



**SOLVENCY AND FINANCIAL
CONDITION REPORT**

AS OF 31 DECEMBER 2016

**SCOR GLOBAL LIFE REINSURANCE
IRELAND DAC**

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EXECUTIVE SUMMARY

INTRODUCTION

This document, the Solvency and Financial Condition Report (SFCR) for SCOR Global Life Reinsurance Ireland dac (further referred to as SGLRI), presents information on SGLRI and its solvency position as at December 31, 2016 and has been prepared in accordance with Solvency II regulations (Solvency II Directive 2009/128/EC of the European Parliament of November 25, 2009, the Delegated Regulations of the European Commission of October 10, 2014 supplementing the Directive and the EIOPA Guidelines on Reporting and Public Disclosure EIOPA-BoS-15/109). SFCR appendices include key financial information in the standard format of Solvency II public Quantitative Reporting Templates.

The SGLRI SFCR is available at scor.com/... and has also been submitted to the relevant supervisory authorities.

The Solvency and Financial Condition Report includes the following chapters, which are summarized below:

- A. Business and performance
- B. System of governance
- C. Risk profile
- D. Valuation for solvency purposes
- E. Capital management

SCOR Global Life SE (further referred to as SGL SE) is the immediate parent of SGLRI. SGL SE is a European Company domiciled in France. The ultimate parent company is SCOR SE, domiciled in France. SCOR SE, together with its consolidated subsidiaries (further referred to as SCOR or the Group), form the world's fourth largest reinsurer¹ and is listed on the Euronext Paris regulated market.

Within the narratives and the tables of the executive summary and the narratives of the rest of this report, 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 detail included in the following publicly available documents have been made throughout the report:

- SCOR Global Life Reinsurance Ireland dac Directors' Report and Financial Statements for the Year Ended 31 December 2016 (further referred to as the 2016 Financial Statements);
- 2016 Document de Référence – the 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 [scor.com/Investors/Financial Reporting/Annual&Interim Reports](http://scor.com/Investors/Financial%20Reporting/Annual&Interim%20Reports). (further referred to as the 2016 Registration Document);

¹ By net reinsurance premiums written, source: "AM Best Special Report Global Reinsurance 2016" .

SCOR Global Life Reinsurance Ireland dac

Business and performance

SCOR Global Life Reinsurance Ireland dac (SGLRI) underwrites Life reinsurance business in the Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific in the following product lines:

- Protection;
- Financial Solutions;
- Longevity.

Protection encompasses the traditional Life reinsurance business for living and death benefits. The main risks undertaken are mortality, morbidity and behavioral risks for individuals and groups of individuals. Financial solutions typically combine traditional Life reinsurance with financing components providing liquidity, balance sheet, solvency and/or income improvements to the client. Longevity products cover the risk of negative deviation from expected results due to the insured or annuitant living longer than assumed in the pricing of insurance cover provided by insurers or pension funds.

In 2016, SGLRI continued to grow profitably in a competitive Life reinsurance market. SGLRI's solid operating profitability was maintained thanks to a robust technical performance across key regions and product lines.

in USD millions	Year ended 31/12/2016
SGLRI	
Eligible Own Funds (EOF)	3,202
Solvency Capital Requirement (SCR) Internal Model	2,088
Solvency Ratio	153%
Gross written premiums	4,747

System of governance

SGLRI is a designated activity company incorporated in Ireland, with its registered office located at 6th Floor, 2 Grand Canal Square, Dublin 2 and registered with the Irish Companies Registrations Office under the number 366572. It is authorized and regulated by the Central Bank of Ireland as a composite reinsurance company and is also authorized to operate:

- within the European Union pursuant to the European passporting regulation
- in other countries where the Company has obtained local licenses to write reinsurance business or where operating in reinsurance is not subject to license

The Articles of Association of the SGLRI and the Internal Regulations of the SGLRI Board of Directors set forth the fundamental rules of its governance inter alia the structure, composition and organization of the SGLRI Board of Directors as well as the duties and responsibilities of the directors.

Risk profile

SGLRI regularly conducts reviews of the risks that could have a material adverse effect on its activity, its financial situation or results (or capacity to reach objectives), and considers that no other significant risk than those disclosed in the Risk Profile chapter of this report exists.

SGLRI has identified the following risk categories:

- underwriting risks related to the Life reinsurance businesses;
- market risks;
- credit risks;
- liquidity risks;
- operational risks;
- strategic risks.

All risks described in the Risk profile chapter are managed through a variety of mechanisms in SGLRI's ERM (Enterprise Risk Management) framework.

Valuation for solvency purposes

Solvency II requires SGLRI 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 Chapter D – Valuation for Solvency Purposes of this report.

In the EBS both assets and liabilities relating to in-force business are recognized at market-consistent values which constitutes the valuation for solvency purposes. SGLRI's EBS as at December 31, 2016 has been prepared based on the assumption that the company will continue as a going concern, in line with the preparation of the financial statements. SGLRI prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

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 line items for which SGLRI uses estimates and assumptions are reinsurance reserves, receivables and liabilities relating to reinsurance operations, and the fair value and impairment of financial instruments and deferred taxes.

Capital Management

Capital management is at the core of SGLRI's strategy. SGLRI's goal is to manage its capital in order to maximize its profitability, while maintaining solvency, in line with its risk/return strategy.

As a 100% subsidiary of the SCOR Group, SGLRI's capital management governance and processes are the same as that of the SCOR Group.

SCOR developed its internal model to ensure that its solvency is properly measured: the model is part of a comprehensive solvency framework which seeks to ensure that SCOR, including SGLRI, is solvent now and will continue to be solvent in the future. Based on a deep understanding of the risks SCOR faces, the internal model uses state-of-the-art techniques to measure solvency and assess capital requirements, including the SCR.

SCOR applies the same internal model across the Group including SGLRI. Since January 1, 2016, the regulatory solvency position of SGLRI has been assessed using SCOR's internal model, which was approved in November 2015 by the relevant supervisory authorities.

SGLRI considers all its basic own funds, identified in line with Solvency II rules and resulting from economic adjustments made to SGLRI's equity under IFRS, as available and eligible to cover the SCR.

A. BUSINESS AND PERFORMANCE

A.1 Business

A.1.1 OVERVIEW

A.1.1.1 NAME AND LEGAL FORM

SCOR Global Life Reinsurance Ireland dac (SGLRI) is a designated activity company.

Registered office of SGLRI and contact information

6th Floor
2 Grand Canal Square
Dublin 2
Ireland
D02 A342
Tel: +353 1 764 4500
Fax: +353 1 764 4509

A.1.1.2 SUPERVISORY AUTHORITIES FOR SGLRI AND SCOR GROUP

SGLRI's regulator is the Central Bank of Ireland.

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.

Under Solvency II, supervisors from all EU Member States in which SCOR's subsidiaries are established are involved in the Group's supervision through the College of Supervisors including: the Autorité de Contrôle Prudentiel et de Résolution (ACPR), the Central Bank of Ireland (CBI) and the Prudential Regulation Authority (PRA).

Name of the supervisory authority	Contact details	Entities in scope
Central Bank of Ireland (CBI)	Central Bank of Ireland New Wapping Street, North Wall Quay, Dublin 1, Ireland	SCOR Global Life Reinsurance Ireland dac
Autorité de Contrôle Prudentiel et de Résolution (ACPR)	Autorité de Contrôle Prudentiel et de Résolution 61 rue Taitbout 75436 Paris Cedex 09	SCOR SE SCOR Global P&C SE SCOR Global Life SE

A.1.1.3 STATUTORY AUDITORS

Auditors for SGLRI are as follows:

Name

ERNST & YOUNG
 Represented by Kieran Kelly
 Harcourt Centre
 Harcourt Street
 Dublin 2
 Ireland

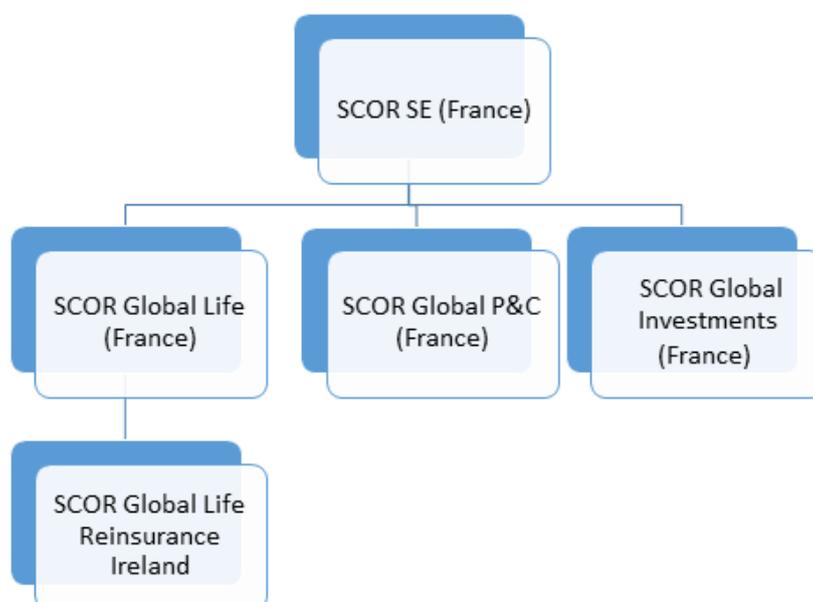
A.1.1.4 SIGNIFICANT SHAREHOLDERS

SCOR Global Life SE is the immediate parent company of SGLRI (100% of control and interest). SCOR Global Life SE is a European Company domiciled in France.

A.1.1.5 LEGAL AND ORGANIZATIONAL STRUCTURE OF THE GROUP

The Group parent company is SCOR SE, domiciled in France. SCOR SE together with its consolidated subsidiaries, forms the world's fourth largest reinsurer and is listed on the Euronext Paris regulated market. SCOR SE wholly owns its operating subsidiaries (excluding the loaned securities held by directors), including SGLRI's parent company, SCOR Global Life SE.

The Group is a three engine group driven by SCOR Global Life, SCOR Global P&C and SCOR Global Investments.



SCOR Global Life, the Group's Life division, operates worldwide through the branches of two main global reinsurance companies (SCOR Global Life SE and SCOR SE) as well as insurance, reinsurance, distribution and distribution solutions subsidiaries in Germany, the UK, Ireland, Italy, Spain, Switzerland, Netherlands, Sweden, Belgium, Canada, the US, Latin America, Russia, South Africa, Australia, New Zealand, Asia, notably China, Singapore, Malaysia and South Korea.

SCOR Global P&C, the Group's Non-Life division, operates worldwide through the branches of two main global reinsurance companies (SCOR Global P&C SE and SCOR SE) and the branches of a global insurance company (SCOR UK Limited) as well as insurance and reinsurance subsidiaries in Spain, Italy, Switzerland, the UK, Germany, South Africa, Russia, the Americas and Asia Pacific, including China, India, South Korea, Hong Kong and Singapore.

SCOR Global Investments, the third division of the Group, manages the investment portfolio of the Group's legal entities. It is composed of the Group Investment Office and SCOR Investment Partners SE, a portfolio management company, approved by the AMF. The Group Investment Office manages the interaction between the SCOR Group and SCOR Investment Partners in managing the risk appetite, monitoring investment risks and recommending investment guidelines. SCOR Investment Partners manages directly the assets of many SCOR Group subsidiaries and manages also the funds on the behalf of the Group and third party clients.

A.1.2 BUSINESS DESCRIPTION

SGLRI underwrites Life reinsurance from the Americas, EMEA and Asia Pacific in the following product lines:

- Protection
- Financial Solutions
- Longevity

Protection

Protection encompasses traditional Life reinsurance business on living and death benefits. The main risks undertaken are mortality, morbidity and behavioural risks for individuals and groups of individuals. Protection is predominantly underwritten in the form of proportional treaties (quota share, surplus basis or a combination of both). Quota share treaties include structures whereby SGLRI's exposure is identical to those of its clients, and risk-based premium structures whereby treaty conditions differ from those of the underlying policies. A minority of the portfolio is underwritten in the form of non-proportional contracts: excess of loss per person, catastrophe excess of loss or stop loss.

The Protection reinsurance market, as well as SGLRI's Protection portfolio, is characterized by the dominance of long-term contractual relationships. SGLRI also writes short-term Protection business, in markets in which this is common practice.

Protection covers the following products and risks in reinsurance arrangements:

Mortality

SGLRI underwrites mortality risk in all the geographical markets in which it operates.

Critical Illness

Critical Illness (CI) insurance typically pays a lump sum benefit, to be used at the policyholder's discretion, if the insured suffers from a serious condition and survives a defined period.

Personal Accident

Personal Accident insurance pays a lump sum benefit if the insured person dies or is seriously injured as a result of an accident.

Financial Solutions

Financial Solutions combines traditional Life reinsurance with financial components providing liquidity, balance sheet, solvency and/or income improvements to the client. This type of reinsurance treaty is typically used by cedents to fund growth, stabilize earnings or optimize their solvency position (capital relief).

Longevity

Longevity products cover the risk of negative deviation from expected results due to the insured or annuitant living longer than assumed in the pricing of the cover provided by insurers or pension funds.

SOLVENCY II LINES OF BUSINESS

Under Solvency II, insurance and reinsurance obligations are analysed by specifically defined lines of business.

The material lines of SGLRI's business are as follows:

- Health reinsurance
- Life reinsurance

For further information on SGLRI's underwriting and performance by Solvency II lines of business, please refer to section A.2 - Underwriting performance.

A.1.3 SIGNIFICANT EVENTS OR OTHER EVENTS

The following significant events occurred during 2016:

Dividend

Following Board approval in April 2016, SGLRI paid a dividend to SCOR Global Life SE in the total amount of USD 100 million.

Conversion to dac

In order to comply with the requirements introduced under the new Companies Act 2014, SGLRI converted to a designated activity company limited by shares “dac” with effect from 30 September 2016. As a consequence of the Company’s conversion, the Company’s registered name has changed to “SCOR Global Life Reinsurance Ireland Designated Activity Company”.

A.2 Underwriting performance

A.2.1 UNDERWRITING RESULTS BY LINES OF BUSINESS

The tables in this section are presented in line with the 2016 Financial Statements.

SGLRI	2016
IFRS in USD thousands	Net underwriting result ¹
Health reinsurance	15,367
Life reinsurance	215,089
Total	230,456

¹ Net underwriting result includes the net technical results (net premiums, net claims, net commissions and revenues associated with financial reinsurance contracts) and interests on deposits.

The following comments on underlying business development reflect the management view of the business (Protection, Financial Solutions and Longevity) as aligned with other financial communications of the SCOR Group.

In order to reconcile with the Solvency II lines of business (Life and Health), Longevity is purely Life Reinsurance whilst Financial Solutions and Protection business include both Life and Health Reinsurance business, depending on the underlying insurance contract and the nature of the insurance risk covered. The figures are aligned in total.

In 2016, SGLRI continued to grow profitably in a competitive Life reinsurance market. The solid operating profitability of SGLRI was maintained thanks to a robust technical performance across key regions and product lines.

Gross written premiums by product line

SGLRI has grown by 10% in gross written premiums to USD 4,747 million in 2016. SGLRI has increased its new business premiums from new clients and with existing clients in all three regions and across all three product lines. Growth was recognized in the Protection product line in Americas, in the Financial Solutions product line in Asia Pacific and in the Longevity product line in EMEA.

Protection

Protection business accounts for 77% of total gross written premiums in 2016 and remains the main driver for premium growth.

SGLRI has maintained its strong position in the US Life reinsurance market, the largest life reinsurance market in the world. In the EMEA region, SGLRI reinforced its position in key European markets such as the UK.

Asia Pacific remains a region with significant growth opportunities both in terms of premiums and profitability.

Within the Protection product line, mortality was the main risk underwritten and the main growth driver in 2016.

Financial Solutions

In the Financial Solutions product line, accounting for 11% of 2016 gross written premiums, SGLRI continues to build its position in providing capital and solvency solutions in EMEA, the Americas and Asia Pacific.

Longevity

The Longevity product line accounts for 12% of SGLRI's gross written premiums in 2016 and is one of the main drivers of premium growth. The main active market to date for SGLRI is the UK with a portfolio from recent years and new business signed in 2016.

Technical margin

The 2016 technical margin of 6% is calculated as the net technical result expressed as a percentage of net written premium.

A.2.2 UNDERWRITING RESULTS BY GEOGRAPHICAL AREAS

SGLRI		As at December 31, 2016		
IFRS in USD thousands	EMEA	Americas	Asia Pacific	Total
Gross written premiums	1,029,747	3,482,782	234,504	4,747,033
Net underwriting result¹	48,527	180,251	1,678	230,456

¹ Net underwriting result includes the net technical results (net premiums, net claims, net commissions and revenues associated with financial reinsurance contracts) and interests on deposits.

The table above shows the breakdown by gross volume of premiums written and underwriting performance by geographic area.

In 2016, SGLRI generated approximately 73% of its gross written premiums in the Americas, 22% of its gross written premiums in EMEA with significant positions in the UK, Spain and Germany, and 5% of its gross written premiums in Asia Pacific.

A.3 Investment performance

A.3.1 INVESTMENT INCOME AND EXPENSES

Investment income and expenses by asset class

SGLRI	
As at December 31, 2016 in USD thousands	IFRS
Investment revenues on invested assets	49,712
<i>Investment revenues on fixed income</i>	49,712
Realized gains/losses on invested assets	23,865
<i>Realized gains/losses on fixed income</i>	23,865
Change in fair value of investments	(83)
Investment income on invested assets	73,493
Net interest income on funds withheld and contract deposits	30,247
Investment management expenses	(5,934)
Total net investment income	97,806
Foreign exchange gains/losses	1,701
IFRS investment income net of investment management expenses	99,507
Change in unrealized gains / (losses) on investments (through equity)	(16,382)
Average investment assets	2,353,357
Return on invested assets (ROIA as a %)¹	3.12%

¹ Invested income on invested assets expressed as a percentage of average investment assets.

Total IFRS investment income net of management expenses in 2016 was USD 100 million:

- Investment income on invested assets at USD 73 million: see comments below:
- Net interest income on funds withheld at USD 30 million, equivalent to a return of 2.2%.
- The Foreign exchange impact for the year is at USD 2 million (gain). Despite significant rates fluctuation, SGLRI has successfully minimized the volatility in its results arising from foreign exchange.

The change in unrealized gains / (losses) on investment amounts to USD (16) million and is recognized through equity. It relates to the asset revaluation reserves on bonds and equities classified as available for sale.

Investment income on invested assets

Compared to the total of investment income as shown in the income statement, investment income on invested assets excludes interest on deposits and foreign exchange gains / (losses).

Invested assets: 2016, a year of rising political uncertainties

The occurrence of unexpected events, such as Britain's decision to leave the European Union and the surprise US election results, as well as the downturn in commodity prices, have significantly contributed to the change in the economic paradigm, where fears of extended low growth/low inflation have given way to the return of inflation and changes to free trade.

Consequently, the bond markets, after having reached record low interest rate levels in July 1.35% for 10-year US bonds, have seen negative performances. At the end of 2016, the 10-year US yield stood at 2.45%.

Higher inflation expectations are accompanied by better growth prospects, with risk markets such as credit and equity posting strong performances. Thus, the performance of the US high-yield market stands at 17.4% and that of the European market at 9%, the difference emanating mainly from the US high-yield market's preference for the energy sector.

Higher inflation expectations are accompanied by better growth prospects, with risk markets such as credit and equity posting strong performances. Thus, the performance of the US high-yield market stands at 17.4% and that of the European market at 9%, the difference emanating mainly from the US high-yield market's preference for the energy sector.

The energy and finance sectors recorded the best performances, thanks to the rise in oil prices in the first instance and the steepening of yield curves plus de-regulation hopes in the second. Thus, over the year, the performance of the MSCI World Energy index stood at 27.6%, and that of the MSCI World Financial index stood at 13.3%. Conversely, the health sector posted a negative performance, for example with the MSCI World Health Care index down by -6.32%.

Income and expenses

Net investment income for the year ended December 31, 2016 amounted to USD 98 million.

The return on invested assets in 2016 was 3.1%. The evolution of investment income is essentially driven by the active portfolio management strategy implemented by SCOR Global Investments, which translated into substantial realized capital gains of USD 24 million achieved on the fixed income portfolios.

A.3.2 INVESTMENT GAINS AND LOSSES RECOGNISED IN EQUITY

The losses recognized are mainly due to changes in the unrealized gain / (loss) position on fixed income assets, driven by realized gains over 2016 and the impact of the evolution of the interest rates.

SGLRI As at December 31, 2016 in USD thousands	IFRS
Fixed income	(15,214)
Other investments	(1,168)
Total	(16,382)

A.3.3 SECURITIZED INVESTMENTS

The table below presents information on the type of securitized investments held by SGLRI. The level of exposure is very low.

SGLRI As at December 31, 2016 in USD thousands	AAA	AA	A	BBB	<BBB and non-rated	Total	Market to Book Value %
Collateralized loan obligations	6,476					6,476	101%
Total	6,476	-	0	-	0	6,476	101%

A.4 Performance of other activities and any other information

For further details on other income and expenses incurred by SGLRI over the reporting period other than income presented above in sections A.2 - Underwriting performance and A.3 - Investment performance, please refer to the following note in the 2016 Financial Statements: Note 9 – Administration and other operating expenses, Note 10 – Financing expenses and Note 11 - Other operating income.

A.5 Any other information

No material information regarding SGLRI's business and performance, other than presented above in sections A.1 - Business, A.2 - Underwriting performance, A.3 - Investment performance and A.4 - Performance of other activities and any other information, is reported.

