SOLVENCY AND FINANCIAL CONDITION REPORT

AS OF 31 DECEMBER 2016

SCOR UK COMPANY LIMITED

Contents

EXECUTIVE SUMMARY

INTRODUCTION

This document, the Solvency and Financial Condition Report (SFCR) for SCOR UK, presents information on SCOR UK and its solvency position as at December 31, 2016 and has been prepared in accordance with Solvency II regulations (Solvency II Directive 2009/138/EC of the European Parliament of November 25, 2009, the Delegated Regulations of the European Commission of October 10, 2014 supplementing the Directive and the EIOPA Guidelines on Reporting and Public Disclosure EIOPA-BoS-15/109). SFCR appendices include key financial information in the standard format of Solvency II public Quantitative Reporting Templates.

The SFCR of SCOR UK is available at www.scor.com and has also been submitted to the Prudential Regulation Authority.

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

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

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

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

- SCOR UK's financial statements, filed with Companies House
- SCOR Group SFCR available on SCOR's website www.scor.com
- SCOR's three-year strategic plan, "Vision in Action" covering the period mid-2016 to mid-2019 available at www.scor.com/en/the-group/strategy/vision-in-action.html

SCOR UK

Business and Performance

SCOR UK is part of the SCOR Group which is the world's fourth largest reinsurer[1] serving more than 4,000 clients from its four organisational hubs (the "Hubs") located in Paris/London and Zurich/Cologne for Europe, Singapore for Asia and New York/Charlotte/Kansas City for the Americas.

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

SCOR UK is regulated by the "Solvency II" European Directive which applies since January 1, 2016, having been transposed into UK law on March 9, 2016.

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

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

SCOR UK **in GBP thousands**	**December 31, 2016**
Eligible Own Funds (EOF)	**182,790**
Solvency Capital Requirement (SCR)	**95,301**
Solvency Ratio	**192%**
Gross written premiums	172,600

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

System of governance

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

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

[1] By net reinsurance premiums written, source: "AM Best Special Report Global Reinsurance 2016".

Risk profile

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

SCOR UK has identified the following categories of risks:

- Underwriting risks related to the P&C (re)insurance business
- Market risks
- Credit risks
- Liquidity risks
- Operational risks
- Strategic risks.

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

Valuation for solvency purposes

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

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

In the EBS, both assets and liabilities relating to in-force business are recognised at market-consistent values, which constitute the valuation for solvency purposes. SCOR UK's EBS as at December 31, 2016 has been prepared based on the assumption that SCOR UK will continue as a going concern, in line with the preparation of the financial statements. SCOR UK prepares financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

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

Capital management

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

DIRECTORS' RESPONSIBILITY STATEMENT

in respect of the Solvency and Financial Condition Report

Financial Year Ended 31 December 2016

The Directors are responsible for preparing the Solvency and Financial Condition Report (the "SFCR") in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

- the SFCR has been prepared in all material respects in accordance with the PRA Rules and Solvency II Regulations;
    - throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to it; and
    - it is reasonable to believe that the Company has continued so to comply subsequently and will continue so to comply in future.

On behalf of the Board

Director

9 May 2017

A. BUSINESS AND PERFORMANCE

A.1 Business

A.1.1 OVERVIEW OF SCOR UK

A.1.1.1 NAME AND LEGAL FORM

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

Registered office of SCOR UK and contact information

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

A.1.1.2 SUPERVISORY AUTHORITIES FOR SCOR UK AND SCOR GROUP

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

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

Name of supervisory authority	Contact details	Entities in scope
Autorité de Contrôle Prudentiel et de Résolution (ACPR)	Autorité de Contrôle Prudentiel et de Résolution 61 rue Taitbout 75436 Paris Cedex 09	SCOR SE SCOR Global P&C SE SCOR Global Life SE
Prudential Regulation Authority (PRA)	Prudential Regulation Authority 20 Moorgate London, EC2R 6DA	SCOR UK
Financial Conduct Authority (FCA)	25 The North Colonnade Canary Wharf London E14 5HS	SCOR UK
The Office of the Superintendent of Financial Institutions (OSFI)	255 Albert Street, Ottawa Canada K1A 0H2	SCOR Insurance – Canadian Branch.

A.1.1.3 STATUTORY AUDITORS

Auditors for SCOR UK are as follows:

Name
MAZARS LLP Represented by Andrew Goldsworthy Tower Bridge House St Katherine's Way London E1W 1DD UK

A.1.1.4 SIGNIFICANT SHAREHOLDERS

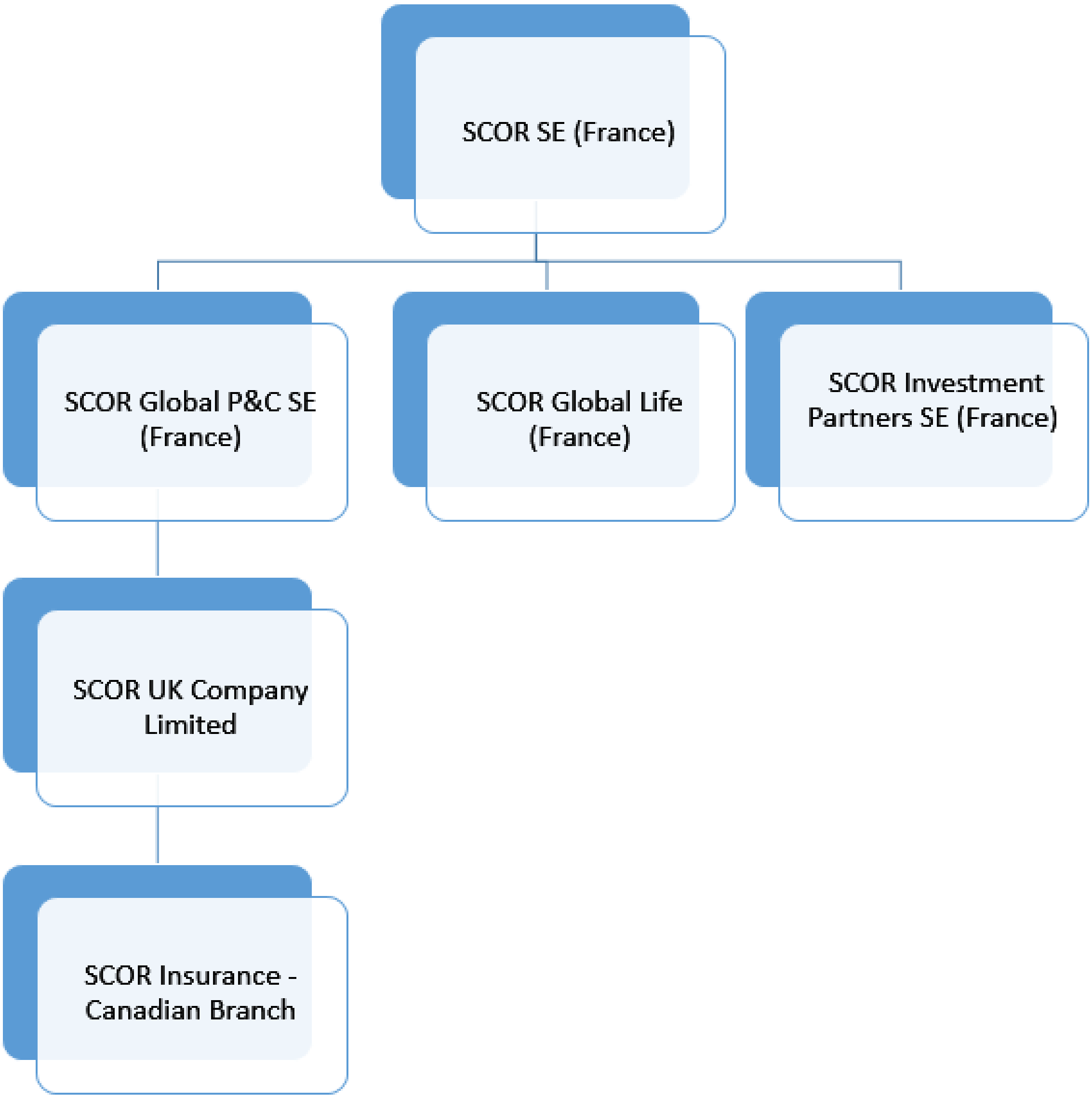
SCOR (U.K.) Group Limited (SCOR UK Group) is the immediate parent company of SCOR UK Company Limited (74% of control and interest). SCOR UK Group is domiciled in the United Kingdom.

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

A.1.1.5 LEGAL AND ORGANISATIONAL STRUCTURE OF SCOR UK

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

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



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

SCOR Global Life, the Group's Life division, operates worldwide through the branches of two main global reinsurance companies (SCOR Global Life SE and SCOR SE) as well as insurance, reinsurance, distribution and distribution solutions subsidiaries in Germany, the UK, Ireland, Italy, Spain, Switzerland, Netherlands, Sweden, Belgium, Canada, the US, Latin America, Russia, South Africa, Australia, New Zealand, Asia, notably China, Singapore, Malaysia and South Korea.

SCOR Global Investments, the third division of the Group, manages the investment portfolio of the Group's legal entities. It is composed of the Group Investment Office and SCOR Investment Partners SE, a portfolio management company, approved by the AMF. The Group Investment Office manages the interaction between the SCOR Group and SCOR Investment Partners in managing the risk appetite, monitoring investment risks and recommending investment guidelines. SCOR Investment Partners manages directly the assets of many SCOR Group subsidiaries and manages also the funds on the behalf of the Group and third party clients.

A.1.2 BUSINESS DESCRIPTION

A.1.2.1 LINES OF BUSINESS AND GEOGRAPHICAL AREAS

The business written by the Company is driven mainly by the large corporate segment and also by the aviation and space sector. SCOR UK has a well-diversified line of business book (property, property energy, engineering, liability, offshore, aviation, space). The business book has a good geographical spread insuring risks globally with the main locations being the United Kingdom, Europe and the North America.

SOLVENCY II LINES OF BUSINESS

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

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

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

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

A.1.2.2 SIGNIFICANT BUSINESS AND OTHER EVENTS IN THE PERIOD

Dividends

During April 2016 the Board approved a dividend to be paid to SCOR UK Group and SCOR UK Holding, totaling £30 million.

Loan repayment

Following Board approval in December 2016, the Company repaid an intercompany subordinated loan of £30 million.

Reinsurance

Effective from the December 31, 2016 the Company entered into a material quota share with a fellow group undertaking to protect its casualty line of business.

Ogden rate

The impact of the decision of the UK Lord Chancellor taken on February 27, 2017 to change the discount rate used in the Ogden table to - 0,75% (versus 2,5% applied since 2001) is not reflected in the year end 2016 figures. The Board has assessed the solvency position of the Company in light of the estimated impact of this development and consider that the Company is still more than adequately capitalised.

A.2 Underwriting performance

A.2.1 UNDERWRITING RESULTS BY LINE OF BUSINESS

SCOR UK

IFRS in GBP thousands	As at December 31, 2016 Net technical result [1]	Internal management expenses [2]	Net underwriting result
Marine, aviation and transport insurance	240	(3,300)	(3,060)
Fire and other damage to property insurance	11,362	(8,424)	2,938
General liability insurance	14,111	(3,058)	11,053
Credit and suretyship insurance	94	(12)	83
Non-proportional casualty reinsurance	304	(1,846)	(1,542)
Non-proportional marine, aviation, transport reinsurance	2	(563)	(561)
Non-proportional property reinsurance	3,166	(3,491)	(325)
Other*	-	(918)	(918)
Total	**29,280**	**(21,612)**	**7,668**

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

[2] Includes all management expenses

Net technical result of SCOR UK amounted to GBP 29 million as of December 31, 2016.

A.2.2 UNDERWRITING RESULTS BY GEOGRAPHICAL AREA

Gross written premiums for the financial year ended December 31, 2016 amounted to GBP 176 million

In 2016, SCOR UK generated 37% of its gross written premiums in Europe, Middle East and Africa (EMEA), 52% of its gross written premiums in the Americas and 11% in Asia.

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

SCOR UK

IFRS in GBP thousands	EMEA	As at December 31, 2016 Americas	Asia-Pacific	Total
Gross written premiums	65,352	92,404	18,444	176,200
Net technical result [1]	3,101	19,263	6,917	29,280
Internal Management expenses [2]	(14,153)	(5,327)	(2,132)	(21,612)
Net underwriting result	**(11,052)**	**13,936**	**4,778**	**7,668**

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

[2] Includes all management expenses.

A.3 Investment performance

A.3.1 INVESTMENT INCOME AND EXPENSES

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

A.3.1.1 INVESTMENT INCOME AND EXPENSES BY ASSET CLASS

SCOR UK's portfolio positioning is risk averse as a result of the Company's decision to focus on underwriting risks and limit other risks such as market risks. The invested assets portfolio is mainly invested in government bonds and assimilated. Some AAA covered bonds and high rated corporate bonds provide some extra return with limited additional risks. The duration of the fixed income portfolio is stable around 2.5 years and the average rating has decreased in 2016 from AA+ to AA.

SCOR UK **As at December 31, 2016** **in GBP thousands**	**IFRS**
Investment revenues on invested assets	6,689
Investment revenues on fixed income	*6,661*
Investment revenues on others	*28*
Interest on deposits	4
Interest income on funds withheld and contract deposit	*39*
Interest expense on funds withheld and contract deposit	*(35)*
Realised gains/losses on invested assets	4,189
Total IFRS investment income before of foreign exchange	**10,882**
Foreign exchange gain	2,925
Total IFRS investment income	**13,807**
Investment management expenses	(1,328)
IFRS investment income net of investment management expenses	**12,476**

In 2016 the income before of foreign exchange was GBP 11 million on the overall invested assets portfolio. Some capital gains, GBP 4 million, have been generated mainly in the government and assimilated bonds category.

Total investment income net of management expenses stands at GBP 12 million as at December 31, 2016.

The foreign exchange impact for the year is GBP 3 million. SCOR UK has followed the group process of matching material currency imbalances each quarter (see section C.3.2.3 – Management of currency risk) Despite this the significant fluctuations in exchange rates following the result of the referendum on UK membership of the EU, have had a material impact.

A.3.2 INVESTMENT GAINS AND LOSSES RECOGNISED IN EQUITY

SCOR UK has posted a small unrealised loss in the invested assets despite the capital gains generated by the active management of the fixed income category. This is explained by the drop on GBP yields in a context of political uncertainties and finally the vote on the UK's membership of the EU. The 2 year GBP risk free rate has decreased by more than 50 bps over 2016.

