

# SCOR Global Life

## Embedded Value 2013 results

SCOR Global Life MCEV reaches EUR 4.5 billion (EUR 24.1 per share), continuing to provide the SCOR group with significant earnings and strong capital repatriation



## Notice

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**Methodology.** Details of the Embedded Value approach used by SCOR Global Life, including analysis of Embedded Value from 2012 to 2013, as well as details of the methodology used, analysis of sensitivities to certain key parameters and reconciliation of the Embedded Value to the IFRS equity of SCOR, can be found in the document entitled "SCOR Global Life Market Consistent Embedded Value 2013 – Supplementary Information" and the "SCOR Global Life" slide show presentation, both of which are available at [www.scor.com](http://www.scor.com).

The Embedded Value has been calculated in accordance with the European Insurance CFO Forum Market Consistent Embedded Value Principles (Copyright© Stichting CFO Forum Foundation 2008) published in June 2008 and October 2009 by the CFO Forum.

This MCEV disclosure should not be viewed as a substitute for SCOR's primary financial statements.

**Towers Watson** has been engaged to review the methodology and assumptions used and the results of the calculations made by SCOR to determine the Embedded Values. The scope of their review and opinion is presented in "SCOR Global Life Market Consistent Embedded Value 2013 – Supplementary Information".

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

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Additional information regarding risks and uncertainties that may affect SCOR's business is set forth in the 2013 reference document filed 5 March 2014 under number D.14-0117 with the French Autorité des Marchés Financiers ("AMF") posted on SCOR's website [www.scor.com](http://www.scor.com). SCOR undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

**Rounding.** Numbers presented throughout this report may not add up precisely to the totals in the tables and text. Percentages and percent changes are calculated based on rounded figures displayed on the tables and text and may not precisely reflect the percentages and percent changes that would be derived based on figures that would not be rounded. Therefore the presentation might contain immaterial differences in sums and percentages and between slides due to rounding.

## SCOR Global Life Embedded Value 2013 results

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1

SCOR Global Life continues to deepen its franchise

2

Strong Embedded Value 2013 development: SCOR Global Life continues to provide a stable source of earnings and strong dividends to the SCOR group

