

# SCOR Global Life

## Embedded Value 2014 results

SCOR Global Life MCEV reaches EUR 4.7 billion (EUR 25.5 per share), continuing to provide the SCOR group with significant earnings and strong capital repatriation



## Notice

**Methodology.** Details of the Embedded Value approach used by SCOR Global Life, including analysis of Embedded Value from 2013 to 2014, 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 2014 – 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 2014 – 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.

**Risks and uncertainties.** As a result of the extreme and unprecedented volatility and disruption related to the financial crisis, SCOR is exposed to significant financial, capital market and other risks, including movements in interest rates, credit spreads, equity prices, currency movements, changes in government or regulatory practices, changes in rating agency policies or practices, and the lowering or loss of financial strength or other ratings.

Additional information regarding risks and uncertainties that may affect SCOR's business is set forth in the 2014 reference document filed 20 March 2015 under number D.15-0181 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 2014 results

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1

SCOR Global Life continues to deepen its franchise

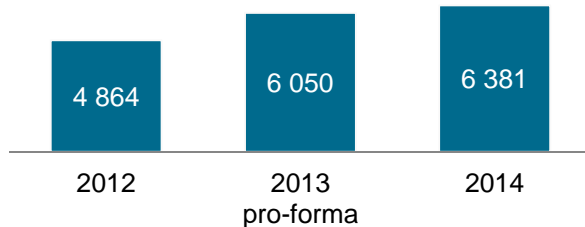
2

Strong Embedded Value 2014 development: SCOR Global Life continues to provide a stable source of earnings and strong dividends to the SCOR group

# A strong €6.4 billion<sup>1)</sup> portfolio as of end 2014

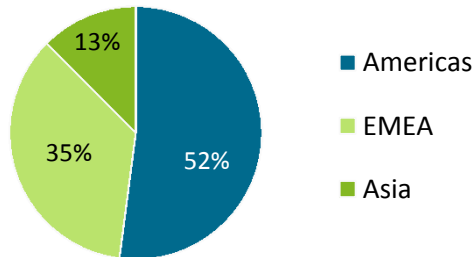
## Growing life base with biometric focus

GWP in € millions



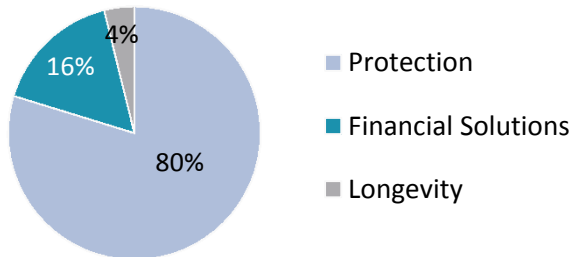
## Geographically balanced book

in % of GWP  
Total € 6.4 billion



## Mortality-based portfolio

in % of GWP  
Total € 6.4 billion



- ❑ 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: protection, longevity, and financial solutions
- ❑ 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 € 1.9 billion since 2010)

## SCOR Global Life Embedded Value 2014 results

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1

**SCOR Global Life continues to deepen its franchise**

2

**Strong Embedded Value 2014 development: SCOR Global Life continues to provide a stable source of earnings and strong dividends to the SCOR group**

