

# KBW conference

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*21<sup>st</sup> September 2011*

**SCOR**

## KBW conference on 21 September 2011

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1

Accelerating towards “Strong Momentum”

2

SCOR Global P&C optimally positioned within an increasingly fragmented pricing environment

## One year after Strong Momentum V1.0...

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- ❑ One year ago, **after the successful implementation of the “Dynamic Lift” plan, SCOR presented the “Strong Momentum” plan**, covering the mid 2010 – mid 2013 period
- ❑ “Strong Momentum” rested upon **strict adherence to four strategic cornerstones**, and **three main targets over the cycle**
- ❑ One year later, SCOR firmly believes that **“Strong Momentum” is rightly designed** and structured, with the main assumptions and strategic choices still valid...
- ❑ ... even if the **economic and financial environment** in which the Group operates has not improved, and in fact has **deteriorated in certain aspects**
- ❑ **Strong Momentum V1.0 was launched in a flexible way**: nine original initiatives were launched, two have been postponed (Expand Casualty portfolio underwriting; Support European pension funds), while two additional initiatives have been launched (new Lloyds syndicate, private P&C deals)
- ❑ Since September 2010, the Group has accelerated the pace of the “Strong Momentum” plan, through the **acquisition of Transamerica Re**, parallel to the **disposal of its U.S. annuity business**

## ... SCOR presents Strong Momentum V1.1

- ❑ One year after the announcement of the “Strong Momentum” plan (SMV1.0), **SCOR presents version 1.1 of “Strong Momentum” (SMV1.1)**, covering the period from mid 2011 to mid 2013
- ❑ Version V1.1 rests upon the same four strategic cornerstones as V1.0...

Strong  
franchise

Controlled risk  
appetite

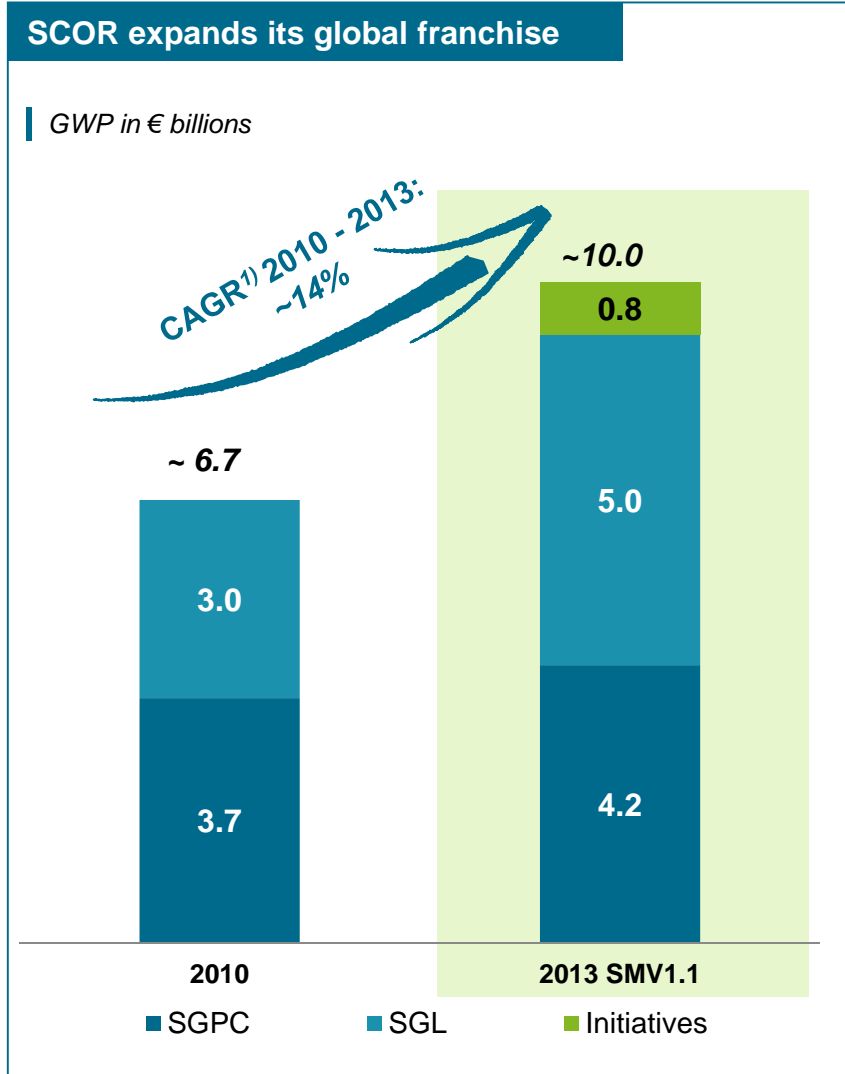
High  
diversification

Robust capital  
shield

- ❑ .... and re-affirms the three main targets over the cycle:
  1. **Optimize the risk profile**
  2. **Reach a higher security**
  3. **Increase profitability**
- ❑ **Strong Momentum V1.1** provides an **updated view** of the Group based on:
  - **New perimeter:** acquisition of Transamerica Re, sale of U.S. annuity business
  - **A few updated parameters:** natural catastrophe budget, asset allocation, internal model

Management is committed to delivering on the “Strong Momentum” plan, in spite of an uncertain and evolving environment

# SCOR expands its global franchise, expecting to reach gross written premiums of € 10 billion in 2013



- Existing franchise expected to reach ~ €10 billion euros in premium by 2013
  - Focus on continuous development of market-leading service proposition
  - Pursuit of growth initiatives in Life and Non-Life
  - Expand client services
- Consistently applying the current underwriting policy
- Maintaining technical profitability levels
- Leverage on Global presence and Hub structure increasing cross-selling between P&C and Life

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## SCOR Global P&C (SGPC) pursues its growth while maintaining its Strong Momentum V1.0 profitability assumptions

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- ❑ SGPC “Strong Momentum” presented in **September 2010 planned the first two years relatively flat in terms of pricing**, then picking up in 2013
- ❑ Despite H1 2011 losses, unless a shock event happens before the end of the year, **SGPC does not anticipate material changes to its “Strong Momentum” central scenario** (except for Nat Cat pricing):
  - **Fragmentation of market conditions** remains a dominant feature
  - **Pricing environment is gradually improving** as was expected, hence SGPC’s ability to deliver the profitability it projected
  - **SGPC has a superior growth potential** and every opportunity to continue its **active portfolio management**
  - **Business lines and markets are evolving as predicted**, leading to a portfolio structure in line with the SMV1.0 (by 2013)



**SGPC confirms the assumptions of Strong Momentum V1.0**, based on the implementation of the underwriting policy in the risk appetite framework as per SMV1.0:

- ❑ **Combined Ratio of 95%-96%**
- ❑ **Organic growth of 5% p.a., reaching total 9% p.a.** across the plan-period, including all initiatives of SMV1.0 and two new additional initiatives launched in the meantime

