SOLVENCY AND FINANCIAL CONDITION REPORT

AS OF 31 DECEMBER 2023

SCOR UK COMPANY LIMITED

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EXECUTIVE SUMMARY

INTRODUCTION

This document, the Solvency and Financial Condition Report (SFCR) for SCOR UK Company Limited ("SCOR UK" or the "Company"), presents information on SCOR UK and its solvency position as at December 31, 2023 and has been prepared in accordance with the PRA Rulebook and Solvency II regulations[1] (hereafter referred to as "Solvency II"), applicable to Solvency II firms. 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 summarised below:

A. Business and performance
B. System of governance
C. Risk profile
D. Valuation for solvency purposes
E. 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
- 2023 *Document d'Enregistrement Universel* – the Universal Registration Document of SCOR SE, including the consolidated financial statements of SCOR Group and unconsolidated corporate financial statements of SCOR SE (*Etats financiers non consolidés de SCOR SE*), filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) and available on SCOR's website www.scor.com/en/financial-results (further referred to as the 2023 Universal Registration Document or the URD);
- SCOR's new strategic plan for 2024-2026, "Forward 2026", available at www.scor.com/en/press-release/scor-launches-its-new-strategic-plan. With "Forward 2026", SCOR will drive value creation for its shareholders, clients, employees, and for society as a whole. SCOR maintains a controlled risk appetite and disciplined underwriting as it acts on business opportunities created by the supportive market conditions, fueling growth on its diversified and equally weighted P&C and L&H portfolios.

SCOR UK

Business and Performance

SCOR UK is part of the SCOR Group which is the world's 6th largest reinsurer[2] serving more than 5,190 clients. The Group is organized in three activities, SCOR Property & Casualty ("SCOR P&C"), SCOR Life & Health ("SCOR L&H") and SCOR Investments.

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

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

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

SCOR UK's business book has a good geographical spread insuring risks globally with the main locations being North America, Canada, Australia and the United Kingdom.

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

[1] (Solvency II Directive 2009/138/EC of the European Parliament of November 25, 2009, the Delegated Regulations of the European Commission of October 10, 2014 supplementing the Directive, the EIOPA Guidelines on Reporting and Public Disclosure EIOPA-BoS-15/109)

[2] By net reinsurance premiums written, source: "AM Best Special Report Global Reinsurance 2023".

SCOR UK in GBP thousands	December 31, 2023	December 31, 2022
Eligible Own Funds (EOF)	328,975	267,867
Solvency Capital Requirement (SCR)	209,110	194,906
Minimum Capital Requirement (MCR)	76,949	72,682
Solvency ratio	**157%**	**137%**
Gross written premiums	650,396	608,408

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

SCOR UK Own funds structure as at December 31, 2023 in GBP thousands	Tier 1	Tier 2	Tier 3	Total
Total available own funds	**298,725**	**30,250**	**-**	**328,975**
Total eligible own funds to cover the SCR (after limit deductions)	**298,725**	**30,250**	**-**	**328,975**
Total eligible own funds to cover the MCR (after limit deductions)	**298,725**	**15,390**	**-**	**314,115**

SCOR UK Own funds structure as at December 31, 2022 in GBP thousands	Tier 1	Tier 2	Tier 3	Total
Total available own funds	**238,454**	**29,413**	**-**	**267,867**
Total eligible own funds to cover the SCR (after limit deductions)	**238,454**	**29,413**	**-**	**267,867**
Total eligible own funds to cover the MCR (after limit deductions)	**238,454**	**14,537**	**-**	**252,991**

The position of the company shows that it is 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 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.

Risk profile

SCOR UK regularly conducts reviews of the risks that could have a material adverse effect on its activity, its financial situation or its results (or capacity to reach 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 businesses, which can arise when the actual amounts of claims and indemnity payments, or the timing thereof, differ from estimates;
- market risks: the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market prices or macroeconomic variables;
- credit risks: the risk of incurring a loss as a result of an unexpected change in the financial situation of a counterparty;
- liquidity risks, which can arise when available liquidity is not sufficient to meet liquidity needs;
- operational risks, which are inherent to all businesses;
- strategic risks, which can arise either from the strategy itself, from external risks or from internal risks.

These 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, 2023 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 UK GAAP accounting standards, including the Financial reporting standard (FRS 102),'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and FRS 103, 'Insurance contracts'.

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 maximise its profitability, while meeting its solvency objectives, in line with its risk / return strategy as defined in SCOR Group's current strategic action plan "Forward 2026" and the previous strategic plan "Quantum Leap ".

DIRECTORS’ RESPONSIBILITY STATEMENT

in respect of the Solvency and Financial Condition Report

Financial Year Ended 31 December 2023

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and

b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

On behalf of the Board

Irfan Haq
Director
5th April 2024

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 the 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 4 Place de Budapest CS 92459 75436 Paris Cedex 09	SCOR SE
Prudential Regulation Authority (PRA)	Prudential Regulation Authority 20 Moorgate London, EC2R 6DA	SCOR UK
Financial Conduct Authority (FCA)	Financial Conduct Authority 12 Endeavour Square London E20 1JN	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 30 Old Bailey, London EC4M 7AU United Kingdom

A.1.1.4 SIGNIFICANT SHAREHOLDERS

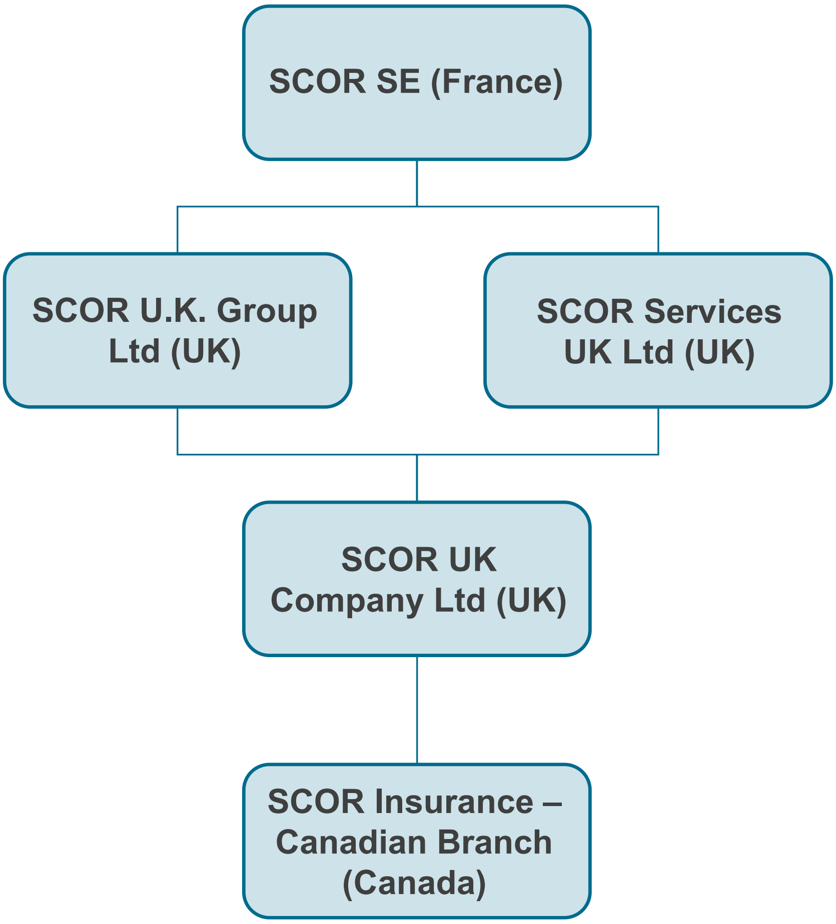
SCOR Services UK Limited, a company domiciled in the United Kingdom, is an immediate parent company of SCOR UK Company Limited. SCOR Services UK Limited increased its control and interest in SCOR UK from 54% in 2022 to 64% in 2023 following the issuance of 23 million ordinary shares with a par value of £1 each. These shares were approved on 20th December 2023 are fully paid up by way of a contribution of cash of £23 million.

SCOR UK's other immediate parent company, SCOR U.K. Group Limited (SCOR UK Group), a company domiciled in the United Kingdom, holds the remaining 36% (46% in 2022) of control and interest in SCOR UK.

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 whose stock is listed on the Euronext Paris regulated market and on the SIX Swiss Exchange (formerly SWX Swiss Exchange) in Zurich is SCOR SE. 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 built on three core businesses: SCOR L&H (Life and Health), SCOR P&C (Property and Casualty) and SCOR Investments. The Group's organizational choices were guided by the principles of mobilization of skills and expertise, operating efficiency, structural simplicity, clear reporting lines and balance between teams from the Group's different entities.

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

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

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

A.1.2 BUSINESS DESCRIPTION

A.1.2.1 LINES OF BUSINESS AND GEOGRAPHICAL AREAS

The Company has not changed its risk appetite in 2023, and it carries on operating predominantly within the P&C specialty insurance large corporate segments. Following a challenging 2022, the Property portfolio performed strongly in 2023, benefiting from lower natural catastrophe activity during the year as well as lower man-made large loss activity. However, the Casualty portfolio experienced worse than expected actual gross claims activity on prior years which has led to a strengthening of the reserves held for this class of business. The deterioration was largely mitigated through reinsurance protection, limiting the impact on the net result.

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:

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

With continued geopolitical instability, exacerbated by the Israel-Hamas conflict and Russia's continued invasion of Ukraine, 2023 was a year of further global turmoil. Inflation continues to lose steam in response to the numerous rate hikes and other monetary tightening strategies employed by major central banks across the world. Continued disruption to commodity trade impacted commodity prices, economic activity and the energy sector. Political unrest has created several stress points in global supply chains that have produced economic and insurance coverage challenges. We are closely monitoring the elevated general inflationary and interest rate environment to ensure we take appropriate and timely action whilst recognising the uncertainty in assessing these changes. Additionally, these global challenges are well monitored by our underwriters to anticipate the impact on our clients.

As already noted within the significant shareholder section in December 2023 there was a capital increase into SCOR UK, totaling £23million.

A.2 Underwriting performance

A.2.1 UNDERWRITING RESULTS BY LINE OF BUSINESS

Gross written premiums for the financial year ended December 31, 2023 increased by 6.9% compared to 2022 from GBP 608.4 million to GBP 650.4 million. With the exception of Marine, aviation and transport the business has seen increases across most SII Lob's.

In 2023, SCOR UK achieved a net combined ratio of 90.1% against 86.5% in 2022. Property & Casualty insurance is a cyclical market exposed to volatility in the form of development of past reserves and large natural and man-made events, in addition to attritional losses. Underwriting discipline remains imperative and we have achieved sustained rate increases as well as improvements in terms and conditions across most lines of business and geographies during 2023

SCOR UK	As at December 31, 2023		
UKGAAP in GBP thousands	**Net technical result [1]**	**Internal management expenses [2]**	**Net underwriting result**
Marine, aviation and transport insurance	10,635	(4,328)	6,307
Fire and other damage to property insurance	63,790	(15,792)	47,998
General liability insurance	19,118	(7,242)	11,876
Credit and suretyship insurance	712	(156)	556
Non-proportional casualty reinsurance	(14,608)	(857)	(15,465)
Non-proportional marine, aviation, transport reinsurance	(13,145)	(1,149)	(14,294)
Non-proportional property reinsurance	(4,843)	(7,246)	(12,089)
Other*	2,567	(5,470)	(2,903)
Total	**64,226**	**(42,240)**	**21,986**

[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 64.2 million as of December 31, 2023.

SCOR UK	As at December 31, 2022		
UKGAAP in GBP thousands	**Net technical result [1]**	**Internal management expenses [2]**	**Net underwriting result**
Marine, aviation and transport insurance	20,671	(4,170)	16,501
Fire and other damage to property insurance	68,189	(11,415)	56,774
General liability insurance	14,065	(6,785)	7,280
Credit and suretyship insurance	(132)	(149)	(281)
Non-proportional casualty reinsurance	57	(763)	(706)
Non-proportional marine, aviation, transport reinsurance	4,214	(903)	3,311
Non-proportional property reinsurance	(42,988)	(5,875)	(48,863)
Other	1,030	(7,106)	(6,076)
Total	**65,106**	**(37,166)**	**27,940**

[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 65.1 million as of December 31, 2022.

A.2.2 UNDERWRITING RESULTS BY GEOGRAPHICAL AREA

In 2023, SCOR UK generated 54.6% (2022: 57.2%) of its gross written premiums in the Americas, 34.0% (2022: 30.3%) of its gross written premiums in the EMEA and 11.4% (2022: 12.5%) in Asia.

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

SCOR UK	As at December 31, 2023			
UKGAAP in GBP thousands	**EMEA**	**Americas**	**Asia-Pacific**	**Total**
Gross written premiums	221,456	355,099	73,841	650,396
Net technical result [1]	21,979	27,815	14,430	64,224
Internal Management expenses [2]	(17,127)	(20,416)	(4,695)	(42,238)
Net underwriting result	**4,852**	**7,399**	**9,735**	**21,986**

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

[2] Includes all management expenses.

SCOR UK	As at December 31, 2022			
UKGAAP in GBP thousands	**EMEA**	**Americas**	**Asia-Pacific**	**Total**
Gross written premiums	184,378	347,853	76,177	608,408
Net technical result [1]	44,236	(22,737)	43,607	65,106
Internal Management expenses [2]	(15,393)	(17,986)	(3,787)	(37,166)
Net underwriting result	**28,843**	**(40,723)**	**39,820**	**27,940**

[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 corporate and government bonds. The duration of the fixed income portfolio has increased to around 1.8 years and the average rating is AA.

SCOR UK **UKGAAP** **in GBP thousands**	**2023**	**2022**
Investment revenues on invested assets	15,470	7,459
Investment revenues on fixed income	*14,831*	*7,310*
Investment revenues on others	*639*	*149*
Interest on deposits	(481)	(231)
Interest income on funds withheld and contract deposit	*221*	*14*
Interest expense on funds withheld and contract deposit	*(702)*	*(245)*
Realized gains/losses on invested assets	441	1,351
Change in fair value of investments due to foreign exchange	(13,411)	10,970
Investment income net of foreign exchange	**2,020**	**19,549**
Foreign exchange gain/(loss)	2,048	879
Investment income	**4,067**	**20,427**
Investment management expenses	(487)	(424)
Investment income net of investment management expenses	**3,580**	**20,003**

In 2023 the income before foreign exchange gain was GBP 2.0 million on the overall invested assets portfolio.

Total investment income net of management expenses stands at GBP 3.6 million as at December 31, 2023.

The foreign exchange impact for the year is GBP 2.0 million. SCOR UK has followed the group process of hedging material currency imbalances each quarter (see section C.3.2.3 – Management of currency risk).

A.3.2 INVESTMENT GAINS AND LOSSES RECOGNISED IN EQUITY

SCOR UK has posted an unrealized gain on Fixed Income which has been recorded through Other Comprehensive Income (Equity) mainly due to the changes in interest rates.

In moving to IFRS 9 in 2022, the Company's private equity investments were remeasured under Fair Value Through OCI (FVOCI), which resulted in a fair value uplift of GBP 11.7 million being generated on the date of the change.

SCOR UK **in GBP thousands**	**2023**	**2022**
Fixed income	13,700	(22,534)
Equity	73	11,719
Total	**13,773**	**(10,815)**

A.3.3 SECURITISED INVESTMENTS

The table below presents information on the type of securitised investments held within the Company:

SCOR UK As at December 31, 2023 in GBP thousands	AAA	AA	A	BBB	<BBB and non-rated	Total	Market to Book Value %
Assets-backed securities	-	-	-	-	-	-	0%
Collateralized loan obligations	-	-	-	-	-	-	0%
Collateralized debt obligations	-	-	-	-	-	-	0%
Collateralized mortgage obligations	-	-	-	-	-	-	0%
Mortgage-backed securities	-	522	-	-	-	522	96%
Agency CMBS	-	-	-	-	-	-	0%
Agency RMBS	-	522	-	-	-	522	96%
Non-agency CMBS	-	-	-	-	-	-	0%
Non-agency RMBS	-	-	-	-	-	-	0%
Total	**-**	**522**	**-**	**-**	**-**	**522**	**96%**

SCOR UK As at December 31, 2022 in GBP thousands	AAA	AA	A	BBB	<BBB and non-rated	Total	Market to Book Value %
Assets-backed securities	-	-	-	-	-	-	0%
Collateralized loan obligations	-	-	-	-	-	-	0%
Collateralized debt obligations	-	-	-	-	-	-	0%
Collateralized mortgage obligations	-	-	-	-	-	-	0%
Mortgage-backed securities	-	-	-	-	-	-	0%
Agency CMBS	604	-	-	-	-	604	95%
Agency RMBS	-	-	-	-	-	-	0%
Non-agency CMBS	-	-	-	-	-	-	0%
Non-agency RMBS	-	-	-	-	-	-	0%
Total	**604**	**-**	**-**	**-**	**-**	**604**	**95%**

A.4 Performance of other activities and any other information

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

A.5 Any other information

With continued geopolitical instability, exacerbated by the Israel-Hamas conflict and Russia's continued invasion of Ukraine, 2023 was a year of further global turmoil. Inflation continues to lose steam in response to the numerous rate hikes and other monetary tightening strategies employed by major central banks across the world. Continued disruption to commodity trade impacted commodity prices, economic activity and the energy sector. Political unrest has created several stress points in global supply chains that have produced economic and insurance coverage challenges. We are closely monitoring the elevated general inflationary and interest rate environment to ensure we take appropriate and timely action whilst recognising the uncertainty in assessing these changes. Additionally, these global challenges are well monitored by our underwriters to anticipate the impact on our clients.

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 for SCOR SE, with the French Commercial Code, the French Monetary and Financial Code, the AMF's General Regulation and the French Insurance Code;
- pragmatism, simplicity and operating efficiency, allowing for timely and effective decision-making and cost effectiveness;
- clear allocation of roles and responsibilities, including clear reporting lines and accountability;
- checks and balances;
- fostering of cooperation, internal reporting and communication of information at all relevant levels of the Group;
- robust management and internal control leveraging on the consistent application of policies, guidelines, procedures and tools such as IT systems;
- mobilization of skills and expertise;
- balance between strong governance at Group level involving a global vision and global steering of the business and of risk management, and empowerment of local Boards and management teams, allowing for local specificities to be considered;
- multicentricity, with Group functions being carried out in other geographical locations than Paris to benefit fully from the competencies within various locations;
- efficient flow of information bottom-up and top-down.
- SCOR UK is fully integrated into the group and business unit 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 UK;
- in other countries where the Company has obtained licences to write insurance and reinsurance business or where operating in reinsurance is not subject to licence requirements.

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 business 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 centered on the Board, who have the ultimate authority at the UK regulated entity level, for ensuring that the regulated firm is managed in accordance with main stakeholder instructions, SCOR UK Board approved strategy and legal 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 develops and implements strategy, measures and manages business performance, develops and implements internal control and risk management framework and ensures that the business is managed within the risk appetite it has established. The Board is assisted by the various Committees of the Board, as detailed under A.1.3.2 below.