# SCOR Global Life on top-tier positions in many markets

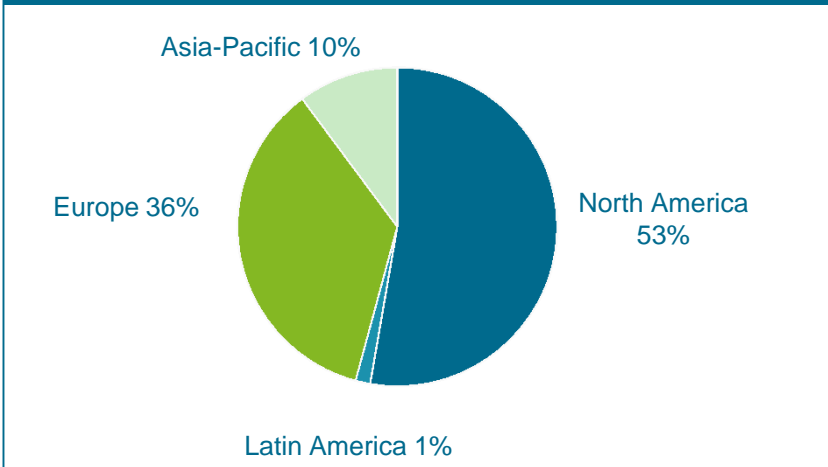


**SCOR Global Life**

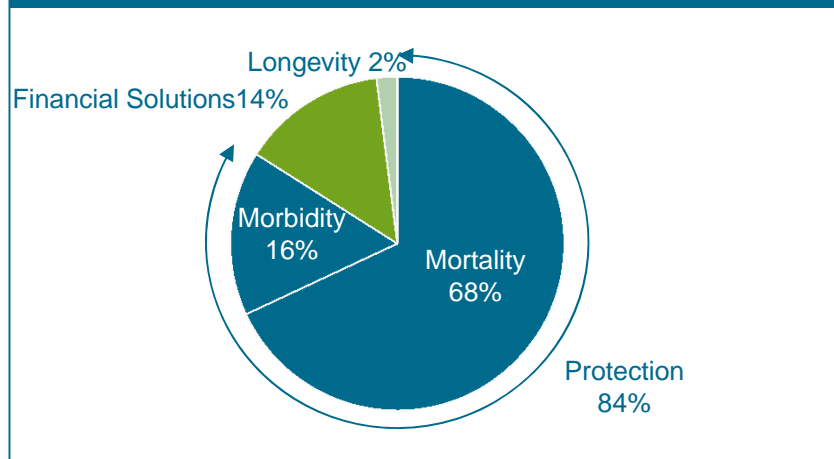
■ Top-tier presence   
 ■ Strong presence   
 ■ Market activities   
  Not applicable   
 1 Market Rank

## A strong €6.05 billion<sup>1)</sup> portfolio as of end 2013

### Geographical split



### Business areas split



- ❑ **Focuses on traditional mortality reinsurance risks**, providing stability of results, with **no underwriting of savings products** (variable or fixed annuities)
- ❑ **Identifies three main business areas:** traditional and innovative **protection** business, **longevity** covers, and a strong **financial solutions** offering
- ❑ **Benefits from high barriers of entry**
- ❑ Is optimally positioned to deliver relevant, tailor-made solutions to clients by combining:
  - **strong local presence:** on-the-ground teams, focusing on long-term relationships
  - **global centers of excellence:** actuarial, assessment and structuring expertise to understand and price biometric risks
- ❑ In October 2013, **acquired Generali US** and became **the market leader in US life reinsurance<sup>1)</sup>**
- ❑ Generates **significant amounts of free distributable cash flow** thanks to mature portfolio (more than € 1 billion since 2008)

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**Strong Embedded Value 2013 development: SCOR Global Life continues to provide a stable source of earnings and strong dividends to the SCOR group**