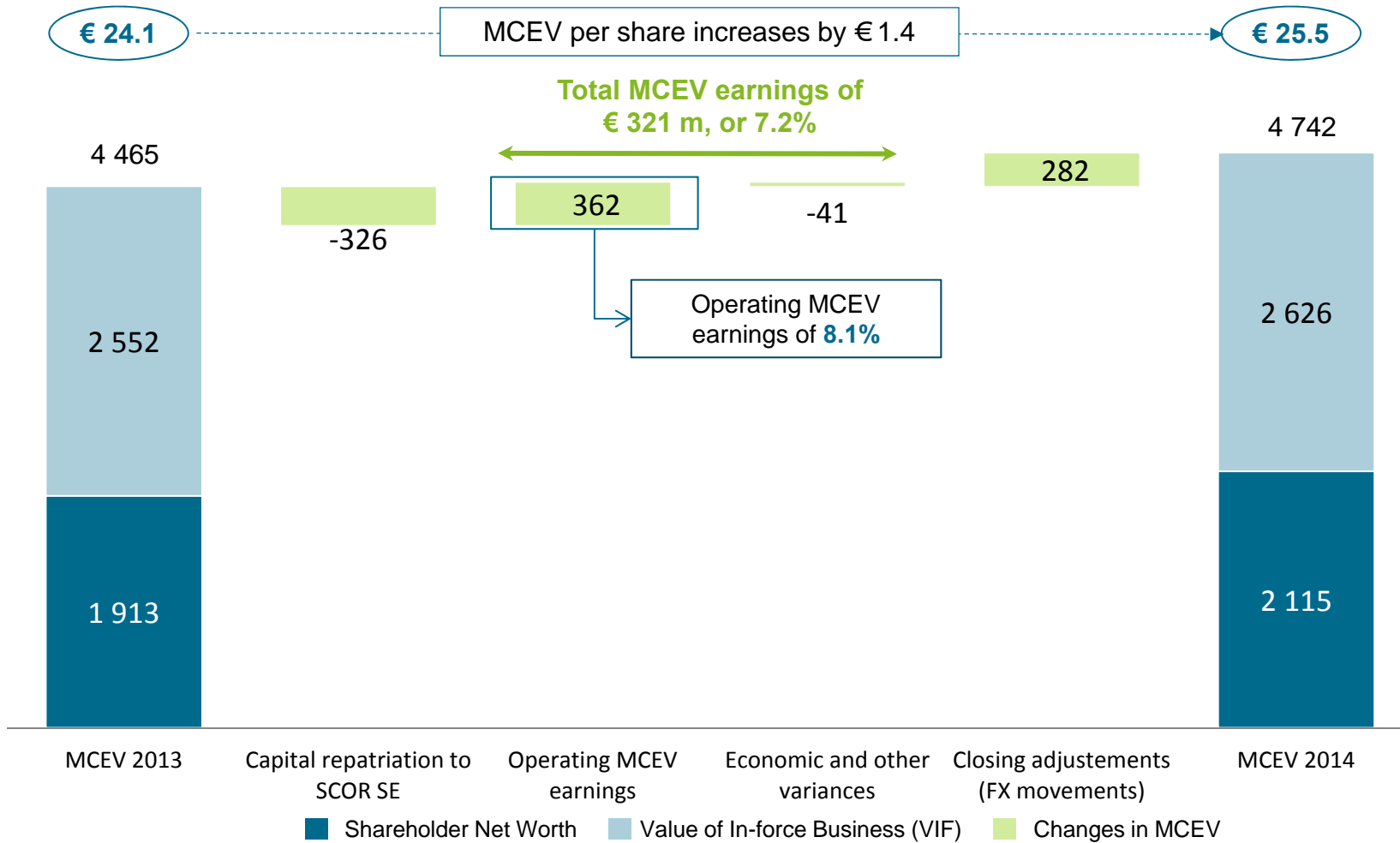
## MCEV development in 2014 continues SCOR Global Life's solid track-record of value creation

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- ❑ **2014 MCEV increased by 6.2% to € 4.7 billion to €25.5 per share** thanks to total MCEV earnings of €321 million and positive FX impact of €282 million
- ❑ MCEV operating profit driven by **Value of New Business of € 325 million** with a **new business margin of 4.3%**, compared to 5.4% in 2013, which had been 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 **up-streamed € 326 million of cash to the Group**, of which €125 million in dividends and ~€160 million from capital optimization following the closing of the Generali US deal
- ❑ **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 € 4.7 billion in 2014 (€25.5 per share)

After tax, in € millions (rounded)



## Strong operating MCEV earnings of € 362 million

Operating EV earnings			
in € millions (rounded)	2012	2013	2014
	MCEV	MCEV	MCEV
Value of New Business	122	340	325
Expected existing business contribution	112	90	95
Experience variances	-56	67	17
Assumption changes and other operating variances	107	-96	-75
<b>Operating EV earnings</b>	<b>285</b>	<b>402</b>	<b>362</b>