- Risk, Capital and Compliance Committee;

  The Risk, Capital and Compliance Committee provides 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 system is 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 includes the following:

- Specific and annual effectiveness review;
- The Board performs an annual review of the corporate governance framework. This ensures their confidence in the framework, and fulfils their role in ensuring the effectiveness of the corporate governance framework. Any weaknesses found are acted upon and resolved;
- Redefining the framework where necessary;
- It is the Board's responsibility, through whichever method it chooses, to improve continuously the corporate governance framework. Action may be delegated to a committee, an individual or executed by the Board itself;
- Regular monitoring of the robustness of the system of corporate governance.

The Board regularly monitors the corporate governance framework, including the Management Responsibilities Map and Board and Committee Terms of Reference.

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, which as previously documented, became fully aligned with its sister Company in the UK, SCOR Managing Agency Ltd during 2020.

SCOR UK has determined that the composition of the Board comprises of:

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

Where appropriate, the above Directors have been allocated a Senior Management Function (SMF) as required by the Senior Managers Certification Regime (SM&CR) which allocates personal accountability for their area of responsibility. Other senior Executives have been allocated SMF roles and will also hold personal accountability for their area of responsibility.

The Directors of the Board and other Executive SMFs provide the Board with expert input and advice in relation to their area of responsibility and are directly involved in the setting of strategic objectives and overall risk appetite.

In addition, Directors may also have separate executive roles.

The collective responsibilities of the Board are detailed in the Aligned 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 and
- Met the “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 function holders and SMFs;
    - 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 and
    - approval of the ORSA report prior to its submission to the PRA.
- Compliance and legal environment
    - monitor compliance with the laws, regulations and administrative provisions including those adopted pursuant to the Solvency II Directive (which are subject to HM Government review);
    - 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 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 considers and approves the Controlled Functions and SM&CR requirements as required by the PRA/FCA and responsibility for these are allocated to suitably skilled individuals in line with PRA/FCA guidelines and procedures.

The Board considers and approves the line management structure in operation at SCOR UK.

The Board considers and approves policies and procedures relating to key functions of the business.

BOARD OF DIRECTORS' COMMITTEES

As documented, the Board became fully aligned with its sister Company in the UK., SCOR Managing Agency Limited ("SMA") during 2020. This alignment extends, where relevant, to the Committees of the Board in order to create efficiencies and streamline the governance process. The Board of Directors has established eight 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 – per section B.1.4, as noted above this is an aligned 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.

Risk, Capital & Compliance Committee – per section B.1.4 as noted above, this is an aligned Committee.

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

Product Oversight Committee - as noted above, this is an aligned Committee

The Product Oversight Committee has been established to support the Board in the management of conduct risk.

Executive Committee

The Board has established an Executive Committee to oversee key areas of the business on a day to day basis.

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

- 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.

- Management Committee

  To review and approve the QRTs and non-public NSTs under authority delegated by the Board.

The Board is also supported by the following sub-committees:

Reserving Committee - as noted above, this is an aligned Committee

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

Reinsurance Committee - as noted above, this is an aligned Committee

The Reinsurance Committee has been established to make recommendations regarding the suitability of reinsurance programmes and to monitor the on-going suitability of reinsurers.

Executive Underwriting Committee - as noted above, this is an aligned Committee

The Executive Underwriting Committee has been established to support the Board in the monitoring underwriting performance and the underwriting control environment.

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.

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, 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 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 specific person 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 is 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, SMFs 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, SMFs and Key Function 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 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 and regulatory 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.

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 Audit Committee, 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 to section B.5 Internal Audit.

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 reinsurance 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.

Free 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.

With the exception of the Internal Audit Function which has a separate reporting line, the key functions 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 designated 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 Board 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 the 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 2023

There have been no material changes in governance during 2023, beyond the further alignment of the Board and main Committees of the Board with its sister Company in the UK, SMA, as set out in A.1.2 above. As documented previously, one of the key objectives of the alignment is to create efficiencies and streamline the process by holding joint meetings. There are common Directors in place and a common Chairman which will ensure the interests of both Companies are fully protected and can be better aligned with Group strategic objectives.

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 Services UK Limited and SCOR UK Group are the immediate parent companies of SCOR UK (64% 36% of control and interest respectively) while SCOR SE is the ultimate parent company.

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

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

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 instalments at the end of each quarter. There is also a fixed fee for those INEDs who hold additional responsibilities, including chairing a Committee of the Board and / or hold the role of Senior Independent Director, also payable in four equal instalments. The final component is based on an amount equal to GBP 2300 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 costs are allocated equally between SCOR UK and SMA to reflect the role of the aligned Board and Committee structure.

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 Section 33 of FRS 102- Related

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.

Section 33.1A of FRS 102- Related Parties provides for disclosure exemption of transactions entered between two or more members where a party to the transaction is wholly owned by such a member. Accordingly, SCOR UK has availed such exemption in respect of its separate financial statements.

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.

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.B1.6

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

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

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

As noted in B.1.5.1 above, within SCOR UK, INED fees are charged partly in one fixed sum of GBP 20,000 annually, payable in four equal instalments at the end of each quarter. There is also a fixed fee for those INEDs who hold additional responsibilities, including chairing a Committee of the Board and / or hold the role of Senior Independent Director, also payable in four equal instalments at the end of each quarter. The final component is 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 2300 per Board or Committee meeting they attend.

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

B.1.6.2 GENERAL PRINCIPLES OF THE GROUP COMPENSATION POLICY

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

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

In order to achieve such objectives, SCOR has established a very structured and transparent compensation policy, within an overall framework. It is reviewed and submitted to the Compensation Committee and then to the Board of Directors for approval at least once annually. It was last updated in April 2023.

SCOR has established a "Partners"[(3)] program. This program which is specific and selective includes information sharing, career development and compensation schemes. There are four main Partner levels: Associate Partners (AP), Global Partners (GP), Senior Global Partners (SGP), and Executive Global Partners (EGP). Partners represent around 25% of the global workforce. The Company has a formal and carefully designed procedure for appointing and promoting Partners. Appointments take place every year during an Executive Committee meeting. Candidates must have consistently demonstrated their skills, leadership and commitment in the past. At December 31, 2023, the proportions of partners by level is as follows: EGPs: 1%, SGPs: 8%, GPs: 26%, APs: 65%.

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 compensation	Pension plan
Chairman of the Board	✓	NA	NA	NA
Chief Executive Officer [(1)]	✓	✓	Free shares, Stock options, LTIP[(3)]	✓
Group Executive Committee members [(2)]	✓	✓	Free shares, Stock options, LTIP[(3)]	✓
Partners	✓	✓	Free shares, Stock options[(4)] LTIP[(3)]	✓
Non Partners	✓	✓	Free shares	✓

(1) As a member of the Board of Directors, Chief Executive Officer does not receive any compensation in contrary of the other members of the Board of Directors.

(2) The Executive Committee includes the CEOs of SCOR P&C and SCOR L&H, who are the persons effectively running the Group and SCOR SE in addition to the CEO of SCOR SE. Executive Committee members do not receive compensation in respect of their directorships in companies in which SCOR holds more than 20% of the capital

(3) Long Term Incentive Plan (LTIP)

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

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

Fixed compensation

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

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

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

(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 program in terms of information sharing, career development and compensation schemes

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 payout with respect to each component is subject to meeting certain requirements. The payout on the individual component can range from zero (insufficient performance) to 150% (exceeds expectations). The second component is collective and based on economic value growth (EVG) achieved by SCOR in the previous financial year. The payout on the collective component can range from zero (EVG below 30% of the target) to 130% (EVG equal to or above 130% of the target).

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

Other employees

For employees who are not Partners, the SCOR cash bonus rewards individual performance over the previous year. The bonus varies from 0% to 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 locations in order to take into account specific local labor markets.

Non-Partners are also eligible for the exceptional contribution bonus, ranging from 0% to 6% of the annual reference salary (the multiplier of two or three mentioned above does not apply to the ECB).

Equity-based compensation

SCOR 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 Shareholders approves the resolutions to this effect presented by the Board of Directors.

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

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

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

Partners

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

The vesting of shares and options is subject to satisfying the condition of presence (three to six years depending on the nature of the plan) and performance conditions fully aligned with the objectives of the strategic plan (EVG and Solvency ratio) and a Total Shareholder Return (TSR) criterion. Moreover, beneficiaries must fully comply with the Group's Code of Conduct (claw back policy) and complete a training on CSR-related topics every year. For more information on the performance conditions of 2023 plans, see Section 2.2.3.4 – Employee profit sharing plans of the 2023 Universal Registration Document.

Other employees

Performance shares can be granted individually to certain employees who are not Partners.

Pension Plans

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

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

Generally, SCOR Group uses defined contribution pension plans.

As is the case for all senior executives employed in France, the members of the Executive Committee who joined SCOR before June 30, 2008 and are employed in France are entitled to a guaranteed pension plan conditional notably 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. This pension plan was closed to employees hired after June 30, 2008.

Executive Committee members that are not employed in France benefit from the collective pension schemes in place in their entity and do not have any specific plan.

For Executive Committee members under French contracts and hired before June 30, 2008, 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, less any pension benefits acquired under other collective and mandatory pension schemes. Moreover, this amount may under no circumstances exceed 45% of the average compensation over the last five years.

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 SM&CR.

In line with the PRA / FCA standards, SCOR UK is required to identify and apply Prescribed Responsibilities to those individuals who are performing key defined roles, along with a Management Responsibilities 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 SIM&CR 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 which also assists with ensuring compliance with PRA/FCA requirements. These elements are further detailed below.

B.2.1 OBJECTIVES AND GENERAL PRINCIPLES

The SCOR Group Fit and Proper Policy, which SCOR UK adheres to, 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 which relates to 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 five 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; ■ Head of Compliance ■ 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: for example, 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 laws, regulations or policies.

SCOR'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 and reviewed whenever a new strategic plan is approved, and continuously thereafter, based on recommendations from the Group's Executive Committee and the Board of Directors' Risk Committee. 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 is an integral part of each strategic plan and maintains an upper mid-level risk profile under the Forward 2026 plan. It aims at striking an appropriate balance between risk, capital adequacy and return, while respecting SCOR's key stakeholders' expectations and consists of five complementary layers: strategic limit, risk preferences, risk tolerances, operational limits and limits per risk. In execution of its objectives, SCOR UK's Board has set a risk appetite consistent with the Group's upper mid-level risk profile.

Strategic limit

SCOR UK has a Solvency Ratio Comfort Level with a process to manage the Company's solvency position in line with the objectives. The Company maintains and monitors its regulatory capital and solvency position on UK Solvency II's Standard Formula.

Risk preferences

Risk preferences are qualitative descriptions of the risks which SCOR UK is willing to accept. SCOR UK pursues an approach of thorough risk selection to optimise its risk profile and aims:

- to actively seek risk related to selected primary insurance and facultative reinsurance risks, mostly mainstream risks covered in P&C. SCOR UK is targeting a diversified portfolio in with a focus on the large corporate segment within the Specialty Insurance division of SCOR's P&C business unit. Business is underwritten in accordance with the global applicable non-life underwriting guidelines. SCOR UK is targeting a diversified portfolio in terms of business and geography covering various lines of business such as property energy and non-energy, offshore and shipbuilding, casualty, engineering as well as marine, aviation, space and inherent defect insurance;
- to assume a moderate level of credit and market risk;
- to minimise its own operational and reputational risks;
- to select risks that are consistent with SCOR's ESG approach.

For other relevant risks and preferences, the risk preferences of SCOR Group apply as appropriate.

Risk tolerances

SCOR UK uses various risk measures to define limits set out in order to ensure that the Company's risk profile remains aligned with the risk appetite. SCOR UK uses various risk assessment measures to verify that its exposures remain within these limits. These measures can take several forms depending on the technical constraints or the level of information available and are based on either capital model outputs, scenarios or expert opinions:

- Risk pools - Mutually exclusive and collectively exhaustive aggregation of one or several lines of business with similar characteristics;
- Footprints - A set of "what if" scenarios, designed to be both extreme and plausible and illustrate the economic impact of an event across the Company. No limit is set, the assessment and result of a footprint might trigger the adaptation of strategic or operational limits.

Operational limits

- Underwriting - Actionable limits with defined reporting thresholds on portfolio level;
- Investments - The Company's investment guidelines define limits for invested assets. These limits cover strategic asset allocation and minimum average ratings.

Limits per risk

Granular limits stipulated in SCOR's P&C underwriting guidelines and SCOR UK's investment guidelines. SCOR UK underwriters must operate within the maximum capacities per risk as well as the P&C referral framework as set out in the global underwriting guidelines. Additionally, underwriters must ensure compliance with SCOR P&C portfolio aggregate capacities as specified in the underwriting guidelines by line of business e.g. Cyber, Terrorism or NatCat capacities. SCOR UK's reinsurance treaty arrangements are set to manage the Company's retained risk exposures at portfolio level.

SCOR UK has established a set of limits per risk, aligned with the globally approved underwriting guidelines and local investment guidelines approved by SCOR UK's Board. This is supplemented with limits by risk category and scenario analysis as part of the annual Own Risk & Solvency Assessment (ORSA) to measure the appropriateness of the solvency position considering the impacts that the approved business plans and strategy are expected to have on the Company's medium-term horizon capital needs under a baseline and adverse scenarios. In the event of breaching these limits, the Company's overall solvency may be affected and different levels of management actions would be taken. For further information on specific risk management strategies and processes, see Chapter C – Risk Profile.

B.3.2 ERM FRAMEWORK

The Chief Risk Officer CRO area relies on an ERM framework composed of various risk management mechanisms as described in the following sections. These mechanisms are adapted to business units and legal entities, including SCOR UK, when appropriate. Some mechanisms are only relevant at Group or business unit level and are not implemented specifically at the legal entity level, in line with materiality principles. For further details refer to section B.3.2 – ERM framework of the SCOR Group SFCR at www.scor.com.

B.3.2.1 INTERNAL ENVIRONMENT

Dedicated departments from within SCOR's CRO area facilitate the definition and monitoring of the internal environment and the governance of risk management. A primary focus of the CRO area is to develop and manage ERM mechanisms and to promote ERM concepts throughout the Group, in addition to providing risk management challenge and support for (re)insurance underwriting and investments.

A key component of the governance of risk management is the establishment of Group policies and guidelines. These Group policies are not intended to enumerate all the rules governing SCOR's activities in the different countries in which the Group operates, but rather to establish certain principles intended to ensure that SCOR Group companies and employees share a common understanding of the Group's standards and that they work in compliance with these standards. When approved, these documents are made available to employees on a platform fully dedicated to the policies in force and accessible via the SCOR intranet page. As part of SCOR Group, SCOR UK's Board of Directors adopts group policies and local addenda as appropriate.

Compliance with local regulations and constraints is ensured by Hub General Counsels and the local Compliance function.

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

SCOR's strategic plans establish the Group's risk appetite framework from which SCOR UK's objectives stem.

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

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

As an integral part of SCOR Group, SCOR UK supports the execution of the SCOR Group's 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

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

- a risk information process: every quarter, the Group Risk Committee and the Board of Directors review the "Group Risk Dashboard" which describes and assesses the major risks to which the Group is exposed. This report 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:

- a "risk pools" 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. Each risk pool is a mutually exclusive and collectively exhaustive aggregation of one or several lines of business with similar characteristics. The risk exposure is measured on a full economic basis (1 in 200 years return period) with the Internal Model and is limited to a percentage of the Group's available capital;
- a "footprint scenario" system, designed to be both extreme and plausible and illustrate the economic impact of an event across the Group. No limit is set, the assessment and result of a footprint might trigger the adaptation of strategic or operational limits;
- operational limits on underwriting and investments;

- granular limits per risk stipulated in underwriting and investment guidelines;
- an emerging risks process which is part of SCOR's ERM Framework and is linked to other risk management methods such as the use of "'footprint scenarios". Potential emerging risks are identified and individual risk assessments are carried out by experts from the business units and the Group functions. Significant emerging risks are then reported to the Group Executive Committee and Board. SCOR, as a member of the CRO Forum, also actively participates and contributes to the CRO Forum Emerging Risks Initiative (ERI) alongside other major insurers and reinsurers;
- SCOR's ORSA (Own Risk & Solvency Assessment), which provides SCOR SE's Board and those of the European legal entities regulated by the Solvency II Directive, the Group Executive Committee and senior management of these legal entities with forward-looking information on the respective risk and capital positions of the Group and legal entities;
- SCOR's internal model, which is deeply embedded in SCOR's risk management system and contributes to the assessment of risks. SCOR uses its internal model for determining economic capital. Its results are used to implement SCOR's underwriting and investment policies and guidelines.

Where relevant, the analyses from these processes are reported to the Group Risk Committee, the Board Risk Committee and 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 and outputs from global processes, but with some adaptations where appropriate. SCOR UK's risk information process is based on local assessments for most risks while leveraging from group assessments where relevant such as for macro-economic risks. On a quarterly basis, SCOR UK monitors the regulatory solvency position to take appropriate actions. Key risk indicators for main risk categories are monitored and reported in the local risk appetite statement. The Company uses the Standard Formula in accordance with the PRA's Rulebook for determining regulatory capital; following the UK's departure from the European Union ("EU"), the reformed Solvency II regime ("Solvency UK") may move away from key EU regulatory standards over time.

B.3.2.4 MAIN CONTROL ACTIVITIES

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

This section summarises the principal activities and participants of risk control for the following important areas:

- key functions;
- activities related to (re)insurance;
- investments;
- accounting management.

The control activities described below are considered as 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, on core business and investment process level or on support process level, as appropriate.

Key functions

Four key governance functions play an important role in SCOR UK's system of governance. These functions contribute to the implementation of an effective system of governance that provides for sound and prudent management.

This section summarises the principal responsibilities of the Risk Management Function in SCOR. For more information on other key functions, please refer to Sections B.4.2 – Compliance function, B.5 Internal Audit function and B.6 Actuarial function.

Risk Management functions

SCOR UK's risk management function is conducted within the organisation of SCOR Group's risk management key function, performing its responsibilities with the involvement of other risk management departments where appropriate. The risk management function of the Group is composed of the following departments:

- Risk Coverage ensures the identification, assessment and monitoring of all risks, reviews the strategic plan from a risk perspective and supports the development of the Risk Appetite Framework as well as actions to ensure exposures remain within their limits. Risk Coverage maintains and enhances business proximity by providing risk expertise and in-depth analyses of risk across the Group;
- Prudential & Regulatory Affairs advises the Group on prudential regulations. It ensures the Group actively positions itself in relation to the different jurisdictions and requirements to which it is exposed or could be exposed and continuously develops and promotes SCOR's leading risk management expertise through regular dialogue with internal and external stakeholders, including staff, clients, supervisors, the (re)insurance industry, academia and the public. Prudential and Regulatory Affairs also provides specialist expertise to SCOR

colleagues via the Solvency II Center of Excellence and prepares the Group for the adoption of major new prudential regulations;

- Central Pricing sets in place an overarching governance framework for pricing methods, models and tools, defines consistent global pricing policy, parameters and assumptions, provides assurance through peer reviews for Pricing Risk Referrals on material transactions and selected deep dives in pricing approaches and parameter settings of critical lines of business;
- Risk Capital operates SCOR's internal model and provides a detailed quantitative analysis on the modeled range of changes in economic value. It provides reports to management on risk assessment and actively assists the Company in its various uses of the internal model. It ensures that regular external and internal risk reports are provided in line with defined governance;
- Risk Modelling ensures that the internal model is appropriate for SCOR's risk profile, proportionate and complete to the risks. It continuously improves and maintains the internal model by collecting change requests, proposing priorities, and implementing model changes. The team also provides analyses of change including sensitivity analyses and model documentation;
- the Group Chief Actuary and his team report to the Chief Risk Officer. See Section B.6 - Actuarial function for further information on the role and responsibilities of the actuarial key function.