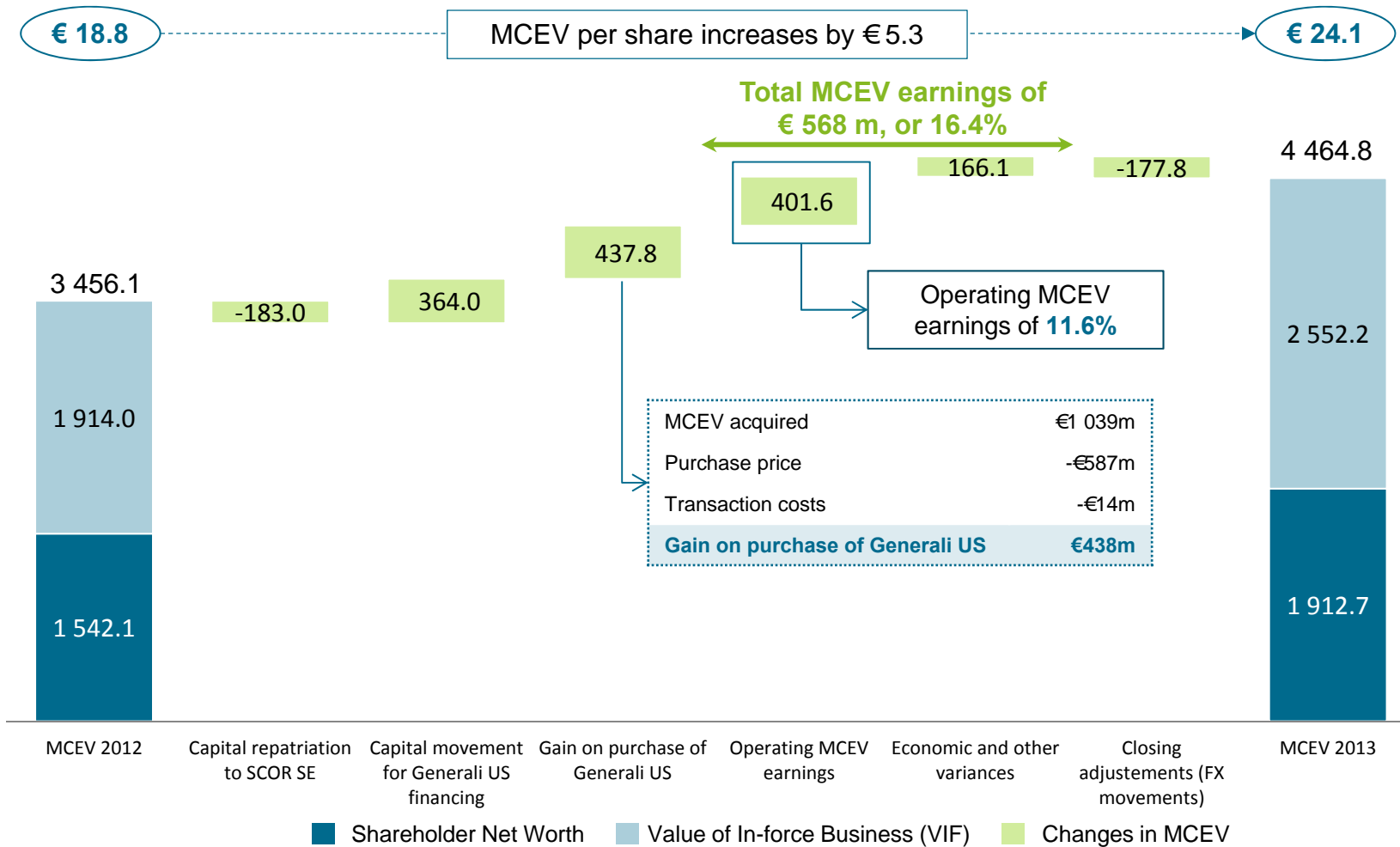
## MCEV development in 2013 continues SCOR Global Life's solid track-record of value creation

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- ❑ **Return on MCEV of 16.4% per annum**, with significant MCEV operating profits of € 402 million and positive economic and other variances of € 166 million
- ❑ MCEV operating profit driven by **Value of New Business of € 340 million**, compared to € 122 million in 2012, with a **new business margin of 5.4%**, compared to 3.6% in 2012, positively impacted by an exceptionally strong volume of financial solution deals
- ❑ **SCOR Global Life generates substantial excess free cash flow**. The free cash **meets financing needs of new business and allows the return of € 183 million to the Group**
- ❑ After capital repatriation, the **MCEV grows by 29% to € 4.5 billion or €24.1 per share** compared to €3.5 billion in 2012 or € 18.8 per share
- ❑ **SGL business model's strength is confirmed**, with biometric focus providing **low MCEV sensitivity to interest rates and financial markets** compared to most primary Life insurers

# SCOR Global Life MCEV reaches € 4.5 billion in 2013 (€24.1 per share)

After tax, in € millions (rounded)





# The gain on purchase of Generali US is more than 2 times higher on MCEV than IFRS

## Generali US acquisition contribution to 2013 on a MCEV basis

in € millions (rounded)

	IFRS	MCEV
Net assets/MCEV acquired	784	1 039
- Purchase price <sup>1)</sup>	587	587
Profit from a bargain purchase	197	452
- Transaction costs (net of tax)	14	14
<b>Gain on purchase</b>	<b>183</b>	<b>438</b>

- ❑ Strong gain on purchase on the acquisition of Generali US of € 438 million compared to the already solid gain on purchase published in Q4 2013 on IFRS standard
- ❑ The IFRS figures include prudent margins whereas the MCEV is calculated on a best estimate basis less cost of capital