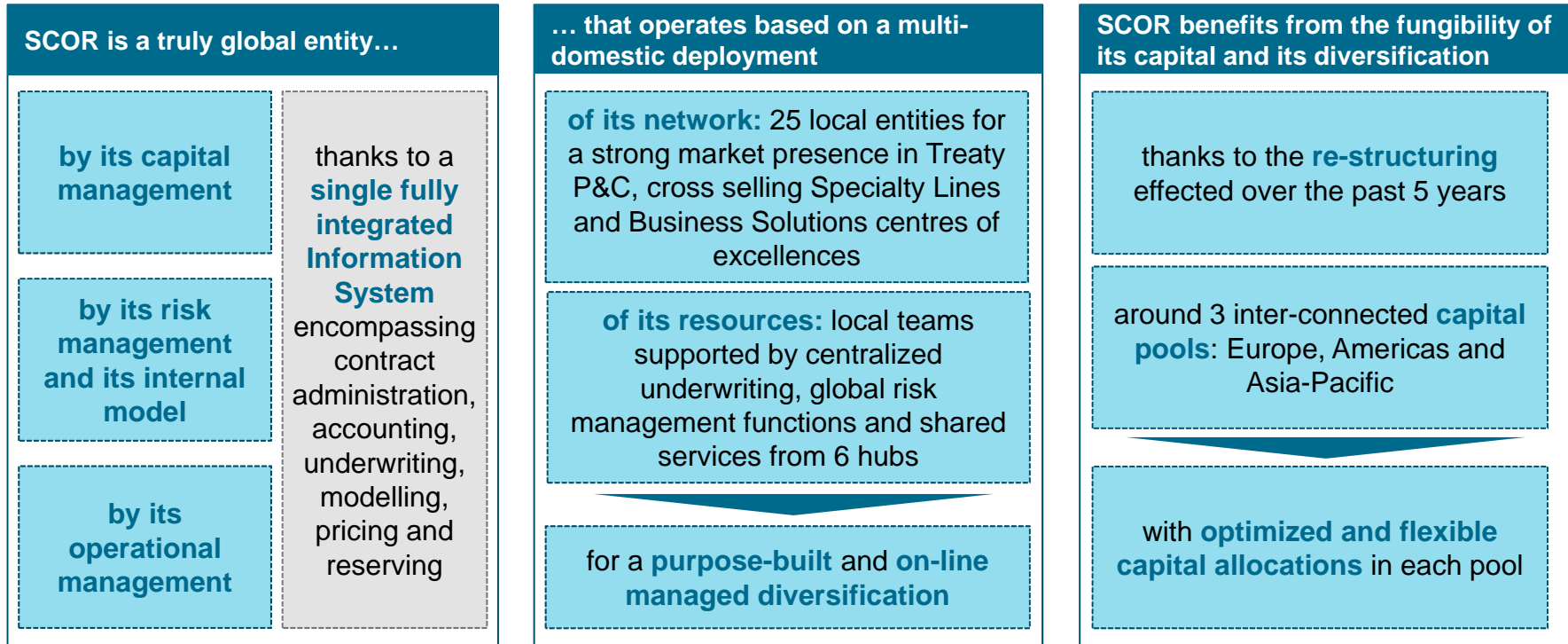
## 2012 price evolutions seen and expected as of June 2011, confirming the high fragmentation of the P&C reinsurance market

	Line of Business	Weighted average 2012 pricing <sup>1)</sup> expected trends by LoB	Min. – Max. by market	Markets concerned
P&C Treaty	Liability	<i>flat</i>	0 – 5%	USA, Australia, Japan, France, Scandinavia, Eastern Europe, Germany, UK
	Motor	+ 1.5%	5 – 15%	
	Property	+1%	0 – 20%	
	Property Cat	+ 7%	0 – 50%	
Business Solutions	Property Energy	+ 5%	0 – 25%	Not applicable (global LoB)
	Property Non Energy	+ 5%	0 – 20%	
	Liability	<i>flat</i>	-5% to +5%	
	Offshore	<i>flat</i>	0 – 25%	
	Engineering	+ 2%	0 – 5%	
Specialty Lines	U.S. Cat Nat	+ 10%	5 – 25%	Not applicable (global LoB)
	Others	<i>flat</i>	N/A	
<b>Weighted average across the portfolio</b>		<b>+ 2%</b>		

**SCOR's view of an increasingly fragmented market is validated**



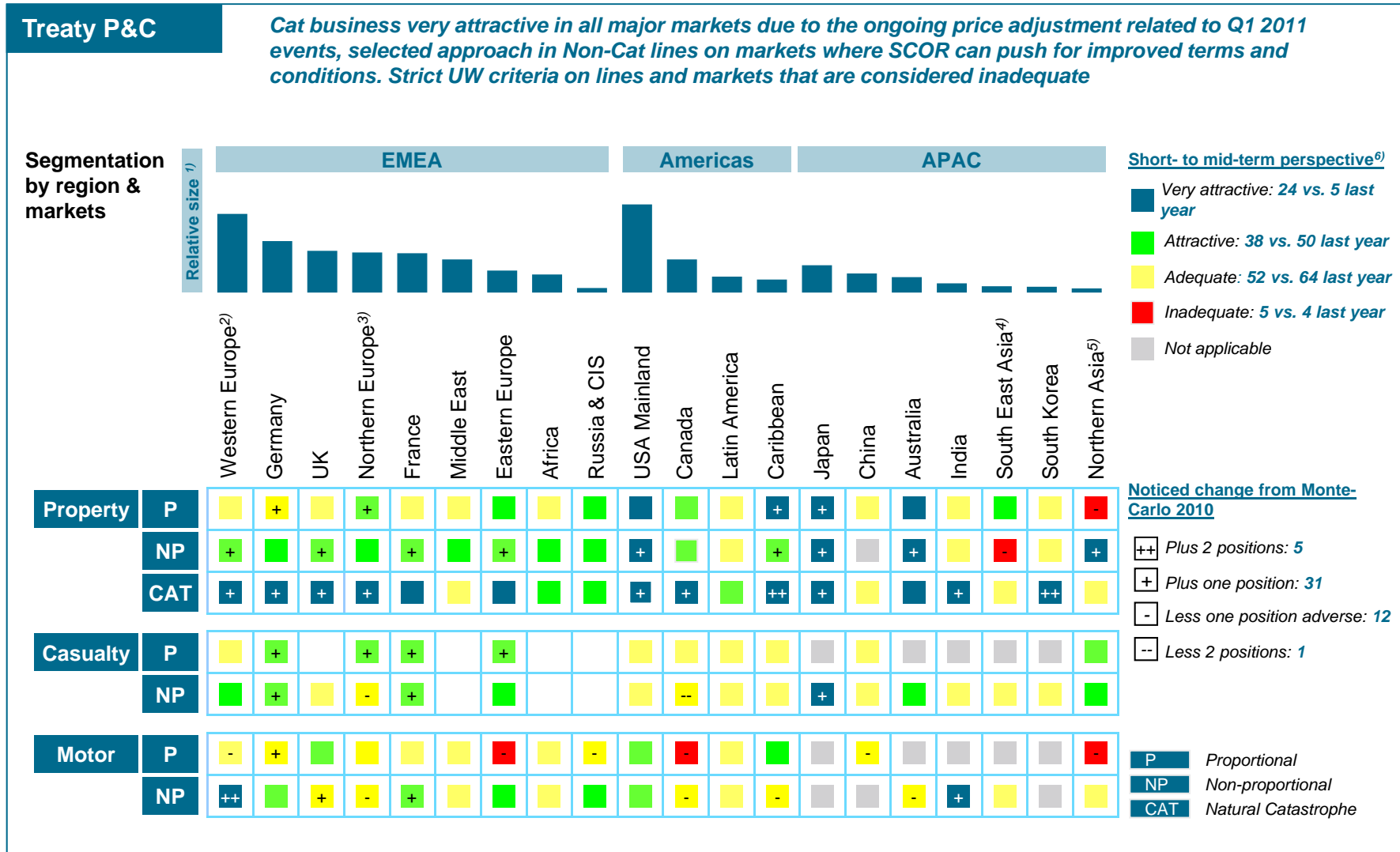
# SCOR Group global business model optimally fits the increasingly fragmented P&C reinsurance markets



Thanks to this **unique combination of and balance between global and multi-domestic approaches**, SCOR Global P&C is equipped to:

- ❑ **Timely detect trends** and pockets of profitable underwriting, and **anticipate changes**
- ❑ **Frictionlessly reallocate capital** among its entities
- ❑ **Swiftly access business**, having the infrastructure in place to book and service it
- ❑ **Conduct real-time portfolio management**: the deal-making teams of underwriters, modellers and pricers have become portfolio managers and the remuneration policy is designed to reward them for the efficiency of their management<sup>1)</sup>