- ❑ Strong operating EV earnings of € 362 million
- ❑ 2013 new business value has been positively impacted by some financial solution deals. 2014 new business value is driven by development in the Franchise as per the “Optimal Dynamics” plan
- ❑ New business margin<sup>1)</sup> of 4.3% (after tax, expenses and cost of capital) compared to 5.4% in 2013, which had been impacted by an exceptionally strong volume of financial solution deals. In 2012, the new business margin was 3.6%
- ❑ Positive experience variances supported by active in-force management
- ❑ Assumption changes and other operating variances driven by modelling improvements



## MCEV earnings at €321 million driven by strong technical performance

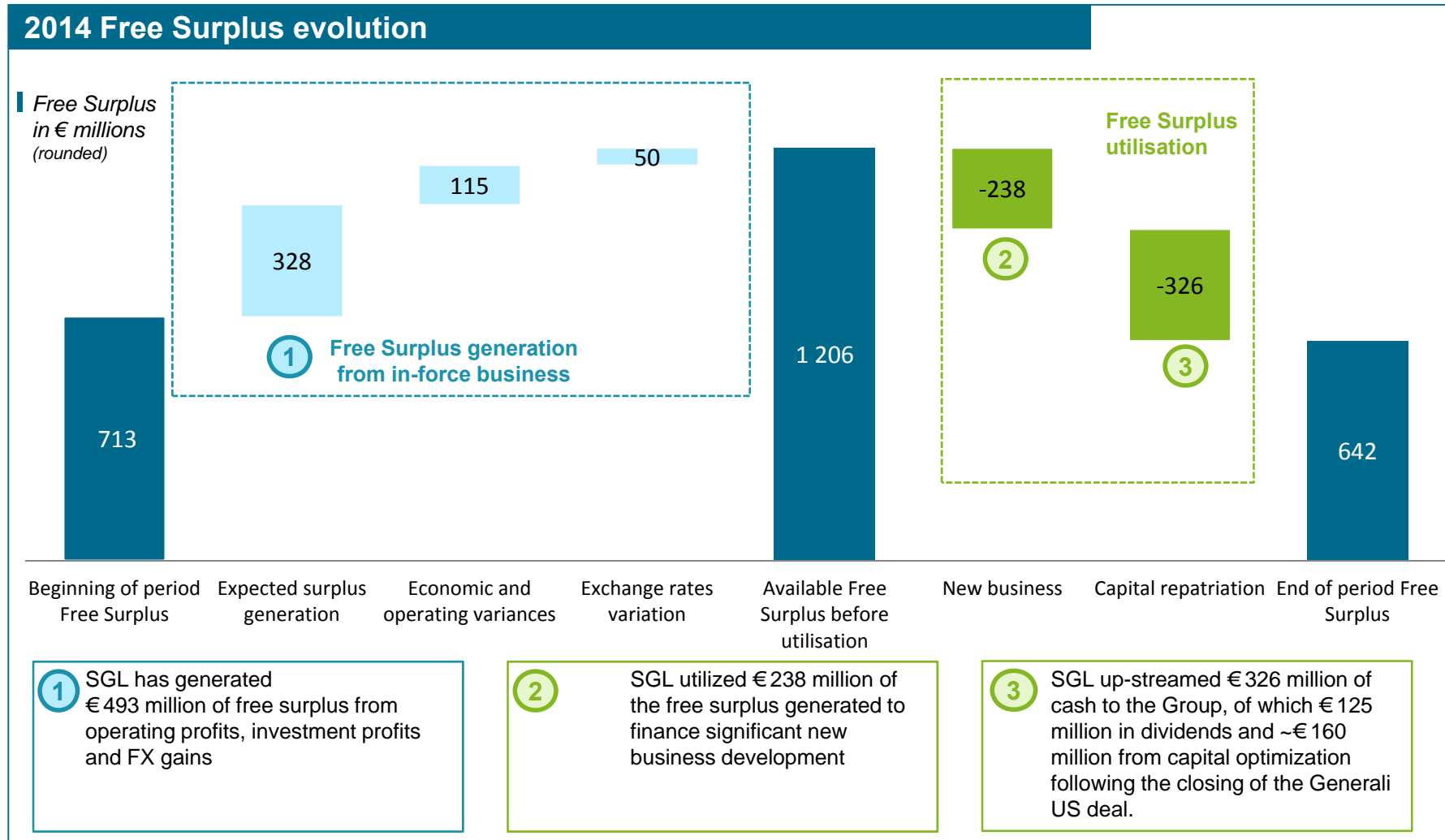
### Total EV earnings

in € millions (rounded)