B.SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

B.1.1 GENERAL GOVERNANCE PRINCIPLES

SGLRI has an objective of adopting best practices with regards to governance as it contributes to meeting its strategic objectives and ensuring an appropriate management of risks. The governance of SGLRI aligned with SCOR SE and of SCOR Group derives from the following objectives:

- compliance with applicable laws in the countries where it operates, and especially, 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 taken into account;
- multicentricity, with Group functions being carried out in other geographical locations than Paris in order to benefit fully from the competencies within different locations;
- efficient flow of information bottom-up and top-down.

B.1.2 LEGAL STRUCTURE AND FUNCTIONAL ORGANIZATION OF SCOR GROUP

B.1.2.1 LEGAL STRUCTURE OF THE GROUP

SCOR operates through a number of legal entities, branches and representative offices all around the world. Its legal structure is outlined on the Company's website at the following address:

<https://www.scor.com/eng/the-group/organisation/legal-documents.html>

In addition to the objectives outlined above, the legal structure of the Group is guided by the following principles:

- support the strategic objectives (solvency and profitability) and operations of the Group;
- reduce the number of entities and simplify the organization;
- deliver cost effectiveness;
- optimize capital management by maximizing capital fungibility;
- achieve high financial flexibility;
- comply with local regulations and requirements;
- access local business and be close to clients' needs.

Among the legal entities of the SCOR Group, a number of key subsidiaries around the world have external Board members with a view to meeting high corporate governance standards.

B.1.2.2 FUNCTIONAL ORGANIZATION OF THE GROUP

SCOR operates all around the world through several legal entities, branches or representative offices. In order to ensure an appropriate consolidated vision and management of risks and business issues at Group level, and in line with the other objectives outlined in section B.1.1 – General governance principles, SCOR has put in place a strong functional organization based on divisions and Group functions, as well as on regional Hubs.

B.1.2.3 DIVISIONS AND GROUP FUNCTIONS

The Group is organized around two reinsurance divisions, SCOR Global P&C (Property and Casualty reinsurance) and SCOR Global Life (Life reinsurance), plus an asset management division, SCOR Global Investments:

- Property and Casualty Reinsurance operating activities are managed by SCOR's P&C division, SCOR Global P&C (SGP&C). These activities include the following business areas: Property and Casualty Treaties, Specialty lines, Business Solutions (facultative), Joint-ventures and Partnerships as well as some direct insurance activities based in the United Kingdom and the United-States;
- Life reinsurance operating activities are managed by SCOR's Life division, SCOR Global Life (SGL). These activities include the following product lines: Protection, Longevity and Financial Solutions and Global Distribution Solutions. Through its Global Distribution Solutions (GDS), SCOR Global Life has successfully deployed a number of innovative and tailored client services which aim to help insurers expand and develop their own client bases (ReMark, Velogica, SCOR Telemed and Rehalto);
- Asset management activities are managed by SCOR's asset management division, SCOR Global Investments (SGI).

SCOR Global P&C, the Group's Non-Life division, operates worldwide through the branches of two main global reinsurance companies (SCOR Global P&C SE and SCOR SE) and the branches of a global insurance company (SCOR UK Limited) as well as insurance and reinsurance subsidiaries in Spain, Italy, Switzerland, the UK, Germany, South Africa, Russia, the Americas and Asia Pacific, including China, India, South Korea, Hong Kong and Singapore. SCOR Global Life, the Group's Life division, operates worldwide through the branches of two main global reinsurance companies (SCOR Global Life SE and SCOR SE) as well as insurance, reinsurance, distribution and distribution solutions subsidiaries in Germany, the UK, Ireland, Italy, Spain, Switzerland, the Netherlands, Sweden, Belgium, Canada, the US, Latin America, Russia, South Africa, Australia, New Zealand, China, Singapore, Malaysia and South Korea. The role and organization of SCOR Global Life SE and of the Life division is further described in section B.1.3.3 – Governance of SGL Division and SGL SE.

SCOR Global Investments, the third division of the Group, manages the investment portfolio of the Group's legal entities. It is composed of the Group Investment Office and SCOR Investment Partners SE, a portfolio management company, approved by the AMF. The Group Investment Office manages the interaction between the SCOR Group and SCOR Investment Partners in managing risk appetite, monitoring investment risks and setting investment guidelines. SCOR Investment Partners manages the assets of many SCOR Group subsidiaries directly and also manages funds on the behalf of the Group and third party clients.

In addition to the three divisions, three Group functions fulfill duties for the benefit of the whole Group: Finance (incl. Tax, Accounting, Consolidation and Reporting, Corporate Finance, Treasury and Capital Management), Operations (incl. Legal and Compliance, Human Resources, IT, Project Office, Communication, Cost Controlling and Budgeting) and Risk Management (incl. Actuarial, Prudential Affairs, Internal Model, Embedded Value).

Each SCOR employee, whatever the legal entity, is attached to a division or to a Group function.

Beyond legal entity structures and due to the existence of divisions and Group functions, the Group's subsidiaries, branches and offices are connected through a central network of applications and data exchange platforms, which allows local access to centralized expertise and tools and also gives the Group a good overview of local operations and risks.

B.1.2.4 HUB STRUCTURE

SCOR has structured its operations around several regional management platforms, or Hubs: the Paris/London Hub (effective April 15, 2015), the Zurich/Cologne Hub (effective October 1, 2014), the Americas Hub and the Singapore Hub.

Each Hub has local, regional⁽²⁾ and Group responsibilities, with the heads of each Hub reporting to the Group Chief Operating Officer. Each Hub typically includes the following functions: a director of legal and compliance, a director of Information technology support, a director of finance and a director of human resources. This organization enables:

² Paris/London Hub: South Africa, Europe including Russia and other than Germany, Austria, and Switzerland; Zurich/Cologne Hub: Switzerland, Germany, Austria and Israel and one subsidiary in Argentina; Singapore Hub: Asia and Australia; Americas Hub: North America and Latin America

- SCOR's operational structures and support functions to be optimized by creating service entities in charge of managing pooled resources, including information technology, human resources, legal and others in the Group's main locations;
- several Group functions to be carried out and managed in geographical locations other than Paris in order to benefit fully from the competencies within different hubs. The Hubs are not responsible for generating revenues or for underwriting or claims management. The local underwriting and claims management teams have direct reporting lines within the respective P&C and Life divisions. Hub shared service costs are then allocated to the divisions; and
- the Group to develop a global culture while keeping local specificities.

Management reviews the operating results of the Non-Life and Life operating segments individually to assess the operational performance of the business and to allocate resources.

The Hub structure is designed to facilitate access to local markets through a network of local subsidiaries, branches and representative offices, to better identify profit centers in each major reinsurance market, obtain a deeper understanding of the specific features of local risks and develop local management and underwriting expertise, and thereby improve customer service and maintain relationships with ceding companies. Since the acquisition of the mortality reinsurance business, including the operational assets and personnel, of Transamerica Re, and the acquisition of Generali U.S. Holding Inc., Charlotte, North Carolina, and Kansas City, Missouri have become key locations for the Life division. As part of these integrations, Charlotte and Kansas City have joined New York as key competence centers for the Americas Hub.

B.1.3 GROUP GOVERNANCE STRUCTURE AT GROUP AND LEGAL ENTITY LEVEL

SCOR SE's shares are listed on Euronext Paris. The provisions relating to corporate governance applicable to SCOR SE include French legal provisions as well as rules laid down by the French financial markets authority and the French Insurance Code. SCOR believes that its application of corporate governance principles is appropriate and complies with best corporate governance practices in effect in France in light of AMF recommendations.

B.1.3.1 GOVERNANCE OF THE GROUP

The parent company for the Group is SCOR SE. The governance of SCOR SE is presented in section B.1.3.2 – Governance of SCOR SE.

More generally, the governance bodies of SCOR SE play a key role in the governance of the Group. In particular, the Board of SCOR SE:

- Approves the consolidated accounts;
- Designates the persons effectively running the Group;
- Approves certain Group policies;
- Directly or via its committees, hears the key function holders for the Group at least annually and receives their reports;
- Approves the Group-wide ORSA report

Directors of SCOR SE may serve as directors of certain subsidiaries to help ensure the consistency of the governance of the Group. In addition, and to serve the same purpose, the Audit Committee of the Board of SCOR SE receives annually a report on the activities of local audit committees.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee is the highest management committee of the SCOR Group.

It is responsible for implementing the strategy defined by the Board of Directors, under the Chief Executive Officer's authority.

The Group Executive Committee is composed of executives of SCOR SE and its subsidiaries. It enables in particular:

- bottom-up reporting (from divisions, Group functions and Hubs) to the most senior executives of the Group, including the Chairman and CEO of SCOR SE, through regular reviews or ad hoc presentations of the operations, thereby facilitating the supervision of the Group's activities;
- the co-ordination of all major functional entities of the SCOR Group (divisions, Group functions, Hubs and legal entities);
- the involvement of the most senior executives of the Group in significant decisions concerning the Group (as well as its three main legal entities SCOR SE, SCOR Global P&C SE and SCOR Global Life SE), prior to these decisions being taken. Pursuant to Article L.322-3-2 of the French Insurance Code, insurance and reinsurance companies must apply, since January 1, 2016, the "Four Eyes Principle", which specifies that they must be effectively run by at least two separate persons. The persons effectively running SCOR SE and the Group were designated by SCOR SE's Board of Directors on November 3, 2015. In addition to Denis Kessler, Chairman and Chief Executive Officer of SCOR SE, they include Victor Peignet, Chief Executive Officer of SCOR Global P&C, and Paolo De Martin, Chief Executive Officer of SCOR Global Life;
- the preparation of the work of SCOR SE's Board of Directors, in particular with respect to strategic decisions, and the implementation of its decisions.

The Group Executive Committee regularly gives its sign-off for significant decisions prior to being taken and implemented, should they relate to strategy, business, investments, finance, risks or operations.

On December 31, 2016 the composition of the Group Executive Committee was as follows:

- The Chairman and CEO of SCOR SE, who chairs it;
- The CEO of SCOR Global P&C and his deputy;
- The CEO of SCOR Global Life and his deputy;
- The CEO of SCOR Global Investments;
- The Group CFO;
- The Group COO;

- The Group CRO.

In addition to the Group Executive Committee, specialized management committees have been put in place in order to review certain topics in more detail, prepare the work of the Group Executive Committee or perform a similar role on specific issues.

KEY FUNCTIONS

Key function holders are designated at SCOR SE and Group level.

The French Insurance Code 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.

The missions, tasks, roles and responsibilities related to these key functions are addressed in the related Group policies, mainly:

- The Group Policy on Risk Management;
- The Group Compliance Policy;
- The Group Internal audit charter;
- The Group Reserving Policy.

The content of section B.1.3.2 – Governance of SCOR SE below on SCOR SE's key function holders (roles and responsibilities, freedom from influence, access to the Board, designation, fit and proper and notification requirements, access to information and records, interactions with the other key functions) also apply to them as Group key function holders.

B.1.3.2 GOVERNANCE OF SCOR SE

SCOR SE is a European Company (*Societas Europaea*) registered with the Paris Trade and Companies Register. It is the parent company of the SCOR Group. SCOR SE's governance structure is the same as for SCOR Group.

BOARD OF DIRECTORS

In accordance with European law governing European Companies and applicable French law, the principal responsibility of the Board of Directors is to determine the guiding principles of the Company's business plan and strategy and to monitor their application. The Chairman and Chief Executive Officer ("*Président et Directeur Général*") of SCOR SE has authority to manage the business of the Company, subject to the prior authorization of the Board of Directors or the Company's shareholders for certain decisions as required by law and by the Company's by-laws ("*statuts*") and pursuant to the *Code des assurances* which prescribes that the effective management shall be made up of at least two persons.

SCOR SE's by-laws provide that the Board of Directors shall comprise no fewer than nine and no more than eighteen members. The actual number of directors may be modified by the shareholders at Shareholders' Meetings. The Board of Directors cannot by itself increase the number of its members.

Under SCOR SE's by-laws, each director must own at least one ordinary share for the duration of his or her entire term of office and under the Board Internal Charter, each director shall agree to acquire shares with a value of at least EUR 10,000 and to hold them throughout his or her term as director. Under French law, a director may be an individual or a legal entity for which an individual is appointed as permanent representative, except for the Chairman, who must be an individual. Pursuant to Article L. 225-20 of the French Commercial Code, the permanent representative of a legal entity is subject to the same conditions, obligations and civil and criminal liabilities as if he or she was director in his or her own name, without prejudice to the joint and several liability of the legal entity he or she represents.

The term of office of the directors appointed or renewed, as set forth in SCOR SE's by-laws, shall not exceed four years. Under SCOR SE's by-laws, directors may hold office until the age of 77. A director who reaches the age of 77 while in office has to retire at the expiration of his or her term of office, as determined at the Shareholders' Meeting. Directors are elected by the shareholders and serve until the expiration of their respective term, or until their resignation, death or removal, with or without cause, by the shareholders. Vacancies on the Board of Directors may, under certain conditions, be filled by the Board of Directors, pending the next Shareholders' Meeting.

Directors are required to comply with applicable law and SCOR SE's by-laws. Under French law, directors are liable for violations of French legal or regulatory requirements applicable to European Companies, violation of a company's by-laws or mismanagement ("*faute de gestion*"). Directors may be held liable for such actions both individually and jointly with other directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

At its meeting on April 18, 2002 and in compliance with Article L. 225-51-1 of the French Commercial Code and Article 16 of SCOR's by-laws ("Executive Management"), the Board of Directors of the Company decided that the management of the Company would be carried out under its responsibility by the Chairman of the Board of Directors, with the title of Chairman and Chief Executive Officer, who may be assisted by a Deputy Chief Executive Officer.

Denis Kessler joined the Group on November 4, 2002, with the objective of turning the Company around in the face of a very difficult financial situation. The Board of Directors considered that, in order to achieve this, it was preferable to entrust him with the powers of Chairman of the Board of Directors and of Chief Executive Officer. When his term was renewed in May 2011, the Board of Directors considered that Denis Kessler had demonstrated the benefits of combining the offices of Chairman of the Board of Directors and Chief Executive Officer during the turnaround period experienced by SCOR between 2003 and 2007, and then during the economic crisis between 2007 and 2011. The Board of Directors thus felt it was in the best interests of SCOR, its shareholders and all its employees, for Denis Kessler to be re-appointed as Chairman and Chief Executive Officer and to continue the development of the Group. By combining the roles of Chairman and Chief Executive Officer, the Company benefits from a faster decision-making process and strategic alignment in terms of its governance bodies. Since 2011, SCOR's results have demonstrated the success of this form of governance and on September 7, 2016 the Board of Directors announced publicly that it had decided unanimously to propose to the Shareholders' Meeting the extension of Denis Kessler's directorship for a four year period, in order for him to be re-appointed by the Board as the Group's Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer has executive authority to manage SCOR's business, subject to the prior authorization of the Board of Directors or the shareholders for certain decisions as required by law and by the Company's by-laws, and subject to compliance with the French Insurance Code according to which the actual management of SCOR must be carried out by at least two people. The Chairman and Chief Executive Officer has the authority to act on behalf of and in the name of SCOR and to represent SCOR in dealings with third parties, subject only to those powers expressly reserved by law to the Board of Directors or the shareholders. The Chairman and Chief Executive Officer determines, and is responsible for, the implementation of SCOR's goals, strategies and budgets, which are reviewed and monitored by the Board of Directors.

The Board of Directors has the power to appoint and remove, at any time and with or without cause, the Chairman and Chief Executive Officer, as well as to appoint separate persons to hold the positions of Chairman of the Board (*Président du Conseil d'administration*) and Chief Executive Officer (*Directeur Général*). Upon a proposal made by the Chairman and Chief Executive Officer, the Board of Directors may also appoint a Deputy Chief Executive Officer (*Directeur Général Délégué*) to assist the Chief Executive Officer in managing the business.

During its meeting held on March 4, 2015, the Board of Directors of the Company limited the powers of the Chairman and Chief Executive Officer by stipulating in the Board's Internal Charter the need for prior Board approval for the following operations:

- organic growth investments and major internal structuring operations;
- any significant operation falling outside of the scope of the strategy announced by the Group;
- any project regarding a sale or acquisition, merger or asset contribution higher than one hundred million euros. In addition, any project regarding a sale, in one or more transactions, concerning at least half of the Company's assets must be submitted to the Shareholders' Meeting, as recommended by the AFEP-MEDEF corporate governance code.

Furthermore, in addition to the Chairman and Chief Executive Officer of SCOR SE, two other persons effectively running SCOR SE and the Group have been appointed. Since January 1, 2016, the effective management of the Company and the Group has been overseen by at least two persons, pursuant to the requirements of the French Insurance Code (*Code des assurances*) (see section – Executive Committee).

Pursuant to the French Insurance Code, SCOR SE appoints four key function holders.

The benefits of combining the duties of Chairman and Chief Executive Officer in terms of the decision-making process within SCOR and the guarantees provided by the Company's governance rules led the Board of Directors to suggest that this combination be maintained beyond the 2017 Shareholders' Meeting.

FUNCTIONING OF THE BOARD OF DIRECTORS

The Board of Directors' composition is guided by the following principles:

- application of best in class corporate governance practices;
- appropriate number of Board members in order to allow meaningful individual participation;
- majority of independent directors, pursuant to criteria adopted by the Board of Directors;
- diversity of expertise;
- international experience and diversity of nationalities;
- high proportion of female Board members.

As of December 31, 2016, the membership of the Board of Directors was as follows:

- 75% are independent directors (83.3% as at December 31, 2015) and 81.8% excluding the employee director. The Audit Committee is fully composed of independent directors and the Risk Committee is composed of 83.3% of independent directors and 66.7% (80% excluding the employee director) of independent directors for the Compensation and Nomination Committee;
- 58.3% are directors with past experience in the insurance or reinsurance industry, which is the same as at December 31, 2015. The other directors work in the financial sector, banking, legal advisory services and other services;
- 33.3% are non-French directors (41.6% as at December 31, 2015) with directors who are American, Belgian, British and Swiss;
- 41.6% are women (33.3% as at December 31, 2015). The composition of the Board of Directors is therefore compliant with the applicable law.

The Board of Directors' meeting held on March 31, 2004 adopted a Board Internal Charter (the "Board Internal Charter") in order to enhance or specify the rules governing the Board. This Board Internal Charter was amended by successive decisions of the Board of Directors including the last one dated October 26, 2016. It is available on the website of the Company (www.scor.com).

Functioning and duties of the Board of Directors of the Company

The Board of Directors determines the Group's business plan, oversees the implementation of the business plan, and supervises management's administration. With the exception of powers explicitly reserved to shareholders in Shareholders' Meetings and within the limits of the corporate purpose, the Board addresses any subject related to the Company's performance and takes decisions regarding business issues concerning the Company. It takes part in the sound and prudent management of the Company. It is informed each quarter by management of the financial position, cash position and commitments of the Company. It is informed about market developments, the competitive environment and the most important issues at hand, including in the field of corporate social and environmental responsibility. It takes into account the Own Risk and Solvency Assessment ("ORSA") when it makes a decision likely to have a significant impact on the Company. It approves the SFCR and RSR report. The Board also carries out the verifications and controls it deems necessary.

The Board meets at least four times a year. In accordance with legal provisions, it approves the financial statements, proposes dividends, and makes investment and financial policy decisions. Beyond the cases provided by law, some operations are subject to the prior approval of the Board: any major organic growth investments or internal restructuring operations, any significant operation falling outside of the strategy announced by the Group and any project regarding a sale or acquisition, merger or asset contribution higher than one hundred million euros (EUR 100 million). The Board's duties and responsibilities are set out in SCOR SE's by-laws.

Prevention of risks of conflict of interests

Each director has a loyalty obligation towards the Company. He or she shall not act in his or her own interest, against SCOR's interests, and must avoid any situation with risks of conflict of interests.

Pursuant to the Board Internal Charter, each director undertakes not to seek or accept any function, benefit or situation from the Company or from the Group, directly or indirectly, that could jeopardize his or her independence of analysis, judgment or action, during the performance of his or her duties as director. He or she will also dismiss any direct or indirect pressure from other directors, specific groups of shareholders, creditors, suppliers or other third parties.

The Board of Directors of SCOR SE decided, in order to protect the Company's interests, to implement an internal control program to prevent risks of conflict of interest through:

- a review by the Audit Committee of related party transactions;

- an annual review of each director's situation, in order to analyze his or her independent status and the existence of any potential existing conflicts of interests;
- its Board Internal Charter, according to which any director in a situation involving a risk of conflict of interest undertakes to resign from his or her position if the conflict situation is not solved;
- the adoption of a Code of Conduct communicated to all employees. This Code establishes reinforced requirements as regards the prevention of situations with risks of conflict of interests. It is completed by a policy defining the alert procedures ("whistleblowing") available for employees and which are reported to the Audit Committee.

BOARD OF DIRECTORS' COMMITTEES

SCOR's Board of Directors has set up five Committees in order to examine specific topics, to prepare the Board's proceedings and to make recommendations to the Board.

Moreover, the non-executive directors' session is composed of all voting directors, with the exception of the Chairman and Chief Executive Officer and the employee director.

The Strategy Committee

The Strategy Committee's mission is to examine the Group's development strategy, including investments in organic growth and major internal restructuring operations, plus any significant operation falling outside of the strategy announced by the Group and to examine any acquisition, merger, asset contribution or disposal in an amount in excess of EUR 100 million.