# SCOR Global P&C's assessment of its potential in the segments where it operates at 2012 renewals (I)

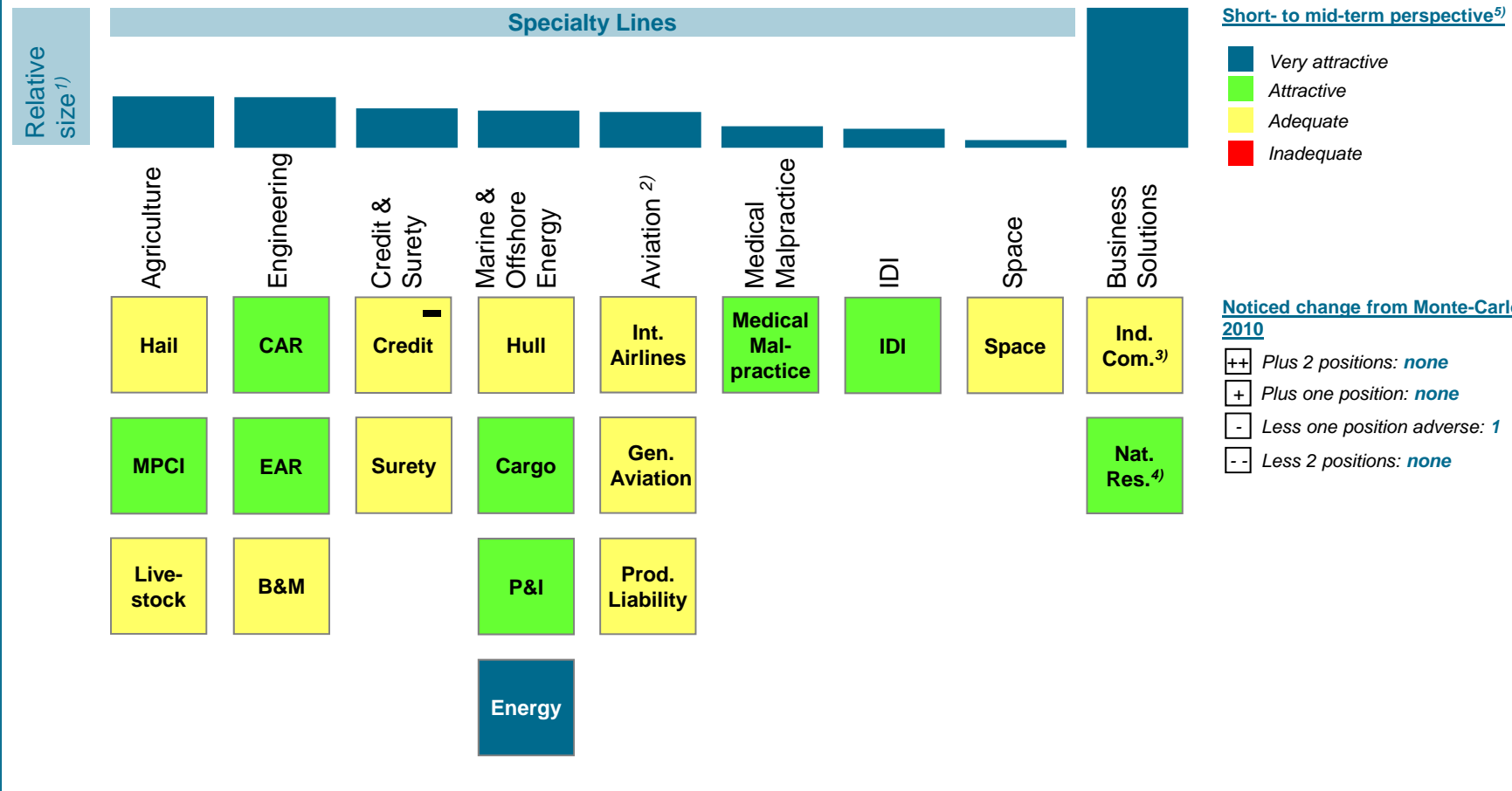


# SCOR Global P&C's assessment of its potential in the segments where it operates at 2012 renewals (II)

## Specialty Lines and Business Solutions

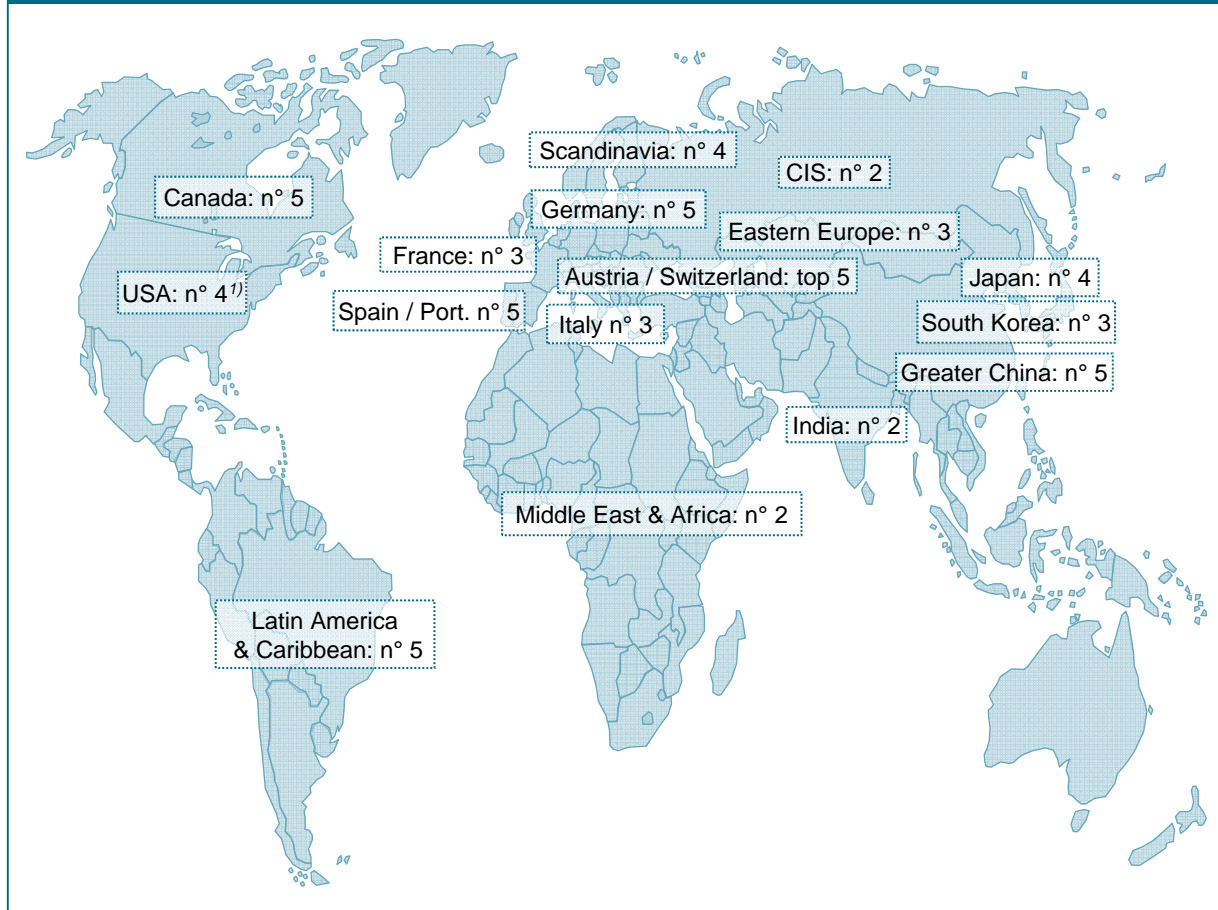
*Almost unchanged attractiveness of business is proof of SCOR's strategic stability and long-term focus*