Activities related to (re)insurance

The operating and control procedures concerning underwriting, pricing, administration of (re)insurance contracts and claims management are validated by SCOR 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.

Investments

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

Governance and principles

The Group has harmonised the principles governing the management of its assets based on three documents:

- "Group Policy on Invested Assets" defines the Group's policy and governance in terms of asset management;
- "Group Sustainable Policy" defines the main orientations of the Group's sustainability approach notably for the invested assets;
- "Group Investment Guidelines" specify the list of asset classes and financial instruments in which SCOR's portfolios can be invested, as well as the list of investment restrictions and concentration limits.

Together these documents set the rules to be applied by all internal and external asset managers on behalf of SCOR UK. They are complemented by SCOR UK's investment guidelines, which specify the Company's investment universe of invested assets as well as concentration limits.

The Group Investment Committee meets at least once every quarter. Its role is to define the strategic and tactical asset allocation, in line with risk appetite and risk limits. At the 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 portfolio positioning with the local investment guidelines.

Investment strategy

As far as invested assets are concerned, the primary investment objective of SCOR is to generate recurring financial income in accordance with the risk appetite framework of the Group and its sustainability preferences, and 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; and
- contributing to SCOR's raison d'être

in compliance with legal entities' investment guidelines, risk appetites and regulatory capital requirements (level of capital and type of admissible assets), and Group and local investment guidelines. This strategy is reflected in SCOR UK's local investment guidelines.

Operational framework

SCOR SE has outsourced its asset management activities to SCOR Investment Partners under a Master Investment Management Agreement ("MIMA"). The asset management company is managing the portfolios for all legal entities listed in the MIMA, including SCOR UK. SCOR Investment Partners may sub-delegate part of its investment services to third parties following the rules defined in the Manual of Group Investment Guidelines. The Head of Asset Owner Office is process owner of the outsourcing and of the MIMA.

Reporting and risk monitoring

The Asset Owner Office monitors the asset allocation at Group level. It produces reporting on invested assets performance, invested assets risks and invested assets compliance on a quarterly basis. In particular, a quarterly reporting is sent to the Group Investment Committee describing:

- the development of the portfolio of invested assets over the quarter;
- the changes in the Tactical Asset Allocation;
- the IFRS and total return performance of the invested assets;
- key metrics on risks including stress tests and capital consumption, and compliance monitoring;
- the implementation of the sustainable investment strategy.

Additionally, the Asset Owner Office produces reports for the local investment committees, including SCOR UK, in order to provide the legal entity boards and regulators with the required information to monitor their asset portfolios and associated invested assets risks.

Accounting management

The Solvency II reporting process is built upon the group-wide IFRS reporting process and the local UK GAAP 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 2023 Universal Registration Document, and their extension to solvency reporting.

B.3.2.5 INFORMATION AND COMMUNICATION

SCOR's 2023 Universal Registration Document is produced via a specific process that ensures the contribution of all relevant departments and the consistency of the information provided. A final review is performed by members of SCOR SE's Executive Committee.

Similarly, for the Solvency and Financial Condition Reporting and other Solvency II reporting, a specific process has been implemented to coordinate the contribution of all relevant Group and local departments and the consistency of the information provided. A final review is performed by senior management, members of the Executive Committee(s) and the 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 exposure on a regular basis and has dedicated risk management mechanisms in the three business units in order to evaluate the appropriateness and effectiveness of controls and propose risk management and mitigation measures. See section B.3.2.3 - Identification and assessment of risks.

SCOR operates an Internal Control System Competence Centre ("ICS-CC"). The core objective of the ICS-CC is to pool ICS expertise in order to foster a consistent ICS approach and application of ICS standards across the Group. For more information on the Internal Control System, see section B.4.1 – Description of the internal control system.

In addition, and in accordance with its risk-based audit plan and through its periodic assignment, Group Internal Audit provides independent and objective assessments on the adequacy, effectiveness and efficiency of the internal control system for the scopes audited. Any findings lead to recommendations and management remediation actions, which are followed up by Group Internal Audit. When Group Internal Audit concludes that management has accepted a level of risk that may be unacceptable to the organisation, it must discuss the matter with the Group 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 area manages the "internal management representation letters" process, which also incorporates certain points relative to internal control of accounting and financial reporting.

B.3.3 CAPITAL MODEL CONTRIBUTION TO THE ERM FRAMEWORK

SCOR uses its approved internal model to inform management decisions which involve risk management or solvency considerations. SCOR UK is maintaining regulatory solvency capital on the Standard Formula basis under UK Solvency II. Similarly, SCOR UK uses this capital model to inform management decisions which involve risk management or solvency considerations. The risk modules reported for the Standard Formula calculations include P&C underwriting and reserving risk, operational risk, market risk, counterparty default risk and the loss absorbing capacity effect of deferred tax. For further information refer to Chapter E – Capital Management.

SCOR UK is exposed to other risks not included in the Standard Formula calculation including strategic risks, liquidity and emerging risks. These risks are not expected to have an immediate impact on the Solvency Ratio and are monitored and managed through specific processes.

B.3.4 ORSA CONTRIBUTION TO THE RISK MANAGEMENT FRAMEWORK

The ORSA process is a key mechanism of SCOR Group's ERM framework and is an integral part of the risk management system leveraging the Group's capital management and strategic planning processes.

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 risks to which the Company is exposed;
- 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 business objectives and risk profile, including an analysis of any excess or shortfall in the Eligible Own Funds. For further information on capital management processes, see section E.1 – Own Funds.

The ORSA process is embedded in SCOR UK's system of governance and is taken into account on an on-going basis in the Company's decision-making process. Examples include Board consideration of capital requirements informing:

- strategic decisions;
- operating plans, for both short term and longer term;
- capital management, such as the projections of capital requirements and solvency positions under various scenarios over the ORSA time horizon;
- material initiatives where appropriate, to support the objectives of SCOR Group's strategic plan and the Company's business objectives.

The Board of the Company ensures the definition and implementation of the operating plan are closely aligned with its risk strategy, including the risk appetite framework and the capital planning exercise. In view of its business strategy, the Company identifies and assesses the risks involved in achieving this strategy over the length of its operating plan, revises ongoing adequacy of the risk tolerance limits and quantifies the major risks.

The risk mitigation strategy, including reinsurance planning, is also taken into account. The Company maintains a coherent reinsurance programme that supports the adherence to the risk tolerance limits, provides protection to its capital and solvency, achieves an acceptable net risk exposure, and eventually enhances its ability to accept a diversified book of business without compromising its profitability expectations.

In addition, the business plan forms the central scenario (i.e. the most likely outcome from SCOR UK's perspective) of the Company's capital planning exercise, through which the Company projects and monitors the amount of capital necessary to respect SCOR Group's strategic objectives over the planning horizon. This involves the projections of the Company's solvency capital requirements and eligible own funds under both the central scenario and adverse scenarios. These projections are not only assessed to ensure continuous compliance with the capital requirements, but also to establish an early warning system to identify changes in the risk profile. This enables the Company to plan possible remedial actions (e.g. change in reinsurance) and/or establish precautionary mitigation actions. Additionally, the Company has considered "reverse stress scenarios" that could threaten its ongoing viability.

The ORSA is performed at least annually or more frequently when significant changes in the risk profile of the Company occur. The ORSA results are approved by the Board (see Section B.1.3 – Governance structure).

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

B.4 Internal control system

B.4.1 DESCRIPTION OF THE INTERNAL 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. These standards consist of ICS principles and mechanisms to be applied to assess the effectiveness of the ICS. The ICS is defined at Group level and applied consistently across the Group, in line with the proportionality principle, without prejudice of further and/or more stringent requirements from local applicable laws, regulations or policies. Where deemed relevant and appropriate, SCOR UK has adapted the processes defined at Group or business unit level, or implemented its own local processes in order to reflect local specific requirements.

The core objective of the Internal Control System Competence Centre (ICS-CC) is to pool the 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 work to coordinate the internal control formalisation activities within the Group, its business units and entities, and support the business process owners where necessary.

The ICS standards are applied based on the principle of proportionality. ICS processes have been documented accordingly, focusing on those considered the most critical. The ICS documentation is being maintained across the Group and regularly reviewed for continuous improvement. The approach used to develop and maintain the ICS 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's franchise, balance sheet or statement of income and indirectly its solvency. The optimal risk response is obtained through appropriately designed key controls;
- on a process level, appointment of process owners responsible for documenting processes, identifying the related critical risks, defining the appropriate key controls and ensuring their deployment and application either at Group, business unit or legal entity levels. Process owners are also responsible for assessing processes, risks and key controls;
- monitoring, upon completion of the initial documentation, through a self-assessment procedure on the maturity (quality) of control processes based on pre-defined criteria set by their owners.

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

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

In addition, and in accordance with its risk-based audit plan and through periodic assignments, Group Internal Audit (GIA) provides independent and objective assessments on the adequacy, effectiveness and efficiency of the ICS for the scopes audited. Any findings lead to recommendations and management remediation actions which are followed up by GIA.

B.4.2 COMPLIANCE FUNCTION

B.4.2.1 ORGANISATION OF THE COMPLIANCE FUNCTION

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

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

At Group level and for Solvency II related legal entities, including SCOR UK, compliance function holders are responsible for the compliance key function. Within SCOR UK the compliance key function holder is the Head of Compliance and also holds the SMF Compliance role (SMF 16).

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

B.4.2.2 POSITION AND INDEPENDENCE PRINCIPLES

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

The SCOR UK Head of Compliance has direct access to the Chairman and Chief Executive Officer and reports quarterly to the Board of Directors on any material compliance breaches and issues and also on any forthcoming regulatory changes that will impact SCOR UK.

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 follows a risk-based approach to compliance in accordance with the SCOR Group Policy on Risk Management, which is adopted on a local level. This involves identifying areas of high risk within SCOR 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 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's internal control system (ICS),
- providing reports on compliance matters.

Detection

Compliance breaches may be detected by any of the following:

- employee reporting process: all employees are responsible for ensuring compliance with applicable laws, regulations and policies in their daily duties as well as for escalating any actual or suspected compliance breach,
- controls as part of ICS procedures,
- 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.

Response

In response to compliance breaches, SCOR aims to 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 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.5.2 ORGANISATION

SCOR Group Internal Audit provides internal audit services to 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.

Planning, Auditing and Monitoring: SCOR UK's Internal Audit Plans are reviewed and approved by the SCOR UK Audit Committee and are integrated in the Group Internal Audit Plan. The Head of Group Internal Audit leads the internal audit department activities globally in order to avoid silo effects and ensure that (1) the same audit framework and methodologies are applied group-wide for each audit engagement and recommendations monitoring, (2) the auditors' assignments are based on skills in line with the audit objectives, benefiting from the Group Internal Audit full resource and comply with rotating principles.

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

B.5.3 INDEPENDENCE PRINCIPLES

Within SCOR Group, the Head of Group Internal Audit reports directly to the Group CEO to provide the necessary independence, and allow it the greatest possible freedom of investigation, while at the same time ensuring the effective and timely implementation of its recommendations and management actions. The SCOR UK Internal Audit 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 Group 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.

Group Internal Audit must and does have unrestricted access to all information, people, relevant systems and data regarding audit assignments and consulting projects, including easy access to and open communication with the 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 Administrative, Management or Supervisory Body (AMSB) of the reliability and adequacy of technical provisions;
- oversee the calculation of technical provisions in case of insufficient data of appropriate quality inducing the use of appropriate approximations, including case-by-case approaches, in the calculation of best-estimates;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements;

- contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements, and to the own risk and solvency assessment; and
- produce an annual written Actuarial Function Report submitted to the AMSB of SCOR UK. The report includes a description of tasks undertaken by the actuarial key function, an opinion on the technical provisions, the 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) with the support of other teams within SCOR (Underwriting teams, Retrocession teams, Modelling teams, Risk Management).

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.

The SCOR Group Outsourcing Policy is supplemented by the SCOR Group Guidelines on Outsourcing (the “Guidelines”).

The Guidelines provide an easy step by step process when considering outsourcing as covered by such Policy and Guidelines.

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. 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. Although the UK has ceased to be a Member State of the EU on January 31, 2021, due to the transposition into UK law, Solvency II requirements continue to apply in the UK. Therefore, as at the date of this report, SCOR UK continues to comply with existing Solvency II requirements.

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 fulfil 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/risk/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:

- 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. 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 by one of the UK's leading providers of services to the insurance industry. A designated person closely monitors the relationship, through accounts reviews, regular meetings and file audits;
- these outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by the designated person of SCOR UK in charge of monitoring.

B.7.3 MAIN INTRAGROUP OUTSOURCING ARRANGEMENTS

The SCOR Group operates through a hub structure and SCOR UK is situated within the EMEA Hub. SCOR UK does not have any employees as all UK based employees of SCOR are employed by a subsidiary of SCOR SE and then provide services (including underwriting, claims and actuarial) to SCOR entities operating in the EMEA 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 Executive 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 and the Audit Committee.

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

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 the SCOR UK Investment Committee.

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 situation or its results (or capacity to reach objectives). However, SCOR UK faces risks other than those described below: additional risks and uncertainties not currently known to SCOR UK, or that are currently deemed to be immaterial, may also have a material adverse impact on the Company's business, financial condition, results of operations or cash flows. If the risks disclosed in this section were to occur, they could potentially have a significant impact on SCOR UK's business, present and future revenues, net income, cash flows, financial position and solvency ratio. SCOR UK has identified the following categories of risks:

- underwriting risks related to P&C business;
- market risks;
- credit risks;
- liquidity risks;
- operational risks;
- strategic risks (refer to section C.7.1 – Strategic risks).

These risks, further described in this chapter, are managed through a variety of mechanisms in SCOR Group's ERM framework, adopted in SCOR UK's approach to risk management.

SCOR Group's ERM framework is further described in:

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

Reputational risk is considered as a consequence of serious mismanagement of any of the above risks leading to, for example, franchise damage, increased capital charge from regulators, downgrade, and loss of business or fall in share price. In addition, there are trends and risks that can have an impact across all the above risk categories, such as emerging risks and sustainability risks.

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 or in legal, jurisdictional, regulatory, social, political, economic, financial and environmental conditions.

Emerging risks may adversely affect SCOR UK's (re)insurance business due to either a change in interpretation of the contracts leading to extensions of covers beyond what was expected (e.g. due to the inapplicability or interpretation of certain clauses) or by increasing the frequency and/or severity of claims. Such risks may also lead to higher fluctuations than expected in macroeconomic 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.

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

Specifically, climate change creates a number of challenges for the (re)insurance industry and therefore for SCOR Group including SCOR UK. Climate change is likely to impact the risks associated with SCOR's strategy, underwriting, investments and operations due to physical climate risks (e.g. effects of broad climate trends or "chronic" risks and the frequency and/or severity of natural catastrophes or "acute" risks), the creation of transition risks (due to the shift towards a low-carbon economy) and the potential to negatively impact the Group's reputation.

Although risk management mechanisms have been designed and rolled out in a consistent approach across the Group in order to prevent all risks from having a significant impact, there is no guarantee that these mechanisms achieve their intended purpose. Many of SCOR UK's methods for managing risks and exposures are based on observed historical market behavior, statistics based on historical models, or expert judgment. As a result, these methods may not fully predict future exposures, which may be significantly greater than estimated, particularly in unstable or volatile markets and environments. Other risk management methods involve assessing 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. Therefore, SCOR UK cannot rule out the possibility of its risk exposure exceeding risk tolerance limits due to an incorrect estimation of these risk exposures. If the risks disclosed in this section were to occur, they could potentially have a significant effect on SCOR UK's present and future business, cash flows, eligible own funds and solvency position.

As mentioned in section B.3.3 – Capital Model contribution to the ERM framework, the risk modules in SCOR UK's capital calculation include P&C underwriting and reserving risk, market risk including interest rate risks and currency risks, , counterparty default risk, operational risks and an adjustment for the loss absorbing capacity of deferred tax. For further information on risks included in SCOR UK's capital calculation see Chapter E – Capital Management.

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

For quantitative information on all risk categories, including changes over the reporting period, see Section E.2.1 – Solvency Capital Requirement.

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 material new initiatives. As part of its ORSA process, SCOR UK assesses the expected financial and capital impact of the Company's objectives over a multi-year horizon, as well as impacts of a range of severe but possible adverse scenarios, including combinations of severe events. This enables the adequacy, resilience and sensitivity of the current and planned solvency positions to be tested and possible management actions to be identified. Bespoke sensitivity studies are conducted at the request of Management and the Board.

The minimum capital requirement that meets the regulator's solvency requirement is calculated quarterly and presented annually to the Board. Deviations to the business plan are monitored to ensure that, in the case of large movements or significant 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. These include the analysis of adverse scenarios in the own risk and solvency assessment process.

Sensitivity to underwriting risk (SCOR UK's most significant risk) is evaluated through a variety of mechanisms explained in section B.2.1.1 – Management of underwriting risks related to P&C business. Through its invested assets being dominated by bonds, SCOR UK is sensitive to interest rate and spread risk.

C.2 Underwriting risks

The main risk SCOR UK faces in relation to (re)insurance contracts is that the actual amounts of claims and indemnity payments, or the timing thereof, differ from estimates. The frequency of claims, their severity, the actual payments made, the development of long-tail claims (whether they be litigated or not), and external factors (such as those listed below), are all beyond SCOR UK's control. In view of these uncertainties, the Company seeks to ensure that sufficient reserves are available to cover its liabilities. Other external factors such as professional practices, legal, jurisdictional, regulatory, social, political, economic, financial and environmental conditions create uncertainties and may adversely affect SCOR UK's business due to either an interpretation of the contracts leading to an unintended extension of coverage (e.g. through inapplicability or interpretation or overriding of contract clauses) or by increasing the frequency and/or severity of claims beyond what was anticipated at the time of the underwriting.

SCOR UK's underwriting risk exposure is mitigated by diversification across a large portfolio of (re)insurance contracts as well as careful business selection, implementation of underwriting guidelines, centralised underwriting management, use of retrocession and other risk transfer arrangements and proactive claims handling as well as underwriting, claims and administration audits at client companies.

. For further details on reinsurance protection, see section C.2.3 – Reinsurance and other risk mitigation techniques.

Consistent with the Group's strategy of selective market and business unit development, SCOR 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, pricing, 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 BUSINESS

SCOR UK writes direct (re)insurance, primarily on a business-to-business basis to cover large corporate risks through the Specialty Insurance domain of SCOR Group's P&C business unit as well as joint ventures with third parties and other

SCOR Group entities. The portfolio is diversified geographically and by line of business covering all major lines, with the most material being property and casualty.

The main risks linked to this business are natural catastrophes and other short-tail man-made risks (such as acts of terrorism (to a limited extent)), inadequate pricing levels and long-tail risks (such as large liability losses), as well as other risks beyond its direct control, such as systemic crisis or business cyclicality.