SCOR UK **As at December 31, 2016** **in GBP thousands**	**IFRS**
Fixed income	(119)
Total	**(119)**

A.4 Performance of other activities and any other information

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

No material information regarding SCOR UK's business and performance, other than presented above in sections A.1 Business, A.2 Underwriting performance and A.3 Investment performance, is reported.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

B.1.1 GENERAL GOVERNANCE PRINCIPLES

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

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

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

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

SCOR UK is fully integrated into the group and divisional organisational structure of the SCOR Group. For more information on the SCOR Group please refer to the Group SFCR on www.scor.com

B.1.2 LEGAL STRUCTURE AND FUNCTIONAL ORGANISATION OF SCOR UK

Legal structure of the company

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

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

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

- within the European Union pursuant to the European passporting regulation
- in other countries where the Company has obtained licences to write reinsurance business or where operating in reinsurance is not subject to licence.

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

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

B.1.3 GOVERNANCE STRUCTURE

B.1.3.1 THE CORPORATE GOVERNANCE MODEL FOR SCOR UK

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

The governance framework consists of the following:

- The Board of Directors

  The Board will develop and implement strategy, measure and manage business performance, develop and implement internal control and risk management framework and ensure that the business is managed within the risk appetite it has established.

- Risk and Compliance Committee

  The Risk and Compliance Committee will provide oversight of the management of risk by the Board (supported by the Compliance and Risk Functions).

- Audit committee

  Independent and objective assurance over the effectiveness of control systems will be provided by Group Internal Audit ("GIA") with oversight by the Audit Committee.

Maintenance of the Corporate Governance Framework

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

- Specific and annual effectiveness review

The Board will perform an annual review of the corporate governance framework. This will ensure their confidence in the framework, and fulfil their role in ensuring the effectiveness of the corporate governance framework. Any weaknesses found will be acted upon and resolved.

- Redefine the framework where necessary

It is the Boards responsibility, through whichever method it chooses, to improve continuously the corporate governance framework. Action may be delegated to a committee, an individual or executed by the Board itself.

- Regular monitoring of the robustness of the system of corporate governance

The Board will regularly monitor the corporate governance framework, including the Governance Map.

B.1.3.2 THE BOARD OF DIRECTORS AND BOARD COMMITTEES

Composition of the Board

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

SCOR UK has determined that the composition of the Board will comprise of:

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

Where appropriate, the above Directors are identified as Controlled Functions and have been allocated a Senior Insurance Management Function (SIMF) as required by the PRA's Senior Insurance Managers Regime (SIMR) which allocated personal accountability for their area of responsibility. Some individuals may hold one or more of the above roles.

The Directors of the Board shall provide the Board with expert input and advice in relation to their area of responsibility and will be directly involved in the setting of strategic objectives and overall risk appetite.

In addition, Directors may also have separate executive roles.

The collective responsibilities of the Board are detailed in the SCOR UK Board Terms of Reference ("Board TOR").

Structure and organisation of the Board

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

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

- Relevant professional qualifications, knowledge and experience, combining a broad set of skills and experience adequate to enable sound and prudent management
- Proof of good repute and integrity
- Completed “Fit and Proper Test” set out and monitored by the FCA and the PRA (based on the following issues: Honesty, integrity and reputation; competency and capability; and financial soundness)

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

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

Duties of the Board of Directors of the Company

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

- Strategy and performance
  - determining the orientations of the Company’s business;
  - ensuring that the corresponding strategy is implemented throughout the business;
  - monitoring management's performance;
  - addressing any subject related to the Company’s performance and making the necessary business decisions;
  - reviewing and approving any policies and procedures, guidelines and limits of authority, and regulations issued by SCOR Group if they are appropriate for SCOR UK.
  - setting and approving the policies for SCOR UK’s activities and monitoring their implementation;
  - ensuring that the policies implemented by SCOR UK are consistent with SCOR Group's policies;
- Duties and responsibilities arising out of Solvency II regulations and the PRA / FCA Handbook including but not limited to:
  - appointment and dismissal of key functions holders
  - maintaining a sound system of internal control as an essential element of corporate governance;
  - approval of the Solvency and Financial Condition Report (SFCR) and Regular Supervisory Report (RSR) prior to its submission to the PRA;
  - approval of the ORSA report prior to its submission to the PRA;
- Reviewing and approving the delegated powers to specific individuals on an annual basis to ensure they remain appropriate for SCOR UK.
- Compliance and legal environment
  - monitor compliance with the laws, regulations and administrative provisions including those adopted pursuant to the Solvency II Directive;
  - monitor possible impacts of changes in the legal environment on the operations of SCOR UK.
- Reserving
  - be informed of the reliability and adequacy of the calculation of technical provisions by the actuarial function.
- Reporting Procedures
  - be provided with information, to be supplied in a timely manner, which is in a form and of a quality appropriate to enable it to discharge its duties;
  - obtain information from relevant sources including Board Committees, executive reports and external advice.

- General Reporting
  - determine the current status of SCOR UK;
  - determine factors that influence SCOR UK's ability to continue to operate in a satisfactory manner;
  - determine the plans in place to mitigate, or avoid, material events that may prevent the Company from operating satisfactory;
  - obtain information from relevant sources including, but not limited to, Board Committees, executive reports and external advice.
- Other responsibilities
  - deliberate on all issues concerning the proper running of the Company, which are not otherwise delegated to the CEO, or any other corporate body, either in terms of (i) the issue as such or (ii) the level of authority granted;
  - require from Management any information the Board of Directors deems necessary to carry out its missions;
  - require from Management any information the Board of Directors deems necessary to carry out its roles and responsibilities.

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

Executive Management

The Board will consider and approve the Controlled Functions and SIMR requirements as required by the PRA/FCA and responsibility for these will be allocated to suitably skilled individuals in line with PRA/FCA guidelines and procedures.

The Board will consider and approve the line management structure in operation at SCOR UK.

The Board will consider and approve policies and procedures relating to key functions of the business.

BOARD OF DIRECTORS' COMMITTEES

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

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

Audit Committee

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

Investment Committee

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

Risk & Compliance Committee

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

Management Committee

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

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

- Reserving Committee

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

- Canadian Branch Management Committee

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

B.1.3.3 THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Chairman of the board

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

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

Chief Executive Officer (“CEO”)

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

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

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

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

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

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

B.1.3.4 FIT AND PROPER REQUIREMENTS

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

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

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

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

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

B.1.3.5 KEY FUNCTIONS

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

These functions are the following:

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

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

Roles and Responsibilities

Risk Management function

The main roles of the Risk Management function are to:

- help to steer SCOR UK's risk profile, in line with its risk appetite framework;
- maintain, develop and monitor effectiveness of the risk-management system, in accordance with the defined objectives, through the definition of consistent strategies, processes and reporting procedures related to identification, measurement, monitoring, management and reporting on the risks faced by the Company;
- implement the ORSA;
- spread a risk aware culture / improve knowledge of risks;
- ensure regulatory compliance in relation to risk and capital management.

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

Compliance function

The main roles of the Compliance function are to:

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

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

Actuarial function

The main roles of the actuarial function are to:

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

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

Internal audit function

The main roles of the internal audit function are to:

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

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

Freedom from influences

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

They operate under the ultimate responsibility of the Chief Executive Officer, through their management lines.

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

Access to the Board

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

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

Designation, fit and proper requirements and notification requirement

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

Access to information

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

Interactions with other key functions

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

B.1.4 MATERIAL CHANGES IN THE GOVERNANCE IN 2016

From January 2016 important changes have been put into place by the PRA and the FCA in the form of the SIMR and the FCA's changes to the Approved Persons Regime. There is a new statutory duty on senior managers (including NED's) to take reasonable steps to prevent regulatory breach and bring personal liability for Senior Managers in their area of responsibility.

The rules aim to standardise UK regulations with the EU's Solvency II Directive by encouraging senior managers and other key figures who run insurers to act with integrity, honesty, care and skill. The key drivers of the revised rules are the desire to ensure that senior managers take responsibility for their actions and that the regulating authorities are able to easily identify, and hold to account, specific individuals who may have allowed a regulatory breach to occur in their area of responsibility.

The SIMR is a natural extension of Solvency II Pillar 2, Governance & Supervision. As part of governance and risk management, firms are required to make an on-going assessment of the fit and proper status of all persons performing key functions.

What do the regulations call for?

The SIMR replaces the Significant Influence Functions which formerly operated under the Approved Person regime. The range of people subject to PRA approval has been narrowed to those falling within certain role-specific criteria, with the aim being to increase individual accountability

What is required by SCOR UK as a regulated entity by the PRA/FCA:

- SCOR UK must identify all persons carrying on Key Functions (namely Risk Management, Compliance, Internal Audit & Actuarial)
- SCOR UK must ensure that persons who perform Key Functions are fit and proper - SCOR UK follows the Group Fit & Proper Policy
- SCOR UK must allocate Prescribed Responsibilities to an approved person and must provide the PRA with a summary of the significant responsibilities allocated to each Key Function Holder.
- SCOR UK must draw up and maintain a Governance Map
- SCOR UK must require a Key Function holder to observe PRA Conduct Standards and a person performing a Key Function to observe PRA Individual Conduct Standards
- SCOR UK must notify the PRA of new Key Function Holders, seek PRA approval of new SIMFs and seek FCA approval of new FCA controlled functions.

The provisions were brought into effect on 1 January 2016 and were implemented in stages until 7 September 2016 from when they are fully in force.

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

B.1.5.1 MATERIAL TRANSACTIONS AT SCOR UK LEVEL

Material transactions with shareholders

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

Material transactions with SCOR UK Group during the reporting period include payment of a dividend to SCOR UK Group in April 2016 in the total amount of GBP 22,796,000.

Material transactions with SCOR Holding during the reporting period include a payment of a dividend of GBP 7,704,000 in April 2016 and repayment of a GBP 30,000,000 loan in December 2016.

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

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

For more information on transactions with SCOR UK Group, SCOR Holding and SCOR SE refer to Note 15 in SCOR UK's 2016 Financial Statements.

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

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

Independent Non-Executive Directors' (INED's) fees are a fixed sum of GBP 20,000 annually payable in four equal installments, plus an amount equal to GBP 1,500 per Board or Committee meeting they attend. These are paid by a fellow group undertaking and recharged to the Company under a service agreement.

The members of the SCOR UK Board who are employees of the SCOR Group do not receive directors' fees in respect of their directorships.

Material transactions with persons who exercise a significant influence

Related party transactions according to the IFRS accounting standard IAS 24

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

SCOR UK's related parties include:

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

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

For more information on transactions with related parties refer to Note 15 in SCOR UK's 2016 Financial Statements.

Transactions with key management personnel

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

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

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

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

Within SCOR UK, INED directors' fees are charged partly in one fixed sum of GBP 20,000 annually, payable in four equal instalments at the end of each quarter and partly based on the effective presence of the directors at the meetings of the Board of Directors and of its Committees, in an amount equal to GBP 1,500 per Board or per Committee meeting they attend.

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

B.1.6.2 GENERAL PRINCIPLES OF THE GROUP COMPENSATION POLICY

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

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

In order to achieve such objectives, SCOR Group has established a very structured and transparent compensation policy, under a global framework. It is reviewed and submitted to the Compensation and Nomination Committee and then to the Board of Directors for approval at least annually. It was last updated in April 2016.

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

SCOR Group has established a "Partners" (2) programme. This programme which is a specific and selective includes information sharing, career development and compensation schemes. There are four main Partner levels: Associate Partners (AP), Global Partners (GP), Senior Global Partners (SGP), and Executive Global Partners (EGP). Partners represent around 25% of the global workforce. The Group has a formal, carefully designed procedure for appointing and promoting Partners implemented every year during an Executive Committee meeting. Candidates must have consistently demonstrated their skills, leadership and commitment in the past. The distribution of partners by level is as follows: EGPs: 2%, SGPs: 9%, GPs: 32%, APs: 57%.

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

Overall compensation components

Staff member category	Fixed compensation	Variable compensation in cash	Equity-based plans	Pension plan
Chairman and Corporate Executive Officer (1)	X	X	Free shares, Stock options, LTIP	X
Group Executive Committee members (2)	X	X	Free shares, Stock options, LTIP	X
Partners	X	X	Free shares, Stock options (3) LTIP	X
Non partners	X	X	Free shares	X

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

(2) The Executive committee includes the CEO's of SCOR Global Property and Casualty and SCOR Global Life SE, who are the persons effectively running the Group, SCOR SE, SGP&C SE and the SGL SE in addition to the Chairman and CEO of SCOR SE. executive committee members do not receive directors' fees in respect of their directorships of companies in which SCOR holds more than 20% of the capital

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

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

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

Variable compensation in cash

Partners

The Partners' cash bonuses are computed on the basis of a percentage of the reference salary. This total percentage ranges from 20% to 100% and increases with seniority in the partnership level. The percentage has two components. The main component (except for EGP's bonuses for whom the individual and collective components are split equally) is directly linked to the individual performance rating. The pay out with respect to each component is subject to meeting certain requirements.

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

[1] Long Term Incentive Plan

The payout on the individual component can range from zero (insufficient performance) to 150% (exceeds expectations). The second component is collective and based on the return on equity (ROE) achieved by SCOR in the previous financial year. The payout on the collective component can range from zero (ROE below 30% of the target) to 130% (ROE equal to or above 130% of the target).

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

Other employees

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

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

Share - based compensation

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

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

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

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

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

Partners

The allocations of free shares and stock options to Partners depend on their individual performance among criteria such as strategic project management, commitment, etc. Therefore, it does not mean that an allocation will occur every year or that every Partner will receive 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). For more information on the performance conditions of 2016 plans, refer to section 2.2.3.4 – Plans providing employee profit sharing of SCOR Group's 2016 Registration Document.

Other employees

Free shares may be granted to employees who 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 Group offers attractive pension plans to its employees that in certain countries also cover accident and disability.

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

Generally, SCOR Group uses defined contribution pension plans.

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

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

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

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

B.2 Fit and proper requirements

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

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

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

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

B.2.1 OBJECTIVES AND GENERAL PRINCIPLES

SCOR Group commits to high “Fit and Proper” standards.