### Segmentation by Line

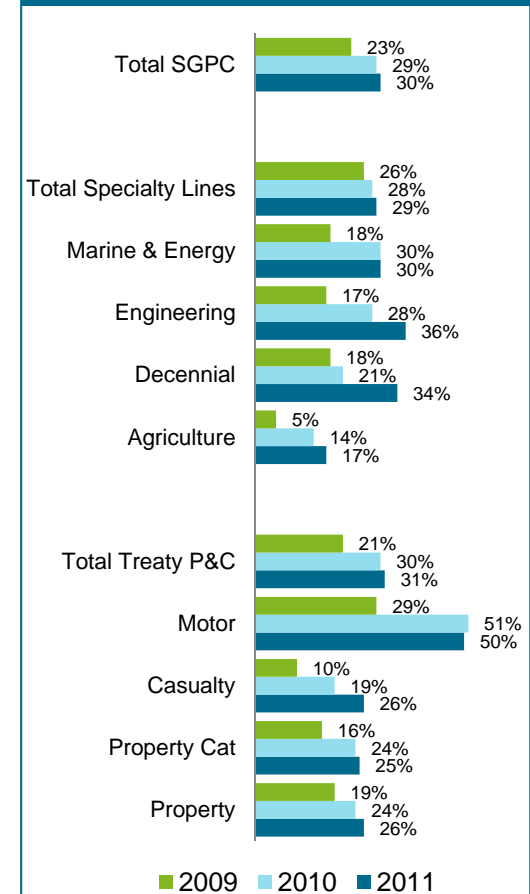


# SCOR Global P&C is a worldwide top-tier reinsurer with a solid foothold in all markets, which has strengthened its relationships across all lines

Strong global franchise to become the reinsurer of choice by providing solutions and services, i.e. more than “just” products



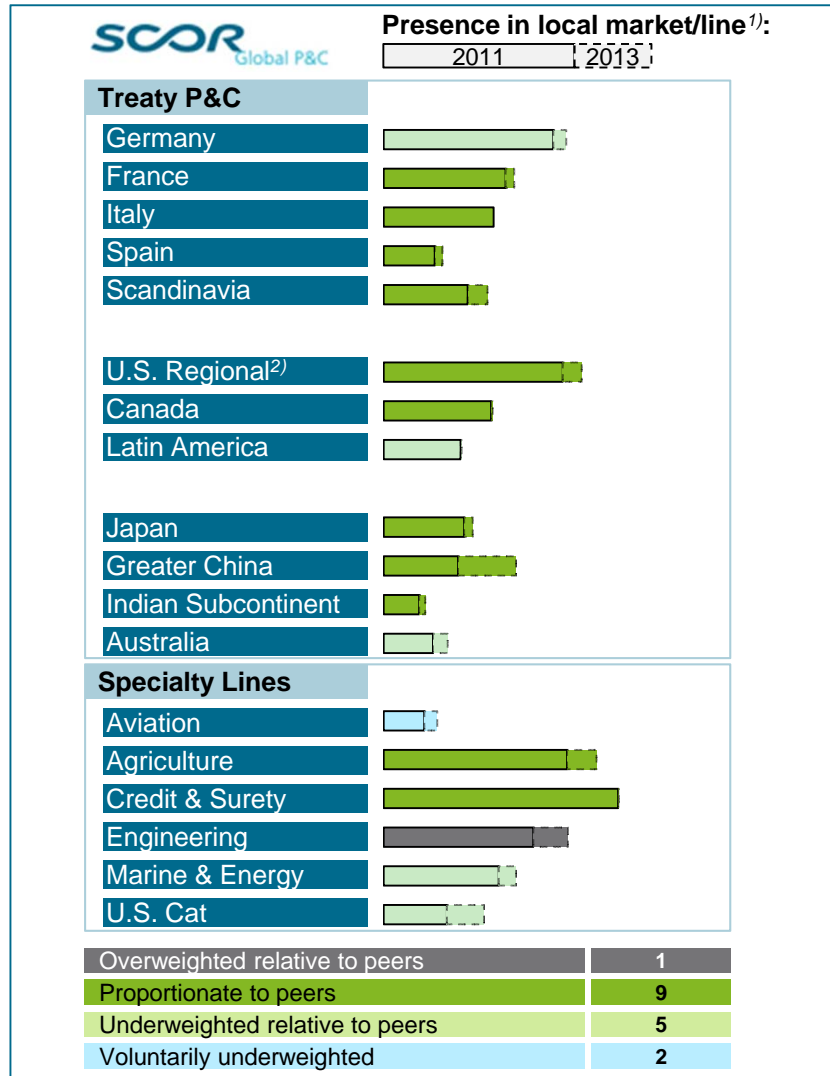
Lead<sup>2)</sup> development by line



1) Ranking in the targeted Regional carriers segment

2) Lead positions percentage weight in total Estimated Gross Premium Income 2009, 2010 and 2011 January to April period

# SCOR Global P&C has the potential for continued growth whilst keeping its solvency and profitability targets in line with Strong Momentum V1.0



**SCOR Global P&C provides a global offer** in Treaty P&C and Specialty Lines reinsurance to its clients and their brokers and:

- ❑ Is underweighted compared to its peers in markets such as Germany, Latin America and Australia and in Specialty Lines such as U.S. Cat and Marine & Energy, either for risk appetite or expected technical profitability related reasons or because of ratings-driven phased market re-entry
- ❑ Is **voluntarily underweighted in the U.S. market** (outside of its Regional target segment) and Aviation
- ❑ Has continued to achieve **improvements in expected technical profitability** and price increases at the 2010 & 2011 renewals thanks to active portfolio management
- ❑ Sees opportunities for further growth in Latin America, China, Indian Subcontinent, Australia and U.S. Cat – but **only if the growth meets the “Strong Momentum” profitability requirements**

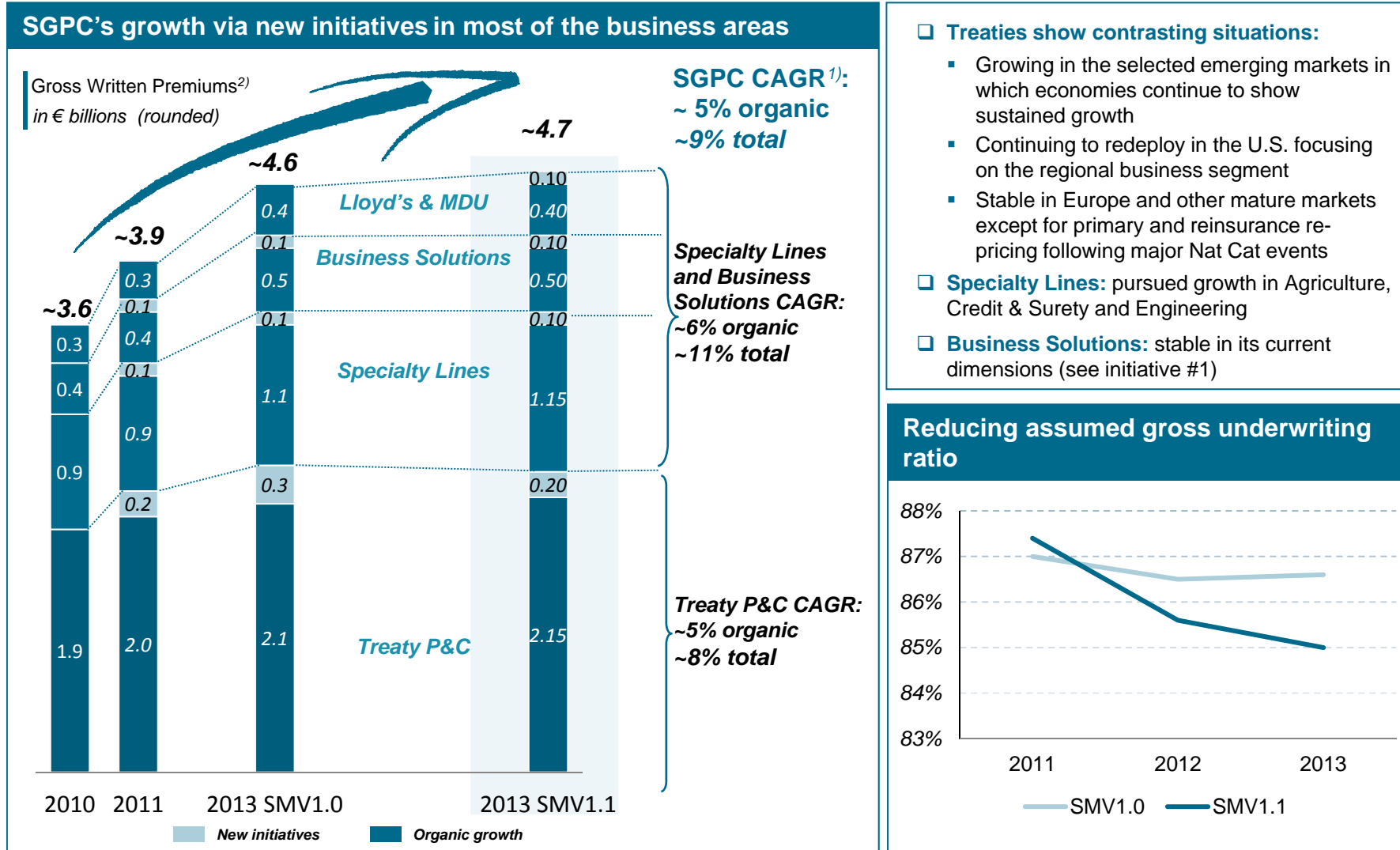
1) This graph reads as follows: the bars are proportional to the premiums expected in each area, with the two horizontal bars showing the 2011 premiums and the 2013 incremental premiums expected as of SMV1.1