In line with the Group's initiative to grow its managing general agent (MGA) business in EMEA, a portion of the Company's portfolio is written by MGAs on behalf of SCOR UK under delegated underwriting authority agreements. MGAs provide the Company with access to niche expertise and distribution that complements the existing wholesale broker and direct client relationship model. SCOR has dedicated systems, risk management and due diligence processes in place and guidelines for assessing MGA partnerships, in order to ensure alignment of interests as a key principle. The target market of the MGA business, small and medium-sized enterprises (SMEs) as well as in limited cases niche retail insurance, differs from the traditional market, large corporates, served by the Company. While immaterial to the overall portfolio, retail business exposes the Company to a potentially higher level of consumer duty conduct risk, for which dedicated processes are in place.

More information on the dedicated risk management processes is provided in Section C.2.1.6 – Management of underwriting risks related to P&C business.

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

The subsequent sections provide more information on the main underlying risks linked to SCOR UK's underwriting business.

NATURAL CATASTROPHES

SCOR UK's property business is exposed to multiple insured losses arising from single or multiple natural peril events. Natural catastrophes, such as hurricanes, typhoons, windstorms, floods, hail, severe winter storms and earthquakes can generate material insured losses in property, engineering and possibly other lines of business.

The most material natural catastrophes to which SCOR UK is exposed include North Atlantic hurricanes and earthquakes in North America.

In modelling losses, natural catastrophe models focus on property damage and consequential business interruption losses triggered when a natural catastrophe affects the insured's property. Sophisticated tools are used to model the underlying physical phenomena and their impact on the Company's risk profile.

With respect to climate change, SCOR UK's underwriting business is exposed to physical climate risks, caused by changes in the frequency and severity of certain natural catastrophe events that are predicted in global warning scenarios. Although scientific understanding of the link between global warming and the occurrence of certain catastrophe events is still developing, catastrophe events that are potentially impacted to various degrees include hurricanes (including storm surges and pluvial flooding), floods (both river flooding and pluvial flooding), heatwaves, wildfires and droughts. SCOR UK's long-term profitability and the ongoing insurability of certain classes of business could be negatively impacted in the event that climate change causes an increase in the frequency and/or severity of these natural phenomena if there is no timely adaptation in the strategy.

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

OTHER SHORT-TAIL RISKS

SCOR UK's property business is also exposed to multiple insured losses, arising from single or multiple man-made events. The short-tail lines of business mostly exposed to man-made catastrophes are property (excluding natural catastrophes), engineering, marine, aviation and space.

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

SCOR UK is exposed to single or multiple terrorist attacks through some contracts and national terrorism pools. The US market in particular is exposed to significant terrorism risks due to the insurance obligation stipulated by law. However, federal aid is also provided by the Terrorism Risk Insurance Program Reauthorisation Act ("TRIPRA"), which runs until the end of 2027.

INADEQUATE PRICING

SCOR UK's business is exposed to the risk of inadequate prices, particularly in soft market environments with terms and conditions resulting in insufficient premium to cover claims costs and profitability requirements. This can arise from a variety of causes such as the application of underwriting guidelines being inconsistent with market conditions, contract wordings being misleading, pricing mechanisms not reflecting all risks adequately, adverse court decisions/developments and/or changes in the legal environment. This is particularly relevant for long-tail lines of business and multiple year contracts such as casualty, engineering and inherent defect insurance.

P&C LONG-TAIL RISKS

Long-tail lines of business, such as casualty lines (including general liability, professional liability and financial lines), credit and surety, inherent defect and construction warranty as well as medical malpractice are exposed to the risk of material reserve deteriorations (or long-tail reserve deterioration). This is due to the time required for claims materialisation and settlement.

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

For further information on risks related to technical provisions, please see Section C.2.2 – Risks related to technical provisions.

Casualty loss events

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

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

OTHER RISKS

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

Systemic crises

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

Those areas of SCOR UK’s business that are most exposed to climate transition risks are those related to the (re)insurance of carbon-intensive industries.

Cyclicality of the business

P&C (re)insurance businesses are cyclical. The primary consequences of a softening of the market are a reduction in P&C (re)insurance premium volumes in the market and an increase in competition. This could potentially lead to a loss of profitability for SCOR UK. Beyond the general trends, the premium rate cycle affects certain geographic markets and/or certain lines of business in different ways and to a varying extent, independently of each other. Insurance market cycles can also be disconnected from reinsurance market cycles; a diversified portfolio including reinsurance and insurance activities can help mitigate the effects of such cycles.

Risk Concentrations

The accumulation of risks, such as by regions, by lines of business or by exposure to individual events, may produce risk concentrations. Material concentration of risk in the business portfolio particularly relates to geographic accumulation of exposures to natural catastrophes. In terms of individual events, the largest concentrations of exposures are to North Atlantic hurricane, North American earthquake and man-made. In addition, systemic perils such as heightened global geopolitical and macroeconomic tensions have the potential to adversely impact SCOR UK’s business.

SCOR UK generates its business through both brokers and direct relationships with insurance company clients. The risk for SCOR UK is mainly the concentration of premiums written through a limited number of brokers or clients. A significant reduction in the business generated through these brokers or clients could potentially reduce premium volume and net income.

C.2.1.1 MANAGEMENT OF UNDERWRITING RISKS RELATED TO P&C BUSINESS

SCOR Group's CRO area and SCOR's P&C business unit, within which SCOR UK operates, are organised in order to enable them to assess and control risks at each level of the business:

- Most of SCOR UK's new and renewal business incepts throughout the calendar year, largely via annual underwriting plans which enable SCOR UK to monitor and manage its inwards business. SCOR UK's operating plan is informed annually by the management executive team of SCOR UK, then approved annually by its Board of Directors;
- Most of SCOR UK's (re)insurance underwriters work in the Single Risks domain of Specialty Insurance, which operates worldwide. The Single Risks area is dedicated to large corporate businesses and is geared to providing clients with solutions for coverage of large conventional risks;
- MGA and Reinsurance treaty underwriters may also provide support to SCOR UK on small and medium size facultative risks and joint venture initiatives in their respective territories;
- Underwriting and pricing guidelines specify the underwriting capacities delegated to each underwriter for each line of business, as well as the underwriting principles and pricing parameters to be applied. These guidelines are subject to a regular review and approval process. SCOR's underwriting guidelines are more restrictive regarding certain areas with increased uncertainty, for instance on the claims activity or in the legal environment;
- Underwriting guidelines in place within the P&C business unit specify (i) the underwriting rules and principles to be complied with; (ii) the underwriting capacities individually delegated to the underwriters in each of the markets and lines of business in which the Group operates; as well as (iii) the relevant maximum acceptable commitments per risk and per event and (iv) points of attention in the contract wordings, including recommended clauses for some aspects;
- Pricing guidelines and parameters apply to all business priced within the P&C business unit. These guidelines seek to ensure that the analyses provide: (i) a best estimate of the costs and profitability as well as the uncertainty surrounding estimates; (ii) assistance with underwriting decisions; and (iii) the suitable outputs needed for the risk management process. The guidelines aim to provide consistency and continuity across the organisation while taking into account differences in the underlying risks. Parameters are revised at least once a year. Contracts that meet certain thresholds are subject to mandatory peer reviews that have to be performed and documented before pricing is completed;
- The underwriting teams are supported by the P&C business unit's central underwriting management department. This department provides worldwide reinsurance and specialty insurance underwriting guidelines, policies regarding the delegation of capacity, underwriting support to specific lines of business or individual risks when required, ceding company portfolio analysis and risk surveys and is responsible for the monitoring and referral of non-standard business and for authorising exceptions to the underwriting guidelines. This centralised underwriting management process allows for consistent application of underwriting guidelines throughout the Group;
- Certain business opportunities going beyond the stipulations of the guidelines previously defined are subject to special referral procedures to ensure that decisions are taken at the appropriate management level. SCOR maintains clearly-defined referral processes escalating the decision on a business acceptance to the different management levels depending on the impact of the opportunity on SCOR Group's risk bearing capabilities. The different referral levels include global functions of the P&C business unit, the CRO area as well as SCOR's executive committee or the Group Underwriting Committee and SCOR's Board and SCOR UK's Board, as appropriate;.
- MGA and other delegated underwriting business is subject to dedicated processes and defined gross capacities. Dedicated committees are in place to review and approve any new business cases prior to binding of risk, subject to minimum due diligence requirements. All MGAs must operate to defined guidelines detailing the business to be accepted by SCOR and alignment of SCOR/MGA interests. Existing relationships are subject to regular audits and monitoring, with specific referral triggers in place to manage and approve changes in business or risk profile;
- Pricing and Modelling teams are responsible for the pricing of reinsurance business, done at individual contract treaty level, and for the insurance business. Guidelines, methods and tools are set and maintained centrally and are used by the local pricing teams across the SCOR offices. Delegation authorities specify criteria under which the underwriters may price certain contracts still subject to the use of the Pricing Guidelines and tools. Pricing actuaries work closely with underwriters and modellers by market or line of business. Pricing referral procedures are in place, triggering pricing reviews by different levels of Pricing & Modelling management as well as the CRO area depending on the size of the deal;
- Groupwide accumulations across lines of business are monitored by a dedicated team. Gross exposures to earthquake and storm risks are measured using proprietary vendor models from industry-leading catastrophe model suppliers, including Risk Management Solutions RiskLink® ("RMS") and AIR Worldwide Catrader®

("AIR"). These tools enable the Group to quantify its exposure in terms of a probable maximum loss ("PML") at various levels of probability for each peril and geographic location as well as the overall aggregate annual PML per peril, allowing for potential multiple events, providing information required to determine the appropriate level of reinsurance and other alternative risk transfer solutions (e.g. catastrophe bonds). MGA exposures to key accumulations such as Nat Cat, terrorism and cyber, must be quantified prior to finalising any MGA contract in any country where such capacity is monitored and controlled;

- In relation to climate change, the models used to price natural catastrophe business (both new and renewed) are calibrated using recent claims data as well as other inputs such as results from available scientific studies. As such, changes in frequency and severity of the natural perils that SCOR underwrites, whether related to climate change indications or not, are considered in the pricing of contracts. In terms of managing climate transition risks, SCOR has already made certain underwriting commitments that are a strong step towards reducing the company's exposure to certain carbon-intensive sectors. In addition, SCOR has introduced referral procedures and environmental, social and governance (ESG) scoring components for the underwriting of insurance and facultative reinsurance within the mining and energy sectors;
- For non-Nat Cat business, per-risk accumulation limits are defined in SCOR Group's underwriting guidelines. Underwriting functions are responsible for the application of these guidelines within their business unit. Terrorism exposures are monitored on a worldwide basis as a fully integrated part of the Underwriting Management Framework;
- In order to mitigate its gross property exposure (impacted by NatCat events and large loss claims trends), SCOR UK cedes a portion of the risks it underwrites. See Section C.2.3 – Reinsurance and other risk mitigation techniques for further information;
- Claims handling is performed by dedicated teams, which review, process and monitor reported claims. These teams are responsible for the implementation and overview of the overall claims handling and commutation management policy for SCOR UK, implementing worldwide control and reporting procedures and manages commutation of portfolios and commitments. It supports and oversees the day-to-day activity and takes up the direct management of large, litigious, serial and latent claims as well as monitoring of claims handling delegated to third parties. In addition, periodic audits are conducted on specific claims and lines of business, and claims processing and procedures are examined 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's technical provisions is controlled based on specific procedures. For further information on how risks related to technical provisions are managed, see Section C.2.2 – Risks related to technical provisions;
- Risks specific to the administration of contracts are subject to checks performed at the subsidiary and branch level through the "Internal Control System" framework. Application of this framework is regularly controlled by Group Internal Audit. SCOR's Group Information System includes multiple automatic checks and additional tools;
- A review of technical results is performed on a quarterly basis;
- SCOR UK's Risk Management function is a major contributor to the Company's quarterly Risk, Capital and Compliance Committee meetings, responsible for overseeing and guiding the identification, management and monitoring of risks and defined mitigation actions with the Company's management;
- In-force portfolio reviews are conducted to provide independent technical assessments on the underwriting, pricing & modelling, reserving technical accounting and claims handling of particular market areas, lines of business or portfolios, depending on the defined scope. The process to select the portfolios and areas in scope of the reviews is guided by a risk-based approach.

C.2.2 RISKS RELATED TO TECHNICAL PROVISIONS

SCOR UK's technical provisions are established based on the information it receives from insurance and ceding clients, including their own assessments, as well as on the basis of the Company's knowledge of the risks, the studies it conducts and the trends it observes on a regular basis. As part of the technical provisions process, SCOR 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 dependent on clients' own technical provisions assessments.

As is the case for all other (re)insurers, the inherent uncertainties in estimating technical provisions are compounded by the significant periods of time that often elapse between the occurrence of an insured loss and the reporting of the loss to the lead primary insurer and ultimately to the other (re)insurers.

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. 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 TECHNICAL PROVISION RISKS

With regards to technical provisions 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.

External consulting firms can be mandated to review certain aspects of the reserve calculation and thereby support internal analysis and validation.

Around its technical provisions risk, SCOR UK has put in place a strict and robust corporate governance structure with transparent decision processes and several levels of local control Additionally the Group Chief Actuary is in charge of providing an independent opinion on the adequacy of the technical provisions, as well as the independent validation and testing of actuarial tools, workflows, assumptions and processes linked to technical provisions.

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

Solvency II Technical Provisions

The Solvency II technical provisions are composed of Best Estimate Liabilities (BEL) and the Risk Margin. The Group Actuarial Function coordinates the calculation of technical provisions across the Group. It relies upon the existing processes and controls described in the Group's Actuarial Function Report (AFR). SCOR UK's processes and controls around technical provisions and its AFR are aligned with SCOR Group's. The AFR provides evidence that the duties of the Actuarial Function are being fulfilled, which are specifically to:

- coordinate the calculation of the technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- oversee the calculation of technical provisions in the cases set out in Article 82 of the Solvency II Directive;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions.

For further information on how technical provisions are valued, see Chapter D – Valuation for solvency purposes D.2 – Technical provisions.

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

- Externally audited UK GAAP reserves are the starting point for calculating the Solvency II technical provisions (before discounting). Thereafter, the adjustments made to move from UK GAAP reserves to the Solvency II technical provisions are reviewed internally and across functions according to the area of expertise of the appropriate stakeholders;
- SCOR UK's risk margin is calculated annually by the Risk Management function (based on the Standard Formula solvency capital requirement calculation) and is subject to review and validation by SCOR UK's Actuarial Function Holder.

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

C.2.3 REINSURANCE AND OTHER RISK MITIGATION TECHNIQUES

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

In addition to facultative reinsurance arranged for some large accounts, the reinsurance protection programme is set each year to ensure that SCOR UK's retained risk profile complies with the Company's risk appetite framework and to help the Company maximise its profitability while maintaining appropriate solvency 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. SCOR UK recognises this dependence on an individual reinsurer, for which less benefit for diversification is available in the calculation of SCOR UK's capital requirement, but provides risk mitigation via indirect external reinsurance for which main terms and conditions are mirrored in the Company's key intra-group reinsurance protections.

For further information on how credit risk related to reinsurers is managed, see Section C.4.1.2 – Credit risk related to reinsured liabilities.

C.3 Market risks

C.3.1 OVERVIEW OF MARKET RISKS

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

- interest rate risk;
- currency risk;
- equity risk;
- credit spread risk on the invested assets.

For further information on credit risk, see Section C.4 - Credit risks. The Company's current investment guidelines restrict the investment universe and as such SCOR UK is not directly exposed to real estate risks.

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

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

For quantitative information on market risk on SCOR UK's invested assets, 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.3.1.1 INTEREST RATE RISKS

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument fluctuates because of changes in interest rates. Interest rate fluctuations have direct consequences on both the market value and the return on SCOR UK's fixed income investments.

Interest rates are very sensitive to a number of external factors, including monetary and budgetary policies, the national and international economic and political environment, and the risk aversion of economic actors. An increase in interest rates usually leads 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 realising capital losses.

On the other hand, during periods of declining interest rates, income from investments is likely to fall due to investment of net cash flows and reinvestments of redemptions at rates lower than those of the existing portfolio (dilutive effect of new investments). For callable bonds for which the issuer has an option to redeem earlier than the ultimate maturity, the probability of having to reinvest the early proceeds at lower interest rates is increased.

As observed in 2023, interest rates can experience significant volatility as well as non-parallel changes in yield curves, which may result in simultaneous increases and decreases among different interest rate maturities. Given the current uncertainty regarding the future level of inflation, economic growth and the resulting central bank actions, interest rates volatility is likely to remain high in 2024.

SCOR UK's underwriting business is also exposed to interest rate risk. The value of long-term liabilities, the risk margin and deposits with clients are subject to discounting. The discounting impact from a change in interest rates on assets and liabilities will offset to some extent depending on the Company's duration mismatch between assets and liabilities.

As such, changes in interest rates can affect the Eligible Own Funds, the Solvency Capital Requirement and the Solvency Ratio of the Company.

C.3.1.2 CURRENCY RISKS

Currency risk is the risk of loss arising due to adverse changes in 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).

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. Some events, such as catastrophes, can have an impact on the asset-liability matching in a given currency, which can generate a temporary unmatched position which is not covered by currency contracts or hedges.

C.3.1.3 EQUITY & REAL ESTATE RISKS

Equity prices are likely to be affected by risks which affect the market as a whole (uncertainty regarding 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 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 direct exposure to the equity market is limited and SCOR UK has no direct exposure to the real estate market.

C.3.1.4 CREDIT SPREAD RISKS

Credit spread risk on invested assets is the risk of incurring a financial loss rising from the change in market assessment of the counterparty risk of the financial instruments or counterparties. Credit spread variations could have a direct impact on the market value of fixed-income securities and loans. In the current macroeconomic there is increased risk of corporate downgrades and as such increased credit spread risk.

C.3.2 MANAGEMENT OF MARKET RISKS

C.3.2.1 OVERVIEW OF RISK MANAGEMENT OF ASSETS

SCOR UK's investment strategy is prudent, with the majority of assets held in cash and fixed income securities. The approach is defined in line with risk appetites and risk tolerance limits and considers the economic and market environment and the asset-liability matching 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. Local investment guidelines are approved by the Company's Board of Directors.

SCOR, has outsourced the implementation of its investment strategy to its asset management company "SCOR Investment Partners SE" and to external asset managers. They are provided with the Company's Investment Guidelines, approved by the Company's Board.

Exposures to major risks are monitored on a weekly basis at Group level and stress tests measure the impact of parametric or footprint scenarios on the invested assets portfolio. These scenarios cover changes in interest rates, inflation, equities, credit spreads and the real estate market (noting SCOR UK does not have direct exposure to real estate). Analysis of portfolio sensitivity to major risks is an important management tool which is performed when making portfolio reallocation or hedging decisions.

In currency and geographic terms, SCOR UK is heavily exposed to USD denominated assets. 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 bonds and with a spread by country and currency that is appropriate to the underlying business. For more information regarding the principles applied to invest the assets in a prudent manner, see section B.2.3.4 – Main control activities – Asset Management in the SCOR Group's SRCF at www.scor.com.

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

C.3.2.2 MANAGEMENT OF INTEREST RATE RISKS

Interest rate risk is managed from a holistic point of view. SCOR UK monitors the interest rate sensitivity in the Economic Balance Sheet (EBS) quarterly. Regular monitoring enables the exposure to be compared with risk tolerances.

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

Interest rate risk is managed within the Group primarily at two levels. At the level of each entity, the Group takes account of regulatory and accounting constraints. At the Group level, SCOR reviews its consolidated investment portfolios in order to identify the overall level of risk and return. It uses analytical tools which guide both its strategic allocation and local distribution of assets. Sensitivity of invested assets to changes in interest rates is analysed on a weekly basis.