## Strong operating MCEV earnings of € 401.6 million

### Operating EV earnings

in € millions (rounded)	2012	2013
	MCEV	MCEV
Value of New Business	122.3	340.3
Expected existing business contribution	112.4	90.3
Experience variances	-56.2	67.1
Assumption changes and other operating variances	106.6	-96.2
<b>Operating EV earnings</b>	<b>285.2</b>	<b>401.6</b>

- ❑ **Strong operating EV earnings of € 401.6 million**
- ❑ **Growth in new business value** driven by significant organic growth and developments of longevity and financial solutions deals as per the Optimal Dynamics plan
- ❑ **Increased new business margin<sup>1)</sup> of 5.4%** (after tax, expenses and cost of capital) compared to 3.6% in 2012, positively impacted by an exceptionally strong volume of financial solution deals
- ❑ **Positive experience variances** due to management actions to improve portfolio profitability, reduced by higher than expected claims in some markets
- ❑ **Assumption changes and other operating variances** driven by modelling improvements

## MCEV earnings at € 568 million driven by strong technical performance

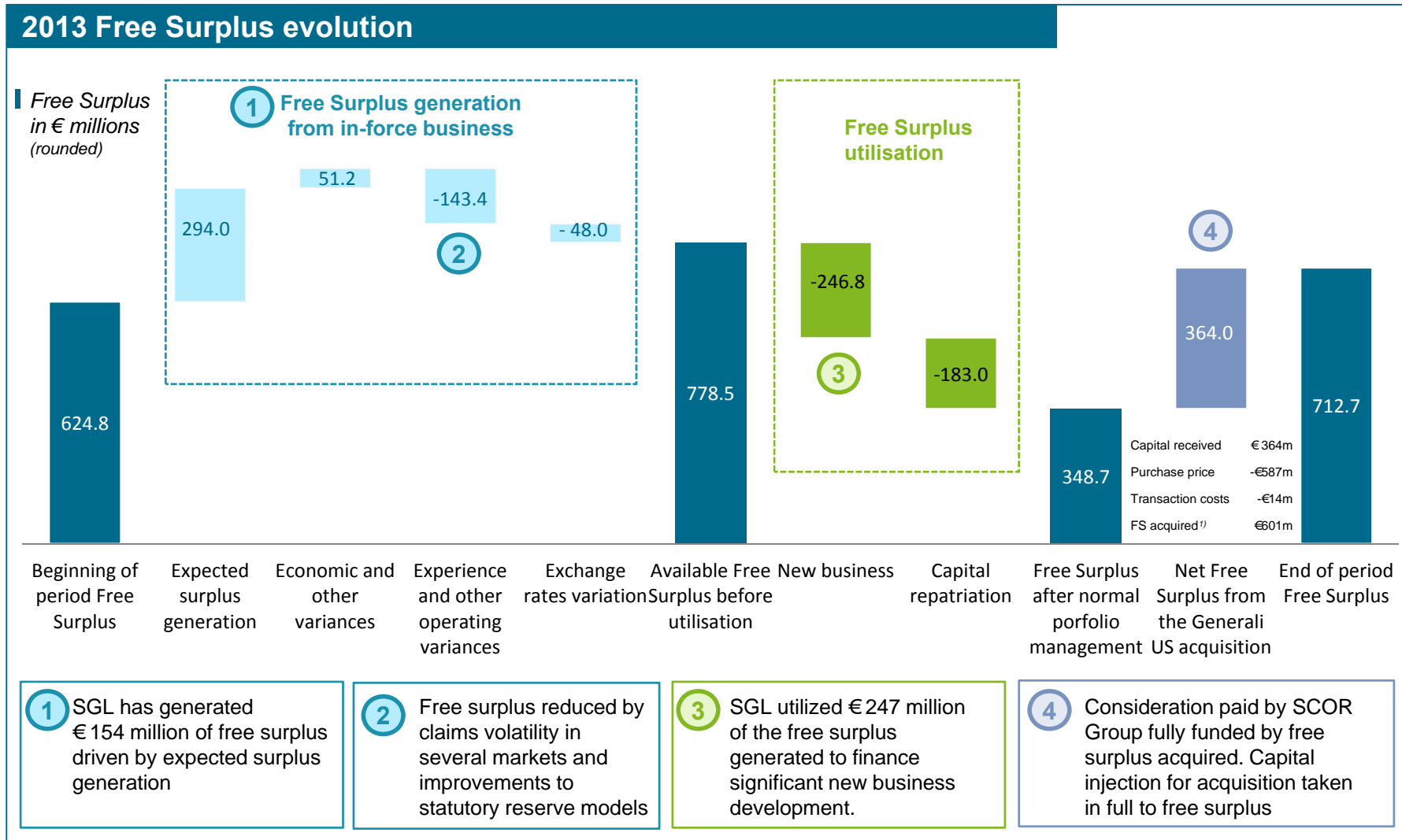
### Total EV earnings

in € millions (rounded)

	2012	2013
	MCEV	MCEV
<b>EV operating profit</b>	<b>285.2</b>	<b>401.6</b>
Economic and other variances	87.1	166.1
<b>Total EV earnings</b>	<b>372.3</b>	<b>567.7</b>

- ❑ Strong EV operating profit supported by **positive economic variances**, resulting from the reduction of the present value of cost of capital due to rise in yield curves, and from investment profits on a market value basis
- ❑ Short investment duration and tightening credit spreads led to investment profits on a market value basis in a year of rising interest rates, **vindicating SCOR's prudently active investment strategy**
- ❑ The biometric portfolio without interest rate guarantees **limits the impact of the low yield environment** compared to primary insurers

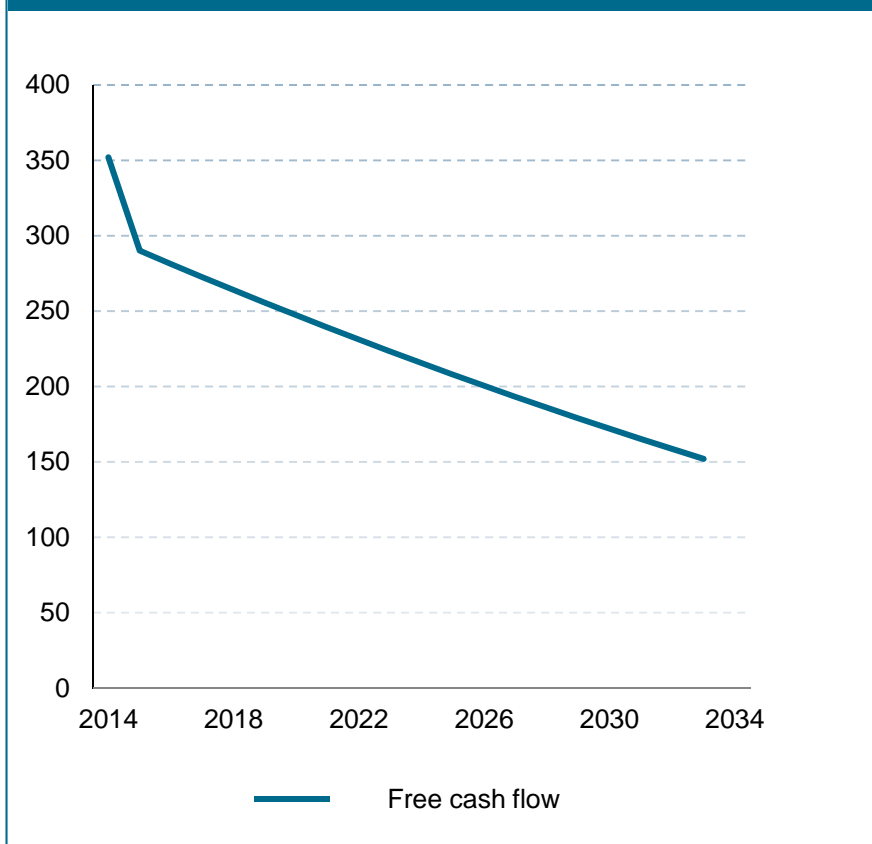
# SCOR Global Life generates significant free cash flow, demonstrating the strength and maturity of the franchise