2) U.S. regional includes small to medium-sized insurance companies insuring small to medium-sized risks

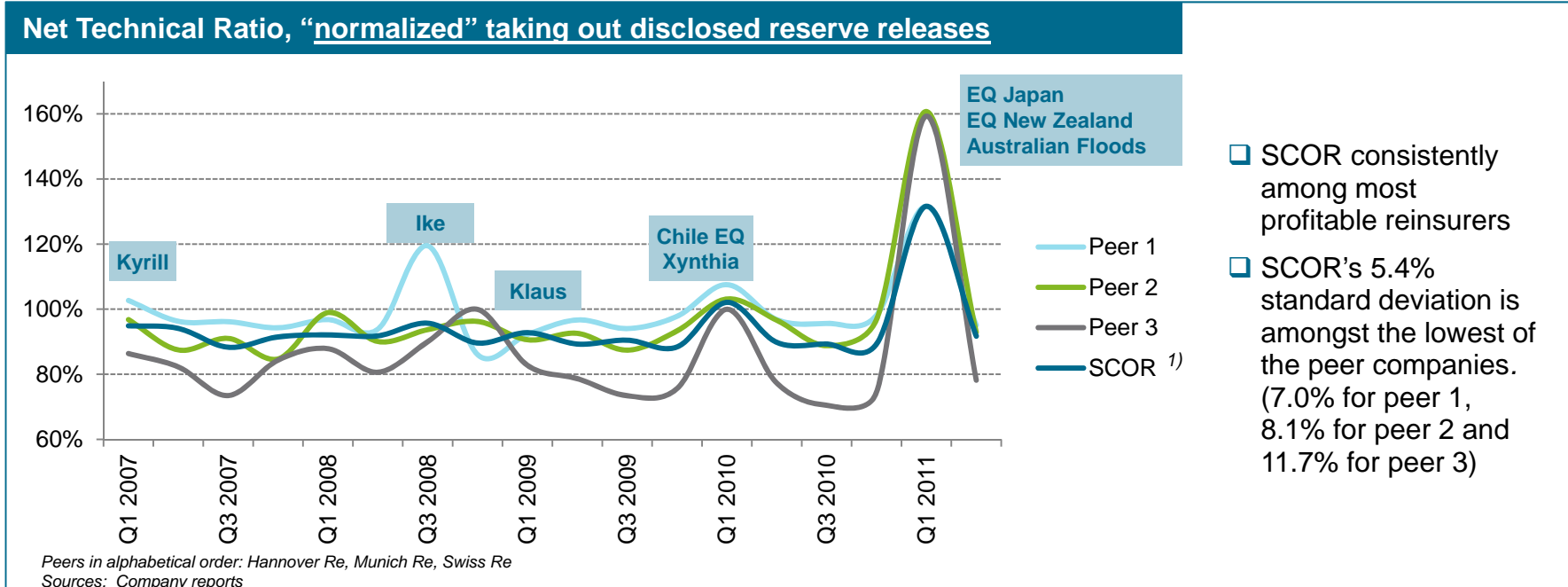
## All the initiatives of Strong Momentum V1.0 are being pursued and two new initiatives have been launched

Initiative	Status	Comment
1 Scale up of Business Solutions	<i>Launched &amp; on track</i>	New product mix, triggering an amended business model and organization. Based on seven sub-business cases, e.g. offshore, onshore, mining, etc.
2 Rebalance Cat Capacity	<i>Launched &amp; on track</i>	Rebalancing of peak territory capacities on track and ongoing
3 Launch of ILS risk transfer solutions	<i>Launched &amp; on track</i>	Demand for extreme risk protection is increasing. SCOR has the expertise and competence to provide solutions focused on an indemnity basis
4 Increase moderately retentions over the plan	<i>Launched &amp; on track</i>	Optimization of the retrocession program, increased geographical and lines of business diversification, geographical rebalancing of cat exposures, increasing assumed per-risk capacity
5 Access specialties via U/W Agencies	<i>Launched &amp; on track</i>	Direct Insurance / MGA (Managing General Agency) business. An agreement has been signed with CV Starr companies to join a co-insurance property pool to write U.S. commercial property risks
6 Expand Casualty	<i>Plan ready, implementation postponed</i>	Currently below SMV1.0 targeted increase in premiums planned for 2011 because of market conditions. Strengthened underwriting expertise to be ready to benefit from market upturn to achieve SM objectives
<b><u>New Initiatives</u></b>		
7 Private deals	<i>Launched &amp; on track</i>	Placed with selected reinsurers under differing conditions, close partnership, better sharing of underwriting information
8 Channel Syndicate 2015	<i>Launched &amp; on track</i>	Operated through Independent Managing Agency; multiline insurance business plan with £ 75 million stamp capacity in 2011

# Global P&C “Strong Momentum” update confirms growth rate and shows an improved technical ratio



# As of June 2011, SCOR Global P&C maintains greater stability of its net technical results than its peers, “normalized”



SCOR Global P&C maintains superior stability with lowest volatility thanks to:

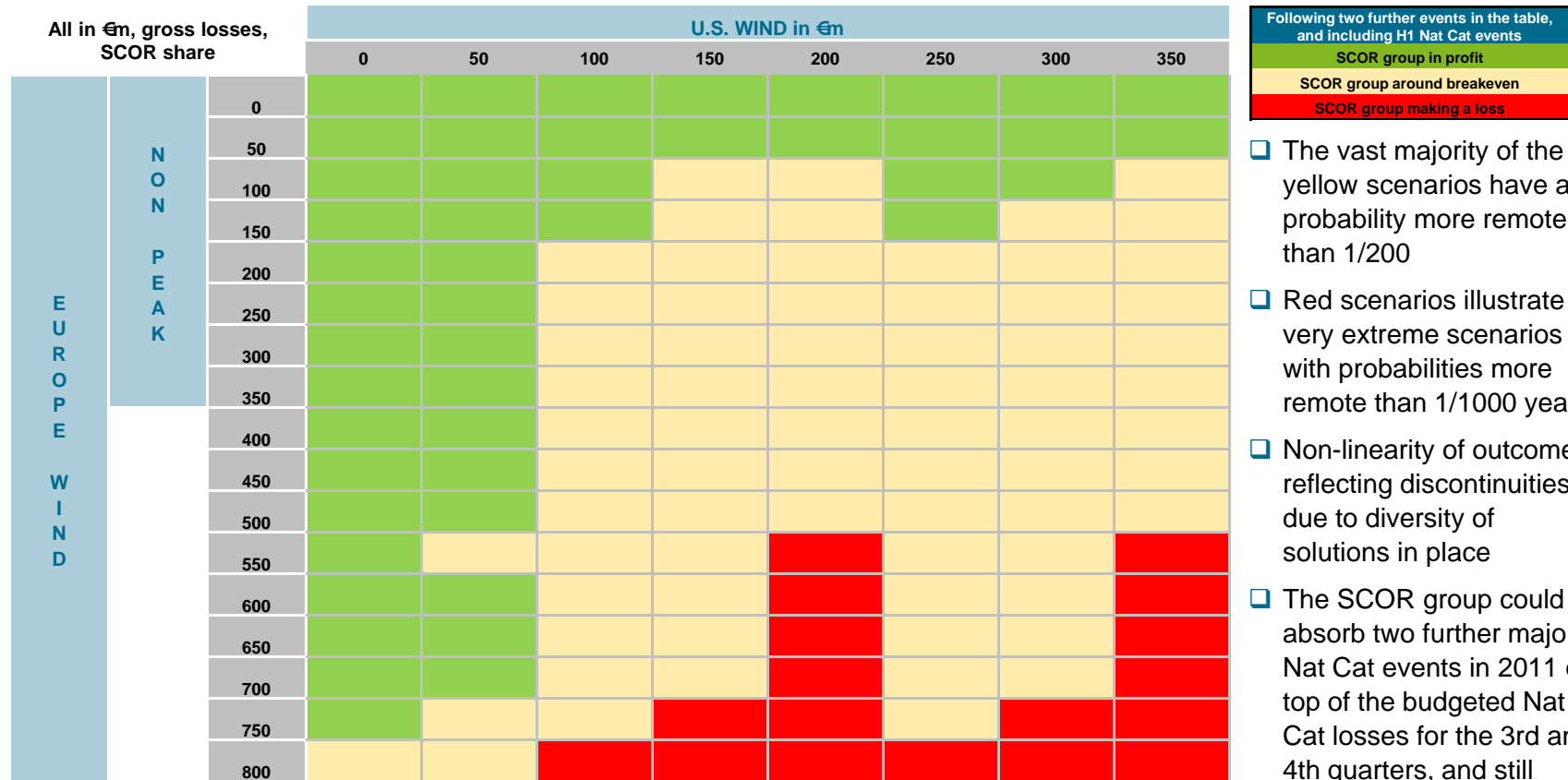
- Active portfolio management, benefiting from risk management-driven changes in reinsurance purchase policies
- High diversification compliant with the Group's risk appetite