C.3.2.3 MANAGEMENT OF CURRENCY RISKS

SCOR UK does not actively hedge the eligible own funds through financial instruments. A variation in interest rates or exchange rates will impact the eligible own funds. Such economic variation would also affect the SCR. The resulting impact on the solvency ratio from a variation in interest or exchange rates would depend on the relative variation of both EOF and the SCR.

From an UK GAAP perspective, SCOR UK has a balance sheet hedging approach whereby there is an objective to match monetary assets and liabilities in each foreign currency within a prescribed tolerance, so that fluctuations in exchange rates have no material impact on the reported net income. The policy is to closely monitor the net monetary currency positions and, where appropriate, execute either cash arbitrages or future hedges.

C.3.2.4 MANAGEMENT OF EQUITY & REAL ESTATE RISKS

SCOR UK's exposure to equity risk is limited. SCOR UK currently has no direct exposure to the real estate market.

C.3.2.5 MANAGEMENT OF CREDIT SPREAD RISKS

The Company applies strict limits in terms of asset concentration by asset class but also within a single asset class and actively diversifies its portfolio (by type of investment, by issuer, by country and by sector). The application of these limits also helps to mitigate the counterparty default risk arising from investments.

C.4 Credit risks

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 OVERVIEW OF CREDIT RISKS

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

This includes credit default risk which is the risk that one party to a financial instrument or other asset will cause a financial loss to the other party by unexpectedly failing to discharge, either partially or fully, an obligation. Credit risk also includes credit migration risk, which is the risk of incurring a financial loss due to a change in the value of a contractual agreement following unexpected changes in the credit quality of the Company's counterparties.

SCOR UK is mainly exposed to the following credit risks or the accumulation of such risks in a single counterparty, the same sector of activity or the same country: from bond and loan portfolios, receivables from reinsurers, funds withheld by clients, cash deposits at banks and default of members of pools in which SCOR UK participates. SCOR UK is also exposed to credit risk through its small credit and surety (re)insurance portfolio in the form of underwriting losses which may accumulate under severe adverse economic conditions.

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 also applies also to loan transactions in which the Company might invest. A deterioration in the solvency position of the borrower may lead to a partial or total loss of the coupons and the nominal invested by SCOR UK.

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

C.4.1.2 CREDIT RISK RELATED TO (RE)INSURED LIABILITIES

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

Moreover, the Company is exposed to a credit risk in the event of a payment default by a reinsurer of the balance due in respect of its cession, including through timing differences between statement of accounts received and real payment due.

C.4.1.3 CREDIT RISK RELATED TO FUNDS WITHHELD BY CLIENTS

SCOR UK participates in several material joint 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 or a deterioration in its financial situation, in principle it is therefore possible that the Company will remain liable for claims due 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 banks, in the event that 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 SCOR's selection of the most stable banks.

C.4.1.5 OTHER CREDIT RISKS

Default of pool members

SCOR UK participates, for certain highly specialised risk categories that are material (particularly terrorist risks), in various market dedicated groups of insurers, reinsurers or other member "pools" aimed at pooling the relevant risks among the members of each group, which offers the best available expertise and risk sharing at market level. In the event of a total or partial default by one of the members of a group, in cases of joint liability of the members, all or part of the liabilities of the defaulting member may need to be assumed.

C.4.2 MANAGEMENT OF CREDIT RISKS

Credit risk is actively monitored and managed. The processes for managing the respective credit risks and the methods used to measure these risks are further described below. For further information on risk concentrations, refer to Section C.7.3 – Significant risk concentrations.

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 sector diversification. The Company maintains its investment policy in high-quality assets and in countries with low sovereign risk.

Exposure analyses are performed on a regular basis (sector, geographical area, counterparty and rating) and enables critical risks to be identified and evaluated so that appropriate actions can be taken.

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

Management of credit risk related to (re)insured liabilities

The majority of the reinsurers that SCOR UK cedes business to are affiliated SCOR entities. The Company assesses this exposure on a regular basis, with the reinsurance programmes being ratified by the Board on an annual basis.

Management of credit risk related to funds withheld by clients

The Company puts in place strong processes and controls to minimise risks associated with material joint business ventures. Annual audits are scheduled as well as underwriting, pricing and actuarial reserving meetings with joint venture clients. Additionally, regular claims, reserving and pricing reviews take place within the P&C business unit.

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

Management of credit risk related to cash deposits at banks

SCOR UK selects bank counterparties according to their rating and credit quality, aligned with SCOR Group's Treasury procedures. Concentration risk from cash deposits at banks is mitigated through counterparty exposure limits set by the EMEA Hub. SCOR 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 countries.

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 in which SCOR UK participates, the risk of default of other pool members is carefully monitored by SCOR UK via the careful consideration of the financial situation of other pool members. This contributes to the application of sound and robust governance.

C.5 Liquidity risks

C.5.1 OVERVIEW OF LIQUIDITY RISKS

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

C.5.1.1 LIQUIDITY NEEDS

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

While currently not as material, liquidity needs may also arise from increased collateral requirements, which may be required by some business organisations in case of SCOR UK default (non-compliance with financial covenants, a significant decrease in SCOR UK's financial strength rating etc), which would result in a deterioration of the Company's liquidity.

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 its liquidity needs. A catastrophic event that impacts financial markets and leads to large (re)insurance losses for SCOR UK could result in material liquidity risks.

The availability of additional financing for SCOR UK will depend on a variety of factors affecting the Group and SCOR SE. These notably include market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, SCOR Group's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of SCOR's (or SCOR UK's) long- or short-term financial prospects if large investment losses are incurred or if the level of business activity decreases due to a market downturn. Similarly, access to funds may be impaired if regulatory authorities or rating agencies take negative action that could penalise SCOR Group. The liquidity of several asset classes owned by SCOR Group may also be negatively impacted by changes in regulations or by non-conventional monetary policies. If so, these factors could prevent SCOR UK from successfully obtaining additional financing on favourable terms.

C.5.2 MANAGEMENT OF LIQUIDITY RISKS

SCOR manages liquidity holistically by considering the overall Group and local entity liquidity sources and needs. SCOR UK is fully embedded in the SCOR Group's liquidity management process. The Group's liquidity needs to cover catastrophe exposures are calibrated using the Group's gross (before retrocession) NatCat annual loss distributions, on top of other regular liquidity needs. SCOR has reduced its liquidity needs to cover catastrophe exposures by having a low retention ratio and the use of letters of credit.

SCOR UK considers that it has sufficiently liquid resources to meet expected payments as and when these become due. SCOR UK's short-term liquidity needs are monitored on a daily basis, with the nature of SCOR UK's large insurance risks portfolio often requiring settlements at irregular intervals and of sizeable, unevenly distributed amounts. SCOR UK produces a 12-month cash flow forecast on a quarterly basis as part of the integrated group-wide cashflow monitoring process. This analysis is used to identify and anticipate known large payments and to monitor underlying trends in settlement patterns.

SCOR UK's available cash, access to both local and Group organised bank borrowing facilities, its readily realisable investment portfolio and the contractual ability to cash call large claim recoveries in advance of settling the external claim through its intra-group reinsurance programme, means that SCOR UK does not consider that it has any material liquidity risk. The ability to make timely obligation payments, as measured through available cash, is monitored and reported to the Risk, Capital and Compliance Committee and Board on a quarterly basis.

C.5.3 EXPECTED PROFITS INCLUDED IN FUTURE PREMIUMS

SCOR UK's expected profit included in future premiums (EPIFP) as at year end 2023 amounts to GBP 150.9 million. EPIFP results are produced by SCOR UK for the purposes of QRT reporting. They are not used for internal processes regarding capital management, the details of which are provided in Chapter E – Capital Management. The EPIFP has increased in 2023 because it is now reported gross of reinsurance.

C.6 Operational risks

C.6.1 OVERVIEW OF OPERATIONAL RISKS

SCOR UK's main operational risks are aligned with those of the Group and the Specialty Insurance division of the P&C business unit, as described in Section C.6.1 – Overview of operational risks in the SCOR Group's SFCR at www.scor.com.

For quantitative information on operational risk, see Section C.1 – Introduction and Chapter E – Section 1.2 – Solvency Capital Requirement. Operational risks are inherent to all businesses including SCOR UK. SCOR UK's operational risks mainly from risks related to systems or facilities, staff, processes, the legal/regulatory environment, risks related to external fraud and cyber-attacks.

A material 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 monitors this risk by reviewing intra-group reinsurance and liquidity exposures and with Board oversight via shared governance with the P&C business unit and SCOR Group.

C.6.1.1 RISKS RELATED TO STAFF

Risks related to staff can arise as follows:

- incidents due to mistakes or non-compliance with instructions, guidelines or policies; these could also be caused by additional strain on staff resulting from heavy backlog of tasks and multiple project involvements;
- malicious or fraudulent acts by internal staff mandated by SCOR UK with authorised access to the Company's offices or systems, or taking advantage of SCOR UK's assets for personal gain, e.g. through the misappropriation of assets, intentional mismarking of positions or bribery;
- intentional damage to assets (including data) required by SCOR to perform its operations by internal or external staff could lead to significant remediation costs (including those related to rebuilding databases or systems);
- the failure to attract or retain sufficient workforce resources to conduct SCOR UK's operations;
- the failure to attract or retain key personnel or the loss of crucial information/skills concentrated in a single person, or of a whole team.

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

C.6.1.2 RISKS RELATED TO SYSTEMS OR FACILITIES

Risks related to systems or facilities can arise as follows:

- a malfunction or a major breakdown, outages, or disruptions in SCOR's IT systems, thefts or data breaches and erroneous data processing can occur within SCOR UK's own environment or in a third party providing services or data to SCOR, or in any system or facility which SCOR is providing to a third party;;
- interruption of any of SCOR's IT systems leading to loss of data, delays in service or in a loss of efficiency of teams, which could lead to remediation costs, loss of contracts or damage to the Group's reputation. In addition, these incidents could increase other operational risks such as external fraud or human error (e.g. delay in the recognition of adverse business development). The interruption of these systems could damage commercial activities including underwriting, pricing, reserving, premium and claims payment, commercial support, and asset management;
- in addition, the facilities in which SCOR operates might be impacted by natural or man-made hazards. They could also be affected by legal or management decisions (e.g. due to the pandemics or social conflict).

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

C.6.1.3 RISKS RELATED TO PROCESSES

SCOR UK's risk management policies, procedures and controls may not be appropriate or sufficient. In particular, any additional workload to the planned activities could reduce the effectiveness of some processes and controls. For example, the creation of a new business venture, the development of a new line of business, or any other project, may lead to an accumulation of operational risks.

Some of SCOR UK's processes are partially or fully outsourced, including in limited cases critical and important functions. Failed outsourced processes could lead to direct losses and other operational incidents. Refer to Section B.7 – Outsourcing for more information on the outsourcing framework and outsourced important or critical functions.

Since SCOR UK remains responsible for commitments or services contracted, including for outsourced activities, an inappropriate client relationship management or inadequate level of service and/or product quality provided by the Company to its clients or breach of contract may lead to a loss of profitable business relationships and/or reputational damage and potential regulatory intervention.

A limited amount of SCOR UK's business covers retail (specialty) insurance products, which exposes the Company more to conduct risk than more traditional commercial P&C specialty insurance services. While SCOR has dedicated processes in place to manage this risk, a failure of these processes to fully mitigate the risk could result in fines or litigation.

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

For further details on the main current regulatory developments which may have an impact on SCOR UK, please see Section C.7.1.3. – Risks related to legal and regulatory development in the SCOR Group's SFCR at www.scor.com.

C.6.1.4 RISKS RELATED TO EXTERNAL EVENTS

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

Legal and regulatory risk in SCOR UK's operating environment

As an international (re)insurer, SCOR UK must comply with national and international laws, regulations and accounting standards. This includes all applicable economic trade sanctions, programmes relating to anti-corruption, anti-money laundering, in addition to anti-terrorism laws, and laws and regulations applicable to its operations and insider trading. Laws and regulations applicable to some of SCOR UK's operations refer *inter alia* to the economic trade sanctions laws and regulations administered by the United States Department of the Treasury's Office of Foreign Assets Control (OFAC) and to certain laws administered by the United States Department of State. They also refer to applicable economic trade sanctions law, regulations and directives of the European Union and its member states where appropriate post-Brexit. Other directives with which SCOR UK complies apply to anti-money laundering, corruption, terrorism financing and insider trading. Regarding anti-corruption laws and regulations, in particular, SCOR UK must comply with the Foreign Corrupt Practices Act (FCPA) and other laws such as the UK Bribery Act. Additionally, SCOR UK complies with regulatory requirements regarding data management (both SCOR UK's data and that of its clients), in particular General Data Protection Regulation (GDPR), the Brazilian General Data Protection Law (LGPD), the Chinese Personal Information Protection Law and the California Privacy Rights Act ("CPRA").

The level of legal, regulatory, tax or accounting requirements depends on several factors including the type of business (e.g. primary insurance or reinsurance business), the location and SCOR UK's legal structure. The large number of different regulatory environments in which SCOR UK operates, as well as changes in present and future regulations, increase the complexity and risks of the related Group processes. Any violation of laws, regulations or accounting requirements could expose SCOR to fines, class actions with compensation payments, accounts restatements or business restrictions and reputational damage.

Following the UK's departure from the European Union and the end of the post-Brexit transition period from December 31, 2020, there is ongoing uncertainty on the evolution of the future UK Solvency II regulatory framework in the UK.

SCOR might change its operational business model in order to improve efficiency (e.g. through restructuring) and this could result in an increase in the operational risks to which the Group and hence its legal entities including SCOR UK is exposed.

The level of legal, regulatory, tax or accounting requirements depends on several factors including the type of business (e.g. primary insurance or reinsurance business). The large number of different regulatory environments in which SCOR operates, as well as changes in present and future regulations, increase the complexity and risks of the related Group processes. Any violation of laws, regulations or accounting requirements by SCOR or SCOR UK could potentially expose SCOR to fines, class actions with compensation payments, account reinstatements or business restrictions, and reputational damage.

Other risks related to external events

Risks related to external fraud

SCOR UK is exposed to external fraud which is characterised by the theft of certain Company assets by third parties or by clients. External fraud may be committed by various means including cyber-attacks which usually target cash, valuable assets, including financial assets, or data. Should an act of fraud succeed in bypassing the controls, or protection measures in place, this could generate a direct loss for the Company.

Risks related to cyber-attacks

SCOR UK is exposed to cyber-attacks which can be very diverse in their sophistication and execution. The main targets are system functions, data and cash management. Immediate repercussions include:

- systems could be slowed down, corrupted or stopped, potentially resulting in loss of productivity, corrupted data and remediation costs;
- funds could be stolen through fraudulent wire transfers;
- data could be stolen, deleted or corrupted, or made public in violation of SCOR's regulatory or contractual obligations.

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

C.6.2 MANAGEMENT OF OPERATIONAL RISKS

Process owners are responsible for managing operational risks within the processes. To meet high quality standards, the Group relies on highly qualified staff to manage processes and the risks within these processes.

In order to support the staff, SCOR has developed Internal Control System (ICS) standards. According to the ICS standards, process owners should be in a position to identify the critical operational risks within the processes assigned to their area of responsibility. The process owners design, implement and operate appropriate key controls and maintain the net risk exposure at or below an acceptable level of possible damage.

Experienced staff members collect relevant information and analyses on operational risks, on a qualitative and quantitative basis. The Group has also implemented dedicated regular risk reporting mechanisms in order to provide for an overview of operational risks across the Group and legal entities.

In addition, through its assignments, Group Internal Audit (GIA) contributes to the oversight of operational risk management.

Outsourcing some activities or processes may improve or streamline some aspects of a process. Principles to properly manage potential operational risks stemming from outsourcing of certain functions are set out in dedicated policies and guidelines. For more information on outsourcing, refer to Section B.7 Outsourcing.

For risks which may develop rapidly, such as cyber risk or external fraud, sanctions, cyber crime, SCOR frequently adapts its risk management, for example by organising specific training programs and sending regular warnings and detailed instructions to its employees.

Some operational risk is transferred in whole or in part through insurance covers to direct insurers as follows:

- the properties and other assets of SCOR and its subsidiaries are covered locally through property damage policies;
- risks which are mostly covered at Group level include civil liability risks related to the operation of the company caused by employees and real estate, professional liability risks, civil liability risks of directors and officers, and cyber risks.

Nevertheless, these insurance covers could prove to be insufficient and some losses could fall into the scope of the exclusion clauses (or interpreted as such by the insurance company).

SCOR UK leverages on processes and practices implemented at SCOR Group level and aims to minimise its own operational risk, which is intrinsic in the conduct of business and cannot be completely avoided. The Company has in place corresponding processes and controls to mitigate such risks. SCOR UK's operational risks are regularly assessed and monitored through the Company's executive summary qualitative risk dashboard, reviewed by the Risk, Capital and Compliance Committee and Board.

C.7 Other material risks

C.7.1 STRATEGIC RISKS

Strategic risks can be defined as the risks related to losses arising from an unsuccessful strategy or objectives. Strategic risks can arise as a consequence of either the strategy itself (such as the accumulation of or development of risks in lines of business or less known markets), from external risks (such as an adverse economic environment), or from internal risks (such as certain causes of operational risk). Therefore, many of the risks discussed throughout Chapter C – Risk profile, in addition to emerging, sustainability or reputational risks, could also impact the success of the strategy and achievement of SCOR UK's objectives.