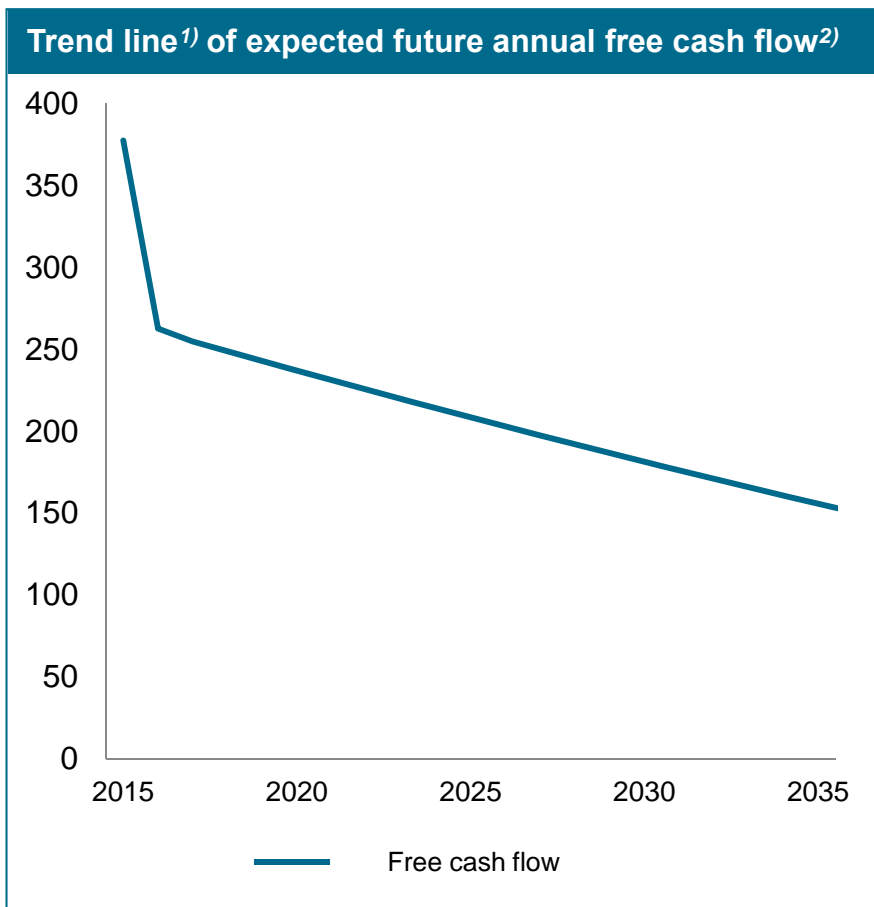
	2013	2014
	MCEV	MCEV
<b>EV operating profit</b>	<b>402</b>	<b>362</b>
Economic and other variances	166	-41
<b>Total EV earnings</b>	<b>568</b>	<b>321</b>

- ❑ Strong EV operating profit partly offset by modest loss from economic and other variances, mainly resulting from the lowering of yield curves
- ❑ SCOR's investment portfolio slightly short on an economic basis
- ❑ 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 surplus, demonstrating the strength and maturity of the franchise