The Audit Committee

The Audit Committee has two main missions:

- accounting and financial responsibilities, including the analysis of periodic financial statements, the review of the relevance of choices and correct application of accounting standards, the review of the accounting treatment of any material transaction, the review of the scope of consolidation, the review of significant off-balance sheet commitments, the control of the selection of Statutory Auditors, the review of any accounting and financial reporting documents before they are made public. The Group audit fees for services rendered during the year are subject to a quarterly review and approval by the Audit Committee, with a specific review for non-audit services. The Audit Committee approves the non-core audit fees to ensure that the auditors' independence is not impaired;
- ethical, internal control and compliance responsibilities: the Audit Committee is responsible for ensuring that internal procedures relating to the collection and auditing of data guarantee the quality and reliability of the Group's financial statements. The Audit Committee is also in charge of reviewing agreements with related parties ("*conventions réglementées*"), analyzing and responding to questions from employees with regard to internal controls, the preparation of financial statements and the treatment of internal accounting books and records. It gives its opinion on the organization of Internal Audit, examines its annual work program, receives internal audit reports and stays informed regarding the implementation of recommendations. Finally, it examines the annual compliance plan and stays informed regarding the Company's compliance activities.

The Committee may consult the Chief Financial Officer, the Head of Internal Audit, the Heads of the actuarial and compliance functions and the Statutory Auditors on these issues, including when SCOR's executives are not present. It may also call upon outside experts. During the 2016 financial year, and for each meeting, it met with the Statutory Auditors, the Group Chief Financial Officer (during the review of the financial statements) and the Head of Internal Audit. The review of the financial statements was completed by a presentation made by the Statutory Auditors highlighting the main results of their work and the accounting methods used, as well as by a presentation by the Group Chief Financial Officer describing risk exposure and material off-balance sheet liabilities.

The Risk Committee

The Risk Committee is responsible for examining, notably based on the Own Risk and Solvency Assessment (ORSA), the major risks with which the Company is confronted, both on the assets and liabilities side, and for ensuring that tools for monitoring and controlling these risks are in place. It examines SCOR's risks and its Enterprise Risk Management (ERM) policy. It studies the Group's strategic risks (including emerging risks) as well as the Group's main technical and financial commitments (underwriting, reserving, market, concentration, counterparty, asset-liability management, liquidity and operational risks as well as relating to changes in prudential regulations).

The Compensation and Nomination Committee

The Compensation and Nomination Committee submits recommendations concerning compensation packages for the executive corporate officers and members of the Group's Executive Committee, pensions, share allocation plans and stock option plans or stock subscription plans to the Board of Directors and examines proposals related to the composition, organization and functioning of the Board of Directors and its Committees. Its missions are described in the Board Internal Charter.

The Chairman and Chief Executive Officer attends to the tasks in Compensation and Nomination Committee meetings relating to appointments and relating to the compensation policy for members of the Group's Executive Committee.

The Crisis Management Committee

The Crisis Management Committee meets only when necessary and as many times as it deems necessary.

It is charged with assisting and advising the Board of Directors and proposing to them any necessary measures and decisions in the event of a crisis affecting the Company, the Group or one of its members, as well as following up on such measures and decisions.

Depending on the agenda, the Lead Independent Director, who chairs this Committee, may exclude the Chairman and Chief Executive Officer from Crisis Management Committee discussions. The Chairman and Chief Executive Officer must, moreover, be disqualified from such discussions if the crisis is linked to a subject that concerns him personally.

Non-executive directors' session

The non-executive directors' session involves all the directors, with the exception of the employee director and the executive corporate officer of the Company.

This session brings together the non-executive directors so that they can exchange ideas outside the context of Board of Directors' meetings. It may be called in case of a conflict of interest between the Board and the management team, a non-adherence to the corporate governance code, an inability of the corporate officer to carry out his duties as a result of an accident or his death or a proven breach of the code of ethics on the part of the corporate officer.

KEY FUNCTIONS

The French Insurance Code (*code des assurances*) 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 (if only partially) to other entities, in accordance with the rules laid out in the Group Outsourcing Policy, please refer to the Solvency and Financial Condition Report of SCOR Group, SCOR SE, SCOR Global P&C SE and SCOR Global Life SE section B.7 – Outsourcing for further details.

Roles and responsibilities

For further information on roles and responsibilities of key functions, please refer to the Solvency and Financial Condition Report of SCOR Group, SCOR SE, SCOR Global P&C SE and SCOR Global Life SE section B.3 – Risk management system, section B.4 – Internal control system, section B.5 – Internal audit and section B.6 – Actuarial function

Freedom from influence

The key function holders carry out their duties in an objective, fair and independent manner. They shall be free from any influence that could impair the performance of their duties

They operate under the ultimate responsibility of the Chief Executive Officer, through the different levels of management.

Each key function holder has a sufficiently high rank in the organization and is in a position to conduct his/her activities in an independent manner. The standing and authority of the key function holders in the main management governing bodies that are relevant with respect to their role allow them to execute their tasks with the level of independence required as set forth by the French Insurance Code. In addition, key function holders interact regularly with the 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 SE, or one of its specialized Committees.

Besides, the Board of Directors of SCOR SE and its specialized Committees may hear the key function holders at their discretion, upon request from their respective Chairmen.

Moreover, the key function holders have a direct access to SCOR SE's Board of Directors in conformance with article L.322-3-2 of the French Insurance Code. This procedure involves the key function holder, the Chairman of the Board of Directors and if the matter requires it the Chairman of the relevant Board Committee, and ultimately the Board of Directors. This procedure was approved by SCOR SE's Board of Directors on November 3, 2015.

Designation, fit and proper requirements and notification requirement

SCOR SE's key function holders are designated by the CEO of SCOR SE and at group level. They are subject to specific fit and proper requirements which are set out in the Group Fit and Proper Policy, please refer to the Solvency and Financial Condition Report of SCOR Group, SCOR SE, SCOR Global P&C SE and SCOR Global Life SE section B.2 – Fit and proper requirements. Upon designation, key function holders are notified to ACPR.

Access to information and records

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 Group key function holders face difficulties in accessing relevant information, they shall refer the issue to the CEO of SCOR SE for arbitration.

Interaction with other key function holders

The key function holders shall interact with one another, especially in order to exchange information relevant to each other's areas of competence.

For further information on these interactions, please refer to the Solvency and Financial Condition Report of SCOR Group, SCOR SE, SCOR Global P&C SE and SCOR Global Life SE section B.3 – Risk management system including the Own Risk and Solvency Assessment (ORSA), section B.4–Internal control system, section B.5 –Internal Audit and section B.6 –Actuarial function.

Please refer to section B 1.3.1 – Governance of the Group for the further details on the Executive Committee and Key Functions.

B.1.3.3 GOVERNANCE OF SGL DIVISION AND SGL SE

Overview of the SCOR Global Life division

The Life division covers all Life business within the SCOR Group. This includes mortality, morbidity, longevity, financial solutions, accident and health.

For more details please refer to section B.1.2.3 – Divisions and group functions.

The legal structure underpinning the SCOR Group and the SCOR Global Life division is described in Chapter A – Business and performance of this report.

Governance of the SCOR Global Life division

Division CEO and deputy CEO

The CEO of the Life division also holds the position of CEO of SGL SE. He may be assisted by a deputy CEO.

SGL Senior Management Team and Management Committees

The CEO of the Life division is supported by the SGL Senior Management Team.

The CEO may have additional Committees or advisory bodies set up as deemed appropriate.

Other Executive Management Committees are in place which facilitate bottom-up reporting, the coordination of the action of all major functional entities of the Life division, the involvement of senior executives of the division in significant decisions concerning the Life division and the preparation of the work of the division.

The scope of these committees covers the Life division and SGL SE. These committees include:

- SGL Risk committee;
- SGL Investment committee;

- SGL Reserving committee.

Governance of SGL SE

Legal form and fundamental rules of governance

SGL SE is a European Company (*Societas Europaea*) incorporated in France, with its registered office located at 5 avenue Kleber 75016 Paris and registered with Paris Commercial Register under the number 433 935 558 RCS Paris. Pursuant to a decision of the Comité des Entreprises d'Assurance dated July 15, 2008, the Company holds a license to operate in Life & Health and P&C reinsurance in France and is overseen by the *Autorité de Contrôle Prudentiel et de Résolution* (the "ACPR"). The Company is also authorized to operate:

- within the European Union pursuant to the European passporting regulation
- in other countries where the Company has obtained local licenses to write reinsurance business or where operating in reinsurance is not subject to license

The Company's by-laws and the internal regulations of SGL SE's Board of Directors set forth the fundamental rules of its governance inter alia the structure, composition and organization of the SGL SE Board of Directors as well as the duties and responsibilities of the directors.

SGL SE Board of Directors

Missions, duties and responsibilities

The missions, duties and responsibilities of SGL SE's Board of Directors (the "Board of Directors"), the rules governing its composition and its operation, as well as the rights and obligations of directors derive from applicable laws and regulations, the by-laws of the legal entity and the SGL SE Board Internal Regulations.

In accordance with European law governing European Companies and applicable French law, the main responsibility of the Board of Directors is to determine the guiding principles of the Company's business plan and strategy and to monitor their application. With the exception of powers explicitly reserved to shareholders in Shareholders' Meetings and within the limits of the corporate purpose, SGL SE's Board addresses any matters related to the legal entity's performance. SGL SE's Board prepares and presents the year-end accounts of the legal entity to the shareholders and convenes the shareholders' meetings of the legal entity.

It designates the persons effectively running the legal entity. It takes part in the sound and prudent management of the legal entity. It hears the key function holders for SGL SE at least annually. It approves the ORSA report and takes into account the Own Risk and Solvency Assessment (ORSA) when it makes any decision likely to have a significant impact on the legal entity. It approves certain policies.

SGL SE's Board also carries out the verifications and controls it deems necessary.

Composition rules

Members of SGL SE's Board of Directors are appointed or dismissed by decision of the General Meeting of the shareholders. SGL SE's by-laws provide that SGL SE's Board of Directors is composed of no fewer than three (3) and no more than eighteen (18) members.

Directors are subject to fit and proper requirements as detailed in section B.2 – Fit and proper requirements.

Operations of the Board

The convening procedures, the holding of meetings and other details of SGL SE's Board of Directors operations are set by the applicable laws and regulations, by the by-laws of SGL SE and by its internal regulations.

Directors are required to comply with applicable law and SGL SE's by-laws.

Under French laws and regulations, directors are liable for violations of French legal or regulatory requirements applicable to *Societas Europaea*, violation of a company's by-laws or mismanagement (*faute de gestion*). Directors may be held liable for such actions both individually and jointly with the other directors.

Chairman of the Board

The Board members elect a Chairman of SGL SE's Board.

The Chairman is responsible for organizing and directing the work of SGL SE's Board of Directors, and reports thereon to the Annual Ordinary Shareholders' Meeting.

Executive Management of SGL SE

Chief Executive Officer (“CEO”)

Duties and responsibilities of the CEO

Responsibility for the general management of SGL SE lies with the CEO, who according to SGL SE's by-laws may be the Chairman of the Board of Directors or another individual elected by the Board of Directors and bearing the title of Chief Executive Officer (CEO).

According to French law, the CEO is vested with the most extensive powers to act on behalf of the Company in all circumstances. He is granted with all necessary responsibilities by the Board of Directors to fulfil the functions and tasks in conjunction with the general management of the Company and represents SGL SE at all times towards third parties. His exercise of such powers and responsibilities is limited to the corporate purpose of the Company and is subject to the powers specifically conferred to the Board of Directors or the Shareholders' Meeting as per legal or regulatory provisions or the by-laws of the Company.

The CEO is responsible for defining and implementing the global strategy and objectives of the legal entity, in line with the Group strategy and objectives, and exercises the general management of the entire business of SGL SE, branches and representative offices. He has overall management responsibility for the organizational, operational and financial performance of the legal entity.

Within SGL SE, delegations of authorities, including underwriting authorities and guidelines, are overseen by the CEO.

4 eyes principle

Pursuant to Article L 322-3-2 of the French Insurance Code, the legal entity must apply the “Four Eyes Principle”, which specifies that it must be effectively run by at least two persons.

The “persons effectively running” SGL SE are subject to fit and proper requirements as set out by the Group Fit & Proper policy (see section B.2 – Fit and proper requirements).

The Group Executive Committee regularly gives its sign-off for significant decisions prior to being taken and implemented, should they relate to strategy, business, investments, finance, risks or operations. Since all persons effectively running SGL SE belong to the Group Executive Committee, this ensures compliance with the four eyes principle.

The Chairman of the Board of SGL SE was designated by the Board of SGL SE as a person effectively running SGL SE in addition to the CEO of SGL SE on September 23, 2015.

Key functions

Key functions are conducted at SGL SE level under the responsibility of SGL SE's key function holders.

Key functions for SGL SE may be outsourced to other entities, in accordance with the rules set in the Group Outsourcing Policy which also applies to SGL SE, please refer to the Solvency and Financial Condition Report of SCOR Group, SCOR SE, SCOR Global P&C SE and SCOR Global Life SE section B.7 – Outsourcing for further details.

Roles and responsibilities

For further information on the roles and responsibilities of the key function holders, please refer to the Solvency and Financial Condition Report of SCOR Group, SCOR SE, SCOR Global P&C SE and SCOR Global Life SE sections B.3 – Risk management system including the Own Risk and Solvency Assessment (ORSA), section B.4 – Internal control system, section B.5 – Internal Audit and section B.6 – Actuarial function.

Freedom from influence

SGL SE's key function holders carry out their duties in an objective, fair and independent manner. They shall be free from any influence that could impair the exercise of their mission.

They operate under the ultimate responsibility of the Chief Executive Officer, through their management lines.

Each of the key function holders designated for SGL SE has a sufficiently high rank in the organization 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 set forth by the French Insurance Code. In addition, the key function holders interact with Board members and with the persons effectively running SGL SE on a regular basis.

Access to the Board

The key function holders are heard at least once a year by the Board of Directors of SGL SE.

The Board of Directors may also hear the key function holders at its discretion.

Moreover, the key function holders have direct access to SGL SE's Board of Directors in accordance with Article L.322-3-2 of the French Insurance Code. This procedure involves the key function holder and the Chairman of the Board of Directors. This procedure was approved by SGL SE's Board of Directors on December 15, 2015.

Designation, fit and proper requirements and notification requirement

SGL SE's key function holders are designated by the CEO. They are subject to specific fit and proper requirements which are set out in the Group Fit and Proper Policy, please refer to the Solvency and Financial Condition Report of SCOR Group, SCOR SE, SCOR Global P&C SE and SCOR Global Life SE section B.2 – Fit and proper requirements.

Access to information and records

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 that key function holders face difficulties in accessing relevant information, they shall refer the issue to the CEO of SGL SE for arbitration.

Interactions with other key function holders

Key function holders shall interact with one another, especially in order to exchange information relevant to each other's areas of competence. In order to facilitate and formalize these interactions, quarterly meetings are held by the key function holders. For further information on such interactions, please refer to the Solvency and Financial Condition Report of SCOR Group, SCOR SE, SCOR Global P&C SE and SCOR Global Life SE section B.3 – Risk management system including the Own Risk and Solvency Assessment (ORSA), section B.4 - Internal control system, section B.5 - Internal Audit and section B.6 - Actuarial function

B.1.3.4 GOVERNANCE OF SCOR GLOBAL LIFE REINSURANCE IRELAND DAC

SGLRI is a designated activity company incorporated in Ireland, with its registered office located at 6th Floor, 2 Grand Canal Square, Dublin 2 and registered with the Irish Companies Registrations Office under the number 366572. It is authorized and regulated by the Central Bank of Ireland as a composite reinsurance company and is also authorized to operate:

- within the European Union pursuant to the European passporting regulation
- in other countries where the Company has obtained local licenses to write reinsurance business or where operating in reinsurance is not subject to license

As a consequence, SGLRI is subject to Irish and European Union applicable laws and regulations (including but not limited to the Central Bank of Ireland's Corporate Governance Code for Insurance Undertakings which sets out minimum statutory requirements on how banks and insurance companies should organize governance of their institutions) and is supervised by the CBI.

The Articles of Association of SGLRI and the Internal Regulations of the SGLRI Board of Directors set forth the fundamental rules of its governance inter alia the structure, composition and organization of the SGLRI Board of Directors as well as the duties and responsibilities of the directors.

Board of Directors and Board committees of SGLRI

SGLRI Board

The missions, duties and responsibilities of the Board of Directors, the rules governing its composition and its operations, as well as the rights and obligations of Directors derive from applicable laws and regulations, from the Articles of Association of the Company and from the Internal Regulations of the SGLRI Board.

Missions, duties and responsibilities

The Board of Directors may exercise all the powers vested in it by Irish laws and regulations.

In accordance with Irish law, the SGLRI Board of Directors determines how the business of SGLRI is to be oriented, ensures the corresponding strategy is implemented and monitors management's performance. With the exception of powers explicitly reserved to its' shareholder and within the limits of the corporate purpose, the SGLRI Board addresses any subject related to performance. The Board also carries out the verifications and controls it deems necessary. The Board prepares and approves the year-end accounts of SGLRI. It designates the persons effectively running SGLRI. It takes part in the sound and prudent management of SGLRI. It approves all SGLRI policies. Directly, or via its committees, it hears the key function holders for SGLRI at least annually and receives their reports. It approves the ORSA report and takes into account the own risk and solvency assessment when it makes a decision likely to have a significant impact on SGLRI.

Composition rules

Per the Internal Regulations, SGLRI has a minimum of 5 Directors, with a majority of Non-Executive Directors and at least 2 Independent Non-Executive Directors.

Directors are subject to fit and proper requirements as detailed in section B.2 – Fit and proper requirements and are designated as Pre-Approval Control Functions (PCF) per the Central Bank of Ireland's Fitness and Proper Regime. In addition, SGLRI complies with Board composition requirements as set out in the Central Bank of Ireland's Corporate Governance Requirements for Insurance Undertakings

Operations of the Board

The convening procedures, the holding of the meetings and other details of the SGLRI Board of Directors operations are set by the applicable laws and regulations, by the Articles of Association of SGLRI and by its Internal Regulations.

The Board of Directors is responsible for considering the appropriateness of a 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.

Directors are required to comply with applicable law and SGLRI's Constitution including Articles of Association.

The operations of the Board are assessed annually.

Chairman of SGLRI Board

The Board of Directors elects a Chairman from among its members and, in line with Corporate Governance Requirements for Insurance Undertakings, the Chairman must be an independent Non-Executive Director or a Group Director.

The Chairman is responsible for organizing and directing the work of the Board of Directors.

SGLRI Board Committees

SGLRI's Board of Directors has decided to establish the following committees:

- Audit Committee;
- Risk Committee;
- Business Acceptance Committee.

The missions, duties and responsibilities, composition rules and operations of these committees are set out in the Terms of Reference for the respective Committees. In particular:

Audit Committee

The Audit Committee is appointed by the SGLRI Board to assist it in monitoring and overseeing (1) the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company, (2) the integrity of the financial statements of the Company, (3) the internal control framework of the Company and (4) the performance.

Risk Committee

The Risk's Committee's mission is to:

- examine, notably based on the own risk and solvency assessment, the major risks with which SGLRI is confronted, both on the assets and liabilities side, and ensure that tools for monitoring and controlling these risks are in place to the fullest extent possible.
- examine SGLRI's principal underwriting and financial commitments (underwriting, reserving, market, concentration, counterparty, asset-liability management, liquidity and operating risks as well as relating to the evolution of prudential regulations).

SGLRI Business Acceptance Committee

The Business Acceptance Committee's mission is to assist the Board in monitoring and overseeing (1) business review, (2) approval of deals within limits specified by the Board and (3) the execution of documents.

Executive Management of SGLRI

Managing Director of SGLRI (MD)

Responsibility for the general management of SGLRI lies with the MD, his exercise of such powers and responsibilities is limited to the corporate purpose of SGLRI and is subject to the powers specifically conferred to the Board of Directors as per legal or regulatory provisions or the Constitution including the Articles of Association of the Company.

The MD is responsible for leading the development and execution of SGLRI's long term strategy. The MD's leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the SGLRI's long and short term plans. The MD acts as a direct liaison between the SGLRI Board and the management of SGLRI and communicates to the Board on behalf of management. The MD may also communicate on behalf of SGLRI to its' shareholder, employees, Government authorities, other stakeholders and the public.

Management committees

A number of management committees have been put in place which facilitate bottom-up reporting, the coordination of the action of all major functions in the entity, the involvement of senior management of SGLRI in significant decisions concerning SGLRI and the preparation of the work of the Board of SGLRI.

Management committees at SGLRI level notably include:

- Investment Risk Committee;
- Operational Risk Committee;
- Underwriting Risk Committee.

Four-eye principle

The Company applies the "Four Eyes Principle", which specifies that it must be effectively run by at least two persons. The Managing Director of SGLRI is assisted by the Senior Management Team, comprising of the Chief Financial Officer and the Chief Risk Officer of SGLRI.

The "persons effectively running" SCOR, including SGLRI, are subject to fit and proper requirements as set out by the Group Fit & Proper policy (see section B.2 – Fit and proper requirements).

There are a number of internal documents including the Reserve Powers of the Board and the Delegation of Authority, which sets out the criteria for decision making within SGLRI, as any significant decisions are taken either by the Board, Board Committees or Management Committees for which any decision must include approval from a minimum of two of the Managing Director, the Chief Financial Officer and the Chief Risk Officer.

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.

There are nominated key function holders for each of these roles in SGLRI.

Key functions for SGLRI may be outsourced (if only partially) to other entities, as and in accordance with the CBI requirements and the rules laid out in the Group Outsourcing Policy. Refer to section B.7 – Outsourcing for further details.

Roles and responsibilities

For further information on roles and responsibilities of key functions, please refer to dedicated below sections, in particular section B.3 – Risk management system including the Own Risk and Solvency Assessment (ORSA), section B.4 - Internal control system, section B.5 - Internal audit and section B.6 - Actuarial function.

Freedom from influences

The key functions carry out their duties in an objective, fair and independent manner. They shall be free from any influence that could impair the exercise of their mission.