1) Free surplus of acquired business including business restructuring immediately after closing

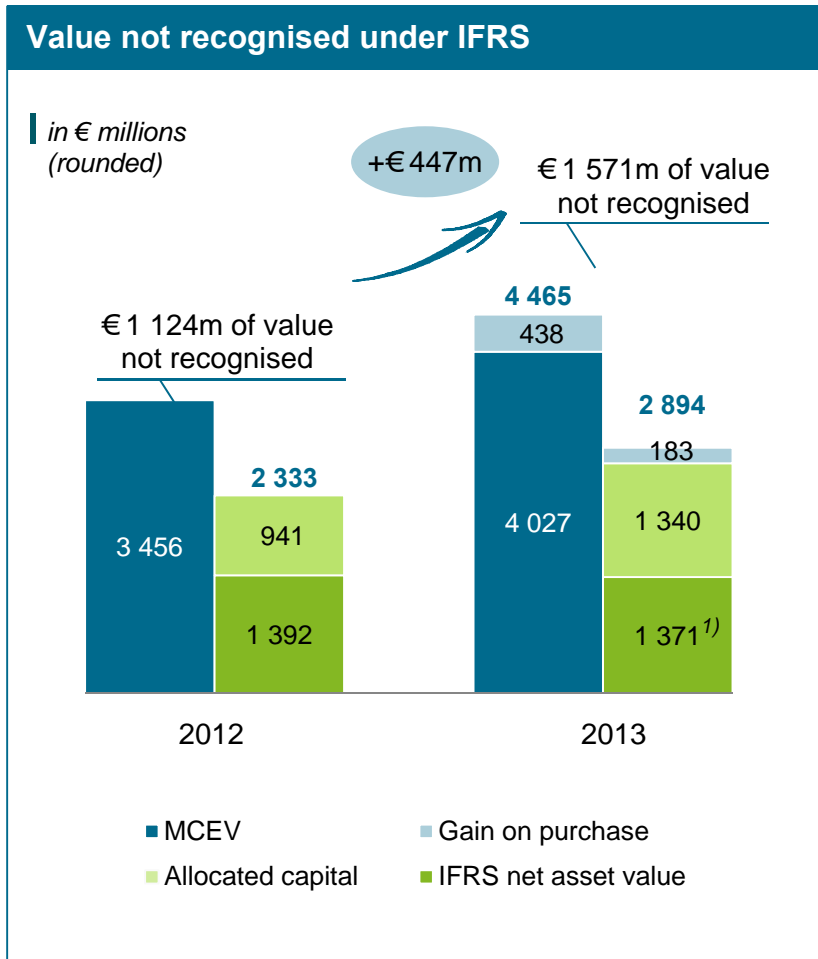
## Mature business book expected to provide substantial free cash flow over the next years

Trend line<sup>1)</sup> of expected annual free cash flow<sup>2)</sup>



- ❑ Existing business book expected to continue to contribute strongly to the overall free cash flow in the near future, to finance both investment in new business and capital repatriations to the Group
- ❑ Expected undiscounted free cash flow is projected as follows:
  - 21% within the first 5 years
  - 39% within the first 10 years
  - 54% within the first 15 years
  - 66% within the first 20 years
  - 75% within the first 25 years
- ❑ 2014 expected cash flow includes release of required capital for short-term business written in 2013
- ❑ Expected cash flow trend line based on unadjusted risk-free rates