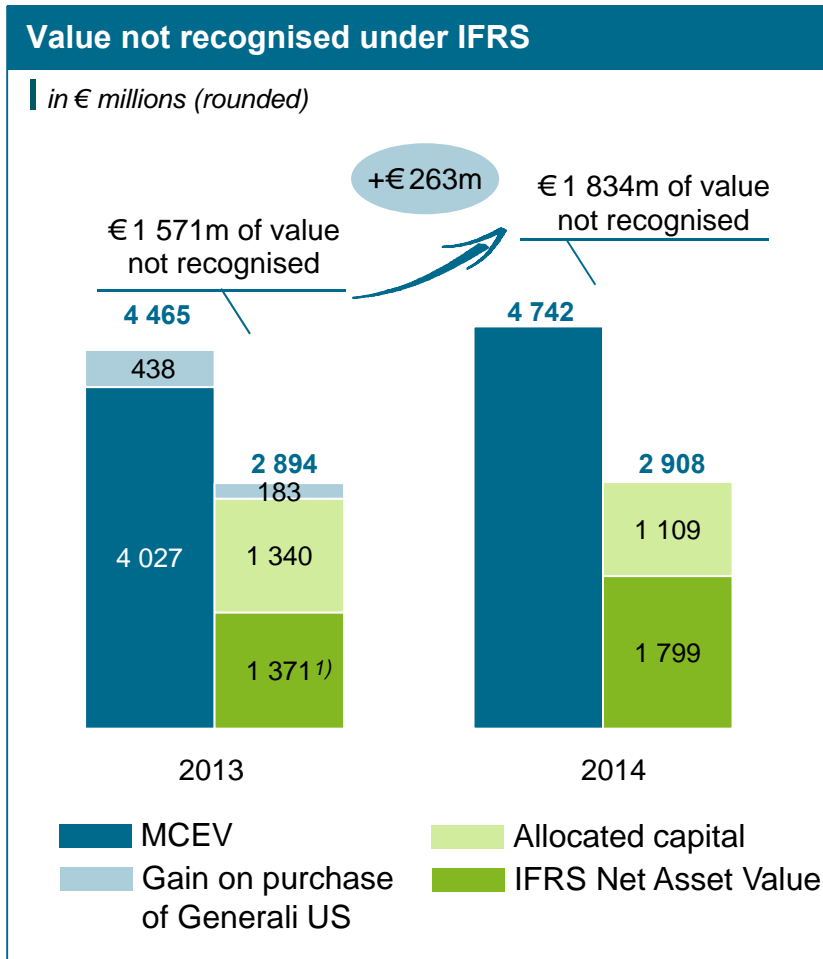


## Mature business book expected to provide substantial free cash flow over the next few years



- ❑ 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:
  - 19% within the first 5 years
  - 34% within the first 10 years
  - 48% within the first 15 years
  - 60% within the first 20 years
  - 70% within the first 25 years
- ❑ 2015 expected cash flow includes release of required capital for short-term business written in 2014
- ❑ Expected cash flow trend line based on unadjusted risk-free rates

# Significant growth in value not recognized 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 €263 million, to €1,834 million
- ❑ Increase in value not recognised is driven mainly by the new business written in 2014 and foreign exchange movements

## 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 €4.7 billion in 2014 up from €4.5 billion in 2013** (or from €24.1 to €25.5 per share), supported by:
  - **A traditional life** portfolio strategy which delivers **strong 2014 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 € 326 million in 2014 to the Group, of which € 125 million in dividends**

# APPENDICES

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Appendix A	Methodology
Appendix B	Key economic assumptions
Appendix C	Foreign exchange rates
Appendix D	Sensitivity of MCEV 2014 and VNB 2014 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 2014 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 10 bps allowance for credit risk, and extrapolating to an ultimate forward rate at very long terms<sup>1)</sup>
  - 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 2014 – Supplementary Information"

## Appendix B: Key economic assumptions

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

Zero coupon yields	EUR		USD		GBP		CAD	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
<b>Term</b>								
<b>5 Years</b>	0.26%	1.12%	1.70%	1.67%	1.36%	2.03%	1.69%	2.18%
<b>10 Years</b>	0.72%	2.07%	2.24%	3.10%	1.77%	2.95%	2.22%	3.17%
<b>15 Years</b>	1.08%	2.55%	2.49%	3.70%	2.02%	3.32%	2.61%	3.70%
<b>20 Years</b>	1.27%	2.69%	2.61%	3.94%	2.15%	3.42%	2.74%	3.83%
<b>25 Years</b>	1.59%	2.83%	2.67%	4.05%	2.18%	3.43%	2.74%	3.88%
<b>30 Years</b>	1.93%	2.98%	2.70%	4.07%	2.20%	3.40%	2.82%	3.92%