They operate under the ultimate responsibility of the Managing Director, through their management lines.

Each of the key function holders designated for SGLRI have a sufficiently high rank in the organization 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 set forth by the Solvency II directive. 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 SGLRI, or one of its specialized Committees.

The Board of Directors of SGLRI and its Committees may also hear the key function holders at their discretion.

Designation, fit and proper requirements and notification requirement

SGLRI's key function holders are approved by the Board. They are subject to specific fit and proper requirements which are set out in the Group Fit and Proper Policy (see section B.2 – Fit and proper requirements) and the CBI Fitness and Proper requirements. Upon designation, key function holders are notified to the CBI.

Access to information and records

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.

Interactions with other key functions

Key function holders shall each interact with one another, especially in order to exchange information relevant to each other's areas of competence. In order to facilitate and formalize these interactions, regular meetings are held by the key function holders.

For further information on these interactions, refer to the respective dedicated below sections, 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 2016

In 2016, SGLRI introduced a number of material changes to its corporate governance system, in particular with respect to:

- the modification of some documents such as the Internal Regulations of the Board of Directors and Committee Terms of Reference to reflect Solvency II
- disbandment of the Solvency II steering Committee (which had been in place during the preparatory stages of Solvency II)
- change in appointment of the Key Function Holder for the Chief Risk Officer

For information on changes to key functions, refer to below dedicated sections, in particular section B.3 – Risk management system including the Own Risk Solvency Assessment (ORSA), section B.4 - Internal control system, section B.5 – Internal Audit and section B.6 – Actuarial function.

B.1.5 MATERIAL TRANSACTIONS WITH SHAREHOLDERS, PERSONS WHO EXERCISE SIGNIFICANT INFLUENCE OR MEMBERS OF THE AMSB

Material transactions with shareholders

As set out in section A.1.1.4 – Significant shareholders, SGL SE is the immediate parent company of SGLRI (100% of control and interest) while SCOR SE is the ultimate parent company.

Material transactions with SGL SE during the reporting period include payment of a dividend to SGL SE in April 2016 in the total amount of USD 100 million.

SGLRI has several business relationships with SGL SE and SCOR SE, including:

- Reinsurance transactions made in the ordinary course of business;
- Parental guarantee agreement with SCOR SE, guaranteeing SGLRI's payment obligations under its reinsurance contracts;
- A stop loss reinsurance contract with SGL SE for the provision of tail risk protection for 2016;
- A stop loss reinsurance contract with SCOR SE which facilitates the provision of tail risk protection for future years;
- US Risk Transfer Contract with SGL SE whereby SGLRI is liable to reimburse SGL SE for periodic interest payments due in return for any future benefit arising under the contract;
- Various outsourcing agreements relating to the provision of services including investment management services.

For more information on transactions with SGL SE and SCOR SE refer to Note 28 in the 2016 Financial Statements.

Material transactions with members of the AMSB (Administrative Management Supervisory Board)

SGLRI considers that members of the Board constitute key management personnel, as the Board has responsibility and authority for planning, directing and controlling the activities of SGLRI.

Refer to section B.1.6 – Compensation policy of the members of the Board of Directors.

Material transactions with persons who exercise a significant influence

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.

SGLRI'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.

SGLRI has several business relationships with related parties, in addition to those with SGL SE and SCOR SE as noted above. Transactions with such parties are made in the ordinary course of business and on substantially the same terms and conditions including interest rates and collateral as those prevailing at the same time for comparable transactions with other parties.

For more information on transactions with related parties refer to Note 28 in the 2016 Financial Statements.

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

SGLRI is strictly conforming to the Group Compensation Policy

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

The SGLRI 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 allocated partly in one fixed sum per annum payable in fourths at the end of each quarter and partly based on the effective presence of the directors at the meetings of the Board of Directors and of its Committees, with an amount paid per Board or per Committee meeting they attend. The members of the SGLRI Board who are employees of the SCOR Group do not receive directors' fees in respect of their directorships.

B.1.6.2 GENERAL PRINCIPLES OF THE GROUP COMPENSATION POLICY

SCOR pursues a human capital policy that is in line with the Corporate Values, the 3-year plan and the risk appetite of the Group. SCOR is committed to:

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

In order to achieve such objectives, SCOR has established a very structured and transparent compensation policy, under a global framework. It is reviewed and submitted to the Compensation and Nomination Committee and then to the Board of Directors for approval at least annually. It was last updated in April 2016.

SCOR has established a "Partners" ⁽³⁾ program. This program which is specific and selective program which 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, carefully designed procedure for appointing and promoting Partners implemented every year during an Executive Committee meeting. Candidates must have consistently demonstrated their skills, leadership and commitment in the past. The distribution of partners by level is as follows: EGPs: 2%, SGPs: 9%, GPs: 32%, APs: 57%.

³The 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

B.1.6.3 MAIN COMPONENTS OF THE COMPENSATION BY STAFF CATEGORY**Overall compensation components**

Staff member category	Fixed compensation	Variable compensation in cash	Share-based plans	Pension plan
Chairman and Corporate Executive Officer ⁽¹⁾	X	X	Free shares, Stock options, LTIP ⁽²⁾	X
Senior management	X	X	Free shares, Stock options, LTIP	X
Partners	X	X	Free shares, Stock options ⁽³⁾ , LTIP	X
Non partners	X	X	Free shares	X

(1) As a member of the Board of Directors, the Chairman and Corporate Executive Officer receives directors' fees

(2) Long Term Incentive Plan

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

Fixed compensation

As a global Group with four Hubs located in the main financial centre's of the world, SCOR pays competitive base salaries in order to be a competitive player on the job market and to 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 automatic adjustment to inflation is not applied as a general rule and is only granted in the few countries where legally required.

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. Pay out 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 rating). The second component is collective and based on the return on equity (ROE) achieved by SCOR in the previous financial year. The payout on the collective component can range from zero (ROE below 30% of the target) to 130% (ROE 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 between 0% and 12% of the annual base salary depending on the rating received in the individual appraisal by the employee's direct superior.

Non Partners are also eligible to the exceptional contribution bonus, ranging from 0% to a maximum of 6% of the annual reference salary.

Share-based compensation

SCOR launched the free shares and stock options program 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 the 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 horizon of performance measurement;
- Involve and associate SCOR's key employees in the long-term development of the Group.

Partners

The allocations of free shares and stock options to Partners depend on their individual performance among criteria such as strategic project management, commitment, etc. Therefore, it does not mean that an allocation will occur every year or that every Partner will receive an allocation.

The vesting of the shares and options is subject to the satisfaction of presence conditions (3 years to 6 years depending of the nature of the plan) and performance conditions fully aligned with the objectives of the strategic plan (ROE and Solvency ratio). Moreover, beneficiaries must fully respect the Group's Code of Conduct (clawback policy).

Other employees

Free shares may be granted to employees that are not Partners under collective plans that do not include any performance conditions. In addition, under specific circumstances, performance shares can also 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 in certain countries also cover accident and disability.

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

Generally, SCOR uses defined contribution pension plans.

B.2 Fit and proper requirements

SGLRI is strictly conforming to the Group Fit & Proper policy, and the local addendum which sets out the requirements in relation to the Central Bank of Ireland's (CBI) Fitness and Probity Regime (F&P). SGLRI will not permit an individual to perform a Pre-Approval Control Function (PCF) and/or Control Function unless it is satisfied on reasonable grounds that the individual complies with the FP Standards and has obtained confirmation that the individual has agreed to abide by those standards.

B.2.1 OBJECTIVES AND GENERAL PRINCIPLES

SGLRI 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). SGLRI 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 SGLRI'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), including the Managing Director. 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 SGLRI Board is deemed to be fit if, for each subject matter, at least one member is individually fit.

B.2.3 FITNESS CRITERIA

SGLRI considers that fitness is an appropriate mix of:

- relevant educational background and qualifications;
- 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.

SGLRI expects individuals to 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 This diploma must relate at least to one of the following areas: <ul style="list-style-type: none"> ■ strategy or business management; ■ finance; ■ risk management; ■ actuarial science; ■ engineering; ■ economics; ■ law. If an individual does not meet the above criteria, 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). The actuarial function holder, shall have appropriate formal actuarial qualifications and be a Fellow or Accredited Member of a recognized actuarial professional body
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.

SGLRI’s directors, Managing Director and “other persons effectively running the company” are expected to have 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”)	<p>Board members:</p> <ul style="list-style-type: none"> ■ recently acquired relevant experience (within the last 5 years); ■ at least one member must have relevant knowledge and professional experience in each of the following fields: <ul style="list-style-type: none"> - understanding of (re)insurance markets; - (re)insurance company strategy and business model; - financial markets; - regulatory framework; - financial analysis; - actuarial; - risk management; - governance; - accounting; <p>The MD and “other persons effectively running the company”:</p> <ul style="list-style-type: none"> ■ recently acquired 5 or more-year long relevant experience (within the last 5 years): <ul style="list-style-type: none"> - in an insurance or reinsurance company or; - in a field directly relevant to his/her field of responsibility.
Category B (key function holders)	<p>recently acquired relevant experience (within the last 5 years)</p> <ul style="list-style-type: none"> ■ the Actuarial key function holder shall have appropriate actuarial experience with an insurance or reinsurance company ■ the Risk Management key function holder shall have appropriate experience of risk management in the financial industry; ■ the Compliance key function holder and the Internal Audit key function holder shall have appropriate experience in their field of responsibility (Audit, Finance, Law & Compliance, Underwriting, claims handling, etc.).
Category C (other staff)	<p>Professional experience criteria are defined in the HR recruitment guidelines, depending on the position.</p>

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.

SGLRI 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 behaviors casting doubt on an individual’s good repute and integrity, remediation actions shall be taken as appropriate.

SGLRI 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 SGLRI. Other circumstances than court decisions and ongoing judicial proceedings, which may cast doubt on the reputability 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's Fit and Proper policy.

B.2.5 FIT AND PROPER ASSESSMENT PROCESS

The assessment process shall allow SGLRI 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 / Managing Director / Other "persons effectively running the company"	<ul style="list-style-type: none"> ■ Board and Managing Director ■ Director of Corporate and Regulatory Affairs with the support of Human Resources for applicants who are also SCOR employees.
Key function holders	<ul style="list-style-type: none"> ■ Managing Director ■ Human Resources.

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, the Corporate and Regulatory Affairs Team/HR department update their information with the annual fit and proper questionnaire collected from directors, MD, other "persons effectively running the company" and key function holders and Pre-Approval Control Function/Control Function role 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: 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 for SGLRI, in line with the proportionality principle, and are consistent with the approach adopted by SCOR Group.

SGLRI'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 optimized while remaining aligned with the risk appetite framework.

B.3.1 RISK APPETITE FRAMEWORK

The risk appetite framework is an integral part of the Group's strategic plan. SGLRI's risk appetite is approved by the Board of Directors and considers the Group's strategic plan.

SGLRI's risk appetite framework encompasses the concepts of risk appetite, risk preferences and risk tolerances.

B.3.1.1 RISK APPETITE

Risk appetite defines the quantity of risk that SGLRI wishes to accept to achieve a desired level of profitability. This determines where SGLRI wishes to position itself on the assumed risk-expected return spectrum, between extremely risk averse (low risk-low return) and extreme risk taker (high risk-high return). SGLRI uses a comfort solvency ratio as well as a target expected profitability. This then provides a comprehensive definition of its risk appetite, with such metrics being regularly reported to the Board of Directors via the Risk Committee.

B.3.1.2 RISK PREFERENCES

Risk preferences are qualitative descriptions of the risks which SGLRI is willing to accept. Based on SGLRI's risk appetite, which considers the Vision in Action strategy launched in 2016, SGLRI pursues an approach of thorough risk selection to optimize its risk profile and aims:

- to actively seek risks related to reinsurance and selected primary insurance
- to assume a moderate level of interest rate risk, credit risk, FX and other market risks
- to minimize its own operational and reputational risks
- to minimize underwriting of cedent's asset-related risks.

B.3.1.3 RISK TOLERANCES

The risk tolerances define the limits set out in order to ensure that SGLRI's risk profile remains aligned with its risk appetite framework. The Board of Directors defines and approves risk tolerance limits for SGLRI by specific risk drivers and investment limits in order to ensure that SGLRI's risk profile remains aligned with its risk appetite framework. SGLRI 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 internal model outputs, scenarios or expert opinions.

For further information on specific risk management strategies, processes and reporting on each risk category, refer to chapter C – Risk profile.

B.3.2 ERM FRAMEWORK

The Risk Management function relies on an ERM framework with various risk management mechanisms as described in the following sections.

B.3.2.1 INTERNAL ENVIRONMENT

The main tasks of the Risk Management team are to further develop the Enterprise Risk Management framework and promote an ERM culture within SGLRI so that risks are managed consistently within each department.

The Risk Management team is supported in these tasks by the departments in charge of risk management at Group, SCOR Global Life and SCOR Global Investments. Compliance with local regulations and constraints is ensured by the Corporate and Regulatory Affairs team.

SGLRI's business standards and practices are governed by its policies and underlying guidelines. SGLRI policies are approved by the management committees and for relevant topics are submitted on a regular basis to the relevant committees of the Board and, ultimately, to the Board of Directors of SGLRI. These policies are not intended to enumerate all the rules governing SGLRI's activities, but rather to establish certain principles intended to ensure that the Company and employees share a common understanding of SGLRI's standards and that they work in compliance with these standards. When approved, these documents are made available to employees on the SGLRI network. Refer to section B.1 – General information on the system of governance for further details on SGLRI's organization and governance structure.

B.3.2.2 SETTING OF OBJECTIVES

The strategic plan "Vision in Action" sets out the Group risk appetite framework, from which SGLRI's strategy stems, namely to support the strategy of its ultimate shareholder which is SCOR Group, subject to satisfying all local laws and regulatory requirements.

B.3.2.3 IDENTIFICATION AND ASSESSMENT OF RISKS

Several processes and tools for identifying and assessing risks have been implemented to approach risk from different angles and to deal with them in an exhaustive manner. These include:

- a risk information process: regular and comprehensive risk reporting is provided to the SGLRI Risk Committee and Board. This includes a quarterly "SGLRI Risk Dashboard" which describes and assesses the major risks SGLRI is exposed to and 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 SGLRI's risk profile remains aligned with the risk level validated by the Board of Directors. SGLRI 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:
 - the 'risk driver' system that enables SGLRI to manage the annual aggregate exposure to each major risk. The objective is to avoid overconcentration of risk and hence maximize diversification benefits. The amount of post-tax retained annual exposure per main risk driver (with a probability of 1 in 200 years) is limited to a maximum monetary amount.
 - sub limits for invested assets;
 - limits per risk which are set in the underwriting and investment guidelines.
- an Emerging Risks process: This process is part of SCOR's ERM Framework and relevant results are presented on an ad-hoc basis to the SGLRI Risk Committee. Individual risk assessments are carried out by a dedicated team of experts from SCOR Global P&C, SCOR Global Life and the Group functions. Critical emerging risks are reported to the Risk Committee. SCOR, as a member of the CRO Forum, also actively participates and contributes to the CRO Forum Emerging Risks Initiative alongside other major insurers and reinsurers;
- the ORSA (Own Risk Solvency Assessment), which provides SGLRI's Board and Management with forward-looking information on the Company's risks and capital position. SGLRI's ORSA is completed as part of the Group ORSA process;

- the Group internal model, which is deeply embedded in SCOR's risk management system and contributes to the assessment of risks. SGLRI uses the internal model for determining economic capital. Its results are used to implement SGLRI's underwriting and asset management policies and guidelines.

Where relevant, the analysis from these processes are reported to the Risk Committee and to the Board of Directors on a regular basis.

B.3.2.4 MAIN CONTROL ACTIVITIES

Because of its activities, SGLRI is exposed to many risks: reinsurance 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 SGLRI.

This report does not detail these risks, but aims to summarize the principal activities and participants of risk control for the following important areas:

- risk management function;
- activities related to reinsurance;
- asset management;
- accounting management.

The control activities described below are considered as the principal activities for controlling risks specific to those areas.

B.3.2.5 RISK MANAGEMENT FUNCTION

The risk management area comprises the risk management function and collaborates with the corporate and regulatory affairs department. Further information is presented below;

- the Risk Management function's primary focus is to develop and manage ERM mechanisms, promote ERM concepts throughout SGLRI and perform a second-level control over reinsurance underwriting;
- the Corporate and Regulatory Affairs Department monitors Irish prudential regulations and advises SGLRI accordingly. It coordinates SGLRI's actions to comply with regulatory requirements for the supervision of (re)insurance companies in Ireland and SGLRI's interactions with the Central Bank of Ireland (CBI). It also coordinates SGLRI's efforts to adapt to new major prudential regulations, such as Solvency II.
- all functions across SGLRI are responsible for contributing to an effective risk management system, which is overseen by the Risk Management function.

B.3.2.6 ACTIVITIES RELATED TO REINSURANCE

The operating and control procedures concerning underwriting, pricing, administration of reinsurance contracts and claims management are validated by SGLRI.

For further information on how the main underwriting risks relate to Life reinsurance business are managed, please refer to section C.2 - Underwriting risks.

B.3.2.7 ASSET MANAGEMENT

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 SGLRI implements.

SGLRI invests in assets through the SCOR Global Investments division composed of an asset management company regulated by the French Autorité des Marchés Financiers (SCOR Investment Partners SE) and a Group Investment Office (GIO).

Governance and principles

SGLRI has harmonized the principles governing the management of its assets: the Policy on Invested Assets defines SGLRI's governance in terms of asset management and the Investment Guidelines determine the limits for concentration risk as well as limits of exposure to different asset classes. The Investment Guidelines thus determine the conditions under which SCOR Global Investments will implement the Company's investment policy as defined by the SGLRI Board. The SGLRI Investment Committee meets at least once every quarter. Its role is to supervise the implementation of the investment strategy with regard to the regulatory and contractual constraints and to monitor the compliance of the portfolios positioning with the SGLRI investment guidelines.

For more on liquidity see section C.5 – Liquidity risks.

Investment strategy

The investment strategy at SGLRI is risk based and the portfolio's positioning is derived from the risk appetite allocated to invested assets as well as the SGLRI risk tolerance, which is aligned with the SCOR Group.

The primary investment objective of SGLRI is to generate recurring financial income in accordance with the risk appetite framework of SGLRI, and to ensure that SGLRI:

- is able to meet its claims and expense payment obligations at all times, and
- creates value for its parent, to support the objectives set out in the strategic plan,

while,

- preserving the liquidity and level of solvency,
- protecting the capital,
- allowing SGLRI to operate on a day-to-day basis as well as over the long term,
- in compliance with the investment regulations, risk appetites and regulatory capital requirements (level of capital and type of admissible assets), and investment guidelines.

Operational framework

SGLRI outsources the investment and reinvestment of all of their invested assets to SCOR SE. This relationship is put in place through an Investment Management Agreement ("IMA") which includes local investment guidelines. SCOR SE delegates to SCOR Investment Partners the implementation of the investment strategy for its invested assets. This relationship is put in place through a Master Investment Management Agreement ("MIMA") which includes the list of invested asset portfolios for SGLRI and its investment guidelines.

Reporting and risk monitoring

The Group Investment Office monitors, on an ex ante and ex post basis, the compliance of the portfolio positioning with regard to SGLRI's risk appetite and investment guidelines. This is then reviewed by the Investment Risk Committee, The GIO is also in charge of reporting processes related to invested assets. The GIO provides SGLRI with regular reports used for the monitoring of the asset portfolios. Breaches are escalated to the Investment Risk Committee. Investments falling outside of the scope of the Investment Guidelines are subject to special referral procedures managed by the Investment Risk Committee.

B.3.2.8 ACCOUNTING MANAGEMENT

The Solvency II reporting process is built upon the Group-wide IFRS reporting process and ensures quality and consistency of SGLRI and Group solvency reporting. It therefore benefits from controls over the accounting and consolidation process.

B.3.2.9 INFORMATION AND COMMUNICATION

For the published Solvency and Financial Condition Report, a specific process has been implemented to coordinate the contribution of all relevant functions and the consistency of the information provided. A final review is performed by Management and the Board of Directors.

B.3.2.10 MONITORING OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The monitoring of the internal control and risk management systems is ensured by a number of complementary mechanisms within SGLRI.

SGLRI implements dedicated processes and tools to identify, assess and monitor its risk exposure on a regular basis. See section B.3.2.3 - Identification and assessment of risks.

For more information on the Internal control system see section B.4.1 – 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 in SGLRI. Any findings and risks 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 organization, it must discuss the matter with the relevant management committee in SGLRI. 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 Department manages the “internal management representation letters” process, which also incorporates certain points related to the internal control of accounting and financial reporting.

B.3.3 INTERNAL MODEL CONTRIBUTION TO THE ERM FRAMEWORK

The regulatory authorities require that insurance and reinsurance companies determine the Solvency Capital Requirement using a standard formula. Subject to regulatory approval an internal model can be used for this purpose. SCOR has used its experience and knowledge to develop an internal model which accurately reflects SCOR’s risk profile as a global reinsurer. For more detail on the internal model and how it differs from the standard formula, please refer to section E.4.4 - Key differences between the standard formula and the internal model.

The risk categories reported out of the internal model include Life & Health underwriting and reserving risk, Market risk, Currency risk, Credit risk, Interest rate risk and Operational risk.

For further information on risks included in SCOR’s internal model, refer to chapter E – Capital Management.

SGLRI is exposed to other risks not modelled within the internal model 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.

B.3.3.1 ROLE OF THE INTERNAL MODEL IN THE RISK MANAGEMENT SYSTEM

The internal model is a key feature of SGLRI’s risk management; see sections E.4.1 and E.4.2 for a description of the internal model and some of its uses. The internal model governance framework forms an important component of the risk governance at SGLRI and seeks to ensure the appropriate management and supervision of the internal model and its outputs.