# Significant growth in value not recognised under IFRS



- ❑ Embedded value is more suitable for capturing the economic value of life business than IFRS accounting
- ❑ SCOR Global Life has increased its off-balance sheet value by € 447 million, to € 1 571million
- ❑ Increase in value not recognised is driven mainly by the gain on purchase, which is € 183 million under IFRS and € 438 million under MCEV methodology, and the new business written in 2013

1) Excluding gain on purchase; Including the gain on purchase, the total IFRS net asset value is € 1 554 million

## SCOR Global Life: a consistently strong contributor to SCOR's profitability and earnings diversification

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- ❑ SCOR Global Life (SGL) **has a strong franchise with top positions in Europe, North America and Emerging Markets**
- ❑ **MCEV increased to €4.5 billion in 2013 up from €3.5 billion in 2012** (or from €18.8 to €24.1 per share), supported by:
  - **A traditional Life** portfolio strategy which delivers **strong 2013 MCEV results**, once again validating the **diversified business model of SCOR**
  - A **biometric book**, that benefits from **low sensitivity to interest rates and the financial markets**, as demonstrated by robust EV creation even during the financial crisis and in sharp contrast to primary insurer sensitivities
- ❑ **SCOR Global Life continues to generate excess free cash flow and repatriates € 183 million in 2013 to the Group**

# APPENDICES

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Appendix A	Methodology
Appendix B	Key economic assumptions
Appendix C	Foreign exchange rates
Appendix D	Sensitivity of MCEV 2013 and VNB 2013 to main assumptions



## Appendix A: Methodology

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- ❑ MCEV principles applied for the first time in 2010
- ❑ No material changes in methodology in 2013 compared to prior years
  - consistent approach since 2010, except change in method of extrapolating very long term reference rates introduced in 2012 with very small impact on MCEV
- ❑ SCOR complies with CFO Forum's MCEV Principles
  - except no disclosure of analysis of change in Group MCEV
- ❑ Economic assumptions
  - risk-free discounting using reference rates, based on swap yield curve, with no liquidity premium, including a 15 bps allowance for credit risk, and extrapolating to an ultimate forward rate at very long terms
  - implied volatilities are derived from market data at the valuation date
  - embedded financial options and guarantees are valued on a market consistent basis
- ❑ Cost of residual non hedgeable risks (CoRNHR) allows for the cost of risks not already allowed for elsewhere in the calculation
  - these costs include operational risk, cedant credit risk, unavoidable market risk, the effect of the asymmetric influence of tax, the effect of asymmetries in risk distributions or asymmetries in the impact of risks on treaties of the portfolio, and an allowance for uncertainty in the best estimate of shareholder cash flows
  - CoRNHR calculated by applying 4% cost of capital charge to non hedgeable risk based capital (NHRBC) without any allowance for diversification with the non-covered business
- ❑ More details are available in the "SCOR Global Life Market Consistent Embedded Value 2013 – Supplementary Information"

## Appendix B: Key economic assumptions

### Assumptions on risk-free rates (swap rates)

Zero coupon yields	EUR		USD		GBP		CAD	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
<b>Term</b>								
<b>5 Years</b>	1.12%	0.62%	1.67%	0.72%	2.03%	0.88%	2.18%	1.57%
<b>10 Years</b>	2.07%	1.45%	3.10%	1.75%	2.95%	1.78%	3.17%	2.15%
<b>15 Years</b>	2.55%	1.93%	3.70%	2.37%	3.32%	2.42%	3.70%	2.57%
<b>20 Years</b>	2.69%	2.11%	3.94%	2.61%	3.42%	2.79%	3.83%	2.68%
<b>25 Years</b>	2.83%	2.31%	4.05%	2.77%	3.43%	2.98%	3.88%	2.81%
<b>30 Years</b>	2.98%	2.52%	4.07%	2.86%	3.40%	3.06%	3.92%	2.95%

