use of new technologies – such as artificial intelligence, robots, blockchain, big data, multi-cloud and satellite imagery – to innovate, expand its product and services offering and increase its efficiency, for the benefit of its clients throughout the world. All areas of the company are involved, from underwriting to asset

¹ Based on a 5-year rolling average of 5-year risk-free rates

² This is the ratio of Eligible Own Funds over the Solvency Capital Requirement (SCR) calculated with the Group Internal Model

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management and from risk analysis to claims settlement. All of SCOR's employees are committed to this ambitious and transformative plan.

SCOR is investing EUR 250 million in the implementation of **QUANTUM/LEAP**. The Group is focusing on three main pillars:

- **Bringing added value to clients in their digital transformation:** SCOR will bring more innovative reinsurance solutions to each key step of the reinsurance process by providing new products and value-added services, a seamless digital customer experience, improved underwriting and analytics, and robotic process automation for claims processing.
- **Expanding profitable new business opportunities:** In pursuing its deep digital transformation, SCOR will contribute to expanding insurability: SCOR Global P&C will develop new products and value-added services to help close insurance protection gaps and SCOR Global Life will expand the insurance safety net with insurance solutions at all stages of life.
- **Strengthening digital capabilities around five key clusters:** To provide scalability, increased agility and better integration of innovations, SCOR will focus on robotics, e-business, multi-cloud, big data and artificial intelligence.

QUANTUM/LEAP rests on a set of key assumptions for each of the Group's three engines. **Group-wide annual gross written premium growth rate will be approximately 4% to 7%** over the course of the plan:

- **SCOR Global P&C** is well positioned to pursue sustainable annual growth of gross written premiums of ~4% to 8% over the plan, with a Value of New Business annual growth of ~6% to 9% per year over this period, by: (i) actively redeploying capital on value-creative segments, markets and clients, (ii) growing P&C Partners as an innovation enabler, catalyst, and accelerator (ILS growth, cyber expertise, P&C Ventures) and fostering operational excellence, and (iii) deploying a 360° risk taking platform, built on expertise and integrated systems. SCOR Global P&C anticipates a net combined ratio of ~95 to 96% over **QUANTUM/LEAP**.
- **SCOR Global Life** will build for long-term value creation for all stakeholders. SCOR Global Life will continue its pivot to Asia, refocus certain EMEA markets to maximize impact and continue to diversify its risk profile while maintaining its leadership position in the U.S. Using state-of-the-art technology, SCOR Global Life will invest in data and unite the necessary expertise to bring solutions to clients across the consumer journey, putting the insured at the heart of the life insurance experience. Under **QUANTUM/LEAP**, the focus will be on value creation, anticipating a Value of New Business (VNB) annual growth of approximately 6% to 9% and a consistent technical margin of ~7.2% to 7.4%, while assuming annual premium growth of approximately 3% to 6% per year.
- **SCOR Global Investments** is committed to acting as a sustainable investor to better manage risks and generate superior long-term returns. Over the **QUANTUM/LEAP** plan, the invested assets financial contribution will be maximized, in particular through enhanced portfolio diversification towards value-creating assets, while safeguarding the portfolio value in case of a severe market downturn. SCOR Investment Partners, the Group's asset management company, will maintain a strong momentum in terms of asset gathering, through a comprehensive product offering and best-in-class returns. SCOR will fully leverage its positioning as a leading player in ILS with the project

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acquisition of Coriolis Capital. The Group expects an average annualized return on invested assets in the range of ~2.4% to 2.9% over the plan³.

The **QUANTUM/LEAP** plan covers the transitional period in preparation for the move to IFRS 17 in 2022. This new accounting standard will enable better recognition of both the value and value-creation capabilities of SCOR, which are not fully reflected with current accounting practice under IFRS 4.

Denis Kessler, Chairman & Chief Executive Officer of SCOR, comments: *“In this increasingly stochastic and complex environment, the future of the reinsurance industry depends upon embracing new technologies and the ability to manage and analyze data. With the “Quantum Leap” plan, SCOR is committing to a profound transformation to create the reinsurance company of the future, fully adapted to this new ecosystem. Over the course of the plan, SCOR will continue its dynamic combination of growth, profitability and solvency, to create value for all its stakeholders. SCOR is pursuing its growth while staying true to the fundamental principles that have shaped its success, while making greater use of new technologies, to accelerate the creation of long-term economic value.”*

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The SCOR Investor Day 2019 webcast starts at 9:30 am CET today: [click here](#) to watch it live

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³ Under Summer 2019 economic and financial environment.

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This publication is an ad hoc disclosure pursuant to article 17 of the Regulation (EU) n°596/2014 of 16 April 2014.

Forward-looking statements

SCOR does not communicate "profit forecasts" in the sense of Article 2 of (EC) Regulation n°809/2004 of the European Commission. Thus, any forward-looking statements contained in this communication should not be held as corresponding to such profit forecasts. Information in this communication may include "forward-looking statements", including but not limited to statements that are predictions of or indicate future events, trends, plans or objectives, based on certain assumptions and include any statement which does not directly relate to a historical fact or current fact. Forward-looking statements are typically identified by words or phrases such as, without limitation, "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as, without limitations, "will", "should", "would" and "could." Undue reliance should not be placed on such statements, because, by their nature, they are subject to known and unknown risks, uncertainties and other factors, which may cause actual results, on the one hand, to differ from any results expressed or implied by the present communication, on the other hand.

Please refer to the 2018 reference document filed on March 4, 2019, under number D.19-0092 with the French Autorité des marchés financiers (AMF) posted on SCOR's website www.scor.com (the "Document de Référence"), for a description of certain important factors, risks and uncertainties that may affect the business of the SCOR Group. As a result of the extreme and unprecedented volatility and disruption of the current global financial crisis, SCOR is exposed to significant financial, capital market and other risks, including movements in interest rates, credit spreads, equity prices, and currency movements, changes in rating agency policies or practices, and the lowering or loss of financial strength or other ratings.

The Group's financial information is prepared on the basis of IFRS and interpretations issued and approved by the European Union. This financial information does not constitute a set of financial statements for an interim period as defined by IAS 34 "Interim Financial Reporting".