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

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

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

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

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

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

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

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

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

B.2.3 FITNESS CRITERIA

SCOR Group considers that fitness is an appropriate mix of:

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

B.2.3.1 EDUCATIONAL BACKGROUND AND QUALIFICATIONS

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

SCOR Group expects that individuals hold the following qualifications:

Applicable to	Qualification requirements
Category A (Directors, Chief Executive Officer and "persons effectively running the company")	Master's degree or equivalent This diploma must relate at least to one of the following areas: ▪ strategy or business management; ▪ finance; ▪ risk management; ▪ actuarial science; ▪ engineering; ▪ economy; ▪ law. If an individual does not meet the above, further consideration will be given to the individual's professional experience (see below).
Category B (key function holders)	Master's degree or equivalent 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). At Group level, the Chief Actuary, holder of the actuarial function, shall have appropriate formal actuarial qualifications and be a Fellow or Accredited Member of a recognised professional body (such as the Institute of Actuaries in France)
Category C (other staff)	Qualification criteria are defined in the HR recruitment guidelines and/or the job profiles, depending on the position

B.2.3.2 PROFESSIONAL EXPERIENCE

Professional experience in a field directly relevant to SCOR's activities or to the tasks assigned to the individuals is key.

SCOR's Directors, CEOs and "other persons effectively running the company" are expected to have a long-standing experience in their respective fields. When assessing the prior experience of an individual, consideration is given to such criteria: length of the former service, nature and complexity of the business where the position was held, former decision-making powers, responsibilities and number of subordinates.

Each individual must demonstrate:

Applicable to	Qualification requirements
Category A (Directors, Chief Executive Officer and "persons effectively running the company")	Board members: ■ a recently acquired relevant experience (within the last 5 years); ■ at least one member must have relevant knowledge and professional experience in each of the following fields: - understanding of (re)insurance markets; - (re)insurance company strategy and business model; - financial markets; - regulatory framework; - financial analysis; - actuarial; - risk management; - governance; - accounting; CEOs and "other persons effectively running the company"": ■ a recently acquired 5 or more-year long relevant experience (within the past 5 years) : - in an insurance or reinsurance company; - in a field directly relevant to his/her field of responsibility.
Category B (key function holders)	■ a recently acquired relevant experience (no more than 5-years old) ■ the Actuarial key function holder shall have an appropriate actuarial experience with an insurance or reinsurance company ■ the Risk Management key function holder shall have an appropriate experience of risk management in the financial industry; ■ the Compliance key function holder and the Internal Audit key function holder shall have an appropriate experience in their field of responsibility (Audit, Finance, Law & Compliance, Underwriting, Claims handling...).
Category C (other staff)	Professional experience criteria are defined in the HR recruitment guidelines, depending on the position.

B.2.4 PROPRIETY CRITERIA

B.2.4.1 PROPRIETY ASSUMPTION

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

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

SCOR Group also takes actions to prevent conflicts of interest.

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

B.2.4.2 REMEDIATION

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

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

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

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

B.2.4.3 TIME AVAILABILITY

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

B.2.5 FIT AND PROPER ASSESSMENT PROCESS

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

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

Applicant to	Assessor
Board / Chief Executive Officer / Other "persons effectively running the company"	■ Board; ■ Corporate Secretary with the support of Human Resources for applicants who are also SCOR employees.
Key function holders	■ Chief Executive Officer ; ■ Human Resources; ■ Board.

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

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

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

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

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

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

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

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

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

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

B.3.1 RISK APPETITE FRAMEWORK

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

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

B.3.1.1 RISK APPETITE

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

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

B.3.1.2 RISK PREFERENCES

Risk preferences are qualitative descriptions of the risks which SCOR UK is willing to accept. The Company aims to cover a range of (re)insurance risks and geographical areas. On the other hand, it has no desire to take operational, legal, regulatory, tax or reputational risks. This does not mean that SCOR UK is immune to these risks. These risk preferences determine the risks to be included in underwriting guidelines.

B.3.1.3 RISK TOLERANCES

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

Linking to its risk appetite and risk preferences, SCOR UK has established a set of net risk limits for its main risk categories, namely underwriting, market, credit, liquidity, operational and asset concentration. In the event of breaching these limits, the Company's overall solvency may be affected and different levels of management actions would be taken.

B.3.2 ERM FRAMEWORK

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

B.3.2.1 INTERNAL ENVIRONMENT

The main tasks of the Group Risk Management Department (GRM) are to further develop the Enterprise Risk Management framework and promote an ERM culture within the Group so that risks are managed consistently within each department.

The Group Risk Management Department is supported in these tasks by the departments in charge of risk management at SCOR Global P&C, SCOR Global Life and SCOR Global Investments. Local risk managers are involved in promoting a risk aware culture and implementing the appropriate measures at a local level. Compliance with local regulations and constraints is ensured by Hub General Counsels.

Group business standards and practices are governed by Group policies and underlying guidelines established in a common format, by the three divisions and the central functions such as the Group Internal Audit Department and the functions managed by the Group Chief Financial Officer, the Group Chief Operating Officer and the Group Chief Risk Officer. Group policies are approved by the Group Executive Committee 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 SCOR SE. These Group policies are not intended to enumerate all the rules governing SCOR's activities in the different countries in which the Group operates, but rather to establish certain principles intended to ensure that SCOR Group companies and employees share a common understanding of the Group's standards and that they work in compliance with these standards. When approved, these documents are made available to employees on the SCOR intranet on a dedicated page. As part of SCOR Group, SCOR UK adopts (or adds addenda to) group policies as appropriate.

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

B.3.2.2 SETTING OF OBJECTIVES

For several years SCOR Group has implemented and formalised three-year strategic plans. SCOR launched its three-year strategic plan (2016 to 2019), Vision in Action in September 2016. 'Vision in Action' is largely a continuation of SCOR's previous strategic plan, 'Optimal Dynamics', and although some refinements have been made, it builds on the success achieved by leveraging its proven principles and cornerstones.

The strategic plans set the Group risk appetite, from which the Group's strategy stems.

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

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

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

B.3.2.3 IDENTIFICATION AND ASSESSMENT OF RISKS

Several processes and tools for identifying and assessing risks have been implemented to approach risk from different angles and to deal with them in an exhaustive manner. These include:

- a risk information process: every quarter, regular and comprehensive risk reporting is provided to the Group Risk Committee and the Board of Directors. This includes a quarterly "Group Risk Dashboard" which describes and assesses the major risks the Group is exposed to and assembles various risk assessments from different identification and assessment processes for all risk categories;
- a process for the monitoring of risk exposures compared to risk tolerances, i.e. the limits established in order to ensure that the Group's risk profile remains aligned with the risk level validated by SCOR SE's Board of Directors. The Group uses various risk measures to define these exposures, which are measured based on either model outputs and/or expert opinions, depending on the technical constraints and the level of information available. This includes:

- the ‘risk driver’ system that enables the Group to manage the annual aggregate exposure to each major risk. The objective is to avoid overconcentration of risk and hence maximise diversification benefits. . For the majority of SCOR’s risk drivers, the amount of post-tax retained annual exposure per main risk driver (with a probability of 1 in 200 years) is limited to a percentage of the Group’s available capital. Other risk drivers have limits expressed in terms of reducing the Group’s solvency ratio or duration for invested assets;
- ‘extreme scenario’ system designed to avoid the Group’s over-exposure to one single event. The amount of post-tax retained exposure to each defined extreme scenario (with a probability of 1 in 200 years) is limited to 10% of available capital;
- sub limits for invested assets;
- limits per risk which are set in the underwriting and investment guidelines.

- a ‘footprint scenarios’ process: this process aims to review and assess the potential impact on the Group of selected deterministic scenarios. This process provides an alternative perspective on the Group’s exposures. Working groups dedicated to specific subjects are composed of experts across the Group, and coordinated by the Group Risk Management Department with the support of the divisional Chief Risk Officers. These groups perform quantitative studies which are summarised in specific reports;
- an Emerging Risks process: This process is part of SCOR’s ERM Framework and is linked to other risk management processes such as the ‘footprint scenarios’ process. The process, governance, roles and responsibilities are set out in dedicated guidelines and reviewed on an annual basis. Emerging risks within SCOR are overseen by an ad-hoc Committee composed of the CROs of the operating divisions and the Head of Group Risk Management. The individual risk assessments are carried out by a dedicated team of experts from SCOR Global P&C, SCOR Global Life and the Group functions. Critical emerging risks are reported to SCOR’s Executive Management. SCOR, as a member of the CRO Forum, also actively participates and contributes to the CRO Forum Emerging Risks Initiative alongside other major insurers and reinsurers;
- the ORSA (Own Risk Solvency Assessment), which provides the Group’s Board and those of the legal entities, the Group Executive Committee and senior management of legal entities with forward-looking information on SCOR’s risks and capital position;
- the Group internal model, which is deeply embedded in SCOR’s risk management system and contributes to the assessment of risks. SCOR uses its internal model for determining economic capital. Its results are used to implement SCOR’s underwriting and asset management policies and guidelines.

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

As part of SCOR Group, SCOR UK is similarly organised with respect to identification, assessment and monitoring of risk, leveraging on the Group approach but with some adaptation such as maintenance of a risk register rather than a risk dashboard overview and use of the Solvency II standard formula with a partial internal model for determining economic capital when assessing business opportunities.

B.3.2.4 MAIN CONTROL ACTIVITIES

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

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

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

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

Group functions

The Group's functions are organised in three departments led by the Chief Operating Officer, Chief Financial Officer and Chief Risk Officers respectively. The operations area comprises information technology, human resources and other general service functions at group level such as strategy and internal or corporate communications. The finance area comprises Treasury, Budget and Forecasting and other functions relating to controlling, consolidation, reporting, accounting, financial communications and tax issues. The risk management area comprises the actuarial function, the risk management function, various risk and actuarial modelling teams and is responsible for the Group's Prudential and Regulatory Affairs Department.

Further information is presented below regarding the risk function.

The Group Risk Management Department's primary focus is to develop and manage ERM mechanisms, promote ERM concepts throughout the Group and perform a second-level control over (re)insurance underwriting as mentioned above;

The Prudential and Regulatory Affairs Department monitors the prudential regulations and advises the Group. It ensures the Group actively positions itself vis a vis the different jurisdictions and requirements to which it is exposed or could be exposed notably by coordinating SCOR's actions to comply with regulatory requirements for the supervision of (re)insurance companies and Groups in France and SCOR's interactions with the ACPR and by monitoring SCOR's interactions with (re)insurance supervisors worldwide through regular contacts with the SCOR teams in charge locally. It also coordinates the Group's efforts to adapt to new major prudential regulations, such as Solvency II or ComFrame.

Activities related to (re)insurance

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

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

Asset management

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

The Group invests in assets through its SCOR Global Investments Division composed of an asset management company regulated by the AMF (SCOR Investment Partners SE) and a Group Investment Office (GIO).

Governance and principles

The Group has harmonised the principles governing the management of its assets: the Group Policy on Invested Assets defines the Group's governance in terms of asset management and the Manual of Group Investment Guidelines determines the limits for concentration risk as well as limits of exposure to different asset classes. The Manual of Group Investment Guidelines thus determines the conditions in which SCOR Global Investments will implement the Group investment policy as defined by the Group Investment Committee. These two documents are rolled out locally to ensure consistency across all SCOR entities. Local investment guidelines complement the Group guidelines and set the rules to be applied by all internal and external asset managers on behalf of SCOR UK. The Group Investment Committee meets at least once every quarter. Its role is to define the investment strategy on a Group level and to supervise the implementation of this strategy with regard to the regulatory and contractual constraints. At local level, SCOR UK's local investment committee supervises the implementation of the investment strategy relating to the Company as well as the compliance of the portfolios positioning with the local investment guidelines.

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

Investment strategy

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

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

- is able to meet its claims and expense payment obligations at all times, and
- creates value for its shareholders in line with the objectives set out in the strategic plan, while,
- preserving the Group liquidity and level of solvency,
- protecting the capital,
- allowing the Group to operate on a day-to-day basis as well as over the long term horizon,

- in compliance with: the legal entities investment regulations, risk appetites and regulatory capital requirements (level of capital and type of admissible assets), and Group and local investment guidelines.

Operational framework

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

Reporting and risk monitoring

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

Accounting management

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

B.3.2.5 INFORMATION AND COMMUNICATION

The Document de Reference (Registration Document), is produced via a specific process that ensures the contribution of all relevant departments and local entities and the consistency of the information provided. A final review is performed by members of the Executive Committee.

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

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

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

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

SCOR operates an Internal Control System Competence Centre ("ICS-CC") which reports to the Group Risk Management Department. For more information on the Internal Control System see section B.4.1.

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

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

Furthermore, the Finance Department manages the "internal management representation letters" process, which also incorporates certain points relative to internal control of accounting and financial reporting

B.3.3 INTERNAL MODEL CONTRIBUTION TO THE ERM FRAMEWORK

The SCOR Group's internal model is used to inform management decisions which involve risk management or solvency considerations. However, SCOR UK is maintaining regulatory solvency capital on the Standard Formula basis under Solvency II. The risk modules reported for the Standard Formula calculations include P&C Underwriting and Reserving risk, Operational risk, Market risk, Default risk and the Loss Absorbing Capacity effect of Deferred Tax. For further information refer to Chapter E – Capital Management.

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

B.3.4 ORSA CONTRIBUTION TO THE ERM FRAMEWORK

The ORSA process is a key mechanism of SCOR Group's ERM framework and is an integral part of the Risk Management System, fully incorporated by SCOR UK.

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

- descriptions of the risk profiles and the main risk drivers;
- overviews of expected changes in the risk profiles over the ORSA time horizon; and
- prospective assessments of overall capital needs over the ORSA time horizon, taking into account SCOR UK's strategy and risk profile, including an analysis of any excess or shortfall in the Eligible Own Funds.

SCOR performs the ORSA at Group and legal entity levels – including at the level of SCOR UK - based on clearly defined principles and objectives, close cooperation between Group and legal entity teams and regular involvement of Group and legal entity senior management, as well as involvement of the SCOR SE and legal entities' Boards.

It is performed at least annually or more frequently if material changes in the risk profile occur and the ORSA results are approved by SCOR UK's Board.

B.4 Internal control system

B.4.1 DESCRIPTION OF THE IINTERNAL CONTROL SYSTEM

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

B.4.1.1 DESCRIPTION

SCOR Group operates an “Internal Control System Competence Center” (ICS-CC) which reports to the Group Risk Management Department. The core objective of this competence center is to pool ICS expertise in order to foster a consistent ICS approach and application of ICS standards across the Group. The ICS-CC consists of experts, who are dedicated to coordinating the internal control formalisation activities within the Group, its divisions and entities, and supporting the business process owners where necessary. The ICS standards are applied based on proportionality. ICS processes have been documented accordingly, focusing on those considered to be the most critical. The ICS documentation is being progressively deployed across the Group and regularly reviewed for continuous improvement.

