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First quarter 2011 results: SCOR demonstrates its shock-absorbing capacity

The first quarter 2011 was marked by a series of exceptionally serious natural catastrophes, with cyclones and floods in Australia, another earthquake in New Zealand in February, and the historic catastrophe in Japan on 11 March 2011.

SCOR's strategy, which is notably based on a controlled risk appetite, balanced development between Life and Non-Life reinsurance, significant geographic and business diversification, highly efficient capital protection and a prudent asset management policy, has once again enabled the Group to demonstrate its ability to absorb major shocks.

During the first quarter 2011, SCOR has continued to execute its strategic plan "Strong Momentum", obtaining a performance that largely compensates for the exceptional accumulation of natural catastrophes over the period:

- Gross written premiums stand at EUR 1,665 million, up 3.2% compared to the first quarter 2010 (+1.8% at constant exchange rates).
- Net income stands at EUR -80 million, the very high level of costs linked to natural catastrophes being largely offset by a strong technical performance from Non-Life business lines and by an improved operating margin on the Life side.
- Operating cash flow reaches EUR 201 million in the first quarter 2011 compared to EUR 104 million for the same period in 2010, representing an increase of 93%.
- SCOR Global P&C's net combined ratio stands at 135.2%, of which 46.3 points are linked to natural catastrophes (representing a total pre-tax cost of EUR 367 million). The normalised net combined ratio (with a natural catastrophe budget of 6%) thus stands at 94.9% in the first quarter 2011.
- Gross written premiums for SCOR Global P&C stand at EUR 953 million, up 4.8% (3.2% at constant exchange rates). SCOR Global P&C's objective of a 9% increase in business in 2011 is reaffirmed, notably due to very satisfactory January 2011 renewals (gross written premiums up by 13%), confirmed by an identical increase in the 1 April renewals (+13%).
- SCOR Global Life's operating margin reaches 7.6%, up 1.3 points compared to the first quarter 2010.
- SCOR Global Life records gross written premiums of EUR 712 million in the first quarter 2011, up 1.1% compared to the first quarter 2010 (+2.6% excluding indexed annuity business). New business underwriting is up by 22% compared to the same period in the previous year.

- SCOR Global Investments has continued its rollover strategy whilst progressively repositioning the investment portfolio in accordance with the strategic allocation set out in the "Strong Momentum" plan. In the first quarter 2011, SCOR records a high return on invested assets of 4.3% (compared to 4.0% for the whole of 2010).
- Group shareholders' equity stands at EUR 4.2 billion at the end of the first quarter 2011, a decrease of 4.3% compared to the end of December 2010 due to the combined effects of the first quarter net results and the negative impact of exchange rate developments. Book value per share thus stands at EUR 22.86 at 31 March 2011.

The implementation of the strategic plan "Strong Momentum" has also been cemented by major achievements since the beginning of the year, notably the start of underwriting by the new Lloyd's syndicate Channel 2015, which is entirely financed by SCOR, the issuance of CHF 400 million of perpetual subordinated notes, increasing the Group's financial leverage to 16%, which is still well below the average level for the industry as a whole, the Group's reinforced organisational structure in Latin America and the opening of a new SCOR Global Life office in Mexico.

As part of its strategic orientation designed to focus the Group's Life reinsurance business exclusively on biometric risks, on 16 February 2011 SCOR announced the sale of its fixed annuity subsidiary in the United States, Investors Insurance Corporation (IIC). The acquisition of Transamerica Re's mortality business, announced on 26 April 2011, reinforces the focus on biometric risks and gives the Group a new dimension, increasing the volume of its Life reinsurance business by around 50%. Moreover this transaction meets all the profitability and solvency objectives of the "Strong Momentum" plan. It should begin to be accretive in 2011 and is being financed without the issue of new shares.