The main strategic risks to which SCOR UK is exposed are:

- risks related to the uncertain geopolitical and macro-economic environment affecting strategy/objectives. Tensions in the Indo-Pacific, particularly the South China Sea, pose a risk to the world's busiest trade routes. The Middle East remains at risk due to ongoing conflict in Gaza and actions by Iranian proxies. The protracted war in Ukraine continues to destabilize Europe economically, politically, and strategically. Lastly, the US election, depending on its outcome, could further complicate Europe's security arrangement. All of these uncertainties are likely to continue keeping economic volatility high despite the progress achieved in 2023 to reduce inflation;
- the Company's results could be significantly affected by the economic and financial situation in Europe and other countries around the world. The level of global economic risk, while at an overall high level, decreased in 2023. Despite inflation having receded from the highest levels observed in decades and economic activity in the US being resilient, macroeconomic uncertainty remains worrying due to the geopolitical tensions mentioned above, the structural weaknesses of the Chinese and European economies, the global trend of declining labour productivity despite the digitalisation, the climate challenges, and the increasing public debt. These economic forces converge towards a persistently volatile macroeconomic and financial outlook, with risks of recession, especially in Europe and in China;
- effects of operating in highly competitive environment which could cause SCOR UK to lose competitive advantage or if adverse events had an impact on the (re)insurance industry;
- premiums could decline in the event of an unfavourable macroeconomic environment and profit margins could erode. In an economic downturn, the demand for SCOR UK's and its clients' products could be adversely affected. Factors such as government and consumer spending, corporate investment, the volatility and strength of both debt and equity markets, and inflation, all affect the business and economic environment and ultimately, the size and profitability of SCOR UK's business. The level of interest rates also plays a significant role in the amount of (re)insurance capital and hence capacity and prices. Low interest rates lead to an inflow of alternative capital into the industry which contributes to a softening of the (re)insurance market;
- significant and sustained deviations in the rate of inflation from its current trend may require an increase in technical provisions, in particular for long-tail business. SCOR UK's assets are also exposed to the risk of increased inflation, accompanied with a rise in the yield curve with a subsequent reduction in the market value of the fixed income portfolio and widening credit spreads leading to a loss in bond values. Inflation has continuously decreased in 2023 from the high levels observed at the end of 2022, following the significant tightening of monetary policy of central banks over the last two years. As a result, the balance between upside and downside inflation risk appears to be more evenly distributed in 2024. In this current environment both inflation and deflation risks must be considered. The risk of deflation, defined as a fall in prices and usually associated with an economic slowdown, cannot also be ruled out in the current environment, characterized by the imminent risk of depression and a lack of room for manoeuvre in relation to economic policies. A prolonged period of deflation could impact the Company in several ways. For example, the value of invested assets would be impacted if deflation is associated with a fluctuation in interest rates and corporate credit spreads. Another scenario could be that a fall in prices, leading to a decrease in premiums for a given amount of risk, combined with a decrease in organic growth due to the economic slowdown, would result in a drop in the volume of newly acquired premiums;the (re) industry and the Company's activities and results could be significantly impacted by heightened geopolitical tensions and trends directly and indirectly in the short and medium term. Geopolitical and macrcoeconomic environment risks are monitored via strategic planning and regular risk reporting mechanisms;
- adverse changes in legal and regulatory developments as well as SCOR's strategy being impacted by future legal or regulatory developments related to climate change or biodiversity loss. Tighter requirements and higher capital requirements, intended to further strengthen the protection of policyholders and/or financial stability, could affect the solvency ratio including a restricted underwriting capacity and a higher cost of doing business. The UK review of Solvency II in the context of Solvency UK is ongoing and may lead to differences from the current framework. Tighter government legislation to significantly curb carbon emissions and biodiversity loss may place restrictions on the business that SCOR can underwrite (e.g. carbon-intensive industries such as coal first and foremost, but possibly extending to other non-renewable energy sectors over time). Similarly, changes in tax legislation and regulations, or in their interpretation, may have a negative impact on the Company's performance, including its financial results and business model; and
- SCOR downgrade risk, actively monitored by a dedicated team under the supervision of the Group CFO. A significant multiple-notch downgrade of the Group could negatively impact the ability of SCOR UK to generate new business or retain in-force business, potentially leading to a reduction in Eligible Own Funds due to a reduction in expected future cash flows.

SCOR UK is exposed to similar strategic risks as the Specialty Insurance division of SCOR's P&C business unit through its underwriting and investment activities. For further details refer to Section C.7.1 – Strategic risk of the SCOR Group SFCR at www.scor.com.

C.7.2 OTHER STRATEGIC RISKS AT SCOR UK LEVEL

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

External factors

Economic, geopolitical and financial uncertainty has been affecting the market for the past several years. There is considerable uncertainty in the UK regarding the potential for further local post-Brexit regulatory change in the UK and as the cost-of-living crisis unfolds.

Structure Risks

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

Risks related to acquisitions

Acquisitions are managed at SCOR Group level, in coordination with each business unit depending on the size of the operation or the lines of business concerned. SCOR Group acquisitions may impact SCOR 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 reinsurance agreements with other SCOR affiliates directly impacted by the acquisition). Additionally, acquisitions may divert substantial amounts of management time from day-to-day operations.

Risks related to capital

SCOR UK is able to access capital through the SCOR Group, with capital fungibility actively managed at Group level. As a legal entity it may be exposed to the risk of increased local regulatory constraints.

Risks related to deferred tax recognition

The recognition of deferred tax assets, in particular the likelihood of recognising sufficient profits in the future to offset losses, depends on SCOR UK's performance as well as applicable tax laws, regulatory requirements and accounting methods. The occurrence of events, such as actual operating earnings being lower than projections or losses over a longer period than originally anticipated or changes in tax legislation, regulatory requirements, or accounting methods could lead to the de-recognition of deferred tax assets for accounting and/or regulatory purposes. This could have a material adverse impact on SCOR UK's solvency ratio. The valuation risks including those related to SCOR UK's deferred tax position are managed through robust processes and controls throughout SCOR Group and at the Board level of SCOR UK.

C.7.3 SIGNIFICANT RISK CONCENTRATIONS

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

- underwriting risks, in particular through catastrophes and other accumulation risks across lines of business or within certain geographical areas. For further information on SCOR UK's exposure to catastrophes and how these risks are managed, see Section C.2.1 – P&C (re)insurance;
- market risks, in particular in case of major events impacting specific types of assets to which SCOR UK is exposed. For further information on market risks and how they are managed, see Section C.3 – Market risks;
- credit risks, in case of major events impacting certain types of counterparties or certain individual counterparties to which SCOR UK is exposed. For further information on credit risks and how they are managed, see Section C.4 – Credit risks.

C.7.3.1 OVERVIEW OF CURRENT RISK CONCENTRATIONS

SCOR UK aims to preserve a high level of diversification throughout its activities, while controlling exposure concentrations to a single counterparty, type of asset, geographical area or industry sector. Risk concentrations are monitored to ensure they remain in line with risk tolerances, i.e. below the limits set out in order to ensure that the Company's risk profile remains aligned with its risk appetite framework. The definition of the risk appetite framework aims to strike an appropriate balance between risk, capital and return, while respecting SCOR UK's key stakeholders' expectations. For further information on the risk appetite framework and risk tolerances, see section B.3.1 – Risk appetite framework. Losses arising from such risk concentrations may also significantly increase SCOR UK's liquidity needs. SCOR UK assesses liquidity risks arising from a deviation from its liquidity needs over the short-, medium- or long-term. For further information on these risks and how they are managed, see section C.5 – Liquidity risks.

SCOR UK recognises its dependence on an individual intra-group reinsurer (SCOR SE), for which less diversification benefit is available in the calculation of SCOR Europe's capital requirement. This risk concentration is monitored. It is noted that the pooling of risk brings the benefit at Group-level of external reinsurance for which main terms and conditions are mirrored in the Company's key intra-group reinsurance protections. The reduction in SCOR's external rating in 2022 has increased counterparty default risk on SCOR UK's reinsurance recoverables; the potential for further changes is monitored but deemed unlikely to have a material impact on SCOR UK‘s solvency in the near-term as this would require a multiple-notch change.

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, 2023 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 financial statements in accordance with UK GAAP accounting standards, including the Financial reporting standard (FRS 102),'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and FRS 103, 'Insurance contracts'. As a result, the figures requiring valuation per the entity's financial statements are valued under UK GAAP for 2023 and 2022, unless otherwise stated.

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 A. The relevant extracts of the EBS are included at the beginning of each of the following sections.

D.1 Assets

The table below presents the assets of SCOR UK as in the EBS together with references to the relevant sections within this chapter explaining the valuation basis and methods used for Solvency II purposes. There have been no changes made to the recognition and valuation bases used or to estimations during the reporting period.

Tab.01 - Assets

SCOR UK Assets as at December 31, 2023 in GBP thousands	**EBS Solvency II**	**Section**
Deferred tax assets	**1,782**	**D.1.3**
Property, plant and equipment held for own use	**1**	
Investments	**660,949**	
Equities	16,381	D.1.1
Bonds	638,332	D.1.1
Derivatives	6,237	D.1.1
Loans and mortgages	**-**	**D.1.4**
Other loans and mortgages	-	
Reinsurance recoverables	**1,008,355**	**D.1.2**
Non-Life and Health similar to Non-Life	1,008,355	
Non-Life excluding Health	1,010,038	
Deposits to cedents	**28,802**	**D.1.2**
Insurance and intermediaries receivables	**91,281**	**D.1.2**
Reinsurance receivables	**30,052**	**D.1.2**
Receivables (trade, not insurance)	**3,247**	**D.1.4**
Cash and cash equivalents	**53,029**	**D.1.1**
Any other assets, not elsewhere shown	**(5)**	
TOTAL ASSETS	**1,877,493**	

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

SCOR UK		As at December 31, 2023	
in GBP thousands	**EBS**	**UKGAAP**	**Difference**
Equities	16,381	16,381	-
Bonds	638,332	638,332	-
Derivatives	6,237	4,864	1,553
Cash	53,029	46,710	6,319
Total investments and cash	**713,979**	**706,107**	**7,872**

Valuation for solvency purposes

Investments in the EBS include financial assets such as bonds, (corporate bonds, government bonds, collateralised securities), derivatives, deposits, other investments (including equities) 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 market is determined by reference to quoted market bid prices, at the close of business on the reporting date. Quotations are considered as active market prices if the quoted prices or rates represent actual and regularly occurring transactions that are available from a stock exchange, dealer or broker.

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

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

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

As SCOR 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.

Equities

For unlisted equity instruments, where the fair value cannot be measured reliably and which are measured at cost, a regular analysis is completed to determine if this remains appropriate given the nature of the investment and factors such as amounts realised and the appearance or re-appearance of a market or reliable value. Impairment assessments are completed dependent on the underlying nature of the investment and the expected future cash flows.

Bonds (government, corporate, structured notes, collateralised 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.

Cash and cash equivalents

SCOR UK applies the same definition of cash for both UK GAAP and Solvency II reporting purposes, except for cash overdraft (negative cash) balance. This means 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. Cash overdraft (negative cash) balance is reclassified under debts owed to credit institutions on the liabilities side.

Comparison with valuation in financial statements

The method of valuation applied to financial assets in the Solvency II EBS does not differ from UK GAAP.

For further details on UK GAAP balances and valuation methods applied to investments, please refer to the following notes in the SCOR UK Audited Financial Statements 2023: Note 1 Accounting.

D.1.2 INSURANCE TECHNICAL ASSETS

SCOR UK			As at December 31, 2023
in GBP thousands	**EBS**	**UKGAAP**	**Difference**
Deferred acquisition costs (DAC)	-	81,485	(81,485)
Reinsurance recoverables	1,008,355	1,498,343	(489,988)
Non-Life	*1,008,355*	*1,498,343*	*(489,988)*
Life	-	-	-
Deposits to cedents	28,802	28,802	-
Insurance and intermediaries receivables	91,281	294,322	(203,041)
Reinsurance receivables	30,052	70,862	(40,810)
Total insurance technical assets	**1,158,490**	**1,973,814**	**(815,324)**

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 premiums, benefits and expenses payments. As a result some balances that exist in the UK GAAP balance sheet are either cancelled or adjusted on transition to the EBS, as follows:

Deferred Acquisition Cost (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 (ceded technical provisions) reflect the estimated amounts which are recoverable under reinsurance contracts in respect of SCOR UK’s reinsurance contracts.

Reinsurance recoverables in the EBS are calculated using essentially the same methodology, systems and processes as the best estimate liabilities (see section D.2 Technical provisions). Assumptions are set based on the type of business reinsured and the valuation takes into consideration the recoverability of the balance, where appropriate.

Deposits to cedents

These balances represent deposits made at the request of clients as collateral for SCOR UK’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.

Facultative premium overdue amounts have been removed from the technical provisions and now are booked as receivables.

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 same principles apply to reinsurance operations through the assessment of reinsurance recoverables. Adjustments to the value of deposits to cedents are calculated consistently with the adjustments to best estimate liabilities.

For further details on UK GAAP balances and valuation methods applied to insurance technical assets, please refer to the following notes in the SCOR UK Audited Financial Statements 2023: Note 1 Accounting policies.

D.1.3 DEFERRED TAX ASSETS

The Company has no unused tax losses as at December 31, 2023. Any tax losses are recognised as a deferred tax asset on the balance sheet.

SCOR UK		As at December 31, 2023	
in GBP thousands	**EBS**	**UKGAAP**	**Difference**
Deferred tax assets	1,782	-	1,782
Deferred tax liabilities	(10,419)	(1,167)	(9,252)
Net deferred tax (liabilities) / assets	**(8,637)**	**(1,167)**	**(7,470)**

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 main temporary differences arise from the change in technical provisions and risk margin and unrealized losses carried forward.

Deferred tax assets are recognised on net operating losses, carried back when a carry-back claim is available and carried forward to the extent that it is probable that future taxable income will be available against which they can be offset. Management makes assumptions and estimates related to income projections to determine the availability of sufficient future taxable income. Business plans include assessments of gross and net premium expectations, expected loss ratios and expected general expenses ratios, together with actuarial assumptions. To the extent that net operating losses carried forward cannot be utilised or expire, deferred income tax expenses may be recorded in the future.

Deferred tax assets and liabilities are assessed at the tax rate applicable in the fiscal year in which the asset will be 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 UK GAAP figures to EBS market value is an overall increase in net assets, therefore all deferred tax impacts arising from the recording of economic adjustments are reflected in the deferred tax liability.

Deferred tax assets that are recorded in the UK GAAP financial statements in accordance with Section 29 of FRS 102: Income Taxes are retained on the EBS.

Comparison with valuation in financial statements

Measurement of deferred taxes for Solvency II EBS is generally consistent with UK GAAP, 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 UK GAAP balance sheet and its tax base).

For the purpose of EBS the appropriate deferred tax effect of all adjustments between UK GAAP 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 UK GAAP 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, 2023	
in GBP thousands	**EBS**	**UKGAAP**	**Difference**
Loans and mortgages	-	-	-
Receivables (trade, not insurance)	3,247	3,240	7
Any other assets	(5)	(5)	-
Total other assets	**3,242**	**3,235**	**7**

Valuation for solvency purposes

This section covers all other assets recognised in the EBS, including trade receivables. Most of these assets are carried at cost which is a good approximation of their market value.

Trade receivables include amounts receivables from various business partners and the state (e.g. current tax) that are not insurance or reinsurance related.

Comparison with valuation in financial statements

The UK GAAP figures shown in the above tables are using the Solvency II balance sheet presentation in QRT S.02.01.02. These figures do not tie directly to the SCOR UK financial statement at a financial line item level. The reason for this is the different presentation methods required for financial statements and Solvency II reporting.

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 2023. 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 the PRA. 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, 2023 in GBP thousands	EBS	UK GAAP	Difference
Non-Life technical provisions	**1,429,832**	**2,006,159**	**(576,327)**
TPs – Non-Life (excl. Health)	1,431,603		
Best estimate	*1,413,087*		
Risk margin	*18,516*		
Non-Life reinsurance recoverables	**(1,008,355)**	**(1,498,343)**	**489,988**
Non-Life (excl. Health)	(1,010,038)		
Net Non-Life technical provisions	**421,477**	**507,816**	**(86,339)**

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, 2023, presented by line of business (LoB) as defined for Solvency II reporting purposes.

SCOR UK As at December 31, 2023 in GBP thousands	Best estimates liabilities (BEL)	Reinsurance recoverables	Risk margin	Total net technical provisions
Marine, aviation and transport	125,561	(84,499)	1,705	42,767
Fire and other damage to property	304,994	(133,366)	3,217	174,845
General liability	578,124	(530,667)	7,989	55,446
Credit and suretyship	6,977	(5,489)	70	1,558
Legal expenses insurance	4,583	(8,617)	68	(3,966)
Miscellaneous financial loss	15,972	(24,031)	363	(7,696)
Non-proportional casualty	158,782	(135,254)	2,175	25,703
Non-proportional marine, aviation and transport	65,595	(39,575)	891	26,911
Non-proportional property	152,501	(48,540)	2,038	105,999
Total	**1,413,089**	**(1,010,038)**	**18,516**	**421,566**

The P&C net technical provisions of GBP 421.5 million correspond to the sum of P&C best estimate liabilities net of reinsurance recoverables of GBP 403.0 million and a risk margin of GBP 18.5 million.

The P&C net best estimate liabilities of GBP 403.0 million (comprising the gross best estimate liabilities of GBP 1,413.0 million reinsurance recoverables of GBP (1,010.0) million, as presented in the above table) are composed of two parts: net claims provisions (GBP 337.8 million) and net premiums provisions (GBP 65.2 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 337.8 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 sufficiently reserved. It is calculated in the SCOR system at actuarial segment/underwriting year level using Best Estimate Ultimate Loss Ratios which are based on an annual analysis by the local actuaries.
- Outstanding claims are the same as in UK GAAP.
- Claims estimates mostly correspond to the part of the claims not yet paid in cash. It can also correspond to the loss corridor clause, which is a feature of the contract defining a range of loss ratios between which the reinsurer will pay a percentage defined in the contract. An estimate of the amounts to be paid is computed according to the best estimate loss ratios.
- In calculating the unallocated loss adjustment expenses (ULAE) and overhead expenses SCOR 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.
- The premium estimates that are already earned are reallocated from premium reserves to claims reserves. These amounts come as a reduction of claims estimates.
- Claims discount represents the adjustment for the time value of money linked to claims estimates, outstanding claims, IBNR and ULAE reserves. The discount on claims reserves is calculated using underwriting years' claims patterns calculated by SCOR UK and risk-free rates yield curves published by PRA.
- 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. SCOR UK considers market exogenous information such as medical inflation and interest rates.

Premium provisions methodology and assumptions

The elements of Solvency II premium provisions (GBP 65.2 million) 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 UK GAAP 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 IBNR under UK GAAP and EBS are not necessarily the same, reinstatement premiums and burning cost premiums will also vary.
- Facultative premium overdue amounts have been removed from the technical provisions and now are booked as receivables. Overdue premiums are premiums that have reached maturity and not yet received at valuation date.
- The premium estimates that are already earned are reallocated from premium reserves to claims reserves
- The commissions' estimates correspond to the commissions on premiums estimates. Commissions' estimates include the sliding scale commissions and the profit commissions which are calculated using the projected claims ultimate.
- ULAE on future claims is calculated in the same way as ULAE for Claims Provisions.
- Discount: Claims discount principles apply to premium discount.

Comparison to prior period

Compared to last year there were no material changes to the assumptions or the methods used. The following two components have been reallocated between claims and premium provisions, and therefore has no impact on the total technical provisions:

- Overdue premium previously was reallocated from claims provisions, however a portion of the premium overdue is not yet earned and therefore are excluded from the premium provisions.

- The discount related to the unearned premium reserves was previously allocated within the claims provisions, this has been reallocated to premium provisions to be consistent with the allocation of the unearned premium.

List of the most commonly used methods

To assess the UK GAAP 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 development 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 across all portfolios following the recent economic environment, which is difficult to predict and could result in an increase in future payments. An allowance has been calculated to strengthen the reserves this year to reflect the increased inflationary environment.
- The Company has performed an analysis of its portfolio of insurance contracts to determine the exposure to Covid-19 losses. Given the time elapsed since the pandemic and maturity of this issue, the current analysis suggests adequate provision has been made for future loss development within the Company's reserves.
- Ukraine/Russia Conflict – Significant uncertainty around potential impact of the conflict on the global economy. Main risks are related to the uncertain geopolitical and economic environment, particularly with regards to the future development of economic growth, interest rates and inflation, due to the current geopolitical tensions.
- Israel/Gaza Conflict – Significant uncertainty at this early stage of the conflict as to the geographical spread and duration of the situation, which will impact the extent of insured losses. Ongoing assessment has indicated potential exposures in the property/engineering, Credit and Surety and Marine Offshore classes.