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

- a risk-based approach, i.e. addressing critical operational risks that, if not controlled, could significantly impact SCOR Group’s franchise, balance sheet or statement of income and indirectly its solvency. The optimal risk response is obtained through appropriately designed key controls at Group level, process level and IT level;
- at a process level, appointment of global process owners (GPO) at Group, SCOR Global P&C, SCOR Global Life and SCOR Global Investments levels and local process owners (LPO). The GPOs’ responsibility is to document the processes, identify the related critical risks, define the appropriate key controls and to ensure their deployment and application in the various entities of the Group. The LPOs’ main responsibilities are to assess processes, risks and key controls on a local level based on the defined global process and to ensure application of risk based control activities;
- monitoring, upon completion of the initial documentation, through a self-assessment procedure on the maturity (quality) of control processes based on pre-defined criteria set by their owners.

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

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

In addition, and in accordance with its risk-based audit plan and through its periodic assignment, Group Internal Audit provides independent and objective assessments on the adequacy, effectiveness and efficiency of the internal control system.

B.4.2 COMPLIANCE FUNCTION

B.4.2.1 ORGANISATION OF THE COMPLIANCE FUNCTION

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

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

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

B.4.2.2 POSITION AND INDEPENDENCE PRINCIPLES

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

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

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

B.4.2.3 COMPLIANCE FRAMEWORK

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

Prevention

Preventing compliance breaches includes:

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

Detection

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

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

Response

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

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

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

B.5 Internal Audit

B.5.1.1 GENERAL PRINCIPLES

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

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

B.5.1.2 ORGANISATION

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

Planning, Auditing and Monitoring: SCOR UK's 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 the Group Internal Audit full resource and comply with rotating principles.

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

B.5.1.3 INDEPENDENCE PRINCIPLES

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

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

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

B.6 Actuarial function

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

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

The role of the actuarial key function is to:

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

This role is undertaken by the Actuarial Function Holder (AFH) and the so-called Actuarial Function community, composed of members of the reserving teams, with the support of other teams within SCOR Group (Underwriting teams, Retrocession teams, Financial Modelling, Capital Management Department).

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

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

B.7 Outsourcing

B.7.1 OUTSOURCING PRINCIPLES AND ORGANISATION

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

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

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

Pursuant to Solvency II requirements, specific rules apply to the outsourcing of critical or important functions by SCOR EU entities. A SCOR EU entity is an insurance or reinsurance undertaking incorporated in and supervised by a regulator with jurisdiction in a country located in the European Union. As of the date of this report SCOR UK falls into the definition of SCOR EU entities.

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

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

in view of the following

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

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

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

B.7.2 MAIN ACTIVITIES OUTSOURCED TO EXTERNAL PROVIDERS

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

- underwriting and claims handling activities of certain space and aviation risks assumed by SCOR UK have been outsourced to companies located in France and in the UK, that are specialised underwriting agencies partially owned by SCOR. A SCOR underwriting manager specialised in the review of these risks monitors these outsourced relationships closely, through attendance at regular technical meetings, frequent reporting and audits,
- a central settlement facility is provided to SCOR UK, and other London market (re)insurers, by one of UK's largest providers of services to the insurance industry,

B.7.3 MAIN INTRAGROUP OUTSOURCING ARRANGEMENTS

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

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

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

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

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

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

The risk management function, including structuring and validation of the internal model, when relevant, is outsourced by SCOR UK to the internal model centre of excellence of SCOR and/or to the validation centre of SCOR. Other SCOR EU entities may provide services in support of the execution of this key function, when necessary. These outsourcing relationships are documented through appropriate outsourcing agreements and closely monitored by the risk management key function holder of SCOR UK.

The asset management activities, considered as Critical or Important Function, are outsourced by SCOR UK to a fellow group undertaking. This outsourcing relationship is documented through the adequate outsourcing agreement and closely monitored by a designated person of SCOR UK. Certain asset management middle and back office services have been outsourced by the fellow group undertaking, to subsidiaries of banking institutions specialised in the provisions of these services because these companies are able to provide a more efficient state-of-the-art service at a lower cost than the services that might be developed internally. These relationships are closely monitored by the relevant SCOR staff.

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

B.8 Other material information regarding the system of governance

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

C. RISK PROFILE

C.1 Introduction

C.1.1 GENERAL INTRODUCTION

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

- Underwriting risks related to the P&C (re)insurance business
- Market risks
- Credit risks
- Liquidity risks
- Operational risks
- Strategic risks (refer to section C.7 – Other material risks)

All these risks, further described in this chapter, are managed through a variety of mechanisms in SCOR Group's ERM (Enterprise Risk Management) framework.

SCOR Group's ERM framework is further described in:

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

Although risk management mechanisms have been designed and rolled out across the Group in order to prevent any risk having a significant impact, there is no guarantee that these mechanisms achieve their intended objective. Many of SCOR UK's methods for managing risk and exposures are based on observed historical market behaviour, statistics based on historical models, or expert judgment. As a result, these methods may not fully predict future exposures, which may be significantly greater than estimated, particularly in unstable or volatile markets and environments. Other risk management methods depend upon the evaluation of information regarding markets, clients, natural catastrophes or other matters that is publicly available or otherwise accessible to SCOR UK. This information may not always be accurate, complete, up-to-date or properly evaluated.

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

Emerging risks may adversely affect SCOR UK's (re)insurance business due to either a change in interpretation of the contracts or by increasing the frequency and/or severity of claims. Such risks may also lead to higher fluctuations than expected in macro-economic indicators such as interest rates and price level, or disruptions in financial markets, further impacting the Company's business. In addition, emerging risks may also have a direct impact on SCOR UK's operations, for instance by generating unexpected additional expenses. Examples of emerging risks include: Brexit, cyber-attacks, antimicrobial resistance, non-controlled bio-experiments, climate change, electromagnetic fields, extreme social unrest and Eurozone break-up.

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

C.1.2 SENSITIVITY ANALYSIS

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

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

As mentioned in section B.3.3 – Internal Model contribution to the ERM framework, the risk modules in SCOR UK's capital calculation include P&C Underwriting and Reserving risk, Operational risk, Market risk, Default risk and the Loss Absorbing effect of Deferred Tax. For further information refer to Chapter E – Capital Management. SCOR UK is exposed to other risks not included in the Standard Formula calculation including strategic risks 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.

C.2 Underwriting risks

The main risk SCOR UK faces under insurance and reinsurance contracts is that the actual amounts of claims and indemnity payments, or the timing thereof, differ from expectations. The frequency of claims, their severity, actual benefits paid, subsequent development of long-tail claims (whether they be litigated or not), and external factors beyond SCOR UK's control, especially inflation, legal and regulatory developments, and others, have an influence on the principal risk faced by the Company. Additionally, SCOR UK is dependent on the quality of underwriting of cedents for certain reinsurance treaties and on claims management by companies and other data provided by them. Under these uncertainties, the Company seeks to ensure that sufficient reserves are available to cover its liabilities.

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

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

C.2.1 P&C (RE)INSURANCE

The main risks linked with the P&C (re)insurance business underwritten by SCOR UK are natural and man-made catastrophes, including terrorism, inadequate pricing and long tail reserve deterioration, and other risks beyond its direct control such as systemic crisis or the cyclicality of the business.

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

C.2.1.1 NATURAL AND MAN-MADE CATASTROPHES

SCOR UK's property business is exposed to multiple insured losses arising from single or multiple events, which can be catastrophic, being either caused by nature (e.g. hurricane, typhoon, windstorm, flood, hail, severe winter storm, earthquake) or man-made (e.g. explosion, fire at a major industrial facility, act of terrorism). Any such catastrophic event can generate insured losses in one or several of the Company's lines of business.

Natural Catastrophes

The most material catastrophes in SCOR UK's risk profile are related to natural events, mainly tropical cyclones, windstorms, earthquakes and floods arising in North America and Europe and affecting property, engineering and possibly other lines of business.

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

Man-Made Catastrophes

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

Property

Man-made catastrophes refer to negligent or deliberate human actions, e.g. conflagration, a large explosion and fire at a major industrial site, and terrorism. These events can cause great damage to property and lives. Malicious man-made events often target large cities and key landmarks such as international airports and governmental facilities.

In particular, SCOR UK is exposed to single or multiple terrorist attacks through some contracts and national terrorism pools. 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. SCOR monitors this risk using a very conservative approach.

SCOR UK's exposure to terrorism arises from participation in the protection of existing national terrorism pools and exposure from some markets that do not permit the exclusion of terrorism from insurance policies due to local regulation, such as in the US, or due to market practice. Furthermore, the US insurance market is exposed to significant risks due to the insurance obligation created by the law. However federal aid is also provided by the Terrorism Risk Insurance Programme Reauthorization Act ("TRIPRA").

Casualty

SCOR Group is also exposed to man-made casualty catastrophes whose underlying nature and key specificities can vary widely, from commonly used products (with Asbestos as a typical example), massive product liability losses emanating from items produced by a single manufacturer, to a single disastrous event.

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

SCOR UK is engaged in the development of advanced liability catastrophe analytics, and data mining and modelling techniques for improving its prediction capabilities for man-made casualty event losses.

Property and Casualty

The extent of the loss event and the affected lines of business will vary depending on the man-made event. SCOR UK can be affected by a man-made event simultaneously in the property and the casualty lines of business, e.g. if the explosion at a large industrial site destroys the industrial facility, but also pollutes the environment, given its proximity to vulnerable landscape (e.g. river, lake), and causes property damages and bodily injuries affecting the population.

C.2.1.2 INADEQUATE PRICING

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

C.2.1.3 P&C LONG-TAIL RESERVE DETERIORATION

This is the risk that SCOR UK's reserves prove to be inadequate which could occur if P&C claims inflation is higher than assumed in the calculation of the Best Estimate Liabilities (BEL) and would mostly affect the long tail lines of business, such as all casualty, professional liability, inherent defect and construction warranty as well as medical malpractice. Claims inflation is influenced by, but not directly linked to, general inflation.

For the Company's casualty business, the frequency and severity of claims and the related indemnification payment amounts can be affected by several factors. The most significant factors are the changing legal and regulatory environments, including changes in civil liability law and jurisprudence.

C.2.1.4 OTHER RISK CONSIDERATIONS

In addition to SCOR UK's main underwriting risks listed above, other factors could have an adverse impact, such as cyclicality of the business and concentration risks related to its broker business.

Systemic Crisis

Historically, (re)insurers have experienced significant fluctuations in operating income due to volatile and unpredictable developments, many of which are beyond the control of the (re)insurer including general economic conditions, levels of capacity offered by the market, and the level of competition with regards to pricing. In particular, some of SCOR UK's lines of business which are directly linked to financial activities are more exposed to global economic recessions (e.g. systemic crisis post Lehman Brothers): e.g. specialty lines such as Credit and Surety or liability risk such as Errors & Omissions and Directors & Officers liability.

Cyclicality of the business

SCOR UK's insurance and reinsurance businesses are cyclical. The primary consequences of the market softening are a reduction in the volume of P&C (re)insurance premiums in the market, an increase in competition within the (re)insurance market, and also a preference for those operators who are most attentive to the specific needs of the clients and the most capable of answering them. This could lead potentially to a loss of competitive advantage for SCOR UK.

Beyond the general trends, the premium rate cycle affects certain geographic markets and/or certain lines of business in a differentiated fashion and independently of each other.

Risk Concentrations

The accumulation of risks may produce concentrations of risk, such as exposure to certain regions or catastrophes. The largest single event to which the SCOR UK's business is exposed is a North American hurricane followed by North American earthquake.

Concentration risks related to its broker business

SCOR UK produces its business through both brokers and direct relationships with insurance company clients. For the year ended December 31st, 2016, the Company wrote approximately 95% of non-MGA gross written premiums through brokers; the Company has 5 brokers that accounted for approximately 60% of its non-MGA gross premiums (in 2015: 53%). The risk for SCOR UK is mainly the concentration of premiums written through a limited number of brokers. A significant reduction in the business generated through these brokers could potentially reduce premium volume and net income.

C.2.1.5 MANAGEMENT OF UNDERWRITING RISKS RELATED TO THE P&C BUSINESS

SCOR's P&C division, within which SCOR UK operates, is organised in order to enable to assess and control risks at each level of the business.

- SCOR UK establishes annual underwriting plans, both qualitative (description of the environment) and quantitative (activity budget). These plans are approved by the Board.
- Most of SCOR UK's facultative underwriters work in the Business Solutions domain of SCOR Global P&C, which operates worldwide. This business area is dedicated to large corporate businesses and is geared to providing the clients with solutions for coverage of large conventional risks.
- Underwriting and pricing guidelines, in place within SCOR UK specify (i) the underwriting rules and principles to be complied with, (ii) underwriting capacities delegated to the underwriters and pricing actuaries in each of the markets and lines of business in which the Company operates, and (iii) the relevant maximum acceptable commitments per risk and per event. They are reviewed and updated annually by the Underwriting Management function.
- Pricing guidelines and parameters are set to provide consistency and continuity across the organisation but also to take into account differences between markets and lines of business as well as the geographical location of the client and the risks insured. Parameters are revised at least once a year to consider, as the case may be, changing market conditions and environment. Contracts that meet certain risk thresholds are subject to mandatory peer reviews that have to be performed and documented before pricing is completed. SCOR Global P&C uses a data system that allows management to monitor and review the results from pricing tools.
- The underwriting teams are supported by the SCOR Global P&C Underwriting Management function located in Paris and represented in the four Hubs. This function provides worldwide treaty and facultative underwriting guidelines, policies regarding the delegation of capacity, underwriting support to specific lines of business or individual risks when required, ceding company portfolio analysis and risk surveys and is responsible for monitoring and referral of non-standard business and for authorising exceptions to the underwriting guidelines.
- Business opportunities going beyond the stipulations of the guidelines thus defined are subject to special referral procedures at two levels: (1) by the Underwriting Management function; and, where applicable, by the Legal Department and/or the Finance department; (2) 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 Group Risk Management Department and the Chief Executive Officer of SCOR Global P&C.
- The Actuarial Pricing Department is responsible for the pricing of the reinsurance business which is done by individual treaty. Guidelines, methods and tools are set and maintained at the global level which are used by the pricing team. Delegation authorities specify criteria under which the underwriters may price certain contracts still subject to the use of the Pricing Guidelines and tools. Pricing results quantify expected underwriting statistics (such as loss and expense ratios), volatility measures, and profitability measures (such as NPV, RORAC, and Profit Excess Targets). The results are also used as criteria for referrals within Underwriting Departments. Pricing actuaries team up with underwriters and modelers by market or by line of business.