Denis Kessler, Chairman and Chief Executive Officer of SCOR, commented: *"The unprecedented accumulation of exceptional natural catastrophes in the first quarter 2011 has had a significant impact on the entire reinsurance industry. In this context, the resilience of SCOR's performance bears witness to the relevance of our strategy, which is based on significant geographical and business diversification, a moderate risk appetite, a highly efficient capital shield and a prudent asset management policy. SCOR has been very active in the implementation of its "Strong Momentum" plan since the beginning of the year. The acquisition of Transamerica Re's mortality business is a major transaction that strengthens the Group's strategic orientations, meets its targets in terms of profitability and solvency and reinforces its position among the world's leading reinsurers".*

SCOR Global P&C (SGPC) Q1 results are affected by the exceptionally high number of severe catastrophes that have heavily impacted the entire industry

Like the rest of the industry, SCOR has suffered the consequences of a series of major natural catastrophes in the 1st quarter 2011, although to a lesser extent than its peers. These catastrophes represent an estimated total cost of EUR 367 million net of the only affected cover, i.e. the proportional retrocession relating to national natural catastrophe risks and extreme risks on the treaty portfolio. The estimated total costs in this regard correspond to 46.3 net combined ratio points.

Given the excellent performance of the portfolios (excluding natural catastrophe costs), the net combined ratio for the quarter is contained at 135.2%. The so-called attritional loss/net earned premium ratio (excluding natural catastrophes) is 60.8%, despite two major losses that have impacted the large industrial Onshore and Offshore Energy risks portfolio.

In a scenario of “normalised” natural catastrophe costs of 6 net combined ratio points, the net combined ratio of 94.9% for the quarter is fully in line with the 2010-13 “Strong Momentum” plan. If the next three quarters see a “normal” level of natural catastrophe losses, with no other significant events or developments, the projected net combined ratio for the end of 2011 is in the range of 105 to 115%.

The Group’s retrocession programmes are currently intact and their structure, which notably includes automatic reinstatements, means that the Group can withstand two more natural catastrophes by the end of 2011 with a very low probability of making a loss for the full year. The Group’s situation at the end of the first quarter confirms the effectiveness of its capital shield strategy, combined with an underwriting policy that focuses on diversification and the global balance of commitments.

Good renewal results at 1 April 2011

Many of the 1 April renewal negotiations had already begun when the Japanese earthquake and tsunami happened. The positive results for SCOR of these renewals continue the progress recorded at 1 January 2011.

They were characterised by a certain insistence on increases in the price of non-proportional property contracts, for example in South Korea and Japan, and by stricter terms and conditions for proportional contracts, for example in India. 10% of annual treaty premiums were up for renewal and involved a limited number of markets, with a strong proportion of premiums emanating from Asian markets such as South Korea, India and Japan.

The renewals show growth of 13% linked to continued active portfolio management, as demonstrated by the reorganisation (through cancellation or restructuring) of contracts representing 14% of the premiums up for renewal. This reorganisation has also led to an average weighted price increase of 0.5% and a slight improvement in expected technical ratios.

These renewals demonstrate the Group’s credibility in the markets in question, along with its ability to access high quality business, and reflect its involvement in emerging markets and developing lines of business.

Good technical results and strong new business growth in the first quarter 2011 confirm the relevance of the SCOR Global Life (SGL) business model

SGL gross written premiums reach EUR 712 million in the first quarter 2011, compared to EUR 704 million in the first quarter 2010, up by 1.1%. Excluding US fixed annuity business, the sale of which was announced on 16 February 2011, gross written premiums are up by 2.6%. New business production is up 22% compared to the same period in 2010. SGL has notably recorded double-digit growth in critical illness, health and accident reinsurance, as well as for its business in Scandinavia, Asia, the Middle East and Central and Eastern Europe.

In the first quarter 2011, SGL records a high operating margin of 7.6%, compared to 6.3% for the same period in 2010.

These results, obtained in a still-low interest rate environment, bear witness to the relevance of SGL's business model, which is centred on biometric risks and has little exposure to financial market developments.

In accordance with the orientation of its strategic plan "Strong Momentum", which aims to concentrate the Life reinsurance portfolio exclusively on biometric risks, SCOR has sold its fixed annuity subsidiary in the United States, Investors Insurance Corporation (IIC). With the acquisition of Transamerica Re's mortality business, announced on 26 April 2011, SGL will consolidate its position among top-tier worldwide Life reinsurers and become the second largest Life reinsurer in the United States in terms of recurring new business volume. This transaction will rebalance the portfolio between the major geographic areas, as set out in the "Strong Momentum" plan, thereby strengthening the Group's focus on biometric risks and meeting its profitability and solvency objectives.