...backed up by traditional and innovative retro structures



# SGPC low volatility of results is backed by a strong Capital Shield, of which 85% of the protection is still in place for the remainder of 2011 (as of 30/06)

## Estimated potential impact of two further major Nat Cat events in 2011

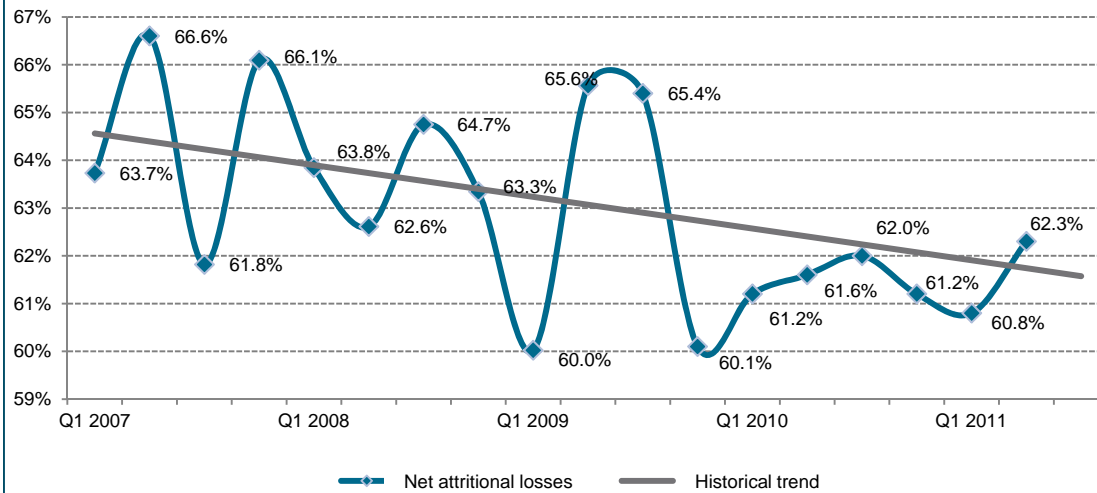


1) A "normal" quarter defined as having 6 points of Nat Cat load in net combined ratio, as in SMV1.0

2) Excluding any major disruptions to financial markets or deterioration of the Life performance or other material unexpected events

# SCOR Global P&C combined ratio assumption over the plan remains at 95-96%, leveraging on continued active portfolio management

## 1 Pursued trend of progressive reduction of the attritional loss ratio<sup>1)</sup> thanks to portfolio mix evolution

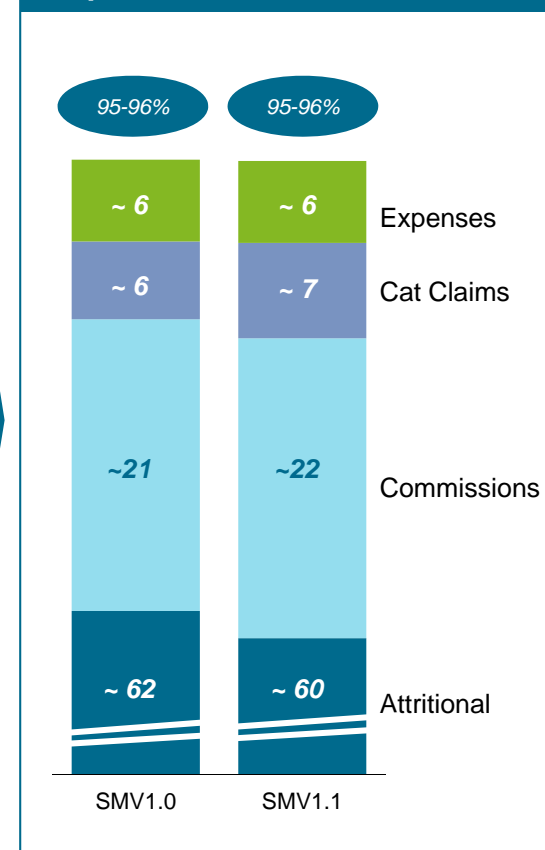


## 2 Increased cat budget from 6% to 7%

- Consistent with development of pricing and...
- ... reflecting frequency/severity evolution of “non-modelled” cat losses

## 3 Increased net acquisition costs to reflect portfolio mix evolution

## Combined ratio assumption over the plan maintained at 95-96%



1) On an accounting year basis and excluding the WTC impact: in Q4 2009 for the exceptional negative impact of the outcome of the arbitration with Allianz in respect of the World Trade Center for € 60 million (pre-tax); in Q2 2011, for the € 47 million (pre-tax) positive effect related to settlement of the subrogation action undertaken by WTC Property insurers against the Aviation insurers

## SCOR Global P&C combines growth and profitability, in line with its “Strong Momentum” assumptions

### SCOR Global P&C keeps delivering

- ❑ SCOR Global P&C is ideally structured to benefit from an industry which is characterised by **an increasingly fragmented pricing environment and in line with SMV1.0 market pricing assumptions**
- ❑ SGPC’s continued **focus on active portfolio management** and high diversification of its existing portfolio lead to **profitability assumptions in line with “Strong Momentum”**
- ❑ SGPC historical superior stability of results is supported by an **active capital shield policy**, 85% still in place for the remainder of 2011 <sup>1)</sup>
- ❑ Total **volume growth over the plan period projected at 9% per annum**, with both organic growth and the new initiatives in line with Strong Momentum V1.0
- ❑ In addition to the planned 6 initiatives, two new additional ones (private deal execution and the Channel 2015 Lloyd’s syndicate) have been launched in 2011, further demonstrating the **commercial dynamism of the SCOR Global P&C franchise**

# Appendix

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# Economic assumptions have changed but performance targets remain the same

**Under the following assumptions**

**Economy<sup>1)</sup>:**

- ❑ Real GDP annual rate growth:
  - 2011 projection in SMV1.0: 2.4%
  - Expected<sup>2)</sup> in 2011: 1.6%
- ❑ Annual rate of inflation:
  - 2011 projection in SMV1.0: 1.7%
  - Expected<sup>2)</sup> in 2011: 2.6%