- The Group's Risk Modelling & Global Natural Hazards Department is in charge of monitoring accumulations. Earthquake and storm risks gross exposures are measured using proprietary external models from industry-leading catastrophe model suppliers, including Risk Management Solutions RiskLink® ("RMS") and AIR Worldwide Catrader® ("AIR"). These tools enable the Group to quantify its exposure in terms of a probable maximum loss ("PML") at various levels of probability for each peril and geographic location. The overall aggregate annual PML per peril, allowing for potential multiple events, provides the information required to determine the level of reinsurance that is needed to ensure that the net aggregate exposure is optimised for the Group's risk appetite and remains within predefined tolerance limits.
- The claims handling function is performed by the claims teams, which review, process and monitor reported claims. SCOR Global P&C's Claims & Commutations Department is in charge of the implementation and overview of the overall claims handling and commutation management policy for SCOR UK. It implements 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 client offices with the aim of evaluating their claims adjustment process, valuation of case reserves and overall performance. When needed, recommendations are given to underwriters and local management.
- The adequacy of SCOR UK reserves is controlled based on specific procedures. For further information on how risks related to reserves are managed, see Section C.2.2 – Risks related to reserves.
- Risks specific to the administration of contracts are subject to checks. SCOR's Group Information System includes multiple automatic checks and additional tools.
- A quarterly review of technical results is performed. The review enables the analysis of technical results by underwriting year, by nature and by line of business.
- SCOR UK's Risk Management organises the quarterly Risk and Compliance Committee, which is responsible for highlighting the main risks to which the Company is exposed, regarding both assets and liabilities.
- Underwriting cross-reviews are initiated by the division's Risk Management department to evaluate the quality of underwriting, pricing and claims handling of particular business units or particular lines of business, to identify and assess risks, to evaluate the appropriateness and effectiveness of controls and to propose risk-management measures, including mitigating actions.
- In order to mitigate its exposure, the Company transfers a portion of the risks it underwrites to other (re)insurers through reinsurance arrangements. See C.2.3 - Reinsurance and other risk mitigation techniques for further information on how these instruments are managed.

C.2.2 RISKS RELATED TO RESERVES

SCOR UK is required to maintain reserves to cover the Company's estimated ultimate liability for losses and loss adjustment expenses with respect to reported and unreported claims, incurred as at the end of each accounting period, net of estimated related recoveries. The Company's reserves are established based on the information it receives from insurance clients and ceding companies, including their own reserving levels, and also on the Company's knowledge of the risks, studies conducted and the trends observed. As part of the reserving process SCOR UK reviews available historical data and tries to anticipate the impact of various factors such as change in laws and regulations, judicial decisions, social and political attitudes, and changes in general economic conditions.

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

There is further inherent uncertainty in estimating reserves because of the significant periods of time that often elapse between the occurrence of an insured loss, the reporting of the loss to the primary insurer and ultimately to the reinsurer. The Company reviews the methods and the amount of reserves annually and conducts portfolio audits of clients if necessary.

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

C.2.2.1 MANAGEMENT OF RISKS RELATED TO RESERVES

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

The adequacy of SCOR UK's reserves is checked on a quarterly basis by internal actuaries at division level as well as at the Group level by the Group Chief Actuary who signs off on the adequacy of reserves and reports to the Group's Executive Committee and the Audit Committee.

External consulting firms can also be mandated to review the reserves. If necessary, internal audits of its portfolios are performed.

A centrally defined and tightly controlled reserving process, prudent reserving, sound reserving tools and, actuarial methods used by highly skilled professionals and a high level of transparency, both internally and externally, all tend to minimise the risk of inadequate reserves.

Solvency II Technical Provisions

The Solvency II Technical Provisions, are composed of Best Estimate Liabilities (BEL) and the Risk Margin. The Group Actuarial Function coordinates the calculation of Technical Provisions across the Group. It relies upon the existing processes and controls described above and remains independent of the production of Technical Provisions. In addition, the Actuarial Function provides an assessment on the reliability and adequacy of the calculation of the BEL.

For further information on how technical provisions are valued, see Chapter D – Valuation for Solvency Purposes D.2 – Technical Provisions.

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

- For P&C 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 (P&C division, Finance function, Actuarial Function Holder, etc.).
- SCOR UK's risk margin is aligned with Solvency II requirements and reviewed by SCOR UK's Actuarial Function Holder.

C.2.3 REINSURANCE AND OTHER RISK MITIGATION TECHNIQUES

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

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

C.3 Market risks

C.3.1 OVERVIEW OF MARKET RISKS

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in market prices or macro-economic variables. This includes interest rate risk and currency risk, further described below, as well as equity risk, to which SCOR UK is exposed to through its investments. It also includes credit spread risk on the invested assets, further described below, to which SCOR UK is exposed due to general changes in market conditions as well as default risk arising from insolvency of an issuer or a counterparty. For further information on credit risk, see to section C.4 - Credit risks.

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

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

C.3.1.1 INTEREST RATE RISK

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

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 SCOR UK's fixed income investments as the level of unrealised capital gains or losses and the return on securities held in its portfolio both depend on the level of interest rates. Floating-rate instruments expose SCOR UK to cash flow interest rate risk, whereas fixed interest rate instruments expose SCOR UK to fair value interest rate risk.

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). During such periods, there is therefore a risk that SCOR UK's return on equity objectives are not met. In addition, during periods of declining interest rates, fixed income securities are more likely to be redeemed early in cases where bond issuers benefit from an early redemption option and can borrow at lower interest rates. Consequently, the probability of needing to reinvest the early proceeds at lower interest rates is increased.

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

SCOR UK's (re)insurance business may also be exposed to interest rate risk. Long-term P&C liabilities, the risk margin are subject to discounting. The discounting impact from a change in interest rates on assets and liabilities will offset to some extent.

Finally, the interest rate risk depends on the duration mismatch between assets and liabilities. As such, changes in interest rates can affect the shareholders' equity and the solvency ratio of the Company.

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 SCOR UK's assets (e.g. through direct investments in assets denominated in various currencies) and liabilities (e.g. (re)insurance contracts with liabilities denominated in specific currencies).

The following types of foreign exchange risk have been identified by SCOR UK:

Transaction risk

Fluctuations in exchange rates can have consequences on SCOR UK's reported net income because of the conversion results of transactions expressed in foreign currencies, the settlement of balances denominated in foreign currencies and the lack of perfect matching between monetary assets and liabilities in foreign currencies. In this case and to reduce the impact of imperfect matching, SCOR UK uses derivative financial instruments in order to hedge against currency fluctuations on sensitive currencies, particularly in times of greater volatility in the capital markets. Nevertheless, a perfect matching of monetary assets and liabilities can never be achieved and a potential profit or loss impact due to fluctuations in exchange rates can arise.

Translation risk

SCOR UK publishes its financial statements in Sterling, but a significant part of its income and expenses, as well as of its assets and liabilities, are denominated in currencies other than Sterling. Consequently, fluctuations in the exchange rates used to convert these currencies into Sterling may have a significant impact on its reported net income and net equity from year to year.

Some events, such as catastrophes, can have an impact on the matching of assets and liabilities in a currency, which can generate a temporary unmatched position which is not covered by currency contracts or hedges.

C.3.1.3 EQUITY RISKS

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

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

C.3.1.4 CREDIT SPREAD RISK

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

C.3.2 MANAGEMENT OF MARKET RISKS

C.3.2.1 RISK MANAGEMENT OF INVESTED ASSETS – AN OVERVIEW

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

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

SCOR has outsourced the implementation of its investment strategy to its asset management company SCOR Investment Partners SE and to external asset managers. They are provided with the Investment Guidelines.

Exposures to major risks are monitored and sensitivity analysis measures the impact on the invested assets portfolio. Analysing portfolio sensitivity analysis to major risks is an important management tool which is used when making portfolio reallocation or hedging decisions.

SCOR UK's investment portfolio is risk averse as a result of the Company's decision to focus on underwriting risks and limit other risks such as market risk. The invested assets portfolio is significantly invested in government bonds and assimilated with a spread by country and currency.

C.3.2.2 MANAGEMENT OF INTEREST RATE RISK

Interest rate risk is managed from a holistic point of view. SCOR UK 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 SCOR UK.

SCOR UK's aim is 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

From an economic perspective, SCOR UK does not hedge its Basic Own Funds. However, on an economic basis an appreciation (depreciation) of Sterling against other currencies to which the Company is exposed would result in a reduction (an increase) in both SCR and Eligible Own Funds, as the currency split of the Company's Eligible Own Funds is broadly in line with the currency split of the SCR. These concurrent variations would be relatively aligned, leading to a relatively stable solvency ratio.

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

C.3.2.4 MANAGEMENT OF EQUITY RISK

SCOR UK's limited exposure to equity risk is predominately through diversified mutual funds, underlying funds withheld by clients and is reviewed regularly by SCOR Investment Partners SE.

C.3.2.5 MANAGEMENT OF CREDIT SPREAD RISK

SCOR UK 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). These limits also enable it to limit counterparty default risk arising from investments.

C.4 Credit risk

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

C.4.1 CREDIT RISK

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

This includes counterparty 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 failing to discharge an obligation. Credit risk also includes migration risk, which is the risk of a potential loss in the value of assets due to changes in the credit quality of counterparties.

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

Credit risk is actively monitored and managed. The processes for managing the respective credit risks and the methods used to measure these risks are further described below.

C.4.1.1 CREDIT RISK RELATED TO BOND AND LOAN PORTFOLIOS

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

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

C.4.1.2 CREDIT RISK RELATED TO REINSURED LIABILITIES

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

Moreover, the Company is exposed to a credit risk in the event of a payment default by the reinsurer of the balance due in respect of its cession.

C.4.1.3 CREDIT RISK RELATED TO FUNDS WITHHELD BY CLIENTS

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

C.4.1.4 CREDIT RISK RELATED TO CASH DEPOSITS AT BANKS

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

C.4.1.5 OTHER CREDIT RISKS

Default of pool members

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

C.4.2 MANAGEMENT OF CREDIT RISK

Management of credit risk related to bond and loan portfolios

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

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

Management of credit risk related to reinsured liabilities

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

Management of credit risk related to funds withheld by clients

With regards to the “live” business ventures, senior management within SCOR UK has direct access to the management of the business ventures. This access is used to monitor the operations and financial performance of the business venture and hence the security of the funds withheld. In one longstanding case a Senior Group Underwriting manager, with expertise in the relevant business, has a seat on the Board of the business venture.

For the business venture in run-off the senior members of SCOR UK’s management team (underwriting, claims and actuarial) have regular meetings with the management of the business venture to monitor the operations and financial performance of the business venture, and hence the security of the funds withheld.

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

Management of credit risk related to cash deposits at banks

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

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

Management of credit risks related to default of pool members

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

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

C.5 Liquidity risks

C.5.1 OVERVIEW OF LIQUIDITY RISKS

Liquidity risks arise when available liquidity is not sufficient to meet financial obligations. A liquidity shortfall can result from:

- a deviation from planned needs over the short term, or the medium/long term,
- or a deviation from estimated liquidity capacity e.g. due to adverse business conditions.

C.5.1.1 LIQUIDITY NEEDS

SCOR UK needs liquidity to pay claims, operating expenses, interest payments and redemptions on its debts and declared dividends on its share capital stock and to replace maturing liabilities. Without sufficient liquidity, the Company may be forced to curtail its operations, and business will suffer. In the case of catastrophe claims, in particular, it may need to settle amounts which exceed the amount of available liquidity in a reduced timeframe.

C.5.1.2 SOURCES OF LIQUIDITY

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

C.5.2 MANAGEMENT OF LIQUIDITY RISKS

Liquidity risk is monitored across SCOR UK, nevertheless following all the mechanisms in place, SCOR UK assesses its risk level as very low due to:

- the majority of investment holdings being readily realisable;
- the Group's European cash pooling facility of which the Company is a member will give immediate access to liquidity;
- the nature of the insurance portfolio is cash generative; and
- internal reinsurance contracts arranged with SCOR Group allow advance cash calls to be made should they be necessary.

C.5.3 EXPECTED PROFITS INCLUDED IN FUTURE PREMIUMS

SCOR UK's expected profit included in future premiums (EPIFP) as at year end 2016 amounts to GBP 15m.

C.6 Operational risks

C.6.1 OVERVIEW OF OPERATIONAL RISKS

For quantitative information on operational risk, see section C.1 – Introduction and chapter E section 1.2 Solvency Capital Requirement. Operational risks, including human errors or systems failures, are inherent to all businesses including SCOR UK. Operational losses can result from business interruption, misconduct or fraud, errors by employees, failure to document transactions properly, failure to comply with regulatory requirements, information technology failures or external events.

The largest operational risk, as seen by SCOR UK management, is the Group risk and in particular the financial contagion risk from the deterioration of another Group company. SCOR UK mitigates this risk by reviewing its exposures, through reinsurance and monitoring rating programme, along with regular communication to the board. It remains nevertheless one of the largest residual risks in the risk register.

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

C.6.2 MANAGEMENT OF OPERATIONAL RISKS

SCOR UK relies upon the organisation defined within the Group, as detailed in Section C.6.2 – Management of operational risks in the SCOR Group's SFCR.

SCOR UK has no appetite for operational risk and has in place a risk register with corresponding processes and controls to mitigate such risks. The risk register considers many types of operational risk and it is reviewed regularly during risk and compliance committee meetings.

C.7 Other material risks

C.7.1 STRATEGIC RISKS

SCOR UK is exposed to the same strategic risks as SCOR Group through its underwriting and investment activities. For further details refer to section C.7.1 – Strategic risks of the SCOR Group SFCR at www.scor.com.

C.7.2 OTHER MATERIAL RISKS AT SCOR UK LEVEL

C.7.2.1 STRATEGIC RISKS

External factors

The UK's referendum decision on 23 June 2016 to exit the European Union has created political and economic uncertainty which is expected to continue over the duration of the strategic plan. This uncertainty is expected to impact areas such as foreign exchange volatility, company domiciles as well as the ability to recruit skilled and experienced staff in these locations.

In addition economic and financial crisis has been affecting the market for the past several years. Until recently, the insurance industry, and especially the reinsurance industry, had been spared of the effects to a greater extent than other sectors. This superior resilience to the crisis is partly due to the freeing up, staggered over time, of latent profits accumulated between 2002 and 2005 when markets were buoyant and premium rates were hard. Also the insurance and reinsurance industry basically manages stocks of insurable and reinsurable assets, which the crisis initially affected more in terms of growth than of renewal. Stronger competition with the alternative capital market, such as cat bonds due to their increased popularity, has further impacted the traditional reinsurance market

Through the activity reported by SCOR UK's corporate clients, the Company has seen rates continue to soften over successive (re)insurance renewals.