SCOR Global Investments (SGI) records a high return on invested assets of 4.3% in the first quarter 2011

In a context of increased interest rates and the comeback of inflation, SGI continued its rollover strategy throughout the first quarter 2011. This strategy consists of maintaining a relatively short duration and generating recurring cash flows that can be reinvested in the event of rate increases. At the same time, SGI progressively repositioned the asset portfolio in accordance with the strategic allocation set out in the "Strong Momentum" plan. Exposure to sovereign debt has consequently been significantly reduced, mainly to the benefit of the Corporate Bond and Equity pockets.

Driven by the positioning of the investment portfolio and its active management policy, SGI generates a significant financial contribution in the first quarter 2011, with a return on invested assets (excluding funds withheld by cedants) of 4.3%, compared to 4.0% for the whole of 2010. Taking into account funds withheld by cedants, which amount to EUR 7,623 million at 31 March 2011, the total net return on investments is 3.5% in the first quarter 2011, compared to 3.4% in 2010.

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Total invested assets (excluding funds withheld by cedants) stand at EUR 12,242 million at 31 March 2011, down by EUR 711 million compared to 31 December 2010, mainly due to SCOR's sale of the portfolio of its fixed annuity subsidiary in the United States, Investors Insurance Corporation (IIC). Total investments, including cash, stand at EUR 19,865 million at 31 March 2011, compared to EUR 20,593 million at 31 December 2010.

The composition of the Group's total investments is as follows: 44.2% bonds, 38.4% funds withheld by cedants, 7.9% cash and short-term investments, 6.2% equities, 2.0% real estate and 1.3% other investments. The high quality bond portfolio (average rating AA) maintains a relatively short duration of 3.0 years (excl. cash and short-term investments). The cash and short-term investments position is momentarily high at 31 March 2011 (EUR 1,569 million) but is likely to decrease over the coming months.

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P&L Key figures (in EUR millions)

	2011 1st quarter (unaudited)	2010 (*) 1st quarter (unaudited)	Variation in %
Gross written premiums	1 665	1 613	3.2%
P&C gross written premiums	953	909	4.8%
Life gross written premiums	712	704	1.1%
Net investment income	168	177	-5.4%
Operating result	-148	41	-
Net income	-80	36	-
Earnings Per Share (EUR)	-0.44	0.20	-

P&L Key ratios

	2011 1st quarter (unaudited)	2010 (*) 1st quarter (unaudited)
Net return on investments, annualised	3.5%	3.7%
Return on invested assets, annualised (excluding funds withheld by cedants)	4.3%	4.3%
P&C net combined ratio	135.2%	109.1%
Life operating margin	7.6%	6.3%
Group cost ratio	5.6%	5.6%
Return on equity (ROE)	-7.3%	3.7%

Balance sheet Key figures (in EUR millions)

	2011 1st quarter (unaudited)	2010 (*) 1st quarter (unaudited)	Variation in %
Total investments	19 865	20 171	-1.5%
Technical reserves (gross)	20 882	21 806	-4.2%
Shareholders' equity	4 166	4 352	-4.3%
Book value per share (EUR)	22.86	22.89	-0.1%

(*) The above Q1 2010 figures have been adjusted to reflect the reclassification of SCOR group functions, which was announced with the Q4 2010 disclosure. Please see page 56 of the Q4 2010 presentation, available at www.scor.com, for further details.

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

Please refer to SCOR's document de référence filed with the AMF on 8 March 2011 under number D.11-0103 (the "Document de Référence"), for a description of certain important factors, risks and uncertainties that may affect the business of the SCOR Group. As a result of the extreme and unprecedented volatility and disruption of the current global financial crisis, SCOR is exposed to significant financial, capital market and other risks, including movements in interest rates, credit spreads, equity prices, and currency movements, changes in rating agency policies or practices, and the lowering or loss of financial strength or other ratings.