B.3.3.2 INTERNAL MODEL GOVERNANCE

The governance framework includes in its scope the operational run of the model, Model Changes and Independent Validation as outlined in their own respective policies. The Internal Model Management Committee is responsible for ensuring that the internal model operates properly on a continuous basis. It approves internal model results and provides recommendations to the Board on model changes.

The development and use of SCOR’s internal model are managed through the following three key policies, which are adopted by SGLRI:

- Group Internal Model Policy;
- Group Policy on Model Change;
- Group Internal Model Validation Policy.

The Group Internal Model Policy sets out the overarching principles and governance of the internal model. The Group Policy on Model Change sets out the principles and governance for managing the development of the model and the Group Policy on Internal Model Validation sets out the corresponding independent validation of both use of and development of the internal model and requires that each module is validated at least every year for the annual SCR calculation or whenever there is model change with impact on the SCR or a significant change in the risk profile.

There were no material changes in the internal model validation governance during the reporting period.

B.3.3.3 INTERNAL MODEL VALIDATION PRINCIPLES AND TOOLS

SGLRI implemented a robust process for the validation of the internal model, which is completed in parallel with, and leverages, the Group process. It is performed based on the principles stated in the validation policy and fully complies with Solvency II internal model validation standards.

General principles

The validation of the internal model aims to review the reasonableness and accuracy of the internal modelling and the results thereof, on an independent and proportionate basis as performed by competent professionals.

The main principles governing the validation process are:

- Independence and Expertise: the validation is performed by highly qualified experts who are independent from the design, implementation and run of the model.

- Proportionality: the validation work on the various components of the model is proportionate to the materiality of their impact on the results assessed using various quantitative and qualitative criteria.

Frequency of validation

The internal model is validated on an annual basis taking into account all the changes occurred since the previously validated model.

Governance integrated with the operational run

The Internal Model Independent Validation governance follows the overall internal model governance (as above) in section B.3.3.2.

B.3.4 ORSA CONTRIBUTION TO THE ERM FRAMEWORK

The ORSA process is a key mechanism of SGLRI's ERM framework and is an integral part of the Risk Management System. This process leverages the capital management process including debt issuance and the strategic planning process which includes the projection of the risk profile over the strategic plan period.

SCOR performs the Group-wide ORSA at both Group and legal entity levels based on clearly defined principles and objectives. It involves close cooperation between Group and SGLRI teams and regular involvement of Group and SGLRI Management, as well as involvement of the SGLRI Board.

The ORSA provides forward-looking information on the respective risk and capital positions of SGLRI, taking into account SGLRI's strategy and risk appetite and includes:

- descriptions of the risk profiles and the main risk drivers;
- 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 SGLRI's strategy and risk profile, including an analysis of any excess or shortfall in the eligible own funds.

It is performed at least annually or more frequently when material changes in the risk profile occur and the ORSA results are approved by the Board of Directors. (Refer to section B.1.3.4 – Governance of SGLRI).

B.4 Internal control system

B.4.1 INTERNAL CONTROL SYSTEM

SGLRI applies the Internal Control System (ICS) standards defined at Group level, which are embedded in the Group Policy on ICS. The ICS is applied in line with the proportionality principle.

B.4.1.1 DESCRIPTION

SGLRI operates an Internal Control System (ICS) which is consistent with the ICS adopted across SCOR Group. SCOR Group has an Internal Control System Competence Center (ICS-CC), that fosters a consistent ICS approach and application of ICS standards across the Group. The ICS standards are applied based on the proportionality principle. ICS processes have been documented accordingly, focusing on those considered to be the most critical. The ICS documentation is reviewed regularly for continuous improvement.

The approach used to develop and maintain the internal control system is specified in the ICS Group Policy, which is adopted by SGLRI. The policy sets out the reference framework and details the 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 SGLRI's franchise, balance sheet or statement of income and indirectly its solvency. The optimal risk response is obtained through appropriately designed key controls;
- appointment of process owners, who are responsible for the assessment of processes, risks and key controls and ensuring application of risk based control activities;
- 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.

SGLRI implements dedicated processes and tools to identify, assess and monitor its risk exposures on a regular basis. In addition, SGLRI implements dedicated risk management mechanisms 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 its periodic assignment, Group Internal Audit provides independent and objective assessments on the adequacy, effectiveness and efficiency of the internal control system.

B.4.2 COMPLIANCE FUNCTION

B.4.2.1 ORGANIZATION OF THE COMPLIANCE FUNCTION

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

Compliance activities are mostly performed by the compliance function, which is composed of the legal and compliance teams (SGLRI Corporate & Regulatory Affairs Team, Group General Secretariat including the Group Compliance team and the Group Legal Department, Divisional 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, Finance – including Tax and Human Resources), in line with the organizational structure of SCOR.

At SGLRI, the compliance function holder is responsible for the compliance key function.

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

The compliance function both at Group and at SGLRI must be able to operate free of any influences that may compromise its ability to perform its duties in an objective, fair and independent manner.

At SGLRI, the Compliance Key Function Holder has direct access to the Chairman and Managing Director and reports at least annually to the Board of Directors regarding material compliance assessment and any breaches that may impact SGLRI's operations.

The compliance function should have free and unfettered access to any records or staff member, as necessary to carry out its responsibilities.

B.4.2.3 COMPLIANCE FRAMEWORK

SCOR and SGLRI follow a risk-based approach to compliance in accordance with the SCOR Group Policy on Risk Management. This involves identifying areas of high risk within SCOR and SGLRI and prioritizing 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 SGLRI 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;
- introducing controls as part of SCOR's internal control system (ICS);
- providing reports on compliance matters.

Detection

Detecting compliance breaches often relies on the following sources and processes:

- 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 and other compliance tools;
- leverage from divisional 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 SGLRI.

Response

In response to compliance breaches, SGLRI will 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

The principles and organization as defined and implemented at Group level apply similarly to the Internal Audit function for SGLRI. The scope of internal audit engagements issued during the reporting period and audit plan – although deriving from the Group – are specific at legal entity level.

B.5.1 INTERNAL AUDIT ORGANIZATION

B.5.1.1 GENERAL PRINCIPLES

The Group Internal Audit's audit universe of potential areas within its scope includes all functions and operations carried out by SCOR. Group Internal Audit has no direct operational responsibility or authority over any of the activities it can review. Accordingly, Group 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.

Group Internal Audit assists the Board of Directors in providing independent, objective assurance and consulting services designed to assess the adequacy, effectiveness and efficiency of SCOR governance, policies and guidelines, risk management and internal control systems, as well as the compliance of operations with applicable policies and guidelines, in order to ensure the safeguarding and integrity of SCOR's assets (e.g. financial assets, human resources, systems and data), to ensure the effective use of resources and identify opportunities for process improvement.

Vis-a-vis SCOR subsidiaries and legal entities, Group Internal Audit is the outsourced provider of the internal audit function of legal entities in the scope of the Group Internal Audit Charter, to the extent it is compliant with local laws and regulations. If local obligations related to internal audit matters are not covered by the Group Internal Audit Charter, the Head of Group Internal Audit and legal entity's representatives, must act in a timely manner when implementing complements or adjustments as deemed adequate by the appropriate departments and described in an Internal Audit Charter Addendum.

B.5.1.2 ORGANIZATION WITHIN THE GROUP

Group Internal Audit is composed of Regional and specialized Internal Audit Units, managed by Deputy Heads who report directly to the Head of Group Internal Audit. There is no reporting line to the regional or other management.

Planning, Auditing and Monitoring: Regional/legal entities' Internal Audit Plans 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 Group Internal Audit's resources and comply with rotating principles.

Reporting: The Head of Group Internal Audit can delegate to Regional Deputies the duties related to the internal audit reporting to pre-defined affiliates' Audit Committees and Supervisory Bodies. The Head of Group Internal Audit ensures that the reported information is aligned and consistent across the Group.

Exceptions: In specific cases where the general principles above are not applied, the case must be submitted for approval to the relevant Audit Committee, CEO & Chairman of the Board of SCOR SE, and the Chairman of the Audit Committee of the Board of SCOR SE and other bodies as deemed necessary.

The Head of Group Internal Audit or a delegate (Deputy Head) is invited to, attend and reports during the regular Audit Committees meetings of SGLRI (and the other SCOR legal entities) on the internal audit activities and performance and meet privately with the Chairperson of the relevant Audit Committee (at least annually). For entities having no specific Audit committee, the Head of Group Internal Audit is invited to, attends and reports during the Board meeting. The Head of Group Internal Audit issues an annual report when asked to by the Audit Committee or required by laws or regulations.

B.5.1.3 INDEPENDENCE PRINCIPLES

Within SCOR, the Head of Group Internal Audit reports directly to the CEO & Chairman of the Board of SCOR SE, 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 Head of Group Internal Audit also

reports functionally to the Chairman of the Audit Committee of the Board of SCOR SE, who approves decisions regarding his/her appointment and removal and makes appropriate inquiries to ensure that audits are performed within an appropriate scope with adequate resources, and may steer Group Internal Audit's activities in a specific direction.

The Head of Group Internal Audit submits a written report to the Board Audit Committee at least annually on the organizational 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 should depend upon the impairment. This principle is applied in the same manner for SCOR Group entities

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 department being audited and management.

B.6 Actuarial function

B.6.1 IMPLEMENTATION OF THE ACTUARIAL FUNCTION

The SGLRI Actuarial Function is organized along the same lines as the Actuarial Function for 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 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;
- produce an annual written Actuarial Function Report submitted to the management, the Board and/or related committees on actuarial matters of the Group and the corresponding legal entities. The report includes a description of tasks undertaken by the actuarial key function, an opinion on the technical provision, overall underwriting policy and the adequacy of reinsurance arrangements, a description of any deficiency and recommendations on how such deficiencies can be remedied and
- the Domestic Actuarial Regime also requires the Actuarial Function Holder to provide an opinion to the Board on the ORSA process.

This role is undertaken by the Head of the Actuarial Function holder for SGLRI.

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

The SGLRI Policy on Outsourcing sets forth the principles, framework and rules to be followed by all employees considering the outsourcing of critical or important functions by any SCOR entity to another entity, within or outside the SCOR Group. SGLRI's policy is aligned with the SCOR Group Policy on Outsourcing.

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 specific service provider. In particular, prior to entering into any such outsourcing relationship, SGLRI shall conduct a due diligence that is adequate and commensurate with the risks involved.

SGLRI monitors and reviews the quality of the service provided and maintains 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 SGLRI. SGLRI is a reinsurance undertaking incorporated in and supervised by a regulator with jurisdiction in Ireland.

A critical or important function is defined in the Policy as a function essential to the operation of SGLRI, i.e. a function the interruption of which would be considered as likely to have a significant impact on:

- the activity of such an entity;
- the entity's ability to effectively manage risks; or
- the entity's regulatory authorization;

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 fulfill its obligations on time;
- the difficulty of finding another service provider or resuming live activity;
- the ability of SGLRI 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 SGLRI shall be subject to the following process:

- a cost/benefit analysis of the possible outsourcing will be conducted and the business case associated with such possible outsourcing will be reviewed by the appropriate governing body of SGLRI;
- the outsourcing of a 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;
- 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 SGLRI to adequately control and monitor the quality of the critical or important functions outsourced.

B.7.2 MAIN OUTSOURCED ACTIVITIES WITH EXTERNAL PROVIDERS

As of the date of this report, SGLRI has not outsourced any critical or important functions to any external service providers outside the SCOR Group.

B.7.3 MAIN INTRAGROUP OUTSOURCING ARRANGEMENTS

The SCOR Group operates through a Hub structure whereby certain Hub employees provide services to SCOR Group entities operating in the relevant Hub jurisdictions. In addition, the SCOR Group has developed centers of expertise for certain services, located in some Hubs, which provide expertise to all SCOR Group entities including SGLRI

These outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by (i) the key function holder of SGLRI for the specific key function, or (ii) the duly designated person of SGLRI in charge of monitoring.

The risk management function is partly outsourced by SGLRI, including structuring and validation of the internal model when relevant to the Group Financial Modelling & Risk Analysis team of SCOR Switzerland Services AG and to the Group Actuarial Modelling team of SCOR SE. Other SCOR EU entities may provide services in support of the execution of this key function, when necessary. These outsourcing relationships are documented through adequate outsourcing agreements and are closely monitored by the risk management key function holder for SGLRI.

The compliance function is partly outsourced by SGLRI, to the relevant legal and compliance teams based in the jurisdictions and regions where it operates, notably the Hub legal and compliance teams managed by Hub General Counsels. This outsourcing relationship is documented through adequate outsourcing agreements and closely monitored by the compliance key function holder for SGLRI.

The internal audit function for SGLRI is outsourced to the Group internal audit team hosted by SCOR SE. In the execution of its mission, the Group internal audit team of SCOR SE relies on all its staff employed in various SCOR entities. This outsourcing relationship is documented through adequate outsourcing agreements and are closely monitored by the internal audit key function holder for SGLRI.

Actuarial activities are outsourced by SGLRI to the Life Economic Valuation team of SCOR SE and the Actuarial Corporate team of SGLA. Other SCOR EU entities may provide services in support of the execution of this key function, when necessary. These outsourcing relationships are documented through adequate outsourcing agreements and are closely monitored by the designated person for SGLRI.

Claims handling activities, considered as critical and important activities by SCOR, are outsourced by SGLRI, to some extent and when relevant to SCOR SE, SGL SE, SGLA and SCOR Services Asia Pacific Pte Ltd. These outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by the designated person for SGLRI.

The asset management activities are outsourced by SGLRI to SCOR SE. This outsourcing relationship is documented through adequate outsourcing agreements and are closely monitored by the designated person for SGLRI.

IT is outsourced by SGLRI, to some extent and when relevant, to SCOR SE and SGLA. These outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by the designated person for SGLRI.

Solvency II services (in relation to coordination with the Life Division and Group), considered as critical and important activity by SCOR, is outsourced by SGLRI, to some extent and when relevant, to SCOR Management Services Ireland. This outsourcing relationship is documented through adequate outsourcing agreements and closely monitored by the designated person for SGLRI.

B.8 Other material information regarding the system of governance

Not applicable.

C. RISK PROFILE

C.1 Introduction

C.1.1 GENERAL INTRODUCTION

SGLRI regularly conducts reviews of the risks that could have a material adverse effect on its activity, its financial situation or results (or capacity to reach objectives), and considers that no significant risk exists other than those disclosed in the section below. This section outlines the management's current view of SGLRI's main risks and main risk management mechanisms currently in place

SGLRI has identified the following categories of risks:

- Underwriting risks related to the Life reinsurance businesses;
- Market risks;
- Credit risks;
- Liquidity risks;
- Operational risks;
- Strategic risks (refer to section C.7 – Other material risks).

All risks described in this chapter are managed through a variety of mechanisms in SGLRI's ERM (Enterprise Risk Management) framework.

SGLRI's ERM framework is further described in:

- Section B.3 – Risk management including ORSA for a wider description of SGLRI's risk management system as well as the role of the main stakeholders involved in risk management and relevant procedures and control activities;
- 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;

Although risk management mechanisms have been designed and rolled out in order to prevent risks from having a significant impact, there is no guarantee that these mechanisms achieve their intended objective. Many of SGLRI's methods for managing risk 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 depend upon the evaluation of information regarding markets, clients, natural catastrophes or other matters that is publicly available or otherwise accessible to SGLRI. This information may not always be accurate, complete, up-to-date or properly evaluated.

SGLRI 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 SGLRI operates, such as changes in professional practices or in legal, jurisdictional, regulatory, social, political, economic, financial and/or environmental conditions.

Emerging risks may adversely affect SGLRI's reinsurance business due to either a change in interpretation of the contracts leading to extensions of covers beyond what policyholders had 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 macro-economic indicators such as interest rates and price level, or disruptions in financial markets, further impacting SGLRI's business. In addition, emerging risks may also have a direct impact on SGLRI's operations, for instance by generating unexpected additional expenses. Examples of emerging risks include: cyber-attacks, antimicrobial resistance, non-controlled bio-experiments, climate change, electromagnetic fields, extreme social unrest and Eurozone break-up.

Therefore, SGLRI cannot exclude the possibility of exceeding the Company's risk tolerance limits due to an incorrect estimation of its risks and exposures. If the risks disclosed in this section were to occur, they could potentially have a significant effect on SGLRI's present and future business, cash flows, eligible own funds and solvency position.

As mentioned in section B.3.3 – Internal Model contribution to the ERM framework, the risk categories reported in the Internal Model include, Life underwriting and reserving risk, Market risk including interest rate risk and currency risk, credit risk, and operational risk.

For further information on risks included in SCOR's internal model, refer to chapter E – Capital Management.

SGLRI is exposed to other risks not modelled within the internal model 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, refer to section E.2.1 – Solvency Capital Requirement.

C.1.2 SENSITIVITY ANALYSIS

SGLRI maintains a resilient solvency position. In managing its diversified economic risk, SGLRI monitors its Solvency Ratio sensitivity to the economic assumptions which could have the most significant impact on the Solvency ratio over the coming year. In particular a reduction in the interest rate by 100bps could have an adverse impact on the Solvency Ratio of the Company.

For more information on interest rate risk see section C.3.1.1 – Interest rate risk.

Sensitivity to underwriting risks is evaluated through a variety of mechanisms explained in section B.3.2.3 – Identification and assessment of risk. These include the analysis of extreme scenarios corresponding to the estimated post-tax net 1-in-200 year annual single event exposures or aggregate exposures. The most significant exposure for SGLRI on these measures is a long term mortality deterioration and a pandemic.

C.2 Underwriting risks

The main risk SGLRI faces in relation to insurance and reinsurance 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 and long-term mortality trends as well as external factors such as those listed below, are all beyond the Company's control. Additionally, SGLRI is dependent on the quality of underwriting of its cedents for certain reinsurance treaties and on the quality of claims management by these companies and the data provided by them. Under these uncertainties, SGLRI seeks to ensure that sufficient reserves are available to cover its liabilities.

Generally, SGLRI's ability to increase or maintain its portfolios of insurance and reinsurance risks may depend on external factors such as professional practices, legal, jurisdictional, regulatory, social, political, economic, financial and environmental conditions. These factors create uncertainties and may adversely affect SGLRI's business due to either an interpretation of the contracts leading to an extension of coverage (e.g. through inapplicability or interpretation or overriding of treaty clauses) or by increasing the frequency and/or severity of claims beyond what was anticipated at the time of the underwriting.

SGLRI mitigates its underwriting risks through the purchase of risk-mitigation covers, in the traditional retrocession market and through internal retrocession with other SCOR entities. However, there is a risk that SGLRI may not be able to transfer its liabilities through the purchase of such instruments on economically viable terms and conditions in the future. For further details on retrocession and other risk mitigation techniques, see section C.2.3 – Retrocession and other risk mitigation techniques.

SGLRI predominantly underwrites Life & Health Business from SCOR affiliates but also directly reinsures business from external clients.

C.2.1 LIFE REINSURANCE

The main underwriting risks for SGLRI are described below. For quantitative information on Life underwriting risks refer to section E.2.1 - Solvency Capital Requirement.

C.2.1.1 LONG-TERM MORTALITY DETERIORATION

This risk refers to potential negative deviations in future mortality patterns from current best-estimate assumptions due to a higher than anticipated number of deaths (i.e. increased mortality rates) among the portfolio lives reinsured by SGLRI. This could result from inherent volatility, initial mispricing (level risk) or an adverse long-term trend. The latter could potentially be influenced by various emerging risks.

C.2.1.2 PANDEMIC

In Life reinsurance, a severe pandemic is a major risk. In the past century, three major outbreaks of influenza occurred and claimed millions of lives. The occurrence of a similar event could cause large losses to SGLRI due to an increased mortality far beyond the usual volatility. A lethal virus strain not only of influenza but of any other communicable disease could lead to a heavy increase in mortality rates and increased medical costs which could significantly affect the Company's results.

C.2.1.3 LONGEVITY

Longevity risk refers to the risk of a negative deviation from expected results due to the insured or annuitant living longer than assumed in the pricing or reserves. This risk could have an impact on longevity swaps, annuity and on other longevity protection products.

C.2.1.4 POLICYHOLDER BEHAVIOR RISK

SGLRI is also exposed to risks related to policyholder behavior, such as lapsation and anti-selection.

Lapses refer to either non-payment of premiums by the policyholder, or to policies which are terminated by the policyholder before the maturity date of the policy. Depending on product design, higher or lower policyholder lapses than assumed in the pricing or reserving may reduce SGLRI's expected future income.

Anti-selection refers to the problem of asymmetry of information between the insured and the insurer. An individual applying for Life or Health insurance cover usually has better knowledge about his or her own state of health than the insurer. The risk to the (re)insurer is of policyholders deliberately deciding among other things to:

- take out a policy in the knowledge that either their chances of claiming is high or higher than average;
- terminate a policy in the knowledge that their chances of claiming are low or lower than average, or;
- choose and exercise a policy option which increases their expected benefit.

This might lead to a portfolio composition which differs from the one assumed during pricing and might imply lower than expected profits for both the direct insurer and the reinsurer.

C.2.1.5 MORBIDITY RISKS

Products such as critical illness, short-term and long-term disability and long-term care, which all contain morbidity risk, are subject to the risk of negative trends in health, as well as to the consequences of improved medical diagnosis capabilities which increase the number of claims due to conditions that otherwise would possibly have remained undetected. Medical progress may in the future enable better treatment, resulting in higher claims, since certain diseases would have otherwise led to a much shorter life expectancy of the insured. Products providing cover for medical expenses are in particular subject to the risk of higher than expected incidence and inflation of medical costs.