The extreme weakness of interest rates, manifesting itself differently from one market to the next and from one client to another, depending on country of origin and the economies on which they depend the most, is also affecting the market.

In these conditions, SCOR UK has conducted work on acquiring in-depth knowledge of business segments and clients. This enables SCOR UK to anticipate, both earlier and better, the changes that are taking place amongst its clients, in their portfolios and their strategies, their policies and their risk-taking tactics, and in terms of the management and transfer of these risks to the (re)insurance industry or the financial markets.

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

Structure Risks

In terms of the structure risks, SCOR UK is exposed to risk related to participation in new joint ventures, albeit none are planned for the time being. SCOR UK limits such risks by involving multi-disciplinary project teams for each potential target and seeking Board approval.

Risks related to acquisitions

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

Risks related to capital

SCOR UK's ability to access capital is guaranteed through the SCOR Group. As a legal entity it may be exposed to the risk of increased local regulatory constraints.

C.8 Any other information

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

D. VALUATION FOR SOLVENCY PURPOSES

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

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

In the EBS both assets and liabilities relating to in-force business are recognised at market-consistent values which constitute the valuation for solvency purposes. SCOR UK's EBS as at December 31, 2016 has been prepared based on the assumption that the Company will continue as a going concern, this is in line with the preparation of the financial statements. SCOR UK prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

The EBS for SCOR UK is presented in Appendix 1. The relevant extracts of the EBS are included at the beginning of each section together with a clear reference to the relevant section within this chapter explaining the valuation bases and methods used for Solvency II purposes.

D.1 Assets

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

SCOR UK **Assets as at December 31, 2016** **in GBP thousands**	**EBS Solvency II**	**Section**
Deferred tax assets	**6**	**D.1.3**
Investments	**507,861**	
Equities	12	D.1.1
Bonds	507,212	D.1.1
Derivatives	210	D.1.1
Other investments	427	D.1.1
Loans and mortgages	**221**	**D.1.4**
Reinsurance recoverables	**566,100**	**D.1.2**
Non-Life and Health similar to Non-Life	566,100	
Non-Life excluding Health	566,100	
Deposits to cedents	**74,282**	**D.1.2**
Insurance and intermediaries receivables	**6,680**	**D.1.2**
Reinsurance receivables	**16,399**	**D.1.2**
Receivables (trade, not insurance)	**2,988**	**D.1.4**
Cash and cash equivalents	**14,755**	**D.1.1**
TOTAL ASSETS	**1,189,292**	

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

SCOR UK		**As at December 31, 2016**	
in GBP thousands	**EBS**	**Statutory IFRS**	**Difference**
Bonds	507,212	507,212	-
Equities	12	439	(427)
Derivatives	210	210	-
Other investments	427	-	427
Cash	14,755	14,755	-
Total investments and cash	**522,616**	**522,616**	**-**

Valuation for solvency purposes

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

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

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

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

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

As SCOR UK is responsible for determining the economic value of its investments, regular analysis is performed to check whether prices received from third parties are reasonable estimates of market value. The analysis includes: (i) a review of price changes made in the investment management systems; (ii) a regular review of pricing deviations between dates exceeding predefined pricing thresholds per investment categories; and (iii) a review and approval of extraordinary valuation changes noted.

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

Bonds (government, corporate, structured notes, collateralized securities)

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

Derivatives (assets and liabilities)

All derivatives instruments are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

SCOR UK uses derivative instruments to reduce foreign currency forward purchase and sale contracts.

Cash and cash equivalents

SCOR UK applies the same definition of cash for both IFRS and Solvency II reporting purposes, which means that cash includes cash, net bank balances and short-term deposits or investments which have maturity less than three months at the date of purchase or deposit.

Comparison with valuation in financial statements

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

For further details on IFRS balances and valuation methods applied to investments, please refer to the following notes in the SCOR UK Audited Financial Statements 2016: Note 1 Accounting Policies – D Financial Instruments.

D.1.2 INSURANCE TECHNICAL ASSETS

SCOR UK		As at December 31, 2016	
in GBP thousands	**EBS**	**Statutory IFRS**	**Difference**
Deferred acquisition costs (DAC)	-	22,617	(22,617)
Reinsurance recoverables	566,100	697,797	(131,697)
Deposits to cedents	74,282	74,282	-
Insurance and intermediaries receivables	6,680	187,034	(180,354)
Reinsurance receivables	16,399	14,664	1,735
Total insurance technical assets	**663,461**	**996,394**	**(332,933)**

Valuation for solvency purposes

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

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

DAC

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

Reinsurance recoverables

Reinsurance recoverables reflect the estimated amounts which are recoverable under reinsurance contracts in respect of SCOR UK'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 reinsured and the valuation takes into consideration the recoverability of the balance, where appropriate.

Deposits to cedents

These balances represent deposits made at the request of clients as collateral for SCOR's (re)insurance commitments.

Deposits with a variable return rate depending on a specified portfolio of assets: the fair value of the deposits is the market value of the underlying assets. This type of fund is adjusted to match the corresponding liabilities.

Insurance and intermediaries receivables

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

Comparison with valuation in financial statements

As explained above, technical cash flows are taken into account within the Solvency II best estimate liabilities. As a result, acquisition costs and insurance receivables that are included in the projected cash flows used for the calculation of technical provisions are not recognised separately in the EBS.

The difference between the value of receivables in the EBS and the financial statements is attributable to reclassifications on other line items.

For further details on IFRS balances and valuation methods applied to insurance technical assets, please refer to the following notes in the SCOR UK Audited Financial Statements 2016: Note 1 Accounting Policies – G Insurance Contracts.

D.1.3 DEFERRED TAX ASSETS

SCOR UK		As at December 31, 2016	
in GBP thousands	**EBS**	**Statutory IFRS**	**Difference**
Deferred tax assets	6	6	-
Deferred tax liabilities	(4,961)	(2,413)	(2,691)
Net deferred tax (liabilities) / assets	**(4,955)**	**(2,407)**	**(2,691)**

Valuation for solvency purposes

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

The temporary differences arise from the unrealised gains and losses on available-for-sale fixed income investments.

Deferred tax assets and liabilities are assessed at the tax rate applicable in the fiscal year in which the asset will be realised or the liability settled, based on the tax rates (and tax regulations) that have been enacted or substantially enacted at the reporting date.

The impact of Solvency II adjustments to bring IFRS figures to EBS market value is an overall increase in net assets, therefore all deferred tax impacts arising from the recording of economic adjustments are reflected in the deferred tax liability. Deferred taxes retained on the EBS are those which are recorded in the IFRS financial statements in accordance with IAS 12 Income Taxes.

Comparison with valuation in financial statements

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

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

D.1.4 OTHER ASSETS

SCOR UK		As at December 31, 2016	
in GBP thousands	**EBS**	**Statutory IFRS**	**Difference**
Loans and mortgages	221	221	-
Receivables (trade, not insurance)	2,988	2,998	-
Total other assets	**3,209**	**3,209**	**-**

Valuation for solvency purposes

This section covers all other assets recognised in the EBS, including trade receivables. Most of these assets are carried at amortised cost using the effective interest rate method that is a good approximation of their market value. Trade receivables include amounts receivables from employees, various business partners and the state (e.g current tax) that are not insurance or reinsurance related.

Comparison with valuation in financial statements

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

D.2 Technical provisions

SCOR UK's technical provisions are calculated as the sum of best estimate liabilities (BEL) and risk margin (RM). BEL is valued as the net present value of future cash-flows. RM is derived by applying a cost of capital approach. This chapter provides an overview of the technical provisions at year-end 2016. In addition, the bases, methods and assumptions used for the calculations are described as well as the related uncertainties.

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

D.2.1 NON-LIFE TECHNICAL PROVISIONS

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

SCOR UK As at December 31, 2016 in GBP thousands	EBS
Non-Life technical provisions	**733,960**
TPs – Non-Life (excl. Health)	733,960
Best estimate	*719,298*
Risk margin	*14,662*
Non-Life reinsurance recoverables	**(566,100)**
Non-Life (excl. Health)	(566,100)
Net Non-Life technical provisions	**167,860**

D.2.1.1 SEGMENTATION BY LINES OF BUSINESS

The table below shows the valuation of net technical provisions of SCOR UK as at December 31, 2016, presented by lines of business (LoB) as defined for Solvency II reporting purposes.

SCOR UK As at December 31, 2016 in GBP thousands	Best estimates liabilities (BEL)	Reinsurance recoverables	Risk margin	Total net technical provisions
Marine, aviation and transport	160,406	(134,138)	2,514	28,782
Fire and other damage to property	86,413	(35,649)	4,857	55,621
General liability	368,080	(319,956)	4,606	52,730
Credit and suretyship	(116)	(1)	(11)	(128)
Non-proportional casualty	53,472	(52,276)	116	1,312
Non-proportional marine, aviation and transport	2,967	(2,084)	85	968
Non-proportional property	48,076	(21,996)	2,495	28,575
Total	**719,298**	**(566,100)**	**14,662**	**167,860**

The P&C net technical provisions of GBP 168 million is the sum of a P&C best estimate liabilities net of reinsurance recoverables of GBP 153 million and a risk margin of GBP 15 million.

The P&C net best estimate liabilities of GBP 153 million (comprising the gross best estimate liabilities of GBP 719 million and reinsurance recoverables of GBP 566 million, as presented in the above table) are composed of two parts: net claims provisions (GBP 150 million) and net premiums provisions (GBP 3 million). The expected future premiums and premium estimates net of commissions are not shown on the assets side of the EBS but are netted down from the future claims on the liability side.

D.2.1.2 BEST ESTIMATE LIABILITY

Claims provisions methodology and assumptions

The elements of claims provisions (GBP 150 million) recognised within best estimate liabilities in SCOR UK EBS are described below.

- IBNR corresponds to the reserves for claims incurred but not yet reported and not enough 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 done each year by the local actuaries.
- Outstanding claims are the same as in IFRS.

- In calculating the unallocated loss adjustment expenses (ULAE) and overhead expenses SCOR UK takes into account all cash flows arising from expenses that will be incurred in servicing the recognised insurance and reinsurance obligations over the lifetime thereof. This includes administrative expenses, investment management expenses and claims management handling expenses.
- Claims discount represents the adjustment for the time value of money linked to claims estimates, outstanding claims, IBNR and ULAE reserves. Discount on claims reserves is calculated using underwriting years' claims patterns calculated by SCOR UK and risk free rates yield curves published by EIOPA.
- The underwriting claims patterns gross of reinsurance are annually estimated by local actuaries at actuarial segment level. In most cases, patterns are calculated using the Chain-Ladder method, derived from the claims paid triangles.
- Each and every year, relevant assumptions made in the calculation of best estimate are reviewed and updated.

Premium provisions methodology and assumptions

The elements of Solvency II premium provisions are described below:

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

Comparison to prior period

Compared to last year some changes have been made in the methods used or main assumptions:

- on the UK Medical Malpractice segment, change in the ultimate losses due to alignment towards best estimate for underwriting years 2003-2009;

List of the most commonly used methods

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

SCOR UK uses among others:

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

D.2.1.3 LEVEL OF UNCERTAINTY

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

- The level of ultimate loss ratios used to compute the reserves. Some reserving methods require the use of a priori ultimate loss ratios. Pricing loss ratios are often used; sensitivities around these ratios are tested.
- The level of the case reserves which is tested through two tests: The first tests the tail development and the second tests the outstanding claims reserves.

- The claim inflation on the UK Medical Malpractice portfolio as the medical inflation is hard to predict and could result in an increase in future payments. Therefore, we quantify the impact of the historical claims inflation on the future payments for each UWY.
- The occurrence of large losses on the Facultative Casualty business. We evaluate the probability of having 2 large claims the same year and the related impact on the reserves.

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

D.2.1.4 REINSURANCE RECOVERABLES

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

Reinsurance IBNR

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

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

Reinsurance discount

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

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

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

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

Reinsurance segmentation

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

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

D.2.1.5 RISK MARGIN

The Risk Margin is computed based on the following principles:

- It is calculated according to the cost-of-capital approach following Solvency II rules.
- Method 2 from the hierarchy of methods set out in EIOPA guidelines on the valuation of technical provisions has been used for the computation of the risk margin as at December 31,2016
- The SCR of the reference undertaking captures exclusively the non-life underwriting risk, currency risk, counterparty default risk and operational risk associated with the transferred portfolio.
- The required capital over time is obtained from the paid patterns.

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

D.2.1.6 COMPARISON WITH VALUATION IN FINANCIAL STATEMENTS

The main differences between IFRS and EBS reserves (excluding risk margin) as at December 31, 2016 are shown in the following tables, which are split between claims and premium reserves:

SCOR UK As at December 31, 2016 in GBP thousands	EBS Claims provisions	IFRS Claims provisions	Difference
Marine, aviation and transport	22,573	26,115	(3,542)
Fire and other damage to property	49,667	52,791	(3,124)
General liability	47,846	51,354	(3,508)
Credit and suretyship	(1)	(1)	-
Non-proportional casualty	1,744	4,711	(2,967)
Non-proportional marine, aviation and transport	442	460	(18)
Non-proportional property	27,640	27,918	(278)
Total	**149,911**	**163,348**	**(13,437)**

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

SCOR UK As at December 31, 2016 in GBP thousands	EBS Premium provisions	IFRS Premium provisions	Difference
Marine, aviation and transport	3,696	27,836	(24,140)
Fire and other damage to property	1,096	58,804	(57,708)
General liability	278	19,715	(19,437)
Credit and suretyship	(116)	108	(224)
Non-proportional casualty	(547)	(16,357)	15,810
Non-proportional marine, aviation and transport	443	1,026	(583)
Non-proportional property	(1,561)	22,337	(23,898)
Total	**3,289**	**113,469**	**(110,180)**

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

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

D.3 Other liabilities

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

SCOR UK Liabilities as at December 31, 2016 in GBP thousands	EBS Solvency II	Section
Technical provisions – Non-Life	**733,960**	**D.2**
Provisions other than technical provisions	**500**	**D.3.3**
Deposits from reinsurers	**70,589**	**D.3.1**
Deferred tax liabilities	**4,962**	**D.3.2**
Insurance and intermediaries payables	**46,782**	**D.3.1**
Reinsurance payables	**110,850**	**D.3.1**
Payables (trade, not insurance)	**5,286**	**D.3.3**
Subordinated liabilities	**45,696**	**D.3.3**
Subordinated liabilities not in basic own funds	15,729	
Subordinated liabilities in BOF	29,967	
Any other liabilities, not elsewhere shown	**1,845**	**D.3.3**
TOTAL LIABILITIES	**1,020,470**	

D.3.1 INSURANCE TECHNICAL LIABILITIES

SCOR UK in GBP thousands	EBS	As at December 31, 2016 Statutory IFRS	Difference
Deposits from reinsurers	70,589	70,589	-
Insurance and intermediaries payables	46,782	47,512	(730)
Reinsurance payables	110,850	207,111	(96,261)
Other technical provisions	-	9,998	(9,998)
Total insurance technical liabilities	**228,221**	**335,210**	**(106,989)**

Valuation for solvency purposes

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

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

Deposits from reinsurers

These are deposits received from or deducted by a (re)insurer as collateral in relation to SCOR's outwards reinsurance contracts.