### Assumptions on tax rates

Entity	Tax rate 2014	Tax Rate 2013
<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>	21.0%	23.0%
<b>Ireland</b>	12.5%	12.5%

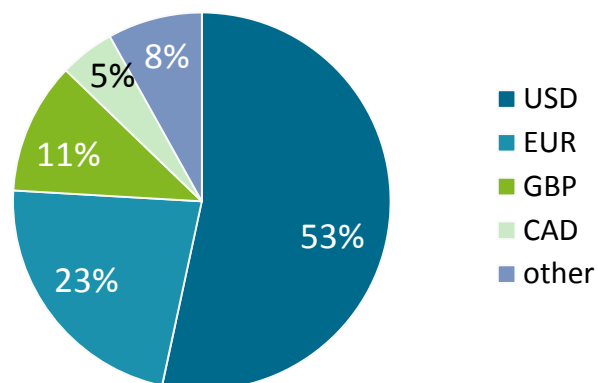


## Appendix C: Foreign exchange rates

### Foreign exchange rates

1 Foreign currency = ... EUR	31 Dec. 2014	31 Dec. 2013	Variation 14/13
 USD	0.8081	0.7274	11.09%
 GBP	1.2664	1.1955	5.93%
 CAD	0.7057	0.6858	2.90%

### Estimated split of the MCEV by main currencies



## Appendix D: Main sensitivities of MCEV 2014<sup>1)</sup>

<i>after tax, in € millions</i>	<b>2014 MCEV</b>	<b>Δ from base case</b>	<b>2014 Variation</b>	<b>2013 Variation</b>
<b>Base case</b>	<b>4 741.6</b>			
Mortality/Morbidity -5% (life insurance)	6 956.1	+ 2 214.5	+ 46.7%	34.5%
No mortality improvements (life insurance)	1 387.8	- 3 353.9	- 70.7%	-49.5%
Mortality/Morbidity -5% (annuities)	4 564.5	- 177.2	- 3.7%	-0.5%
Lapse rates -10%	4 910.6	+ 169.0	+ 3.6%	3.8%
Maintenance expenses -10%	4 857.3	+ 115.7	+ 2.4%	2.0%
Interest rates +100 bps	4 623.5	- 118.2	- 2.5%	0.1%
Interest rates -100 bps	4 774.9	+ 33.3	+ 0.7%	-1.0%
Equity and property capital values -10%	4 725.6	- 16.1	- 0.3%	-0.3%
Equity and property implied volatility + 25%	4 738.8	- 2.8	- 0.1%	0.0%
Swaption implied volatility + 25%	4 741.5	- 0.1	- 0.0%	0.0%

## Appendix D: Main sensitivities of VNB 2014<sup>1)</sup>

after tax, in € millions

	2014 VNB	Δ from base case	2014 Variation	2013 Variation
<b>Base case</b>	<b>325.1</b>			
Mortality/Morbidity -5% (life insurance)	424.2	+ 99.1	+ 30.5%	+ 17.2%
No mortality improvements (life insurance)	159.6	- 165.5	-50.9%	-36.1%
Mortality/Morbidity -5% (annuities)	282.2	- 42.9	-13.2%	-8.5%
Lapse rates -10%	343.1	+ 18.0	+ 5.5%	+ 13.8%
Maintenance expenses -10%	333.6	+ 8.5	+ 2.6%	+ 1.5%
Interest rates +100 bps	287.6	- 37.5	-11.5%	-13.8%
Interest rates -100 bps	363.1	+ 38.0	+ 11.7%	+ 15.9%
Equity and property capital values -10%	325.2	+ 0.0	+ 0.0%	+ 0.0%
Equity and property implied volatility + 25%	325.1	0.0	0.0%	0.0%
Swaption implied volatility + 25%	325.1	0.0	0.0%	0.0%