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

D.2.1.4 REINSURANCE RECOVERABLES

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

Reinsurance IBNR

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

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

Reinsurance discount

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

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

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

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

Reinsurance segmentation

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

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

D.2.1.5 RISK MARGIN

The Risk Margin is computed based on the following principles:

- It is calculated according to the cost-of-capital approach following Solvency II rules. The CoC has been reduced to 4% from 6% last year as per PRA guidance
- A simplified method from the hierarchy of methods set out in EIOPA guidelines on the valuation of technical provisions has been used for the computation of the risk margin as at December 31, 2023.
- The SCR of SCOR UK captures exclusively the non-life underwriting risk including catastrophe risk, counterparty default risk and operational risk associated with the transferred portfolio.
- The required capital over time is obtained from the projections using paid claims patterns.

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

D.2.1.6 COMPARISON WITH VALUATION IN FINANCIAL STATEMENTS

The main differences between UK GAAP and EBS reserves (excluding risk margin) as at December 31, 2023 are shown in the following tables, which are split between claims and premium reserves:

SCOR UK As at December 31, 2023 in GBP thousands	EBS Claims provisions	UK GAAP Claims provisions	Difference
Marine, aviation and transport	47,939	46,746	1,192
Fire and other damage to property	126,524	131,003	(4,479)
General liability	34,734	(7,696)	42,430
Credit and suretyship	1,793	311	1,482
Legal expenses insurance	(991)	(472)	(519)
Miscellaneous financial loss	(1,977)	(2,311)	335
Non-proportional casualty	22,506	22,882	(376)
Non-proportional marine, aviation and transport	31,507	32,942	(1,435)
Non-proportional property	75,753	83,174	(7,421)
Total	**337,788**	**306,579**	**31,209**

The main differences between UK GAAP and Solvency II best estimate liabilities are coming from the reallocation of earned premium/commission estimates (largely driven by overdue premium), the reserve adequacy amount (driven by the inclusion of ENIDs), the claims discount as well as a broader scope of the ULAE definition. Regarding ULAE, the UK GAAP definition includes only claims expenses whereas the EBS definition includes as well administrative and investment expenses. Regarding the premium estimates, it is due to a difference of position in the balance sheet: the premium estimates are contained in assets under UK GAAP whereas they are included in the technical provisions in a Solvency II view.

SCOR UK As at December 31, 2023 in GBP thousands	EBS Premium provisions	UK GAAP Premium provisions	Difference
Marine, aviation and transport	(6,877)	22,772	(29,649)
Fire and other damage to property	45,103	125,634	(80,530)
General liability	12,722	4,984	7,738
Credit and suretyship	(305)	443	(748)
Legal expenses insurance	(3,042)	2,794	(5,836)
Miscellaneous financial loss	(6,083)	193	(6,276)
Non-proportional casualty	1,021	634	387
Non-proportional marine, aviation and transport	(5,487)	8,353	(13,840)
Non-proportional property	28,208	24,117	4,091
Total	**65,262**	**189,926**	**(124,664)**

The main differences between UK GAAP and Solvency II best estimate liabilities arise from the UPR cancellation and inclusion of future positions within the technical provisions.

The future positions do not exist in UK GAAP balance sheet but replace the Unearned Premium Reserves and DAC (booked on the asset side under UK GAAP). 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 in the EBS together with references to the relevant sections within this chapter explaining the valuation bases and methods used for Solvency II purposes. There have been no changes made to the recognition and valuation bases used or to estimations during the reporting period.

SCOR UK Liabilities as at December 31, 2023 in GBP thousands	EBS Solvency II	Section
Technical provisions – Non-Life	**1,429,832**	**D.2**
Deposits from reinsurers	**51,449**	**D.3.1**
Deferred tax liabilities	**10,419**	**D.3.2**
Derivatives	**1,553**	
Debts owed to credit institutions	**6,319**	**D.3.3**
Financial liabilities other than debts owed to credit institutions	**2,131**	
Insurance and intermediaries payables	**14,620**	**D.3.1**
Reinsurance payables	**2,003**	**D.3.1**
Payables (trade, not insurance)	**28,822**	**D.3.3**
Subordinated liabilities	**30,250**	**D.3.3**
Subordinated liabilities not in basic own funds	-	
Subordinated liabilities in basic own funds	30,250	
Any other liabilities, not elsewhere shown	**1,371**	**D.3.3**
TOTAL LIABILITIES	**1,578,768**	
EXCESS OF ASSETS OVER LIABILITIES	**298,725**	

D.3.1 INSURANCE TECHNICAL LIABILITIES

SCOR UK in GBP thousands	EBS	UKGAAP	As at December 31, 2023 Difference
Deposits from reinsurers	51,449	50,463	986
Insurance and intermediaries payables	14,620	11,972	2,648
Reinsurance payables	2,003	205,436	(203,433)
Other technical provisions	-	70,173	(70,173)
Total insurance technical liabilities	**68,072**	**338,044**	**(269,972)**

Valuation for solvency purposes

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

As explained in section D.2– Technical provisions, technical cash flows are taken into account in Solvency II best estimate liabilities. Adjustments to the value of deposits from cedents and reinsurers follow the corresponding adjustments to the best estimate liabilities. For the remaining insurance technical liabilities, the method of valuation applied in the Solvency II EBS does not differ from the statutory financial statements.

Deposits from reinsurers

These are deposits received from or deducted by a (re)insurer as collateral in relation to SCOR's outwards reinsurance contracts. SCOR UK measures it deposits from reinsurers (or ceded fund withheld) at amortised cost as that approximates their market value.

Insurance and intermediaries payables

Most payables related to insurance and reinsurance contracts are considered within the net best estimate liabilities as Solvency II requires transfer of future cash flows from (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 UK GAAP balance.

Comparison with valuation in financial statements

The UK GAAP figures shown in the above tables are using the Solvency II balance sheet presentation in QRT S.02.01.02. These figures do not tie directly to the SCOR UK financial statement at a financial line item level. The reason for this is the different presentation methods required for financial statements and Solvency II reporting.

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 UK GAAP.

For further detail on UK GAAP balances and valuation methods applied to insurance technical liabilities, please refer to the following notes in the SCOR UK Audited Financial Statements 2023: Note 1 – Accounting Principles and Methods.

D.3.2 DEFERRED TAX LIABILITIES

SCOR UK			**As at December 31, 2023**
in GBP thousands	**EBS**	**UKGAAP**	**Difference**
Deferred tax liabilities	10,419	1,167	9,252

Valuation for solvency purposes and comparison with valuation in financial statements

For further details on UK GAAP 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, 2023**
in GBP thousands	**EBS**	**UKGAAP**	**Difference**
Debts owed to credit institutions	6,319	-	6,319
Payables (trade, not insurance)	28,822	28,822	-
Subordinated liabilities	30,250	30,665	(415)
Any other liabilities, not elsewhere shown	1,371	1,371	-
Total financial and other liabilities	**66,762**	**60,858**	**5,904**

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 liabilities SCOR uses a simple cash flow modelling approach that discounts future cash flow using the swap rate yield curve as at December 31, 2023 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 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 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

The UK GAAP figures shown in the above tables are using the Solvency II balance sheet presentation in QRT S.02.01.02. These figures do not tie directly to the SCOR UK financial statement at a financial line item level. The reason for this is the different presentation methods required for financial statements and Solvency II reporting.

Generally, the valuation method applied to financial liabilities in the Solvency II EBS does not differ from UK GAAP, except for the change from amortised cost to fair value for subordinated debt.

The cash overdraft (negative cash) balance is reclassified from Assets to 'Debts owed to credit institutions'.

Provisions and other liabilities are carried at their fair value for UK GAAP and there is no valuation difference between UK GAAP 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 of valuation.

E. CAPITAL MANAGEMENT

This section gives an overview of the year-end 2023 capital position for SCOR UK. The following table displays the key results as at December 31, 2023.

SCOR UK in GBP thousands	December 31, 2023	December 31, 2022	Variance
Eligible Own Funds (EOF)	**328,975**	**267,867**	**61,108**
Solvency Capital Requirement (SCR)	**209,110**	**194,906**	**14,204**
Excess Capital (EOF - SCR)	119,865	72,961	46,904
Solvency ratio	**157%**	**137%**	**21%**

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 objectives, in line with its risk / return strategy as defined in SCOR Group's current strategic action plan "Forward 2026" and the previous strategic plan "Quantum Leap ".

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 fungibility of capital within the Group. SCOR UK monitors and updates, quarterly, the regulatory solvency position 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 UK GAAP/ 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 OWN FUNDS STRUCTURE

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

SCOR UK's own funds eligible to cover the SCR are GBP 328.9 million at December 31, 2023. (December 31, 2022: GBP 267.8 million).

SCOR UK Own funds structure as at December 31, 2023

in GBP thousands	Tier 1	Tier 2	Tier 3	Total
Basic own funds	**298,725**	**30,250**	**-**	**328,975**
Ordinary share capital	120,552	-	-	120,552
Share premium	14,448	-	-	14,448
Surplus funds	-	-	-	-
Reconciliation reserve	163,725	-	-	163,725
Revaluation reserves	*135,469*	-	-	*135,469*
Consolidated reserves	-	-	-	-
Net income for the year	*28,256*	-	-	*28,256*
Equity based instruments	-	-	-	-
Foreseeable dividends	-	-	-	-
Subordinated liabilities	-	30,250	-	30,250
Net deferred tax assets	-	-	-	-
Other items approved by supervisory authority	-	-	-	-
Ancillary own funds	**-**	**-**	**-**	**-**
Total available own funds	**298,725**	**30,250**	**-**	**328,975**
Total eligible own funds to cover the SCR (after limit deductions)	**298,725**	**30,250**	**-**	**328,975**
Total eligible own funds to cover the MCR (after limit deductions)	**298,725**	**15,390**	**-**	**314,115**

SCOR UK Own funds structure as at December 31, 2022

in GBP thousands	Tier 1	Tier 2	Tier 3	Total
Basic own funds	**238,454**	**29,413**	**-**	**267,867**
Ordinary share capital	97,552	-	-	97,552
Share premium	14,448	-	-	14,448
Surplus funds	-	-	-	-
Reconciliation reserve	126,454	-	-	126,454
Revaluation reserves	*96,751*	-	-	*96,751*
Consolidated reserves	-	-	-	-
Net income for the year	*29,703*	-	-	*29,703*
Equity based instruments	-	-	-	-
Foreseeable dividends	-	-	-	-
Subordinated liabilities	-	29,413	-	29,413
Net deferred tax assets	-	-	-	-
Other items approved by supervisory authority	-	-	-	-
Ancillary own funds	**-**	**-**	**-**	**-**
Total available own funds	**238,454**	**29,413**	**-**	**267,867**
Total eligible own funds to cover the SCR (after limit deductions)	**238,454**	**29,413**	**-**	**267,867**
Total eligible own funds to cover the MCR (after limit deductions)	**238,454**	**14,504**	**-**	**252,958**

SCOR UK considers that there is no significant restriction affecting fungibility and transferability of its basic own funds for covering the SCR.

Solvency II Own Funds are classified into three tiers depending on whether it is a basic or ancillary own funds item, and on whether it is permanently available to absorb losses on a going concern basis and/or is subordinated such that it is available to absorb losses in the event of a winding-up, and as described in Articles 71, 73, 75 and 77 of the Delegated Acts.

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

Ordinary paid-in share capital and the related share premium of SCOR UK are classified as tier 1 basic own funds. The components of the reconciliation reserve are also classified as tier 1 basic own funds.

The reconciliation reserve represents the reserves from SCOR UK's Audited Financial Statements 2023, 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.

Subordinated liabilities represent loans issued to the benefit of SCOR UK that meet the own funds recognition criteria stated in Article 93 and 94 of the EU Directives 2009/138/EC (November 25, 2009) on Solvency II. Subordinated liabilities are classified into tiers based on terms and conditions as specified in each contract.

This £30 million of subordinated loan agreement from a fellow group undertaking is classified as tier 2 capital under Solvency II.

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

SCOR UK As at December 31, 2023 in thousands					**Optional redemption**	
Borrower/Lender	**Outstanding amount in local currency**	**Issue date**	**Maturity date**	**Tier**	**First call date**	**Call dates thereafter[2]**
SCOR Services UK Limited	30,665	4/30/2019	4/30/2029	2	4/30/2024	Anytime after the

[0] At any interest payment date

E.1.2 ELIGIBILITY OF OWN FUNDS

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

Within those limits, the total of subordinated liabilities 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, 2022, none of these limits are exceeded by SCOR UK.

E.1.3 RECONCILIATION WITH SHAREHOLDERS' EQUITY

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

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

SCOR UK as at December 31, 2023 in GBP thousands	**2023**
Statutory – UK GAAP Shareholders' equity	**274,797**
Economic adjustments	**105,413**
Goodwill	-
Other intangible assets	-
Investments	6,319
Net technical balances	105,251
Net technical balances, excluding risk margin – Non-Life	*123,768*
Risk margin – Non-Life	*(18,516)*
Financial liabilities	(5,904)
Deferred taxes	(7,470)
Other assets and liabilities	7,217
Excess of assets over liabilities in the Solvency II EBS	**298,725**
Subordinated liabilities	30,250
Own shares	-
Deductions for foreseeable dividends	-
Total available own funds	**328,975**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

This section is linked to the Quantitative Reporting Templates (QRT) 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 Standard Formula basis in accordance with the PRA Rulebook. The table below shows the standalone and diversified solvency capital requirement (SCR) for each risk module.

The SCR amounts to GBP 209.1 million as at December 31, 2023, an increase of GBP 14.2 million from the prior year end. It is highlighted that the year-end 2023 SCR is still subject to supervisory assessment by the PRA.

SCOR UK SCR based on Standard Formula in GBP thousands	**December 31, 2023**		**December 31, 2022**		**Changes from 2022 to 2023**	
	Standalone Capital[1]	**Contribution to SCR[2]**	**Standalone Capital[1]**	**Contribution to SCR[2]**	**Standalone Capital[1]**	**Contribution to SCR[1]**
Non-life underwriting	155,493	148,475	145,432	138,355	10,061	10,120
Market	33,293	14,263	35,686	15,997	(2,393)	(1,734)
Counterparty default	51,804	35,948	47,790	33,012	4,014	2,936
Diversification	(41,904)	-	(41,543)	-	(361)	-
Basic SCR	**198,686**	**198,686**	**187,365**	**187,365**	**11,321**	**11,321**
Operational	42,393	42,393	34,185	34,185	8,208	8,208
Adjustment for loss absorbing	(31,969)	(31,969)	(26,644)	(26,644)	(5,325)	(5,325)
SCOR UK SCR	**209,110**	**209,110**	**194,906**	**194,906**	**14,204**	**14,204**

1. Standalone capital value of the risk module allows for diversification benefit between sub-modules (i.e. within each risk module) but not between higher level risk modules.
2. Contribution to SCR of the risk module allows for diversification between risk modules

The Standard Formula SCR follows a modular approach where the overall risk to which the (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:

- **Non-life underwriting**: see Section C.2 – Underwriting risks
- **Market**: see Section C.3 – Market risks
- **Counterparty default**: see Section C.4 – Credit risks
- **Operational**: see Section C.6 – Operational risks.

The risk module calculations are net of risk mitigating measures. The final SCR also takes account of:

- **Diversification.** This is the impact of determining the joint capital requirements of the risk modules through the application of the Standard Formula correlation matrices. The aggregated capital requirement is less than the sum of the individual capital requirements 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 (LACDT)**. In the event that a shock loss occurs in 2024, the LACDT is an estimated credit to the SCR reflecting SCOR UK's ability to carry back losses to offset elements of tax paid in the previous year and to carry forward losses to offset future taxable profits over the Company's LACDT planning time horizon.

Non-life underwriting standalone risk has increased by GBP 10.1 million from December 31, 2022. This is largely driven by man-made catastrophe risk following a change to the Company's reinsurance programme effective January 1, 2024. Premium & reserve risk remains fairly stable overall reflecting favourable claims performance over 2023, updates to reserving models and recognition of future inflation impacts over the year (see Section D.2 – Technical Provisions) as well as the effect of decreased future net premiums with the change in the reinsurance programme from multiple intra-group quota shares by line of business previously to a simple singe Whole Account Quota Share from January 2024.

Market standalone risk has marginally decreased since December 31, 2022, driven by decreases in currency and concentration risk offset by increases in interest rate, equity and spread risk. The mix of invested assets has not changed substantially.

Counterparty default standalone risk has increased by GBP 4.0 million from December 31, 2022. This is primarily due to increases in claims provisions (hence reinsurance recoverables) but lower insurance and intermediaries' balances at year-end 2023. SCOR SE is SCOR UK's main reinsurer.

The combined effect of the above leads to an increase of GBP 11.3 million in the required pre-tax **basic solvency capital requirement** (BSCR) from December 31, 2022.

The **diversification benefit** is fairly stable since the prior year-end with no significant change in the risk profile.

Operational risk has increased by GBP 8.2 million from December 31, 2022, driven by an increase in gross reserves since the prior year end largely due to an increase in claims provisions.

The credit effect of the **loss absorbing capacity of deferred taxes** has increased by GBP 5.3 million from December 31, 2022 and this takes account of the time horizon for partial recognition of future profits, future investment return and further details. The LACDT recoverability is supported by the following:

- A net DTL on the EBS. This net DTL balance is available to be offset against any DTA created by losses occurring generated by a 1 in 200 shock-loss in 2024.
- Losses generated by the shock-loss can be carried back with the LACDT element being the maximum of the amount of tax suffered in the year preceding the shock-loss. Following a profitable 2023, the available carry back tax is significant.
- Future tax payments forecast on Board-approved planned profits (limited to a maximum of 5 years and taking account of prudency in light of uncertainty in the planning process) are recognised in the LACDT calculation for plan years 2025 to 2028, against which the recovery from a 1 in 200 year shock-loss occurring in 2024 could be carried forward and offset, taking account of post-shock reduction in future premium volume, reduction in value of invested assets, reduced investment returns and increased expenses (claims handling and administrative) in particular.

At December 31, 2023 the LACDT (after adjustment for uncertainty in the planning process) is fully recoverable. The most significant areas of sensitivity of the LACDT (hence SCR) are the level of expected future profit and tax carry-back related to the prior year noting the deferred tax position on the economic balance sheet is also sensitive to interest rates.

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.2.1.2 SIMPLIFICATIONS USED IN THE CALCULATIONS

Having regard to the principle of proportionality in less material components of the Company's risk profile, SCOR UK's Standard Formula SCR calculation has used simplified calculations in the counterparty default risk module for:

- Risk mitigating effect for reinsurance arrangements; and
- Risk adjusted value of collateral to take into account the economic effect of the collateral.

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

E.2.2 MINIMUM CAPITAL REQUIREMENT

SCOR UK in GBP thousands	As at December 31, 2023	As at December 31, 2022	Variation
MCR Minimum (25% of SCR)	52,277	48,727	3,550
MCR Linear	76,949	72,682	4,267
MCR Maximum (45% of SCR)	94,099	87,708	6,391
MCR with Standard Formula cap & floor	**76,949**	**72,682**	**4,267**

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 on the Standard Formula basis. The MCR for SCOR UK is equal to the linear MCR, being between the cap and the floor. The MCR has increased by GBP 4.3 million from December 31, 2022. According to the classes of business that SCOR UK is authorised to write, the regulatory absolute floor of the Company's MCR is GBP 3.5 million at December 31, 2023 (EUR 4 million converted to GBP using exchange rates prescribed by the PRA).