C.2.1.6 OTHER RISKS

In addition to the main underwriting risks of SGLRI as listed above, other factors could have an adverse impact, whether related to policyholder behavior such as morbidity, resale or purchase of policies by third parties with no insurable interest, or other risk factors such as risks related to product guarantees.

C.2.1.7 MANAGEMENT OF UNDERWRITING RISKS RELATED TO THE LIFE REINSURANCE BUSINESS

In addition to the transversal risk management mechanisms described in the introduction to this section, SGLRI also implements mechanisms to mitigate certain risks specific to Life reinsurance:

- Claims deterioration risks are mitigated through yearly renewable terms for parts of the mortality business, and through premium adjustments for some products.
- Lapse risks are mitigated through appropriate reinsurance treaty clauses, as well as product and client diversification.
- Anti-selection risks are mitigated through careful product design and a well-defined medical and financial underwriting selection process.
- Generally, the Life reinsurance business is underwritten throughout the year. The Life business underwritten is monitored on a quarterly basis against prior year development as well as the business plan and regular updates are provided to the Board Committees and Management Committees.
- Life reinsurance treaties are underwritten by Life reinsurance experts familiar with the specific features of their markets. The Life business is underwritten in accordance with internal underwriting and pricing guidelines. Mandates for underwriting Life reinsurance business are assigned to teams on a mutually exclusive basis.
- In order to ensure that SGLRI is continually up-to-date with biometric trends and scientific developments, the Company draws on the expertise of seven dedicated Research & Development centers within the Life Division to analyze and assess the key factors underlying mortality, longevity, long term care & disability, critical illness, medical, policyholder behavior and medical underwriting & claims. These Research & Development Centers provide recommendations for the implementation of the research results into the pricing, underwriting and determination of exposure limits.
- Guidelines and other documents defined by SCOR Global Life specify the underwriting rules and principles to be complied with, underwriting capacities delegated to the underwriters and pricing actuaries in each of the markets in which the Group operates, as well as maximum acceptable commitments per risk and per event. These guidelines outline contract type and terms and conditions of acceptance. Furthermore, they set out the level of retention of SCOR Global Life for various risks and types of cover. Revisions and updates follow a formalized approval process

Business opportunities going beyond the stipulations of these guidelines and documents are subject to a special referral process in order to ensure that the business complies with established risk-adjusted return criteria and risk tolerance limits. These cases are examined at the SCOR Global Life level by the Regional and Global Pricing and Risk Management Department and, where applicable, the Finance Department. Cases which may have a significant impact on the balance sheet of the Group are additionally reviewed by the Group Risk Management

Department. Thresholds or conditions for a referral to the Group Risk Management Department are outlined in specific SGLRI guidelines.

- Accumulations of risk particularly exposed to catastrophes in the Life business are regularly assessed in “local CAT scenarios. Specific tools are used to monitor known Group cover accumulation in selected geographical areas. Specifically designed retrocession programs aim at protecting the Life reinsurance business. One program protects assumed catastrophe excess of loss acceptances; another one protects the net retained lines in respect of proportional and per risk acceptances. SGLRI is making use of the RMS model for infectious diseases in order to assess the potential exposure to risk arising from global pandemics.
- Maximum underwriting capacities are established to limit SGLRI’s exposure on various types of treaties underwritten, proportional and non-proportional, covering individual or Group policies. These capacities are reviewed each year, taking into account the capacities obtained by the retrocession coverage. These limits include: maximum commitment per life accumulated for all SCOR exposures, maximum annual commitments for non-proportional cover per life or per event, maximum commitment per country for non-proportional exposures by event. Aggregate portfolio exposures are continually monitored. Specialized software allows an accumulation control of insured lives and is fed with single risk information as received by the client companies. Based on this system, risks under which the accumulated exposure exceeds a given retention are identified and retroceded. The retention limits are reviewed regularly. The exposure is monitored throughout the year against defined risk limits and used for decisions on mitigating measures. Monitoring of peak exposures is included in Life regular risk reporting. See section C.2.3 - Retrocession and other risk mitigation techniques for further information on how these instruments are managed.
- Claims handling is performed by local claims teams or outsourced to other SCOR affiliates as appropriate. Claims exceeding a predefined threshold are reviewed by CREDISS, SCOR Global Life’s medical underwriting and claims research & development center. In addition, where deemed appropriate, audits are conducted on claims or specific lines of business at the ceding companies’ offices.
- The adequacy of SGLRI reserves is monitored based on specific procedures. For further information on how risks related to reserves are managed, please see section C.2.2 - Risks related to reserves.
- Risks specific to the management of contracts are mitigated by specific controls supported by SCOR’s IT Systems which include numerous automatic controls and additional tools.
- A quarterly review of technical results is performed by region and by business area.
- SGLRI’s Risk Management Department organizes quarterly meetings of the Board Risk Committee, which is responsible for reviewing the main risks to which SGLRI is exposed.
- In addition, “cross reviews” are commissioned by SCOR Global Life’s Chief Executive Officer to evaluate, on the one hand, the quality of underwriting, pricing, medical underwriting and claims handling of particular market areas or lines of business and, on the other hand, to identify and assess risks, to evaluate the appropriateness and effectiveness of controls and to propose risk-management actions. SGLRI leverages these “cross reviews” as appropriate.

C.2.2 RISKS RELATED TO RESERVES

C.2.2.1 SGLRI’S RISKS RELATED TO RESERVES

SGLRI is required to maintain reserves to cover its estimated ultimate liability for losses and loss adjustment expenses with respect to reported and unreported claims, incurred as at the end of each accounting period, net of estimated related recoveries. Its reserves are established based on the information it receives from its cedent insurance companies, including their own reserving levels, as well as on the basis of its knowledge of the risks, the studies it conducts and the trends it observes on a regular basis. As part of the reserving process SGLRI reviews available historical data and tries to anticipate the impact of various factors such as changes in laws and regulations, judicial decisions, social and political attitudes, trends in mortality and morbidity, and changes in general economic conditions.

If some information were to be incorrect and/or incomplete, this could have an adverse effect on SGLRI.

As is the case for all other reinsurers, the inherent uncertainties in estimating reserves are compounded by the significant periods of time that often elapse between the occurrence of an insured loss, the reporting of the loss to the primary insurer and ultimately to SGLRI.

Another factor of uncertainty resides in the fact that some of SGLRI’s activities are long-tail in nature such as, whole Life products or, longevity reinsurance. It has, in the past, been necessary for SGLRI to revise estimated potential loss exposure on such lines of business.

C.2.2.2 MANAGEMENT OF RESERVING RISK

With regards to reserving risk, SGLRI seeks high confidence in reserving adequacy based on the implementation of 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.

SGLRI's Solvency II reserves are being audited as part of the Central Banks of Ireland's requirement to have an external audit of Solvency II regulatory returns. If necessary, internal audits of its portfolios are performed.

A centrally defined and tightly controlled reserving process, strong portfolio diversification, prudent reserving, sound reserving tools and, actuarial methods used by highly skilled professionals and a high level of transparency, both internally and externally, all tend to minimize the risk of inadequate reserves.

In order to ensure an adequate and efficient monitoring of the reserves, a report is established on a yearly basis by the Actuarial Function Holder in which she gives her opinion on the year-end booked reserves' adequacy. The main objective of this report is to provide the Board, Audit Committee and management with an overall opinion on the adequacy of the Company's reserves but also to highlight the inherent uncertainties surrounding this assessment.

For its Life business, SCOR is required to maintain adequate reserves to reflect the liability for future claims and benefit payments resulting from life reinsurance treaties, mainly mathematical reserves and claim reserves.

The mathematical reserves are generally calculated as the present value of projected future payments to cedents less the present value of projected premiums still payable by cedents. The calculation includes assumptions relating to mortality, morbidity, disability, lapses and expected future interest rates.

The mathematical reserves are established on initial recognition of a contract on the basis of best estimate assumptions and allow for an adequate safety margin for the risks of change, error and random fluctuation. They are subject to a liability adequacy test.

In determining its best estimates, SGLRI takes into consideration its past experience, current internal data, external market indices and benchmarks and other relevant information. The contracts' liabilities established by SGLRI with respect to individual risks or classes of business may be greater or less than those established by ceding companies due to the use of different mortality tables or other assumptions.

Claim reserves for losses are recognized for payment obligations from reinsurance losses that have occurred but have not yet been settled. They are recognized under reserves for reinsurance losses reported before the reporting date and IBNR. SGLRI regularly reviews and updates its methods for determining outstanding claims reserves and IBNR Reserves.

Solvency II Technical Provisions

The Solvency II Technical Provisions, are composed of Best Estimate Liabilities (BEL) and the Risk Margin. The Actuarial Function holder coordinates the calculation of Technical Provisions. It relies upon the existing processes and controls described above and remains independent of the production of Technical Provisions.

For further information on how technical provisions are valued, refer to section D.2 – Technical provisions.

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

- The BEL is computed centrally based on projected Best Estimate cash flows. Consistency checks on projected cash flows are carried out, as well as analysis of the changes in the BEL compared to previous periods.
- The risk margin is calculated in the Group, which is subject to an independent validation (for further information on the IM related governance, refer to section B.3.3 – Internal model contribution to the ERM framework). The methodology used is aligned with Solvency II requirements.

Furthermore, the independent validation work is supported by a number of actuarial studies and data quality assessment activities which contribute to the management of reserving risk:

- Past best estimate assumptions are regularly back tested with observed values in order to check the appropriateness, accuracy and completeness of the assumptions and data as well as the methodologies used to assess technical provisions.
- Data governance and associated internal processes have been designed to ensure the quality and completeness of the critical data entering in the computation of technical provisions. Ad hoc data quality controls are systematically performed and KPIs monitored.
- Results and underlying assumptions are thoroughly documented and submitted to the management or supervisory body. Reporting include sensitivity analysis of technical provisions to each of the major risks underlying the obligations covered. Potential limitations are clearly stated in the actuarial reports when appropriate.
- Procedures related to technical provisions are in place for the actuarial function to consistently apply defined methodologies within the Group, assess uncertainties and limitations of the data, use the most appropriate

approximations when needed, ensure the identification of the homogeneous risk groups and perform variance analysis from year to year.

C.2.3 RETROCESSION AND OTHER RISK MITIGATION TECHNIQUES

Reinsurers typically purchase reinsurance to cover their own risk exposures. Reinsurance of a reinsurer's business is called retrocession. SGLRI remains primarily liable to the direct insurer on all risks reinsured although the retrocessionaire is liable to SGLRI to the extent of the cover limits purchased.

The level of retrocession is selected each year to ensure that SGLRI's retained risk profile respects the specific SGLRI risk appetite framework and to help the Company achieve its return on capital and solvency objectives.

SGLRI aims at diversifying its retrocession and risk mitigation instruments as well as counterparties in order to take advantage of all different sources of capacities on the market. This enables the retrocession and risk mitigation program to be constructed with complementary mitigation effects offering optimal efficiency and also to avoid overdependence on a reduced number of counterparties for future placements

SGLRI Risk Management co-ordinates with a Life Division centralised retrocession team to determine and place retrocession coverage. The retention and the retrocession structure are revised every year.

The efficiency of SGLRI's retrocession and risk mitigation program is monitored on a regular basis in order to ensure that the Company's overall exposure remains within pre-defined risk tolerances.

For further information on how counterparty default risk related to retrocessionaires is managed, see section C.4.1.1 - Credit risk related to bond portfolios.

In addition to externally placed retrocession, SGLRI uses intragroup reinsurance/retrocession mainly in order to:

- (1) manage the company's net risk profiles, required solvency capital and volatility of results;
- (2) organize an internal pooling of risks to transfer to the external retrocession covers.

C.3 Market risks

C.3.1 MARKET RISKS – RISK OVERVIEW

Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market prices or macro-economic variables. This includes interest rate risk and currency risk, further described below, as well as equity risk and real estate risk, to which SGLRI is exposed through its investments. It also includes credit spread risk on these invested assets exposed to changes in spread due to general changes in market conditions as well as default risk arising from insolvency of an issuer or a counterparty. For further information on credit risk, refer to section C.4 Credit risk.

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

For quantitative information on market risk on invested assets, refer to section E.2.1 – Solvency Capital Requirement. The presentation of SGLRI's assets giving rise to market and credit risks is provided in section D.1 – Assets.

C.3.1.1 INTEREST RATE RISK

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.

Interest rate risk is the risk that the fair value of future cash flows of 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 SGLRI's investments as the level of unrealized capital gains or losses and the return on securities held in its portfolio both depend on the level of interest rates. Floating-rate instruments expose the company to cash flow interest rate risk, whereas fixed interest rate instruments expose the company to fair value interest rate risk.

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). During such periods, there is therefore a risk that SGLRI's return on equity objectives are not met. 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.

On the other hand, an increase in interest rates could lead to a fall in the market value of fixed income securities that SGLRI holds. In the case of a need for cash, SGLRI may be obliged to sell fixed income securities, possibly resulting in capital losses.

SGLRI's reinsurance business may also be exposed to interest rate risk. The company has certain life insurance contracts which are sensitive to fluctuations in interest rates. The risk margin and deposits with cedents are also subject to discounting. The discounting impact from a change in interest rates on assets and liabilities will offset to some extent. For more information on sensitivities see section C.1.2 Sensitivity Analysis.

Finally, the interest rate risk depends on the duration mismatch between assets and liabilities. As such, changes in interest rates can affect own funds and the solvency ratio of the company.

C.3.1.2 CURRENCY RISK

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 SGLRI's assets (e.g. through direct investments in assets denominated in various currencies) and liabilities (e.g. reinsurance treaties with liabilities denominated in specific currencies).

The following types of foreign exchange risk have been identified by SGLRI:

Transaction risk

Fluctuations in exchange rates can have consequences on SGLRI's reported net income because of the conversion results of transactions expressed in foreign currencies, the settlement of balances denominated in foreign currencies and the lack of perfect matching between monetary assets and liabilities in foreign currencies. In this case, and to reduce the impact of imperfect matching, SGLRI uses derivative financial instruments in order to hedge against currency fluctuations on sensitive currencies, particularly in times of greater volatility on the capital markets. Nevertheless, a perfect matching of monetary assets and liabilities can never be achieved and a potential profit or loss impact due to fluctuations in exchange rates can arise.

Translation risk

SGLRI reports in USD, which is consistent with the majority of its liabilities. Nevertheless, a material part of its liability portfolio is denominated in currencies other than USD. Consequently, fluctuations in the exchange rates used to convert these currencies into USD may have a significant impact on its reported net income and net equity from year to year.

Equity risks

SGLRI does not currently have any significant equity holdings.

C.3.1.3 REAL ESTATE RISK

SGLRI does not currently have any real estate holdings.

C.3.1.4 CREDIT SPREAD RISK

Credit spreads reflect the market's assessment of the credit quality of a financial instrument (e.g. a bond) and are derived from the market value of the instrument. Credit spread risk is the risk that the credit spread increases i.e. the market value deteriorates leading potentially to a loss on the financial instrument.

C.3.2 MANAGEMENT OF MARKET RISK

C.3.2.1 RISK MANAGEMENT OF ASSETS – AN OVERVIEW

The investment strategy is prudent with the majority of assets held in cash and fixed income securities. It is defined in line with the risk appetite and risk tolerance limits and considers the economic and market environment and the ALM process.

Investment Guidelines outline the investment universe and limits, including concentration limits, in line with the risk appetite. They are approved by the Board of Directors or Investment Risk Committee.

SGLRI has outsourced the implementation of its investment strategy to the SCOR SE who have in turn outsourced the activity to the asset management company “SCOR Investment Partners SE”. They are provided with the Investment Guidelines.

Exposures to major risks are monitored on a weekly basis 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 real estate market. Analyzing portfolio sensitivity to major risks is an important management tool which is used when making portfolio reallocation or hedging decisions.

C.3.2.2 MANAGEMENT OF INTEREST RATE RISK

Interest rate risk is managed from a holistic point of view. SGLRI monitors the interest rate sensitivity in the EBS. Stress tests and regular monitoring enable the exposures to be compared with risk tolerance limits set by the company.

The company’s aim is to maintain an appropriate mix of fixed and variable rate instruments. It also manages the maturities of interest bearing financial assets.

C.3.2.3 MANAGEMENT OF CURRENCY RISK

From a Group IFRS perspective, SGLRI has a balance sheet hedging approach whereby there is an objective to match monetary assets and liabilities in each foreign currency so that the fluctuation in the exchange rate has 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 forward hedges.

As SGLRI matches the currency risk on a Group IFRS basis, for other reporting bases such as Solvency II, SGLRI may have a residual exposure to currency risk.

C.3.2.4 MANAGEMENT OF EQUITY RISK

SGLRI does not currently have any equity holdings.

C.3.2.5 MANAGEMENT OF REAL ESTATE RISK

SGLRI does not currently have any real estate holdings.

C.3.2.6 MANAGEMENT OF CREDIT SPREAD RISK

SGLRI 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). These limits also enable it to limit counterparty default risk arising from investments.

C.4 Credit risk

For quantitative information on credit risk, refer to section E.2.1 – Solvency Capital Requirement. The presentation of SGLRI's assets giving rise to market and credit risks is provided in section D.1 – Assets.

C.4.1 CREDIT RISK

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

This includes counterparty 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 failing to discharge an obligation. Credit risk also includes migration risk, which is the risk of a potential loss in the value of assets due to changes in the credit quality of our counterparties.

SGLRI is mainly exposed to the following credit risks or the accumulation of such risks in a single counterparty, in the same sector of activity or the same country: from bond portfolios, liabilities retroceded also called share of retrocessionaires in contract liabilities, deposits with cedents, future cash-flows from Life reinsurance treaties and cash deposits at banks.

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.7.2 - Significant risk concentrations.

C.4.1.1 CREDIT RISK RELATED TO BOND PORTFOLIOS

A deterioration in the financial situation of an issuer (sovereign, public or private) 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.

C.4.1.2 CREDIT RISK RELATED TO RETROCEDED LIABILITIES

SGLRI transfers part of its risks to retrocessionaires via retrocession programs in exchange for the payment of premiums. The retrocessionaires then assume the losses related to claims covered by the retrocession contracts. If a retrocessionaire defaulted, or its financial situation deteriorated, SGLRI could lose part or all of the coverage provided by its retrocessionaire whereas it would retain its liability towards the cedent for the payment of all claims covered under the reinsurance contract.

SGLRI could also lose receivables from the defaulting retrocessionaire (receivables are due to a timing difference between statement accounts received and real payment due for positive balances of retrocessionaire accounts).

C.4.1.3 CREDIT RISK RELATED TO DEPOSITS WITH CEDENTS

SGLRI may be exposed to credit risk in relation to amounts deposited with ceding companies in respect of reinsurance reserves which cover its liabilities. However, depositing these amounts does not a priori discharge the company of its liability towards the cedent in cases where it is not able to recover all or part of these amounts in the event of a cedent default or a deterioration in the financial situation of that cedent. Hence, it is, at least in principle, possible that the company may remain liable for paying claims due under the reinsurance treaty without being able to offset all or part of the corresponding deposits.

SGLRI has a legal opinion for jurisdictions where it has material deposited amounts to provide assurance that the contractual right of offset exists.

C.4.1.4 CREDIT RISK RELATED TO FUTURE CASH-FLOWS OF LIFE REINSURANCE TREATIES

Under most of its Life reinsurance contracts, SGLRI expects to receive premiums from its cedents over several years. These often exceed expected future payments for claims, commissions, etc., meaning that SGLRI expects to receive future positive cash flows.

Credit risk on future cash flows from Life reinsurance policies arises from two risk factors:

- the payment of future cash flows expected under Life reinsurance contracts requires that the cedent is financially sound. Therefore, SGLRI risks a reduction in the value of its portfolio of Life contracts in the event of a deterioration in the financial strength of the cedent;

- a reduction in the value of future cash flows could arise from material unexpected lapsation of policies following a deterioration of the cedent's credit rating or standing or an event which has a negative effect on the cedent's reputation.

C.4.1.5 CREDIT RISK RELATED TO CASH DEPOSITS AT BANKS

SGLRI is exposed to the risk of losing all or part of any cash deposited with a retail bank in the event such a bank is no longer able, due to insolvency, to honor its commitments (e.g. following liquidation). The current main risk for the company is the significant concentration of deposits in a small number of banks. This risk is a direct result of the selection of the most stable banks.

C.4.2 MANAGEMENT OF CREDIT RISK

Management of credit risk related to bond portfolios

SGLRI mitigates the credit risk related to bond portfolios by careful analysis and selection of issuers, and by a policy of geographic sector diversification. SGLRI maintains its investment policy in high-quality assets and in countries with the lowest 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 in order to take appropriate actions.

Management of credit risk related to retroceded liabilities

SGLRI selects retrocessionaires carefully, taking into account their financial strength, and regularly monitors the company's exposure to retrocessionaires and provides summary reports to the Board Risk Committee on a regular basis.

Management of credit risk related to deposits with cedents

SGLRI favors deposit arrangements with the ability to offset liabilities against deposits with high legal certainty.

Deposits with cedents are monitored through a quarterly analysis of exposure and associated risks. Actions aiming at reducing or limiting the exposure (e.g. ad-hoc legal opinions, introduction of offset clauses) can be implemented where needed.

Management of credit risk related to future cash flows from life reinsurance treaties

A substantial proportion of SGLRI's contracts are with SCOR affiliates. SGLRI monitors the development of its cedents' financial situation through regular contact, which enables SGLRI to take appropriate action when deemed necessary. In addition, credit risk on future cash flows from Life reinsurance policies is mitigated by industry-wide protection solutions in several countries.

Management of credit risk related to cash deposits at banks

SGLRI selects bank counterparties according to their rating and credit quality. Concentration risk from cash deposits at banks is mitigated by setting counterparty exposure limits. SGLRI takes into consideration the public assistance (e.g. loans, guarantees of deposits, nationalizations) which certain banks may benefit from during a financial crisis, as they are important in the economy of their respective country.