Insurance and intermediaries payables

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

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

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

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

Other technical provisions

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

Comparison with valuation in financial statements

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

For further detail on IFRS balances and valuation methods applied to insurance technical liabilities, please refer to the following notes in the SCOR UK Audited Financial Statements 2016: Note 1 – Accounting Policies.

D.3.2 DEFERRED TAX LIABILITIES

SCOR UK		As at December 31, 2016	
in GBP thousands	**EBS**	**Statutory IFRS**	**Difference**
Deferred tax liabilities	4,962	2,413	2,549

Valuation for solvency purposes and comparison with valuation in financial statements

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

D.3.3 FINANCIAL AND OTHER LIABILITIES

SCOR UK		As at December 31, 2016	
in GBP thousands	**EBS**	**Statutory IFRS**	**Difference**
Provisions other than technical provisions	500	500	-
Payables (trade, not insurance)	5,286	5,286	-
Subordinated liabilities	45,696	46,005	(309)
Any other liabilities, not elsewhere shown	1,845	1,845	-
Total financial and other liabilities	**53,327**	**53,636**	**(309)**

Valuation for solvency purposes

Financial liabilities

Financial liabilities in the EBS include subordinated liabilities.

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

For subordinated loans SCOR UK uses a simple cash flow modelling approach that discounts future cash flow using the swap rate yield curve as at December 31, 2016 plus the frozen credit spread at issuance.

Other liabilities

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

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

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

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

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

Comparison with valuation in financial statements

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

D.4 Alternative methods of valuation

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

D.5 Any other information

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

E. CAPITAL MANAGEMENT

This section gives an overview of the year-end 2016 capital position for SCOR UK. Due to year-end 2016 being the first Solvency II reporting period comparative information is not available.

The following table displays the key results as at December 31, 2016.

SCOR UK in GBP thousands	December 31, 2016
Eligible Own Funds (EOF)	**182,790**
Solvency Capital Requirement (SCR)	**95,301**
Excess Capital (EOF - SCR)	87,489
Solvency ratio	**192%**

E.1 Own funds

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

SCOR UK has had strong capital management governance and processes in place with integrated supervision of regulatory constraints at Group level for many years, ensuring an optimised use of capital and full fungibility of capital within the Group. SCOR UK monitors and updates, quarterly, capital and regulatory solvency position (actuals and 1 year projections) allowing it to detect any material changes over each quarter and to anticipate necessary actions to maintain adequate solvency. This detailed capital planning exercise is based on the bi-annual financial operating plan of the group and is broken down at legal entity level. SCOR also performed three- year capital projections, including IFRS, regulatory capital, and rating capital projections, in the context of its three-year strategic planning exercise.

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

E.1.1.1 OWN FUNDS STRUCTURE

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

SCOR UK own funds eligible to cover the SCR are GBP 183 million at December 31, 2016.

SCOR UK Own funds structure as at December 31, 2016

in GBP thousands	Tier 1	Tier 2	Tier 3	Total
Basic own funds	**152,823**	**29,967**	**-**	**182,648**
Ordinary share capital	60,552	-	-	60,552
Share premium	14,448	-	-	14,448
Surplus funds	-	-	-	-
Reconciliation reserve	77,823	-	-	77,823
Revaluation reserves	*77,026*	-	-	*77,026*
Net income for the year	*16,797*	-	-	*16,797*
Foreseeable dividends	*(16,000)*	-	-	*(16,000)*
Subordinated liabilities	-	29,967	-	29,967
Total eligible own funds to cover the SCR (after limit deductions)	**152,823**	**29,967**	**-**	**182,790**
Total eligible own funds to cover the MCR (after limit deductions)	**152,823**	**5,574**	**-**	**158,397**

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

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

The reconciliation reserve represents the reserves from the SCOR UK's Audited Financial Statements 2016, net of any adjustments, and the economic valuation differences. The economic valuation differences result from adjustments made to the statutory balance sheet to arrive at the economic value of all assets and liabilities recognised in the Solvency II EBS.

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

Subordinated liabilities represent loans issued to the benefit of SCOR UK that meet the own funds recognition criteria. Subordinated liabilities are classified into tiers based on terms and conditions as specified in each contract. £30 million of the £45 million subordinated loan, to the benefit of SCOR UK, has been classified into tier 2 based on grandfathering rules. The loan from a fellow group undertaking qualified as lower tier two capital as December 31, 2015, therefore it can be classified as tier 2 capital under Solvency II for up to 10 years under the transitional measures in the PRA rulebook.

E.1.1.2 ELIGIBILITY OF OWN FUNDS

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

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

The application of the above limits determines SCOR UK's Eligible Own Funds. As at December 31, 2016, none of these limits are exceeded by the SCOR UK.

E.1.2 RECONCILIATION WITH SHAREHOLDERS' EQUITY

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

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

SCOR UK Reconciliation between statutory UK IFRS equity and EBS net assets as at December 31, 2016
in GBP thousands

Statutory - IFRS Shareholders' equity	**156,667**
Economic adjustments	**12,156**
Investments	-
Net technical balances	14,395
Net technical balances, excluding risk margin – Non-Life	*29,057*
Risk margin – Non-Life	*(14,662)*
Financial liabilities	309
Deferred taxes	(2,549)
Other assets and liabilities	-
Excess of assets over liabilities in the Solvency II EBS	**168,823**
Subordinated liabilities	29,967
Deductions for foreseeable dividends	(16,000)
Total available own funds	**182,790**

E.2 Solvency capital requirement and minimum capital requirement

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

E.2.1 SOLVENCY CAPITAL REQUIREMENT

SCOR UK maintains regulatory capital calculated on the Solvency II Standard Formula basis. The table below shows the standalone SCR for each risk module.

SCOR UK SCR based on Standard Formula in GBP thousands	**As at December 31, 2016**
P&C underwriting	78,055
Market	20,220
Credit	6,767
Diversification	(15,975)
Basic SCR	89,067
Operational	21,579
Taxes	(15,345)
SCOR UK SCR	**95,301**

The SCR Standard Formula follows a modular approach where the overall risk to which the (re)insurance entity is exposed is divided into risk modules. In broad terms, the capital requirements for each risk module are calculated using a table of factors applied to exposures. Correlation matrices are applied to the risk modules to calculate the total SCR.

SCOR UK's risks underlying the Standard Formula risk modules, and the Company's approach to risk mitigation, are described in the following sections of this report:

- **P&C Underwriting**: see section C.2 – Underwriting risks
- **Market**: see section C.3 – Market risks
- **Counterparty default**: see section C.4 – Credit risks
- **Operational**: see section C.6 – Operational risks.

Underwriting risks cover risks from business written to date and over the one year period. The risk module calculations are net of tax and net of risk mitigating measures. The final SCR also takes account of:

- **Diversification.** This is the impact of determining the joint capital requirements of the risk modules through the application of the Standard Formula correlation matrices. The aggregated capital requirement is less than the sum of the individual capital requirements because of SCOR UK's diversified portfolio which significantly reduces the likelihood of simultaneous occurrence of adverse experience and because losses in one area may be offset by gains in another.
- **Loss absorbing capacity of deferred taxes**. In the event that a shock loss occurs in 2017, the LACDT is an estimated credit to the SCR reflecting SCOR UK's ability to carry back losses to offset elements of tax paid for recent years and to carry forward losses to offset future taxable profits over the Company's planning time horizon

E.2.1.1 DATA USED IN THE CALCULATIONS

The accuracy and appropriateness of the data for assessing SCOR UK's solvency ratio is crucial. SCOR UK participates in the group wide data flows also underlying SCOR Group's internal model data in this regard. The Group manages data to ensure its proper and structured storage, reliability and accessibility and applies a data quality management framework to identify key data affecting the capital calculations with appropriate data quality criteria.

E.2.2 MINIMUM CAPITAL REQUIREMENT

SCOR UK MCR based on Standard Formula SCR

SCOR UK in GBP thousands	As at December 31, 2016
MCR Minimum (25% of SCR)	23,825
MCR Linear	27,870
MCR Maximum (45% of SCR)	42,885
MCR with Standard Formula cap & floor	**27,870**

The non-life exposures used for the calculation of the Minimum Capital Requirement (MCR) are the net premium amounts written in the previous 12 months and the net best estimate technical provisions both split by lines of business. Predefined regulatory factors are applied to the premium and technical provision elements and added up to obtain the non-life linear MCR. The MCR is the result of this specified linear formula subject to a floor of 25% and a cap of 45% of the SCR calculated based on applying the Standard Formula.

The MCR for SCOR UK is equal to the linear MCR, being between the cap and the floor.

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

SCOR UK does not use the duration-based equity sub-module in the calculation of the solvency requirement.

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

Not applicable as SCOR UK maintains regulatory capital calculated on the Solvency II Standard Formula basis.

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

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

E.6 Any other information

No other material information is reported regarding SCOR UK's capital management other than presented above in section E.1 - Own funds to E.5 - Non-compliance with MCR and non-compliance with the SCR.

APPENDIX A: PUBLIC DISCLOSURE QRT SCOR UK

S.02.01.01 – Balance Sheet

SCOR UK Assets as at December 31, 2016 In GBP thousands	Solvency II value
Intangible assets	**-**
Deferred tax assets	**6**
Pension benefit surplus	**-**
Property, plant and equipment held for own use	**-**
Investments	**507,861**
Property (other than for own use)	-
Participations and related undertakings	-
Equities	12
Equities - listed	-
Equities - unlisted	*12*
Bonds	507,212
Government bonds	*356,345*
Corporate bonds	*150,867*
Structured notes	-
Collateralised securities	-
Collective Investments Undertakings	-
Derivatives	210
Deposits other than cash equivalents	-
Other investments	427
Assets held for index-linked and unit-linked contracts	**-**
Loans and mortgages	**221**
Loans on policies	-
Loans and mortgages to individuals	-
Other loans and mortgages	221
Reinsurance recoverables	**566,100**
Non-life and Health similar to Non-life	566,100
Non-life excluding Health	566,100
Health similar to Non-life	-
Life and Health similar to Life, excluding Health and index-linked and unit-linked	-
Health similar to Life	-
Life excluding Health and index-linked and unit-linked	-
Life index-linked and unit-linked	-
Deposits to cedents	**74,282**
Insurance and intermediaries receivables	**6,680**
Reinsurance receivables	**16,399**
Receivables (trade, not insurance)	**2,988**
Own shares	**-**
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**-**
Cash and cash equivalents	**14,755**
Any other assets, not elsewhere shown	**-**
TOTAL ASSETS	**1,189,292**

S.02.01.01 – Balance Sheet (continued)

SCOR UK **Liabilities as at December 31, 2016** **In GBP thousands**	**Solvency II value**
Technical provisions - Non-life	**733,960**
Technical provisions – Non-life (excluding Health)	733,960
TP calculated as a whole	-
Best estimate	*719,298*
Risk margin	*14,662*
Technical provisions - Health (similar to Non-life)	-
TP calculated as a whole	-
Best estimate	-
Risk margin	-
Technical provisions - Life (excluding index-linked and unit-linked)	**-**
Technical provisions - Health (similar to Life)	-
TP calculated as a whole	-
Best estimate	-
Risk margin	-
Technical provisions – Life (excluding Health and index-linked and unit-linked)	-
TP calculated as a whole	-
Best estimate	-
Risk margin	-
Technical provisions - index-linked and unit-linked funds	**-**
TP calculated as a whole	-
Best estimate	-
Risk margin	-
Other technical provisions	**-**
Contingent liabilities	**-**
Provisions other than technical provisions	**500**
Pension benefit obligations	**-**
Deposits from reinsurers	**70,589**
Deferred tax liabilities	**4,962**
Derivatives	**-**
Debts owed to credit institutions	**-**
Financial liabilities other than debts owed to credit institutions	**-**
Insurance & intermediaries payables	**46,782**
Reinsurance payables	**110,850**
Payables (trade, not insurance)	**5,286**
Subordinated liabilities	**45,696**
Subordinated liabilities not in basic own funds	15,729
Subordinated liabilities in basic own funds	29,967
Any other liabilities, not elsewhere shown	**1,845**
TOTAL LIABILITIES	**1,020,470**
EXCESS OF ASSETS OVER LIABILITIES	**168,822**

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

	Line of business* for Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							
SCOR UK **As at December 31, 2016** **In GBP thousands**	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss
Premiums written								
Gross - Direct business	-	-	-	45,931	75,828	(25,959)	161	-
Gross - Proportional reinsurance accepted	-	-	-	25,939	-	-	-	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	54,847	30,578	(24,681)	-	-
Net	-	-	-	17,023	45,250	(1,278)	161	-
Premiums earned								
Gross - Direct business	-	-	-	56,591	79,864	(30,623)	101	-
Gross - Proportional reinsurance accepted	-	-	-	29,151	-	-	-	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	63,774	30,290	(46,316)	-	-
Net	-	-	-	21,968	49,574	15,693	101	-
Claims incurred								
Gross - Direct business	-	-	-	39,693	45,734	(70,020)	-	-
Gross - Proportional reinsurance accepted	-	-	-	26,051	-	-	-	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	49,074	13,037	(68,630)	1	-
Net	-	-	-	16,670	32,697	(1,390)	(1)	-
Changes in other technical provisions								
Gross - Direct business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted								
Reinsurers'share	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-
Expenses incurred	-	-	-	10,296	12,913	5,640	16	-
Other expenses								
Total expenses								