**Financial markets<sup>1)</sup>:**

- ❑ Risk-free interest rate on 3 month TB:
  - 2011 projection in SMV1.0: 0.9%
  - Witnessed<sup>3)</sup> in 2011: 0.5%
- ❑ Risk-free interest rate on 3 year govies
  - 2011 projection in SMV1.0: 2.8%
  - Witnessed<sup>3)</sup> in 2011: 1.3%
- ❑ Projections on stable exchange rates as of first half of 2011

**Acts of God and acts of Men:**

- ❑ No major pandemics
- ❑ No major disruptions (e.g. geopolitical)
- ❑ Natural catastrophe impact “budgeted” at a yearly average of 7 pts of combined ratio, up from 6 pts in SMV1.0



**Key profitability drivers**

	“Strong Momentum” V1.0	“Strong Momentum” V1.1
GWP Growth	~9%	~14%
Non-Life	~9%	~9%
Life	~9%	~20%
Non-Life combined ratio	~95-96%	~95-96%
Life operating margin	>~7.5%	>~7.5%
Return on invested assets	~3.5% <sup>4)</sup>	~3.4% <sup>4)</sup>
Group cost ratio	~5%	~5%
Pre-tax fee income (in €m)	~15	~6
Tax rate	~22%	~22%

**Targets**

ROE above RFR <sup>5)</sup> over the cycle	1 000 bps	1 000 bps
Security level provided to clients <sup>6)</sup>	AA	AA

**SCOR**

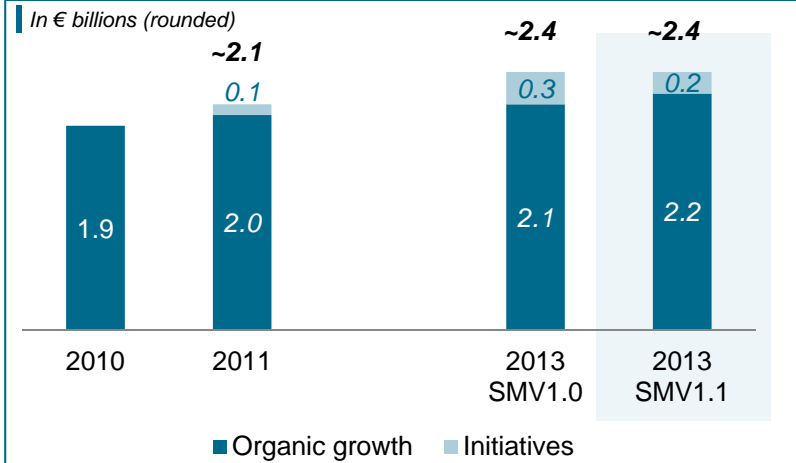
1) Average in advanced economies  
 2) Consensus forecast as at the end of August 2011  
 3) Average rates in 2011 year-to-date  
 4) Excluding funds withheld and impact of sale of the U.S. annuity business

5) Three-month Risk Free rate  
 6) This reflects the level of security provided by SCOR according to the S&P scale; however it does not reflect any Rating Agencies’ opinion of the Group

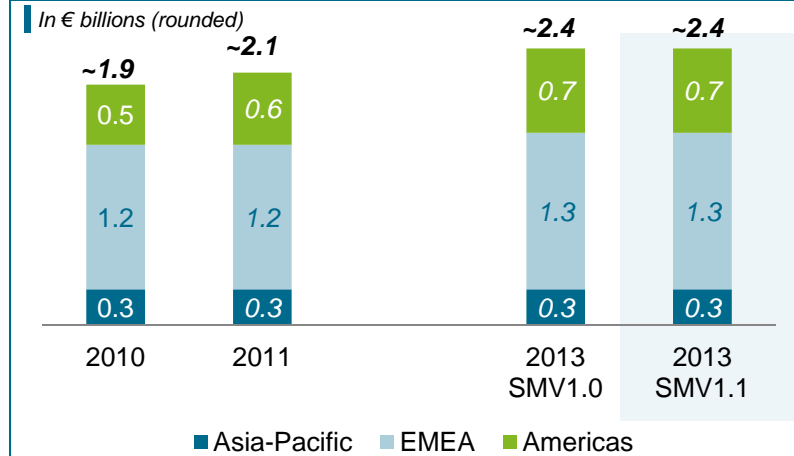
# Treaty P&C: expecting continued growth across all regions with improvements in underlying profitability

## Estimated gross premium income, on an Underwriting Year basis

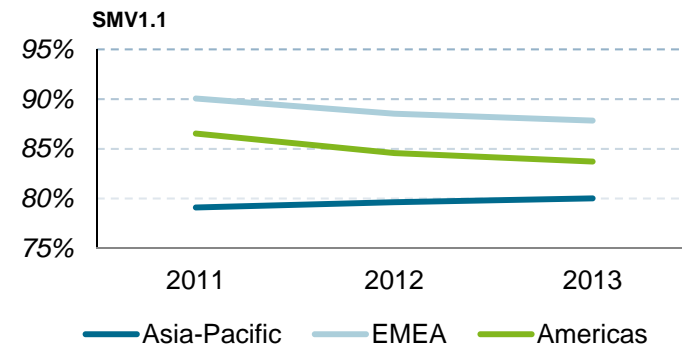
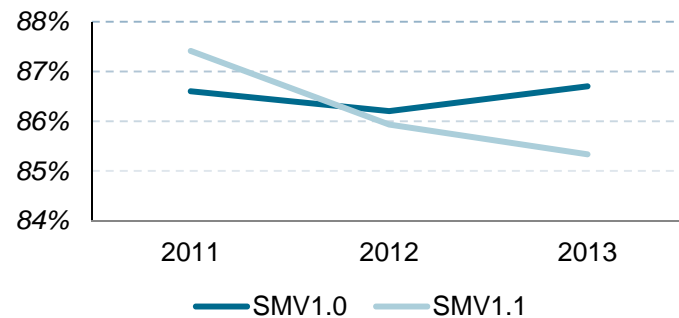
### By type i.e. organic growth or initiatives



### By region<sup>1)</sup>



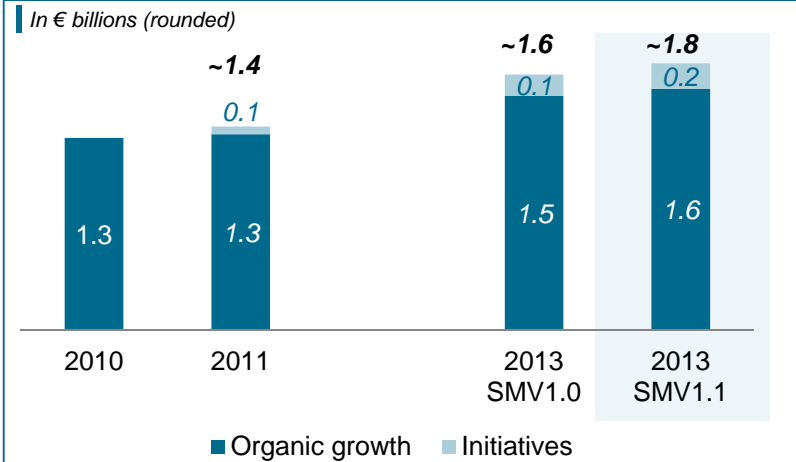
## Underwriting ratio (in %)



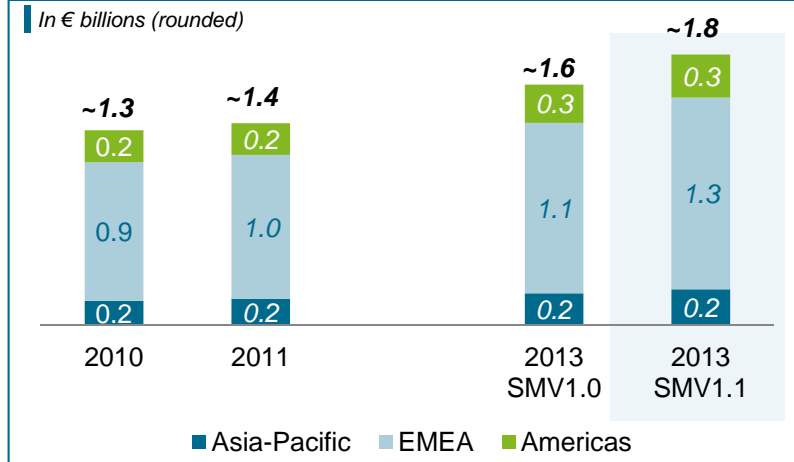
# Specialty Lines: expecting double-digit growth across all regions with improvements in underlying profitability