For further information on how risks related to invested assets are managed, see section C.3 - Market risks.

C.5 Liquidity risks

C.5.1 OVERVIEW OF LIQUIDITY RISKS

Liquidity risk arises when available liquidity is not sufficient to meet liquidity needs. This liquidity shortfall can result either from:

- a deviation from planned liquidity needs over either the short term, or the medium/long term;
- a deviation from estimated liquidity capacities, e.g. due to adverse business conditions

C.5.1.1 LIQUIDITY NEEDS

SGLRI needs liquidity to pay claims, operating expenses, interest payments 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.

Liquidity needs may also arise from increased collateral requirements. Some facilities SGLRI uses to grant letters of credit to cedents require 100% collateral in case of non-compliance with financial covenants or in case of a decrease in the company's financial strength rating, which would result in a deterioration of the company's liquidity level. Collateral arrangements are also used by SGLRI when the jurisdictions in which it operates demand collateral or when clients demand collateral for risk mitigation purposes. This is especially the case in the US for business falling under the NAIC Model Regulation XXX or Valuation of Life Insurance Policies Model Regulation, commonly referred to as Regulation XXX (or Triple X). Letters of Credit carry the risk of a duration mismatch i.e. that short-term Letters of Credit are covering long-term business and might have to be renewed at less favorable conditions, creating additional cost.

C.5.1.2 SOURCES OF LIQUIDITY

The principal internal sources of SGLRI's liquidity are reinsurance premiums, cash flows from its investment portfolio and other assets, consisting mainly of cash or assets that are readily convertible into cash.

External sources of liquidity are bank overdraft facilities.

C.5.2 MANAGEMENT OF LIQUIDITY RISKS

SGLRI assesses liquidity risks arising from both short-term and long-term liquidity needs. SGLRI manages these risks via different mechanisms which consider:

- actions to be taken by the insurance or reinsurance business areas to take into account both short term and long term liquidity risk; and
- the appropriateness of the composition of the assets in terms of their nature, duration and liquidity in order to meet the obligations as they fall due.

Short-term liquidity, or cash management, includes the day-to-day cash requirements under normal business conditions.

Liquidity considerations over the long-term need are assessed in a way which takes into consideration the possibility of various unexpected and potentially adverse business conditions where assets may not be sold for current market values. SGLRI estimates the level of its liquid free assets (i.e. non-pledged assets) which could be sold within a reasonable timeframe.

C.5.3 EXPECTED PROFITS INCLUDED IN FUTURE PREMIUMS

SGLRI's expected profit in future premiums (EPIFP) as at year-end 2016 amounts to USD 2,857 million. EPIFP results are produced by SCOR 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.

C.6 Operational risks

C.6.1 OVERVIEW OF OPERATIONAL RISKS

For quantitative information on operational risk, refer to section E.2.1 – Solvency Capital Requirement.

Operational risks are inherent to all businesses including SGLRI's. Operational risks may be split into four broad risk categories further described below: related to staff, systems or facilities, processes or external events.

C.6.1.1 RISKS RELATED TO STAFF

Risks related to staff can arise as follows:

- 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;
- Incidents due to mistakes or non-compliance with instructions, guidelines or policies;
- Internal staff mandated by SGLRI having authorized access to SGLRI's offices or systems taking advantage of SGLRI's assets for personal gain e.g. through the misappropriation of assets, tax evasion, intentional mismarking of positions or bribery;
- Intentional damage to assets (including data) required by SGLRI to perform its operations by internal or external staff could lead to significant additional remediation costs (to rebuild databases or systems).

C.6.1.2 RISKS RELATED TO SYSTEMS OR FACILITIES

Risks related to systems can arise as follows:

- A malfunction or a major breakdown in IT systems, outages, disruptions due to viruses, attacks by hackers and thefts or data breaches. This can occur within SGLRI's own environment or to a third party providing services or data to SGLRI;
- Interruption of any 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 Company'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 SGLRI and outsourced providers operates might be impacted by natural or man-made perils. The offices might need to be closed for a period of time potentially resulting in a loss of productivity and business opportunity, as well as remediation costs.

C.6.1.3 RISKS RELATED TO PROCESSES

SGLRI'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 efficiency of some processes and controls. For example, the creation of a new entity or development of a new line of business may lead to an accumulation of operational risks.

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

In addition, SGLRI may be involved in legal and arbitration proceedings due to non-protective terms of a contract, denounced either by third parties or internally which could lead to an unfavorable outcome. There are no governmental, judicial or arbitration proceedings, including any proceedings SGLRI would be aware of, pending or which SGLRI could be threatened with, likely to have or having a significant impact on SGLRI's financial situation or profitability over the last 12 months.

Some of SGLRI's processes are partially or fully outsourced both externally and to other entities within the SCOR Group. The failure of outsourced processes could lead to direct losses and other operational incidents.

For further details on the main current regulatory developments which may have an impact on SGLRI, please refer to section C.7.1.3 - Risks related to legal and regulatory developments.

C.6.1.4 RISKS RELATED TO EXTERNAL EVENTS

SGLRI may be exposed to an unfavorable business environment such as evolving or additional regulatory constraints potentially hindering its business model.

Legal and regulatory risk

As a member of an international group, SGLRI must comply with national and international laws, regulations and accounting standards. This includes all applicable economic sanctions, anti-bribery as well as anti-terrorism laws and regulations applicable to its operations, such as the economic trade sanctions laws and regulations administered by the United States Department of the Treasury's Office of Foreign Assets Control (OFAC) as well as certain laws administered by the United States Department of State, the Foreign Corrupt Practices Act (FCPA) and other anti-bribery laws such as the UK Bribery Act that generally bar corrupt payments or unreasonable gifts to foreign governments or officials. 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 the legal structure of the entity. The large number of regulatory environments, as well as changes in regulations increase the complexity of the related processes. Any violation of laws, regulations or accounting requirements could expose SGLRI to fines, class actions with compensation payments, account restatements or business restrictions.

Other risks related to external events

SGLRI is also exposed to external fraud which is characterized by the fraudulent misappropriation of certain of SGLRI's assets by third parties. External frauds may be perpetrated by various means including cyber-attacks and usually target cash, or data. Should they succeed in bypassing the controls, or protection measures in place, this could generate a direct loss for the Company.

SGLRI 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
- data could be stolen, deleted or corrupted, or made public in contradiction with SGLRI's regulatory or contractual obligations.

Any of these could generate a reputational risk, give rise to a breach of the Company's legal responsibility, and may result in regulatory sanctions depending on the level of sensitivity of the data or system that is successfully attacked. The cyber-attack could also assist external fraudsters resulting in a financial loss.

C.6.2 MANAGEMENT OF OPERATIONAL RISKS

The two main principles driving the operational risk management approach are:

- exhaustiveness: ensure that a complete and exhaustive identification of all risks within SGLRI is carried out to the extent possible;
- proportionality: once operational risks are identified, management uses appropriate and proportionate responses, resources and procedures, focusing on key risks.

The process owners are responsible for managing operational risks within the processes. To meet high quality standards, SGLRI relies on a 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 which the Company has locally adopted. 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.

SGLRI has also implemented regular risk reporting mechanisms in order to provide for an overview of risks across the Company, as well as mitigate and monitor risks identified.

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, but SGLRI is still expected to deliver the same level of service. Principles to properly manage potential operational risks stemming from outsourcing of certain functions are set out in dedicated policies and guidelines.

On risks which may develop rapidly, such as external fraud, SGLRI frequently adapts its risk management, for example by organizing specific training programs and sending regular warnings and detailed instructions to its employees.

C.7 Other material risks

C.7.1 STRATEGIC RISK

Strategic risk can arise either from the strategy itself (such as the accumulation of risks or development 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 section C - Risk profile, including emerging risks, could also impact the success of the strategy.

The main strategic risks to which SGLRI is exposed are described below.

C.7.1.1 RISKS RELATED TO THE MACRO-ECONOMIC ENVIRONMENT AFFECTING SCOR'S STRATEGY

The main risks are the uncertain economic recovery that may affect SGLRI's growth in advanced economies, and the poor returns on financial markets exacerbating the adverse competitive environment.

Difficult conditions in the global capital markets and difficult economic conditions may have a material adverse effect on SGLRI's business and operating results.

SGLRI's operating result could be materially affected by the economic and financial situation particularly in the United States of America and the United Kingdom and elsewhere around the world. Any continued deterioration in macroeconomic trends could have an adverse effect on SGLRI's business and operating result, even more so as the global economy is still in convalescence since the 2008 financial crisis and remains vulnerable to negative economic, financial and geo-political shocks fueled by on-going tensions or open conflicts in several global regions. In particular, the growing debt of governments in advanced economies and of private companies in emerging countries could generate significant adjustments if the main central banks were to raise interest rates. As a result, financial markets could enter a period of high volatility, which could lead to adverse consequences such as waves of company defaults, or a major liquidity crisis. The financial situation in many Eurozone countries remains unstable and some states' ratings have been downgraded. SGLRI cannot predict whether any of the other government securities that it holds in its investment portfolio will be adversely affected in the future by ratings downgrades, the continuing debt crisis or other developments.

The global economy may suffer from a sharp shift in American monetary policy, which could spur a rise in interest rates along the entire yield curve. Financing conditions could thus deteriorate across sectors and economies. In particular, emerging and developing economies may suffer from capital outflows in the wake of any US monetary normalization.

This difficult environment and the continuing market upheavals may have an adverse effect on SGLRI, from both an investment and reinsurance business viewpoint. Furthermore, the economic uncertainty might be compounded by recent political changes such as the result of the Brexit referendum and the outcome of the elections in the USA, Germany and France.

Impact on SGLRI's Investment activities

SGLRI has a large investment portfolio. In the event of extreme prolonged market events, such as global credit crises, SGLRI could incur significant losses in its investment portfolio.

Even in the absence of a market downturn, SGLRI remains exposed to a substantial risk of losses due to market volatility.

Impact on SGLRI's reinsurance business

SGLRI is also dependent on customer behavior and premium growth. SGLRI's premiums are likely to decline in such circumstances and its profit margins could erode. In an economic downturn characterized by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for SGLRI'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 SGLRI's business.

In addition, SGLRI may experience an elevated incidence of claims or be impacted by a decrease in demand for reinsurance and increased surrenders of policies from the cedents (see paragraph on lapse risk in section C.2.1.4 – Policy behavior risk) that could affect the current and future profitability of its business. Although written premiums have seen steady growth in prior years, a prolonged economic crisis could result in lower written premiums in the future.

SGLRI is exposed to significant and protracted deviations of the general price level from its trend

SGLRI's assets are also exposed to increased inflation or inflationary expectations, accompanied by a rise in the yield curve with a subsequent reduction in the market value of its fixed income portfolios. Increased inflation could also have a negative impact on the solvency of bond issuers; a widening of credit spreads would lead to a loss of value for the issuers' bonds.

Conversely, SGLRI's liabilities could be exposed to a protracted period of deflation which could exert a negative pressure on reinsurance prices and decrease the value of new premiums.

A protracted period of deflation would also induce a decrease in interest rates all along the yield curve and may therefore negatively impact the returns on SGLRI's fixed income assets. .

In conclusion, both high inflation and a protracted episode of deflation could have a material adverse effect on SGLRI.

Management of risks related to the macro-economic environment

These risks are monitored via a regular risk reporting mechanisms to the Board Risk Committee, including complementary risk analyses on ad-hoc topics, where deemed necessary. Potential impacts on SGLRI's risk profile are managed through a variety of dedicated and transversal risk management mechanisms.

C.7.1.2 RISKS RELATED TO THE COMPETITIVE ENVIRONMENT

SGLRI, as a member of SCOR Group operates in a highly competitive sector and would be adversely affected by losing competitive advantage or if adverse events had an impact on the reinsurance industry.

Reinsurance is a highly competitive sector. As is the case for all other reinsurers, SCOR's position in the reinsurance market is based on several factors, such as its financial strength as perceived by the rating agencies, its underwriting expertise, reputation and experience in the lines written, the countries in which it operates, the premiums charged, as well as the quality of the proposed reinsurance products and services offered, particularly in terms of claims payment. The Group competes for business in the European, American, Asian and other international markets with numerous international and domestic reinsurance companies, some of which have a larger market share than SCOR, greater financial resources, state backing, and, in certain cases, higher ratings from the rating agencies.

Therefore, SCOR remains exposed to the risk of losing its competitive advantage. In particular, when available reinsurance capacity, via traditional reinsurers or capital markets, is greater than the demand from ceding companies. Its competitors, in particular (re)insurers benefiting from higher ratings than SCOR's or other competitors in alternative capital markets, may be better positioned to enter new contracts and gain market share at SCOR's expense.

Furthermore, the Group's reputation is sensitive to reinsurance sector information. It can be affected by adverse events concerning competitors but also by its own business activity, such as financial difficulties following a major market event. Loss of reputation due to internal risks would also weaken SCOR's competitive position.

Consolidation in the insurance and reinsurance industries could adversely impact SGLRI

After a very active 2015 in terms of M&A, the first half of 2016 was very calm. However, in September 2016, M&A activity in the insurance and reinsurance sector picked up again.

Within the insurance industry, these consolidated entities may use their enhanced market power and broader capital base to negotiate price reductions for SGLRI's products and services, and reduce their use of reinsurance, and as such, SGLRI may experience price declines and possibly write less business.

Within the reinsurance industry, such external growth activity could potentially enhance these players' competitive position, e.g. in terms of being able to offer greater capacity or broader product offerings, which could permit them to gain market shares at SGLRI's expense.

Management of risks related to the competitive environment

As for risks related to the macro-economic environment, risks related to the competitive environment are monitored via a robust strategic planning approach and regular risk reporting mechanisms to the Board Risk Committee, including complementary risk analyses on ad-hoc topics, where deemed necessary. For further information on risk reporting mechanisms, refer to section B.3 - Risk management system including the ORSA and section B.1.3 – Group Governance structure at Group and entity level.

C.7.1.3 RISK RELATED TO LEGAL AND REGULATORY DEVELOPMENTS

Main risks related to legal and regulatory developments

SGLRI is subject to comprehensive and detailed regulations and to the supervision of insurance and reinsurance regulatory authorities. Insurance and reinsurance supervisory authorities have broad administrative powers over many aspects of the reinsurance industry and SGLRI cannot predict the timing or form of any future regulatory initiatives.

The Solvency II regime came into force on January 1, 2016 in the European Union. It was transposed into Irish law in 2015.

Furthermore, the supervisory and regulatory authorities could decide that the protection of policyholders and financial stability prevails over shareholders or creditors of a reinsurer when designing new regulations. These new regulations may then increase solvency margin obligations, thereby restricting SGLRI's underwriting capacity.

Similarly, changes in tax legislation and regulations, or in their interpretation may have a negative impact on SGLRI's results, for instance due to the inability to recognize deferred tax assets in the future.

Other legal and regulatory developments

The reinsurance sector has been exposed in the past, and may be exposed in the future, to involvement in legal proceedings, regulatory inquiries and actions by various administrative and regulatory authorities, as well as to regulation concerning certain practices used in the insurance sector.

More generally, adverse changes in laws or regulations or an adverse outcome of any legal proceeding could have an adverse impact on SGLRI. For further information on risks related to current legislation and regulations and their impact on SGLRI's operations, see section C.6.1.4 - Risks related to external events.

Management of risks related to legal and regulatory developments

SGLRI monitors the legal and regulatory developments which could have an impact on the Company, ensuring in particular that it takes an active position vis-à-vis the requirements to which it is exposed or could be exposed in the different jurisdictions where it operates and that it prepares in due time for their implementation.

In addition, developments in prudential regulations (such as Solvency II, ComFrame or systemic risk regulations) are monitored at Group level by the Prudential and Regulatory Affairs department. Regulations relating to corporate law and business compliance are monitored by the General Secretariat and, within it, the Legal department. SGLRI benefits from these monitoring activities at Group level.

C.7.1.4 DOWNGRADE RISK

Overview of SCOR's downgrade risk

Credit ratings are very important to all reinsurance companies, including SCOR, as ceding companies wish to reinsure their risks with companies having a satisfactory financial position. For more details on the current rating of the Group, refer to SCOR 2016 Registration Document, section 1.2.4 - Ratings information. Due to parental support, the rating of SGLRI is aligned with that of the Group. Therefore, the downgrade risk of SGLRI is equivalent to the downgrade risk on SCOR's group.

Impact on SGLRI's reinsurance business

Some of SCOR's cedents' credit models or reinsurance guidelines face regulatory capital requirements or depend on their reinsurers' credit rating. If SCOR's rating deteriorates, cedents could be forced to increase their capital requirements in respect of their counterparty risk on SCOR. This could lead to a loss of competitive advantage for SCOR.

The Company's Life reinsurance activities are particularly sensitive to the way its existing and prospective clients perceive its financial strength notably through its ratings.

Many of SGLRI's reinsurance treaties, notably in the US, and also increasingly in Europe, contain clauses concerning the financial strength of SCOR, and provide for the possibility of early termination for its cedents if the rating of SCOR Group is downgraded. Early termination may also occur when the net financial position of the Company falls below a certain threshold, or if it carries out a reduction in share capital.

Impact on the SGLRI's letters of credit

Many of the SGLRI's reinsurance treaties contain a requirement to put in place letters of credit ("LOC") as a general requirement or when triggered by a downgrade of SCOR or one of its subsidiaries. In certain circumstances, the cedent has the right to draw down on a LOC issued by a bank in SCOR's name.

In the case of a large number of LOCs being drawn simultaneously, SGLRI could encounter difficulties in providing the total amount of required cash or fungible assets, i.e. exposing itself to a liquidity risk.

Moreover, some of SGLRI's facilities contain conditions about its financial situation which, if not met, constitute a default and might result in the suspension of the use of current credit facilities and/or a prohibition on obtaining new lines of credit or result in the need to negotiate new LOC facilities under adverse conditions.

For more details on liquidity risks, refer to section C.5 Liquidity risks.

Impact on Capital resources

A significant multiple-notch downgrade of the Group could negatively impact the ability of SGLRI 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 under existing reinsurance treaties e.g. Life business).

Management of downgrade risk

SCOR's current ratings are at the highest levels within the reinsurance sector after Standard & Poor's and Fitch upgraded the Group's ratings to "AA-" "from "A+" in 2015, followed by a Moody's upgrade to Aa3/Stable and an AM Best confirmation of positive outlook in September 2016. Therefore, a downgrade by one notch would not endanger its future business development, its liquidity position nor its capacity to raise funds. For further information on SCOR's current rating, refer to SCOR's Registration Document - section 1.2.4 - Ratings information.

SGLRI has a Standard & Poor's rating of AA- and a Fitch rating of AA-.

SCOR monitors its ratings assigned by the top four rating agencies via a dedicated team placed under the supervision of the Group CFO.

This team analyses rating agencies' methodologies, reports published on the reinsurance market, on SCOR and on its main competitors, in order to anticipate any potential rating actions. It also monitors specific qualitative and quantitative Key Performance Indicators developed by the four main rating agencies, and performs analyses of selected deterministic scenarios. It also monitors the capital adequacy level as measured by the capital models developed by rating agencies.

C.7.1.5 OTHER STRATEGIC RISKS

SGLRI may be exposed to other less significant strategic risks described below.

Risks related to capital

Overview of risks related to capital

Adverse capital and credit market conditions may significantly affect SGLRI's ability to access capital and/or liquidity or increase the cost of capital.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit SGLRI's access to capital required to operate its business, most significantly its insurance operations.

For further information on Risks related to the macro-economic environment that could impact SGLRI, refer to section C.7.1.1.

Management of risks related to capital

SGLRI's ability to access capital is facilitated through the Group. However, as a legal entity, it may be exposed to the risk of increased local regulatory constraints. Within SGLRI, the capital position is monitored each quarter and if necessary action taken to keep the solvency ratio above the monitor level as defined in its Risk Appetite Statement.

For further information on capital management, refer to chapter E – Capital Management.

Risks related to cashflow

AEGON's insolvency might impair the value of future cash-flows of SCOR Global Life reinsurance treaties.

Since August 2011, the majority of the mortality reinsurance business in the US related to the former Transamerica Reinsurance Co. flows into SGLRI via retrocession from AEGON companies. Not all underlying reinsurance agreements between cedents and AEGON have been novated; an AEGON insolvency might reduce or terminate cedent premiums passed on to SCOR, impair future cash-flows and have a material adverse effect on SGLRI.

C.7.2 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 SGLRI's exposure to catastrophes and how these risks are managed, see section C.2.1 – Life reinsurance.
- Market risks, in particular in case of major events impacting specific types of assets to which SGLRI is exposed. For further information on market risks and how they are managed, see section C.3 – Market risks.
- see section C.4 – Credit risk.

The US government is the most significant counterparty SGLRI is exposed to through its investments in government or government assimilated bonds. The exposure to the US government is highly liquid.

For further information on the accumulation of risks within SCOR and how these risks are managed, see section B.3.2.3 – Identification and assessment of risks.

C.8 Any other information

Not applicable to SGLRI.

D. VALUATION FOR SOLVENCY PURPOSES

Solvency II requires SGLRI 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 recognized at market-consistent values which constitutes the valuation for solvency purposes. SGLRI's EBS as at December 31, 2016 has been prepared based on the assumption that the company will continue as a going concern, in line with the preparation of the financial statements. SGLRI prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

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 line items for which SGLRI uses estimates and assumptions are reinsurance reserves, receivables and liabilities relating to reinsurance operations and the fair value and impairment of financial instruments and deferred taxes.

The EBS for SGLRI is presented in Quantitative Reporting Template S.02.01 (see Appendix A). The relevant extracts of the EBS are included at the beginning of each section together with a clear reference to the relevant section within this chapter explaining the valuation bases and methods used for Solvency II purposes.