### Assumptions on tax rates




Entity	Tax rate 2013	Tax Rate 2012
<b>France</b>	34.4% <sup>1)</sup>	34.4% <sup>2)</sup>
<b>Germany</b>	32.5%	32.5%
<b>US</b>	35.0%	35.0%
<b>UK</b>	23.0%	23.0%
<b>Ireland</b>	12.5%	12.5%

1) Long term tax rate applicable. The initial tax rate assumed for France is 38% in 2013 and 2014 for MCEV 2013

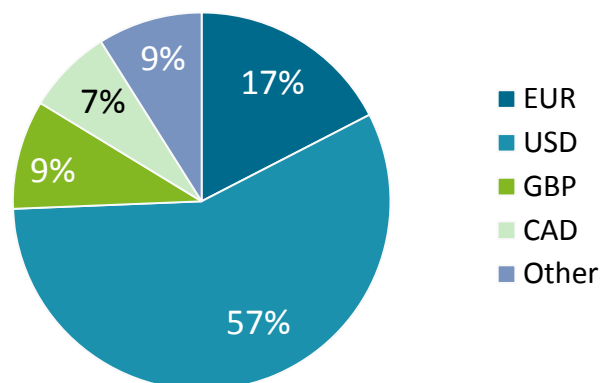
2) Long term tax rate applicable. The initial tax rate assumed for France is 36.1% in 2012 to 2014 for MCEV 2012

## Appendix C: Foreign exchange rates

### Foreign exchange rates

1 Foreign currency = ... EUR	31 Dec. 2013	31 Dec. 2012	Variation 13/12
 USD	0.7274	0.7686	-5.36%
 GBP	1.1955	1.2387	-3.49%
 CAD	0.6858	0.7793	-12.00%

### Estimated split of the MCEV by main currencies



## Appendix D: Main sensitivities of MCEV 2013

<i>after tax, in € millions</i>	<b>2013 MCEV</b>	<b>Δ from base case</b>	<b>2013 Variation</b>	<b>2012 Variation</b>
<b>Base case</b>	<b>4 465</b>			
Mortality/Morbidity -5% (Life)	6 005	1 541	34.5%	37.6%
No mortality improvements (Life)	2 253	-2 212	-49.5%	-44.4%
Mortality/Morbidity -5% (Annuity)	4 441	- 24	-0.5%	0.0%
Lapse rates -10%	4 637	172	3.8%	2.8%
Maintenance Expenses -10%	4 556	91	2.0%	2.0%
Interest Rates +100 bps	4 470	5	0.1%	-0.8%
Interest Rates -100 bps	4 419	- 45	-1.0%	0.8%
Equity & Real Estate -10%	4 451	- 14	-0.3%	-0.2%
Equity Volatility +25%	4 463	- 2	0.0%	-0.1%
Swaption Volatility +25%	4 465	0	0.0%	0.0%

## Appendix D: Main sensitivities of VNB 2013

after tax, in € millions

	2013 VNB	Δ from base case	2013 Variation	2012 Variation
<b>Base case</b>	<b>340</b>			
Mortality/Morbidity -5% (Life)	399	58	17.2%	50.5%
No mortality improvements (Life)	217	- 123	-36.1%	-80.6%
Mortality/Morbidity -5% (Annuity)	312	- 29	-8.5%	1.5%
Lapse rates -10%	387	47	13.8%	5.2%
Maintenance Expenses -10%	345	5	1.5%	3.8%
Interest Rates +100 bps	293	- 47	-13.8%	-8.3%
Interest Rates -100 bps	394	54	15.9%	8.1%
Equity & Real Estate -10%	340	0	0.0%	0.0%
Equity Volatility +25%	340	0	0.0%	0.0%
Swaption Volatility +25%	340	0	0.0%	0.0%