## Estimated gross premium income, on an Underwriting Year basis

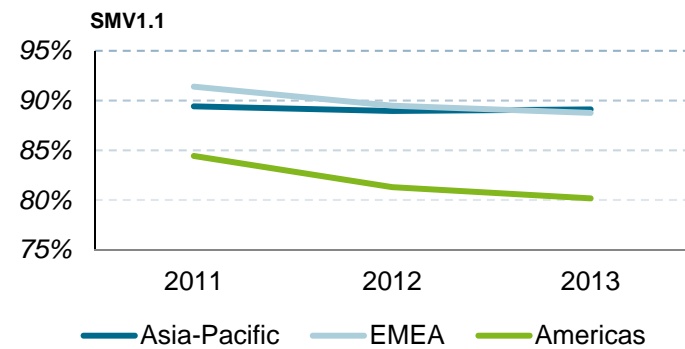
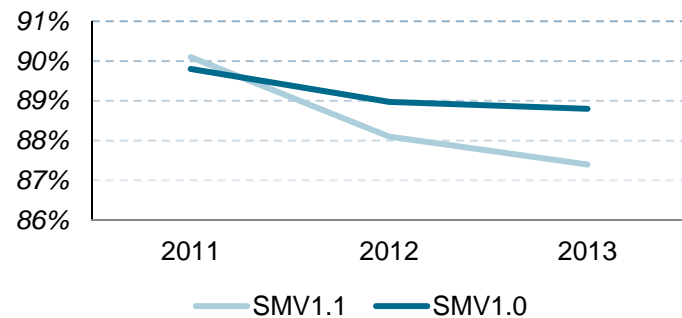
### By type i.e. organic growth or initiatives



### By region<sup>1)</sup>



## Underwriting ratio (in %)



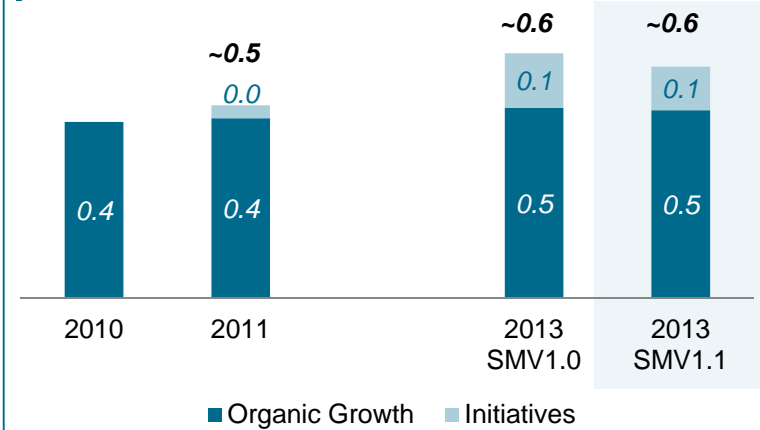
1) Region being the location where the underwriting takes place  
 Foreign Exchange rates used: 2010 as of 31/12/2010; 2011 as of 30/06/2011; 2013 SMV1.0 as of 30/06/2010 and 2013SMV1.1 as of 30/06/2011

# Business Solutions: expecting continued growth across all regions with improvements in underlying profitability

## Estimated gross premium income, on Underwriting Year basis

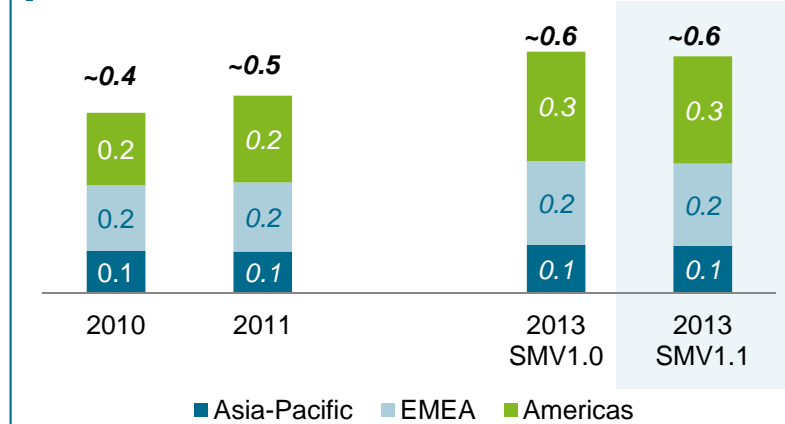
### By type i.e. organic growth or initiatives

In € billions (rounded)

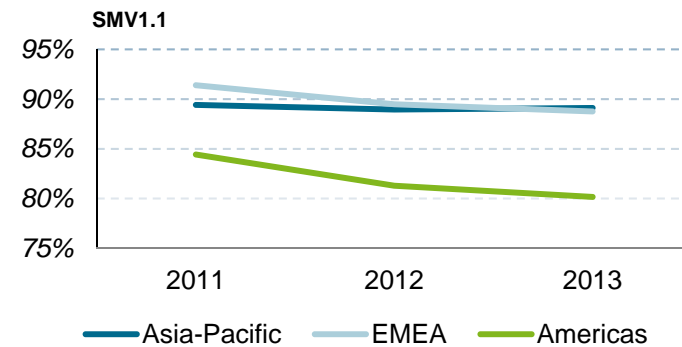
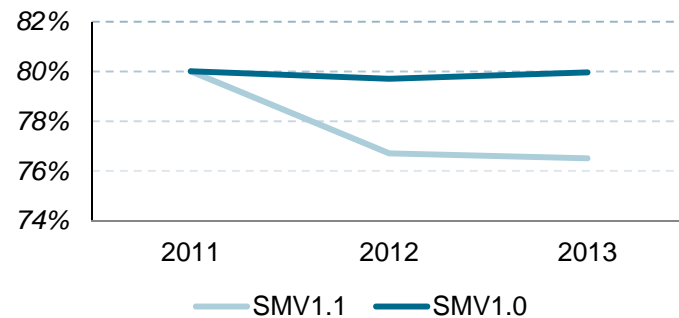


### By region<sup>1)</sup>

In € billions (rounded)



## Underwriting ratio (in %)





## High confidence in 2010 P&C reserves adequacy, with a margin embedded in the reserves of between 1% and 2%

### Group methodology applied to each segment thanks to integration of global data warehouse

- ❑ Since 2008, full IT integration of ex-Converium. All Group historical data is in a Group-wide database, providing higher transparency and full consistency of triangles
- ❑ Group standards have been applied to each actuarial segment

### Margin estimated between 1% and 2%

- ❑ 97% of reserves have been reviewed or peer reviewed (two pairs of eyes principle)
- ❑ Prudent reserving approaches for long tail segments leading to high confidence in P&C reserving adequacy:
  - **P&C 2010 reserves are at Best Estimate**
  - **With a stable margin embedded in the reserves between 1% and 2%**
- ❑ No significant reserve release on the overall portfolio, but IBNR reallocation between segments
- ❑ Legacy issues are resolved

### Towers-Watson confirms SCOR's adequacy of reserves

- ❑ Towers Watson confirms that SGPC gross reserves as of 31<sup>st</sup> December 2010 are within a reasonable range of actuarial estimates. The held reserves are greater than Towers Watson best estimate. The margin estimated by Towers Watson is greater than the implicit margin identified by SCOR

### Processes and tools are best in class

- ❑ Sound reserving tools (ResQ® used worldwide), top of class methods (stochastic approaches), processes, controls and organization
- ❑ Highly skilled professionals (35 P&C reserving actuaries with a FIA, FCAS or PHDs) developing sophisticated solutions for non-standard segments