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

SCOR UK As at December 31, 2016 In GBP thousands	Line of business for accepted non-proportional reinsurance				TOTAL
	Health	Casualty	Marine, aviation, transport	Property	
Premiums written					
Gross - Direct business					**95,961**
Gross - Proportional reinsurance accepted					**25,939**
Gross - Non-proportional reinsurance accepted	-	15,863	3,713	34,724	**54,300**
Reinsurers' share	-	11,463	3,161	11,982	**87,350**
Net	-	4,400	552	22,742	**88,850**
Premiums earned					
Gross - Direct business					**105,933**
Gross - Proportional reinsurance accepted					**29,151**
Gross - Non-proportional reinsurance accepted	-	16,037	4,956	33,043	**54,036**
Reinsurers' share	-	12,630	4,080	11,388	**75,846**
Net	-	3,407	876	21,655	**113,274**
Claims incurred					
Gross - Direct business					**15,407**
Gross - Proportional reinsurance accepted					**26,051**
Gross - Non-proportional reinsurance accepted	-	11,490	1,114	20,332	**32,937**
Reinsurers' share	-	11,279	312	5,883	**10,956**
Net	-	211	802	14,449	**63,439**
Changes in other technical provisions					
Gross - Direct business					**-**
Gross - Proportional reinsurance accepted					**-**
Gross - Non- proportional reinsurance accepted	-	-	-	-	**-**
Reinsurers' share	-	-	-	-	**-**
Net	-	-	-	-	**-**
Expenses incurred	-	4,485	783	7,120	**41,253**
Other expenses					**915**
Total expenses					**42,168**

S.05.02.01 – Premiums, claims and expenses by country

SCOR UK As at December 31, 2016 In GBP thousands	Home country**	Top 5 countries (by amount of gross premiums written) - Non-life obligations					Total Top 5 and home country
		(US) United States	(FR) France	(DE) Germany	(AU) Australia	(CA) Canada	
Premiums written							
Gross - Direct business	(33,963)	52,026	27,272	11,218	11,295	7,302	**75,150**
Gross - Proportional reinsurance accepted	-	-	25,991	-	-	-	**25,991**
Gross - Non-proportional reinsurance accepted	3,645	12,096	1,603	576	156	1,832	**19,908**
Reinsurers' share	(39,793)	32,435	50,389	4,636	5,005	7,334	**60,006**
Net	9,475	31,687	4,477	7,158	6,446	1,800	**61,044**
Premiums earned							
Gross - Direct business	(35,434)	44,450	32,908	11,165	14,546	5,680	**73,315**
Gross - Proportional reinsurance accepted	-	-	29,165	-	-	-	**29,165**
Gross - Non-proportional reinsurance accepted	3,661	10,471	1,423	145	102	1,661	**17,463**
Reinsurers' share	(40,566)	9,263	57,015	4,560	4,979	4,444	**39,695**
Net	8,793	45,658	6,481	6,750	9,669	2,897	**80,248**
Claims incurred							
Gross - Direct business	(58,719)	31,102	17,217	5,789	2,517	5,339	**3,245**
Gross - Proportional reinsurance accepted	-	-	26,062	-	-	-	**26,062**
Gross - Non-proportional reinsurance accepted	(63)	3,103	969	90	38	191	**4,328**
Reinsurers' share	(59,153)	10,977	34,468	1,342	(45)	4,864	**(7,547)**
Net	371	23,228	9,780	4,537	2,600	666	**41,182**
Changes in other technical provisions							
Gross - Direct business	-	-	-	-	-	-	**-**
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	**-**
Gross - Non- proportional reinsurance accepted	-	-	-	-	-	-	**-**
Reinsurers' share	-	-	-	-	-	-	**-**
Net	-	-	-	-	-	-	**-**
Expenses incurred	14, 633	5,777	4,472	1,527	2,205	340	**28,954**
Other expenses							**-**
Total expenses							**28,954**

**United Kingdom

S.17.01.02 – Non-life Technical Provisions

SCOR UK **As at December 31, 2016** **In GBP thousands**	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
Technical provisions calculated as a whole	-	-	-	-	-	-	-	-
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	-	-	134,138	35,649	319,956	1
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross	-	-	-	-	(13,285)	725	2,012	(116)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	-	(16,981)	(371)	1,734	-
Net best estimate of premium provisions	-	-	-	-	3,696	1,096	278	(116)
Claims provisions								
Gross	-	-	-	-	173,691	85,688	366,068	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	-	151,119	36,021	318,222	1
Net best estimate of claims provisions	-	-	-	-	22,572	49,667	47,846	(1)
Total best estimate - gross	-	-	-	-	160,406	86,413	368,080	(116)
Total best estimate - net	-	-	-	-	26,268	50,764	48,124	(117)
Risk margin	-	-	-	-	2,514	4,858	4,606	(11)
Amount of the transitional on technical provisions								
Technical provisions calculated as a whole	-	-	-	-	-	-	-	-
Best estimate	-	-	-	-	-	-	-	-
Risk margin	-	-	-	-	-	-	-	-
Technical provisions - total								
Technical provisions - total	-	-	-	-	162,920	91,271	372,686	(127)
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	-	-	-	134,138	35,649	319,956	1
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-	-	-	-	28,782	55,622	52,730	(128)

S.17.01.02 – Non-life Technical Provisions (continue)

	Accepted non-proportional reinsurance				
SCOR UK As at December 31, 2016 In GBP thousands	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	**Total Non-life obligation**
Technical provisions calculated as a whole	-	-	-	-	-
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	52,276	2,084	21,996	566,100
Technical provisions calculated as a sum of BE and RM					-
Best estimate					-
Premium provisions					-
Gross	-	(1,119)	333	(2,149)	(13,599)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	(571)	(109)	(589)	(16,887)
Net best estimate of premium provisions	-	(548)	442	(1,560)	3,288
Claims provisions					-
Gross	-	54,591	2,634	50,225	732,897
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	52,847	2,193	22,585	582,987
Net best estimate of claims provisions	-	1,744	441	27,640	149,910
Total best estimate - gross	-	53,472	2,967	48,076	719,298
Total best estimate - net	-	1,197	883	26,080	153,199
Risk margin	-	115	85	2,495	14,662
Amount of the transitional on technical provisions					-
Technical provisions calculated as a whole	-	-	-	-	-
Best estimate	-	-	-	-	-
Risk margin	-	-	-	-	-
Technical provisions - total					-
Technical provisions - total	-	53,587	3,052	50,571	733,960
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	52,276	2,084	21,996	566,100
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-	1,311	968	28,575	167,860

S.19.01.21 – Non-life Insurance Claims Information

SCOR UK
As at December 31, 2016
In GBP thousands

Total Non-life Business - Underwriting year
Gross Claims Paid (non-cumulative)
(absolute amount)

	Development year												
	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
Prior											3,239	3,239	365,980
N-9	4,909	17,409	29,048	13,723	19,667	9,465	11,557	10,630	9,405	1,517		1,517	127,330
N-8	15,735	59,288	22,336	22,176	17,425	12,293	10,978	185	1,372			1,372	161,787
N-7	(2,923)	4,272	10,040	16,020	15,400	8,335	16,919	1,615				1,615	69,678
N-6	19	23,627	43,564	26,613	16,801	10,621	9,261					9,261	130,505
N-5	4,395	12,557	28,660	17,173	16,518	10,968						10,968	90,271
N-4	409	29,712	42,709	26,355	15,962							15,962	115,147
N-3	2,228	29,946	38,223	24,744								24,744	95,140
N-2	13,670	60,193	58,661									58,661	132,524
N-1	4,216	30,496										30,496	34,712
N	2,879											2,879	2,879
											Total	160,714	1,325,953

Total Non-life Business - Underwriting year
Gross undiscounted best estimate Claims Provisions
(absolute amount)

	Development year											
	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
Prior											112,267	106,095
N-9	-	-	-	-	-	-	-	-	-	19,603		18,644
N-8	-	-	-	-	-	-	-	-	21,101			20,196
N-7	-	-	-	-	-	-	-	25,702				24,639
N-6	-	-	-	-	-	-	48,347					46,496
N-5	-	-	-	-	-	54,858						52,924
N-4	-	-	-	-	104,016							100,205
N-3	-	-	-	57,928								55,533
N-2	-	-	110,726									107,494
N-1	-	129,450										125,083
N	79,529											75,587
											Total	732,896

S.23.01.01 – Own funds

SCOR UK As at December 31, 2016 In GBP thousands	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector					
Ordinary share capital (gross of own shares)	**60,552**	60,552		-	
Share premium account related to ordinary share capital	**14,448**	14,448		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**-**	-		-	
Subordinated mutual member accounts	**-**		-	-	-
Surplus funds	**-**	-			
Preference shares	**-**		-	-	-
Share premium account related to preference shares	**-**		-	-	-
Reconciliation reserve	**77,823**	77,823			
Subordinated liabilities	**29,967**		-	29,967	-
An amount equal to the value of net deferred tax assets	**-**				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	**-**	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**-**	-			
Deductions					
Deductions for participations in financial and credit institutions	**-**	-	-	-	
Total basic own funds after deductions	**182,790**	**152,823**	**-**	**29,967**	**-**

S.23.01.01 – Own funds (continue)

SCOR UK As at December 31, 2016 In GBP thousands	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-			-	
Unpaid and uncalled preference shares callable on demand	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-			-	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			-	-
Other ancillary own funds	-			-	-
Total ancillary own funds	**-**			**-**	**-**
Available and eligible own funds					
Total available own funds to meet the SCR	**182,790**	152,823	-	29,967	-
Total available own funds to meet the MCR	**182,790**	152,823	-	29,967	
Total eligible own funds to meet the SCR	**182,790**	152,823	-	29,967	-
Total eligible own funds to meet the MCR	**158,397**	152,823	-	5,574	
SCR	**95,301**				
MCR	**27,870**				
Ratio of eligible own funds to SCR	**191.80%**				
Ratio of eligible own funds to MCR	**568.34%**				

S.23.01.01 – Own funds (continue)

SCOR UK As at December 31, 2016 In GBP thousands	Total
Reconciliation reserve	
Excess of assets over liabilities	168,823
Own shares (held directly or indirectly)	-
Foreseeable dividends, distributions and charges	16,000
Other basic own fund items	75,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
Reconciliation reserve	**77,823**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	-
Expected profits included in future premiums (EPIFP) - Non-life business	15,219
Total expected profits included in future premiums (EPIFP)	**15,219**

S.25.01.21 – Solvency capital requirement – Standard Formula

SCOR UK Standard Formula As at December 31, 2016 In GBP thousands	Gross solvency capital requirement	USP	Simplifications
Market risk	20,220		0
Counterparty default risk	6,767		
Life underwriting risk	-	0	0
Health underwriting risk	-	0	0
Non-life underwriting risk	78,055	0	0
Diversification	(15,975)		
Intangible asset risk	-		
Basic Solvency Capital Requirement	**89,067**		

Calculation of Solvency Capital Requirement (SCR)	
Operational risk	21,579
Loss-absorbing capacity of technical provisions	-
Loss-absorbing capacity of deferred taxes	(15,345)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	-
Solvency Capital Requirement, excluding capital add-on	**95,301**
Capital add-ons already set	-
The overall Solvency Capital Requirement	**95,301**
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	-
Total amount of Notional Solvency Capital Requirement for the remaining part	-
Total amount of Notional Solvency Capital Requirement for ring fenced funds	-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	-
Diversification effects due to RFF nSCR aggregation for Article 304	-

S.28.01.01 – Minimum capital requirement

SCOR UK
As at December 31, 2016
In GBP thousands

Linear formula component for Non-life insurance and reinsurance obligations

MCR_{NL} Result	27,870

	Net (of reinsurance/SPV) Best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	-	-
Income protection insurance and proportional reinsurance	-	-
Workers' compensation insurance and proportional reinsurance	-	-
Motor vehicle liability insurance and proportional reinsurance	-	-
Other motor insurance and proportional reinsurance	-	-
Marine, aviation and transport insurance and proportional reinsurance	26,268	17,023
Fire and other damage to property insurance and proportional reinsurance	50,764	45,251
General liability insurance and proportional reinsurance	48,124	
Credit and suretyship insurance and proportional reinsurance	-	161
Legal expenses insurance and proportional reinsurance	-	-
Assistance and proportional reinsurance	-	-
Miscellaneous financial loss insurance and proportional reinsurance	-	-
Non-proportional health reinsurance	-	-
Non-proportional casualty reinsurance	1,197	4,400
Non-proportional marine, aviation and transport reinsurance	883	551
Non-proportional property reinsurance	26,079	22,742

Linear formula component for life insurance and reinsurance obligations

MCR_{L} Result	-

	Net (of reinsurance/SPV) Best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits	-	
Obligations with profit participation - future discretionary benefits	-	
Index-linked and unit-linked insurance obligations	-	
Other life (re)insurance and health (re)insurance obligations	-	
Total capital at risk for all life (re)insurance obligations		-

Overall MCR calculation

Linear MCR	27,870
SCR	95,301
MCR cap	42,885
MCR floor	23,825
Combined MCR	27,870
Absolute floor of the MCR	2,134
Minimum Capital Requirement	**27,870**

APPENDIX B: AUDIT REPORT

Report of the external independent auditor to the Directors of SCOR UK Company Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 31 December 2016:

- The 'Valuation for solvency purposes' and 'Capital management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2016 ('**the Narrative Disclosures subject to audit**'); and
- Company templates S02.01.02, S17.01.02, S23.01.01, S23.01.22, S25.01.21 and S28.01.01 ('**the Templates subject to audit**').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the Solvency and Financial Condition Report**'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01 and S19.01.21; and
- The written acknowledgement by management of their responsibilities, including that for the preparation of the Solvency and Financial Condition Report ('**the Directors' Responsibility Statement**').

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II Regulations on which they are based.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK and I)"), International Standard on Auditing (UK) 800 ("ISA (UK) 800") and International Standard on Auditing (UK) 805 ("ISA (UK) 805") and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report* section of our report.

Emphasis of Matter - Basis of Accounting

We draw attention to 'Valuation for solvency purposes' and 'Capital management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II Regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the PRA. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules and Solvency II Regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to audit and express an opinion, in accordance with applicable law, ISAs (UK and I), ISA (UK) 800 and ISA (UK) 805, as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II Regulations on which they are based. ISAs (UK & I) require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

This report, including the opinion, has been prepared for the Directors of the Company to enable them to comply with their obligations under External Audit rule 2.1 of the Solvency II Firms Sector of the PRA Rulebook and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (c) of the External Audit Chapter of the PRA Rulebook for Solvency II Firms, we are required to consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report and our knowledge obtained in the audits of the Company's statutory financial statements and the relevant elements of the Solvency and Financial Condition Report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Andrew Goldsworthy (Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Tower Bridge House
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London E1W 1DD
15 May 2017