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, 2023 In GBP thousands	Solvency II value
Intangible assets	**-**
Deferred tax assets	**1,782**
Pension benefit surplus	**-**
Property, plant and equipment held for own use	**1**
Investments	**660,950**
Property (other than for own use)	-
Participations and related undertakings	-
Equities	16,381
Equities - listed	-
Equities - unlisted	*16,381*
Bonds	638,332
Government bonds	*264,361*
Corporate bonds	*373,447*
Structured notes	-
Collateralised securities	*524*
Collective Investments Undertakings	-
Derivatives	6,237
Deposits other than cash equivalents	-
Other investments	-
Assets held for index-linked and unit-linked contracts	**-**
Loans and mortgages	**-**
Loans on policies	-
Loans and mortgages to individuals	-
Other loans and mortgages	-
Reinsurance recoverables	**1,008,355**
Non-life and Health similar to Non-life	1,008,355
Non-life excluding Health	1,010,038
Health similar to Non-life	(1,683)
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	**28,802**
Insurance and intermediaries receivables	**91,281**
Reinsurance receivables	**30,052**
Receivables (trade, not insurance)	**3,247**
Own shares	**-**
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**-**
Cash and cash equivalents	**53,029**
Any other assets, not elsewhere shown	**(5)**
TOTAL ASSETS	**1,877,493**

S.02.01.01 – Balance Sheet (continued)

SCOR UK
Liabilities as at December 31, 2023
In GBP thousands

	Solvency II value
Technical provisions – Non-life	**1,429,832**
Technical provisions – Non-life (excl. Health)	1,431,603
TP calculated as a whole	*-*
Best estimate	*1,413,087*
Risk margin	*18,516*
Technical provisions – Health (similar to Non-life)	(1,771)
TP calculated as a whole	*-*
Best estimate	*(1,771)*
Risk margin	*-*
Technical provisions – Life (excl. index-linked and unit-linked)	**-**
Technical provisions – Health (similar to Life)	-
TP calculated as a whole	*-*
Best estimate	*-*
Risk margin	*-*
Technical provisions – Life (excl. Health and index-linked and unit-linked)	-
TP calculated as a whole	*-*
Best estimate	*-*
Risk margin	*-*
Technical provisions – index-linked and unit-linked funds	**-**
TP calculated as a whole	*-*
Best estimate	*-*
Risk margin	*-*
Other technical provisions	**-**
Contingent liabilities	**-**
Provisions other than technical provisions	**-**
Pension benefit obligations	**-**
Deposits from reinsurers	**51,449**
Deferred tax liabilities	**10,419**
Derivatives	**1,553**
Debts owed to credit institutions	**6,319**
Financial liabilities other than debts owed to credit institutions	**2,131**
Insurance and intermediaries payables	**14,620**
Reinsurance payables	**2,003**
Payables (trade, not insurance)	**28,822**
Subordinated liabilities	**30,250**
Subordinated liabilities not in basic own funds	-
Subordinated liabilities in basic own funds	30,250
Any other liabilities, not elsewhere shown	**1,371**
TOTAL LIABILITIES	**1,578,768**
EXCESS OF ASSETS OVER LIABILITIES	**298,725**

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

SCOR UK As at December 31, 2023 In GBP thousands	Line of business* for Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							
	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	-	-	-	36,293	286,915	111,589	1,738	38,305
Gross - Proportional reinsurance accepted	-	-	-	515	1,058	5,047	(212)	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	19,458	154,349	111,763	1,302	37,267
Net	-	-	-	17,350	133,624	4,873	224	1,038
Premiums earned								
Gross - Direct business	-	-	-	37,941	244,432	111,191	3,057	30,092
Gross - Proportional reinsurance accepted	-	-	-	748	1,195	9,706	1,465	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	18,890	121,639	115,763	4,117	29,474
Net	-	-	-	19,799	123,988	5,134	405	618
Claims incurred								
Gross - Direct business	-	-	-	54,786	138,225	349,432	(214)	20,239
Gross - Proportional reinsurance accepted	-	-	-	(7,556)	(283)	10,565	(63)	-
Gross - Non-proportional reinsurance accepted								
Reinsurers' share	-	-	-	39,196	77,601	359,325	(111)	19,556
Net	-	-	-	8,034	60,341	672	(166)	683
Changes in other technical provisions								
Gross - Direct business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted								
Reinsurers' share	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-
Expenses incurred	-	-	-	5,485	15,649	(7,414)	15	(2,656)
Other expenses								
Total expenses								

*The table above presents lines of business applicable to SCOR (empty columns for the following lines of business have been omitted in Direct business and accepted proportional reinsurance lines: Medical expense insurance, Other motor insurance, Legal expense insurance, Assistance)

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

SCOR UK As at December 31, 2023 In GBP thousands	Line of business for accepted non-proportional reinsurance				TOTAL
	Health	Casualty	Marine, aviation, transport	Property	
Premiums written					
Gross - Direct business					**514,918**
Gross - Proportional reinsurance accepted					**6,410**
Gross - Non-proportional reinsurance accepted	-	10,166	16,263	102,639	**129,068**
Reinsurers' share	-	9,598	8,865	53,328	**427,954**
Net	-	568	7,398	49,312	**222,443**
Premiums earned					
Gross - Direct business					**432,415**
Gross - Proportional reinsurance accepted					**21,263**
Gross - Non-proportional reinsurance accepted	-	11,898	17,315	105,538	**134,751**
Reinsurers' share	-	10,835	7,698	50,401	**367,013**
Net	-	1,063	9,617	55,137	**221,416**
Claims incurred					
Gross - Direct business					**564,982**
Gross - Proportional reinsurance accepted					**6,254**
Gross - Non-proportional reinsurance accepted	-	46,714	50,733	101,383	**198,830**
Reinsurers' share	-	31,518	30,656	45,587	**609,702**
Net	-	15,196	20,077	55,796	**160,364**
Changes in other technical provisions					
Gross - Direct business					**-**
Gross - Proportional reinsurance accepted					**-**
Gross - Non- proportional reinsurance accepted	-	-	-	-	**-**
Reinsurers'share	-	-	-	-	**-**
Net	-	-	-	-	**-**
Expenses incurred	-	1,333	3,834	11,404	**33,578**
Other expenses					**5,491**
Total expenses					**39,066**

S.05.02.01 – Premiums, claims and expenses by country

SCOR UK As at December 31, 2023 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	(CA) Canada	(AU) Australia	(BM) Bermuda	(HK) Hong Kong	
Premiums written							
Gross - Direct business	135,660	221,350	47,724	47,122	14,649	9,491	**475,996**
Gross - Proportional reinsurance accepted	5,018	(40)	-	-	-	-	**4,978**
Gross - Non-proportional reinsurance accepted	2,582	40,734	2,382	596	1,698	(11)	**47,981**
Reinsurers' share	116,871	162,003	47,445	26,693	14,786	4,810	**372,608**
Net	26,389	100,041	2,661	21,025	1,561	4,670	**156,347**
Premiums earned							
Gross - Direct business	87,969	202,516	44,737	44,826	7,861	3,138	**391,047**
Gross - Proportional reinsurance accepted	17,697	(39)	-	-	-	-	**17,658**
Gross - Non-proportional reinsurance accepted	5,092	39,141	2,861	952	2,018	(4)	**50,060**
Reinsurers' share	83,546	147,672	43,990	23,939	8,731	1,907	**309,785**
Net	27,212	93,946	3,608	21,839	1,148	1,227	**148,980**
Claims incurred							
Gross - Direct business	97,172	329,401	46,953	30,059	8,662	1,291	**513,538**
Gross - Proportional reinsurance accepted	9,276	(6,241)	-	-	-	-	**3,035**
Gross - Non-proportional reinsurance accepted	(5,778)	92,272	(1,054)	21	8,038	(15)	**93,484**
Reinsurers' share	111,649	314,683	49,877	21,376	14,465	1,723	**513,773**
Net	(10,979)	100,749	(3,978)	8,704	2,235	(447)	**96,284**
Changes in other technical provisions							
Gross - Direct business	-	-	-	-	-	-	**-**
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	**-**
Gross - Non- proportional reinsurance accepted	-	-	-	-	-	-	**-**
Reinsurers'share	-	-	-	-	-	-	**-**
Net	-	-	-	-	-	-	**-**
Expenses incurred	10,375	6,656	(2,469)	2,637	(574)	294	**16,919**
Other expenses							**-**
Total expenses							**16,919**

**United Kingdom

S.17.01.02 – Non-life Technical Provisions

SCOR UK As at December 31, 2023 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
Technical provisions calculated as a whole	-	-	-	2	-	-	-	-
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	-	-	-	(1)	-	-
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross	(1,771)	-	-	7,151	75,916	8,762	2,387	(8,366)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	(1,683)	-	-	14,028	30,813	(3,960)	2,692	(2,283)
Net best estimate of premium provisions	(88)	-	-	(6,877)	45,103	12,722	(305)	(6,083)
Claims provisions								
Gross	-	-	-	118,410	229,078	569,362	4,590	24,338
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	70,471	102,553	534,627	2,797	26,314
Net best estimate of claims provisions	-	-	-	47,939	126,525	34,735	1,793	(1,976)
Total best estimate - gross	(1,771)	-	-	125,561	304,994	578,124	6,977	15,972
Total best estimate - net	(88)	-	-	41,062	171,628	47,457	1,488	(8,059)
Risk margin	-	-	-	1,705	3,217	7,989	70	363
Amount of the transitional on technical provisions								
Technical provisions calculated as a whole	-	-	-	-	-	-	-	-
Best estimate	-	-	-	-	-	-	-	-
Risk margin	-	-	-	-	-	-	-	-
Technical provisions - total								
Technical provisions - total	(1,771)	-	-	127,266	308,211	586,113	7,047	16,335
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	(1,683)	-	-	84,499	133,366	530,667	5,489	24,031
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	(88)	-	-	42,767	174,845	55,446	1,558	(7,696)

(*) The table above presents lines of business applicable to SCOR (empty columns for the following lines of business have been omitted in direct business and accepted proportional reinsurance lines: Medical expense insurance, Other motor insurance, Legal expense insurance, Assistance)

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

SCOR UK As at December 31, 2023 In GBP thousands	Accepted non-proportional reinsurance Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-life obligation
Technical provisions calculated as a whole	-	-	-	(2)	-
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	1	-	-
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	-	3,819	2,925	15,925	106,785
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	2,797	8,412	(12,286)	41,609
Net best estimate of premium provisions	-	1,022	(5,487)	28,211	65,176
Claims provisions					
Gross	-	154,963	62,670	136,575	1,304,533
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	132,457	31,163	60,826	966,746
Net best estimate of claims provisions	-	22,506	31,507	75,749	337,787
Total best estimate - gross	-	158,782	65,595	152,500	1,411,318
Total best estimate - net	-	23,528	26,020	103,960	402,963
Risk margin	-	2,175	891	2,038	18,516
Amount of the transitional on technical provisions					
Technical provisions calculated as a whole	-	-	-	-	-
Best estimate	-	-	-	-	-
Risk margin	-	-	-	-	-
Technical provisions - total					
Technical provisions - total	-	160,957	66,486	154,538	1,429,834
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	135,254	39,575	48,540	1,008,355
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-	25,703	26,911	105,998	421,479

S.19.01.01 – Non-life Insurance Claims Information

Total Non-life Business - Underwriting year

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

	Development year											In current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											10,513	10,513	10,513
N-9	13,719	60,567	58,783	40,982	23,746	5,999	8,303	6,625	6,814	6,536		6,536	232,074
N-8	4,268	30,686	45,896	30,187	19,590	14,611	10,472	4,544	3,674			3,674	163,928
N-7	2,889	39,871	36,995	52,576	13,858	7,904	15,739	20,357				20,357	190,189
N-6	3,604	53,790	79,540	51,246	29,559	42,851	23,101					23,101	283,691
N-5	4,120	93,859	76,681	49,177	26,570	19,639						19,639	270,046
N-4	2,538	39,729	46,743	54,444	71,029							71,029	214,483
N-3	2,451	26,014	49,880	37,977								37,977	116,322
N-2	640	31,141	71,099									71,099	102,880
N-1	62,601	167,181										167,181	229,782
N	9,961											9,961	9,961
											Total	441,067	1,823,869

Gross undiscounted best estimate Claims Provisions (absolute amount)

	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											106,002	90,844
N-9	-	-	111,100	80,228	59,482	39,054	30,765	33,260	19,184	21,763		19,823
N-8	-	129,930	96,386	75,515	43,996	30,758	23,354	36,591	39,357			35,478
N-7	79,022	150,538	121,778	56,758	48,331	61,146	71,311	85,692				77,248
N-6	149,184	198,171	150,622	115,727	78,712	47,174	51,549					46,388
N-5	180,843	192,203	165,523	125,593	111,620	135,645						122,078
N-4	120,161	189,194	152,160	142,752	143,576							127,377
N-3	89,609	156,700	133,702	169,534								149,049
N-2	131,680	209,683	198,512									176,851
N-1	309,080	326,860										301,299
N	199,176											181,722
											Total	1,328,157

S.23.01.01 – Own funds

SCOR UK **As at December 31, 2023** **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)	**120,552**	120,552		-	
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	**163,725**	163,725			
Subordinated liabilities	**30,250**		-	30,250	-
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	**328,975**	**298,725**	**-**	**30,250**	**-**

S.23.01.01 – Own funds (continued)

SCOR UK As at December 31, 2023 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	**328,975**	298,725	-	30,250	-
Total available own funds to meet the MCR	**328,975**	298,725	-	30,250	
Total eligible own funds to meet the SCR	**328,975**	298,725	-	30,250	-
Total eligible own funds to meet the MCR	**314,115**	298,725	-	15,390	
SCR	**209,110**				
MCR	**76,949**				
Ratio of Eligible own funds to SCR	**157.32%**				
Ratio of Eligible own funds to MCR	**408.21%**				

S.23.01.01 – Own funds (continued)

SCOR UK As at December 31, 2023 In GBP thousands	Total
Reconciliation reserve	
Excess of assets over liabilities	298,725
Own shares (held directly or indirectly)	-
Foreseeable dividends, distributions and charges	-
Other basic own fund items	135,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
Reconciliation reserve	**163,725**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	-
Expected profits included in future premiums (EPIFP) - Non-life business	54,720
Total expected profits included in future premiums (EPIFP)	**54,720**

S.25.01.01 – Solvency capital requirement – Standard Formula

SCOR UK Standard Formula As at December 31, 2023 In GBP thousands	**Gross solvency capital requirement**	**USP**	**Simplifications**
Market risk	33,293		0
Counterparty default risk	51,804		
Life underwriting risk	-	0	0
Health underwriting risk	-	0	0
Non-life underwriting risk	155,493	0	0
Diversification	(41,904)		
Intangible asset risk	-		
Basic Solvency Capital Requirement	**198,686**		

Calculation of Solvency Capital Requirement (SCR)		
Operational risk		42,393
Loss-absorbing capacity of technical provisions		-
Loss-absorbing capacity of deferred taxes		(31,969)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)		-
Solvency Capital Requirement, excluding capital add-on		**209,110**
Capital add-ons already set		-
The overall Solvency Capital Requirement		**209,110**
Other information on SCR	0	
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		-

Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	4 - No adjustment
Net future discretionary benefits	-

	Yes/No
Approach based on average tax rate	2 - No

Calculation of loss absorption capacity of deferred taxes (LACDT)

	Before the shock	**After the shock**	**LAC DT**
DTA	1,782	1,782	
DTA carry forward	1,782	1,782	
DTA due to deductible temporary differences	-	-	
DTL	10,419	10,419	
LAC DT			**(31,969)**
LAC DT justified by reversion of deferred tax liabilities			(8,637)
LAC DT justified by reference to probable future taxable economic profit			(14,881)
LAC DT justified by carry back, current year			(8,451)
LAC DT justified by carry back, future years			-
Maximum LAC DT			**(59,730)**

S.28.01.01 – Minimum capital requirement

SCOR UK
As at December 31, 2023
In GBP thousands

Linear formula component for Non-life insurance and reinsurance obligations

MCR_{NL} Result	76,949

	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	41,062	17,387
Fire and other damage to property insurance and proportional reinsurance	171,628	133,587
General liability insurance and proportional reinsurance	47,458	4,875
Credit and suretyship insurance and proportional reinsurance	1,488	225
Legal expenses insurance and proportional reinsurance	-	8,056
Assistance and proportional reinsurance	-	-
Miscellaneous financial loss insurance and proportional reinsurance	-	1,038
Non-proportional health reinsurance	-	-
Non-proportional casualty reinsurance	23,528	565
Non-proportional marine, aviation and transport reinsurance	26,020	7,398
Non-proportional property reinsurance	103,961	49,311

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	76,949
SCR	209,110
MCR cap	94,099
MCR floor	52,277
Combined MCR	76,949
Absolute floor of the MCR	3,495
Minimum Capital Requirement	**76,949**

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

We have audited the following documents prepared by the Company as at 31 December 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of SCOR UK Company Limited ('the Company') as at 31 December 2023 ('**the Narrative Disclosures subject to audit**'); and
- Company templates S02.01.02 S17.01.02, S23.01.01, S25.01.21, 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' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01, S19.01.21; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Statement of Directors' Responsibilities**').

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

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 2023 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) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. 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. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to the '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.

Conclusions relating to going concern

In auditing the Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is appropriate.

Our audit procedures to evaluate the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;

- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Obtaining a cash flow forecast for the company extending at least 12 months from the date of approval of the Solvency and Financial Condition Report;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control;
- Considering the directors' assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered, which have been derived from the company's Own Risk and Solvency Assessment;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the relevant elements of the Solvency and Financial Condition Report and our audit;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusion on going concern; and
- Evaluating the appropriateness of the directors' disclosures in the relevant elements of the Solvency and Financial Condition Report on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Solvency and Financial Condition Report is authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. 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.

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 management determines 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;
- overseeing the Company's financial reporting process; and,
- assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

It is our responsibility to form an independent opinion 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.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and the insurance sector in which it operates, we considered that non-compliance with the following laws and regulations have a material impact on the relevant elements of the Solvency and Financial Condition Report: permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA and FCA;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct impact on the preparation of relevant elements of the Solvency and Financial Condition Report such as Solvency II regulations.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the relevant elements of the Solvency and Financial Condition Report (including the risk of override of controls) and determined that the principal risks were related to: posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the valuation of the provisions for the settlement of future claims and application of earning patterns, and significant one-off or unusual transactions.
Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by:
  - performing journal entry testing;
  - critically assessing accounting estimates impacting amounts included in the Solvency and Financial Condition Report for evidence of management bias; and
  - considering significant transactions outside of the normal course of business. Our approach included reviewing Board minutes, review of correspondence of regulators (where applicable), and substantively testing the transaction and related disclosure where considered material.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities, including fraud, rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements.

Other information

In accordance with Rule 4.1 (3) 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 our knowledge obtained in the audit of the Company's statutory financial statements. 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.

Use of the audit report

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.

Mazars LLP
Mazars LLP (Apr 5, 2024 15:32 GMT+1)

Mazars LLP
Chartered Accountants
30 Old Bailey
EC4M7AU

5 April 2024

SFCR_SCOR_UK (final) - RESENT TO ADD SIGNATURES

Final Audit Report 2024-04-05

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By:	Zoe LAWSON (ZLAWSON@scor.com)
Status:	Signed
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