D.1 Assets

The table below presents the assets of SGLRI as per the EBS together with references to the relevant sections within this chapter explaining the valuation basis and methods used for Solvency II purposes.

SGLRI Assets as at December 31, 2016 in USD thousands	EBS Solvency II	Sections
Property, plant and equipment held for own use	1,346	D.1.1
Investments	2,146,039	
Bonds	2,127,295	D.1.2
Collective Investments Undertakings	6,184	D.1.2
Derivatives	12,560	D.1.2
Reinsurance recoverables	75,856	D.1.3
Life and Health similar to Life, excluding Health and index-linked and unit-	75,856	
Life excluding Health and index-linked and unit-linked	75,856	
Deposits to cedents	1,472,276	D.1.3
Insurance and intermediaries receivables	1,103,172	D.1.3
Reinsurance receivables	39,303	D.1.3
Receivables (trade, not insurance)	3,572	D.1.5
Cash and cash equivalents	93,107	D.1.2
Any other assets, not elsewhere shown	29	D.1.5
TOTAL ASSETS	4,934,700	

D.1.1 PROPERTY, PLANT AND EQUIPMENT

Valuation for solvency purposes

Property, plant and equipment (referred to as property) is distinguished in the EBS between property held for own use by SGLRI and property other than for own use (investment property).

Property held for own use primarily relates to office furniture and equipment and leasehold improvements. SGLRI does not hold any direct investment in property.

Comparison with the valuation in the financial statements

Property held by SGLRI is carried in the financial statements at cost, net of accumulated depreciation and impairment losses. There are no valuation differences between the EBS and the financial statements

For further details on IFRS balances and valuation methods applied to property, please refer to the following note in the 2016 Financial Statements: Note 2 - Accounting policies and Note 13 - Tangible assets.

D.1.2 CASH AND INVESTMENTS, OTHER THAN PROPERTY AND PARTICIPATIONS

SGLRI in USD thousands	EBS	Statutory IFRS	Difference
Equities	-	6,184	(6,184)
Bonds	2,127,295	2,127,295	-
Collective investments undertakings	6,184	-	6,184
Derivatives	12,560	12,560	-
Cash	93,107	93,107	-
Total investments and cash	2,239,146	2,239,146	-

Valuation for solvency purposes

Investments in the EBS include financial assets such as bonds (corporate bonds, government bonds and collateralized securities), collective investment undertakings, derivatives and cash. SGLRI does not hold any assets in index-linked or unit-linked funds and does not have any participations.

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 corporate bonds, government bonds and collateralized securities, as well as short term investments. For collective investment funds and 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.

Bonds and collective investment undertakings

SGLRI's investments in bonds and collective investment undertakings are all traded in an active financial market and so the value is determined by reference to quoted market bid prices, at the close of business on the reporting date.

Derivatives (assets and liabilities)

Derivative instruments are carried as assets when the economic values are positive and as liabilities when the economic values are negative.

SGLRI uses derivative financial instruments such as extreme mortality bonds, forward currency contracts and currency swaps to hedge its biometric and foreign currency risks. Such derivative financial instruments are initially recognized at economic value on the date on which a derivative contract is entered into and are subsequently remeasured at economic value.

SGLRI entered into a Risk Transfer Contract (RTC) with SGL SE, which provides SGLRI with protection against extreme mortality events in the US, such as pandemics, natural catastrophes and terrorist attacks. This contract provides up to USD 180 million of extreme mortality protection, for a risk period extending from January 1, 2014 to December 31, 2018. SCOR values the derivative asset using a model that is based on indicative secondary market interest spread, considering both the probability of trigger and alternative investment opportunities to the extent that trades in these instruments are active.

Cash and cash equivalents

SGLRI applies the same definition of cash for both IFRS and Solvency II reporting purposes, which means that cash includes cash, net bank balances and short-term deposits or investments which have maturity less than three months at the reporting date.

Comparison with the valuation in the financial statements

The method of valuation applied to financial assets in the Solvency II EBS does not differ from IFRS. The reclassifications between investment categories result from the difference between the Solvency II definitions and those used in the financial statements. The reclassification does not result in any valuation changes.

For further details on IFRS balances and valuation methods applied to investments, please refer to the following notes in the 2016 Financial Statements: Note 2 - Accounting policies, Note 14 - Financial investments, Note 16 - Derivatives financial instruments and Note 22 - Cash and cash equivalents.

D.1.3 INSURANCE TECHNICAL ASSETS

SGLRI in USD thousands	As at December 31, 2016		
	EBS	Statutory IFRS	Difference
Deferred acquisition costs (DAC)	-	881,458	(881,458)
Reinsurance recoverables	75,856	1,917,526	(1,841,670)
Deposits to cedents	1,472,276	1,288,761	183,515
Insurance and intermediaries receivables	1,103,172	1,869,234	(766,062)
Reinsurance receivables	39,303	39,303	-
Total insurance technical assets	2,690,607	5,996,282	(3,305,675)

Valuation for solvency purposes

Insurance technical assets are balances that relate to insurance and reinsurance contracts.

In the EBS assumed and ceded technical provisions are recognized in line with Solvency II methodology (see section D.2 Technical provisions). The calculation of Solvency II best estimate liabilities considers all cash flow projections related to existing insurance and reinsurance contracts, including premium, benefit and expense payments. As a result some balances that exist in the IFRS balance sheet are either cancelled or adjusted on transition to the EBS, as follows:

DAC

DAC which represents the deferral of costs directly associated with the acquisition of new contracts (mainly commission) is not recognized in the EBS. Reimbursements of initial incurred acquisition costs are included in future premium 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 (retrocession) in respect of SGLRI's reinsurance treaties.

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 retroceded 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 ceding companies as collateral for SGLRI's reinsurance commitments.

Under IFRS, deposits to cedents are valued based on the fair value of the underlying collateral posted in accordance with the terms of each reinsurance contract. In the EBS, the IFRS value of deposits to cedents is adjusted to a revaluation of the funds by discounting the future cash flows.

The calculation of these cash flows is based on the characteristics of the underlying contracts, thus creating two different categories of deposits for SGLRI:

- Deposits with a contractual fixed and guaranteed return rate: SGLRI calculates the market value of this category of deposit as the IFRS value plus a market value adjustment (MVA). The MVA for these deposits is derived from the discounted value of projected cash flows in respect of the deposited reserves. The calculation of cash flows related to deposits reflects the characteristics of the underlying contract, in particular the reimbursement of interest thereon. As for best estimate liabilities, these are discounted with risk-free interest rates aligned to those published by EIOPA.
- 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.

Insurance, intermediaries and reinsurance receivables

Insurance and intermediaries receivable balances included separately in the EBS represent amounts linked to reinsurance business that are due (and overdue) from cedents, but that are not included in the projected cash flows used for the calculation of technical provisions.

Reinsurance receivables are amounts linked to reinsurance (retrocession) due (and overdue) from reinsurers which are not included in reinsurance recoverables. The receivables include amounts due from reinsurers relating to settled claims. Receivables are carried at cost (with allowance for recoverability, if appropriate) as it is a good approximation of their market value.

Comparison with the valuation in the 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 recognized separately in the EBS.

Adjustments to the value of deposits to cedents are calculated consistently with the adjustments to best estimate liabilities. Insurance and intermediaries receivables include a reclassification of assumed outstanding claims estimates from IFRS Life contract liabilities, as these are not included in Solvency II technical provisions, and timing differences.

For the remaining insurance technical assets, the method of valuation applied in the Solvency II EBS does not differ from IFRS.

For further details on IFRS valuation methods and balances applied to insurance technical assets, please refer to the following notes in the 2016 Financial Statements: Note 2 - Accounting policies, Note 15 - Funds withheld and related interest, Note 17 - Net technical reserves, Note 19 - Assumed reinsurance accounts receivable, Note 20 - Accounts receivables from ceded reinsurance and Note 21 - Deferred expenses.

D.1.4 DEFERRED TAX ASSETS

SGLRI in USD thousands	EBS	As at December 31, 2016	
		Statutory IFRS	Difference
Deferred tax assets	-	2,797	(2,797)
Deferred tax liabilities	(388,089)	-	(388,089)

Valuation for solvency purposes

Deferred taxes in the EBS are recognized using the balance sheet liability method, providing for all temporary differences at the reporting date between the tax base of assets and liabilities and their carrying value in the EBS.

The temporary differences primarily relate to the impact of Solvency II adjustments to bring IFRS figures to EBS market value. These adjustments result in an increase in net assets, therefore all deferred tax impacts arising from the recording of economic adjustments are reflected in the deferred tax liability.

The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and liabilities are not discounted.

Deferred taxes retained on the EBS are recorded in accordance with IAS 12 Income Taxes.

Comparison with the valuation in the financial statements

Measurement of deferred taxes for the Solvency II EBS is generally consistent with IFRS, 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 recognized in the EBS and their values recognized for tax purposes (instead of the differences between the asset or liability carrying amount in the IFRS balance sheet and its tax base).

For the purpose of the EBS, the appropriate deferred tax effect of all adjustments between IFRS balance sheet and EBS is recognized using the local tax rate. Deferred tax balances are adjusted for the impacts of the differences between the IFRS and Solvency II valuation bases – the main difference being driven by revaluation of technical balances.

For further details on IFRS balances and valuation methods applied to deferred taxes please refer to the following notes in the 2016 Financial Statements: Note 2 – Accounting policies and Note 18 – Tax assets and liabilities.

D.1.5 OTHER ASSETS**Valuation for solvency purposes**

This section covers all other assets recognized in the EBS, including trade receivables and any other assets.

Trade receivables include amounts receivables from various business partners, the State (for example Irish Tax Authorities) and others that are not insurance or reinsurance related.

Comparison with the valuation in the financial statements

Other assets are carried at a value that is not materially different from market value and hence there is no valuation difference between IFRS and the EBS. The difference between the value of trade receivables in the EBS and the statutory financial statements is due to reclassifications on other line items.

D.2 Technical provisions

SGLRI'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 calculation considering the time value of future solvency capital risks. This chapter provides an overview of the technical provisions of year end 2016. In addition, the bases, methods and assumptions used for the calculations are described including an analysis of significant simplifications and uncertainties related to those. Where deemed appropriate, the valuation of deposits to cedents and from retrocessionaires are commented on as they have a strong link to the BEL calculation.

Risk free interest rates used are those provided by EIOPA. For some minor currencies, no risk-free rate is provided by EIOPA, and SCOR derives risk free rates using the methodology specified by EIOPA. Unadjusted risk free rates are used with no use of transitional or long-term guarantee measures (e.g. volatility adjustments).

The table below presents the Life technical provisions of SGLRI.

SGLRI As at December 31, 2016 in USD thousands	EBS
Life technical provisions	836,674
TPs – Health SLT	(53,690)
<i>Best estimate</i>	(57,483)
<i>Risk margin</i>	3,793
TPs – Life (excl. Health and unit linked)	890,364
<i>Best estimate</i>	(1,277,694)
<i>Risk margin</i>	2,168,058
Life reinsurance recoverables	(75,856)
Health SLT	-
Life (excl. Health and unit linked)	(75,856)
Net Life technical provisions	760,818

D.2.1 SEGMENTATION BY LINES OF BUSINESS

Life technical provisions are segmented in the SGLRI EBS into life (excl. health and unit-linked) and health similar to life (SLT). These correspond to the assumed reinsurance life and assumed reinsurance health lines of business as required under Solvency II.

SGLRI As at December 31, 2016 in USD thousands	Best estimates liabilities (BEL)	Reinsurance recoverables	Risk margin	Total net technical provisions
Reinsurance Life	(1,277,694)	(75,856)	2,168,058	814,508
Reinsurance Health	(57,483)	-	3,793	(53,690)
Total net Life provisions	(1,335,177)	(75,856)	2,171,851	760,818

D.2.2 BEST ESTIMATE LIABILITY

The BEL is calculated as the net present value of future cash flows in respect of assumed reinsurance contracts (i.e. gross of retrocession), projected deterministically using best estimate assumptions. Amounts recoverable from reinsurance contracts are projected separately and follow the same valuation methodology as the Life BEL gross of retrocession.

The cash flows considered for the BEL cover all liability cash flows related to premiums, benefits and expenses including the time value of options and guarantees. In general, cash flows are projected using actuarial valuation models that reflect the specific contractual conditions.

Actuarial bases and methodologies

Cash flows are projected using SGLRI's best estimate assumptions. For the great majority of SGLRI's exposure, projections are based on recent data of individual policyholders reinsured under the reinsurance contracts, with modelling

either on an individual policyholder level (seriatim models) or based on aggregated model points derived from individual policyholder data.

The term of the projection usually corresponds to the projected run-off of the block of business until natural expiry of the policies (subject to contract boundaries), or 65 years if shorter.

All technical cash flows arising from the reinsurance contracts are projected with an allowance for relevant expenses.

Cash flows are generally calculated and reported in the relevant original currency, with some minor exposures mapped to similar currencies and discounted at the assumed risk free rate for the relevant currency.

Best estimate assumptions

The main categories for best estimate assumptions are related to biometric risks, policyholder behavioral risks, expenses associated with the management of reinsurance contracts including investment management expenses and economic assumptions. Assumptions are regularly reviewed and updated, where appropriate, based on the best available information at the date of valuation, including both internal and publicly available information. The information and data used to set assumptions for material portfolios is re-evaluated annually. Assumptions are derived by actuarial modelling teams and relevant experts, and are subject to independent internal and external reviews.

The main biometric assumptions are for mortality (e.g. mortality rates, mortality improvement, impact of selection and anti-selection), longevity and morbidity (e.g. claims incidence rates, recovery rates).

Policyholder behavior is modelled by the use of assumptions related to lapse, surrender and premium payment patterns.

SGLRI's total actual expenses are subdivided between maintenance, covering administrative and claims management expenses, acquisition, investment and one-off expenses based on the related activities. Projected cashflows include projected maintenance expenses, with an allowance for future inflation, and projected investment expenses.

Collateral costs are projected using assumptions based on the characteristics of the relevant collateral.

Economic assumptions (inflation rates, exchange rates, interest rates, implied volatility rates) have been calibrated to the prices of relevant financial market instruments observable at the date of valuation.

Foreign exchange rates used at the valuation date are consistent with IFRS closing rates, assuring consistency with the IFRS balance sheet, which forms the base for the EBS as of that date.

D.2.3 SIGNIFICANT SIMPLIFIED METHODS

SGLRI uses simplified methods to value less than 1% of its Life and Health portfolio, measured in terms of the present value of projected future claims. These simplified methods either rely on model policies which are not derived from recent seriatim policy data; or are purely based on the historic aggregate accounting data of a treaty, extrapolating existing accounting data history under a duration and run-off assumption; or are models with other simplifications. Approximate topside adjustments may be made to better reflect treaty conditions.

D.2.4 LEVEL OF UNCERTAINTY - SENSITIVITIES

The key area of uncertainty associated with the value of the technical provisions arises from the setting of best estimate assumptions. Assumptions are therefore reviewed on a regular basis, updated based on the best available information and are subject to independent reviews. In particular, while some assumptions can be reliably observed from market information or derived from recent experience data, other assumptions must be set for periods far in the future and so must allow for the development of trends and external influences, or for exposures for which less experience data are available. In these cases, SGLRI applies expert judgement to enrich data, derive parameters for the forecast, and reduce uncertainty in estimations. SGLRI applies expert judgement within a framework to make sure that its application is proportionate to the quantity and quality of data available, and to its potential impact.

The sensitivity of the BEL to the best estimate assumptions is analyzed through sensitivity tests. Their impacts are described below.

Mortality sensitivity

The most significant set of parameters to determine SGLRI's technical provisions are those for the projection of current and future mortality rates. A deterioration of expected mortality would cause a significant increase in the SGLRI technical provisions, as mortality risk is a core element of SGLRI's risk appetite.

Some reduction in technical provisions would be observable from increased mortality on the annuity business in the case of a mortality increase. However, this is less material compared to the potential impact from the mortality business for the comparable scenario.

Morbidity sensitivity

A deterioration of expected morbidity would cause an increase in the SGLRI technical provisions. The impact would be far lower than from a comparable change to expected mortality, as the exposure of SGLRI's portfolio to morbidity risk is lower.

Lapse sensitivity

The technical provisions for SGLRI would increase and the market value of deposits would decrease with an increase in assumed future lapse rates. Lapse rates can change due to the influence of external factors.

Interest rate sensitivity

A parallel upward shift to the yield curve would reduce the overall SGLRI technical provisions. The impact would be partly offset by a decrease of the market value of deposits.

A parallel downward shift would cause the opposite impact.

The overall impacts can vary directionally in different years.

D.2.4.1 REINSURANCE RECOVERABLES

SGLRI transfers part of its risks to retrocessionaires via retrocession programs. The reinsurance recoverables associated with these programs are calculated using the same methodology, systems and processes as the underlying BEL of assumed reinsurance treaties. Special purpose vehicles are not in place for SGLRI's life portfolio retroceded. The exposure to default risk on the retrocession recoverables is minor, as in most Life retrocessions, positive cash flows are expected to be ceded.

D.2.4.2 RISK MARGIN

SGLRI determines the risk margin under Solvency II according to the specified cost-of-capital method, using the risk free rate for discounting and the cost of capital rate.

SGLRI uses its internal model as the basis to estimate future SCRs. Consistent with the specified transfer scenarios, separate capital charges are estimated for underwriting, credit and operational risk.

The underwriting risk capital charge calculation applies an estimated runoff pattern to homogenous lines of business, or in some cases more granularly on individual perils.

From these profiles, the specified VaR threshold defines future capital requirements. Credit and operational risk capital charges are presumed to run off in proportion to the projected underwriting risk capital charge. SGLRI thereby derives the estimated future total risk of the prescribed reference undertaking.

The calculated risk margin is then allocated to underlying lines of business. SGLRI allocates the calculated risk margin to the underlying lines of business in proportion to their contribution to SCR.

D.2.5 COMPARISON WITH VALUATION IN FINANCIAL STATEMENTS

This section presents the main differences between the Solvency II net technical balances and the corresponding statutory IFRS balances for SGLRI reported as at December 31, 2016, which are shown in the following table.

SGLRI As at December 31, 2016 in USD thousands	EBS	Statutory - IFRS	Difference
Net deferred acquisition costs	-	881,458	(881,458)
Net deposits	1,472,276	1,288,761	183,515
Reinsurance recoverables	75,856	1,917,526	(1,841,670)
(Re)insurance receivables / payables	835,119	1,258,122	(423,003)
Technical provisions / BEL	1,335,177	(6,911,117)	8,246,294
Risk margin	(2,171,851)	-	(2,171,851)
Total net Life technical balances	1,546,577	(1,565,250)	3,111,827

The analysis of valuation differences between economic valuation and IFRS in the table above considers BEL, risk margin and MVA on deposits in comparison to the corresponding statutory IFRS amounts. A neutral element is the difference in

(re)insurance receivables/payables, which represents a reclassification of IFRS technical provision component, which is not modelled in the BEL. As mentioned in section D.1.3 – Insurance technical assets, DAC (deferred acquisition costs) recognized in IFRS, are eliminated for the purpose of the EBS, as underlying cash-flow projections are already considered in best estimate liabilities and reinsurance recoverables.

In addition to the above for SGLRI, valuation differences are due to prudency margins, both implicit and explicit, allowed for under IFRS but not under Solvency II, but also from differences:

- between best estimate and static non-economic assumptions;
- in interest rate assumptions;
- in allowance for specific fees;
- in allowances for internal administration expenses; and
- in the methodology for assessing the reserves;

of which the main sources of valuation difference are the methodology used and the difference in non-economic assumptions.

For further detail on the IFRS valuation method and balances, please refer to the following notes in the 2016 Financial Statements: Note 2 - Accounting policies, Note 15 - Funds withheld and related interest, Note 17 - Net technical reserves and Note 21 - Deferred expenses.

D.3 Other liabilities

The table below presents the liabilities of SGLRI as per the EBS together with references to the relevant sections within this chapter explaining the valuation bases and methods used for Solvency II purposes.

SGLRI Liabilities as at December 31, 2016 in USD thousands	EBS Solvency II	Sections
Technical provisions - Life (excluding index-linked and unit-linked)	836,674	D.2
Technical provisions - Health (similar to Life)	(53,690)	
Technical provisions – Life (excluding Health and index-linked and unit-)	890,364	
Deferred tax liabilities	388,089	D.3.2
Derivatives	11,058	D.3.3
Insurance and intermediaries payables	234,231	D.3.1
Reinsurance payables	73,125	D.3.1
Payables (trade, not insurance)	38,760	D.3.3
Any other liabilities, not elsewhere shown	51,073	D.3.3
TOTAL LIABILITIES	1,633,010	

D.3.1 INSURANCE TECHNICAL LIABILITIES

SGLRI in USD thousands	EBS	As at December 31, 2016	
		Statutory IFRS	Difference
Insurance and intermediaries payables	234,231	208,406	25,825
Reinsurance payables	73,125	442,009	(368,884)
Total insurance technical liabilities	307,356	650,415	(343,059)

Valuation for solvency purposes

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

In the EBS, assumed and ceded technical provisions are recognized in line with Solvency II methodology (see section D.2 - Technical provisions). The calculation of the Solvency II best estimate liabilities and risk margin takes into account all cash flow projections related to existing insurance and reinsurance contracts, including premium, benefit and expense payments. As a result, some liability balances that exist in the IFRS balance sheet are adjusted on transition to the EBS.

Insurance, intermediaries and reinsurance payables

Most payables related to insurance and reinsurance contracts are taken into account in the net best estimate liabilities as Solvency II requires the 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 cedents but that are not included in the cash flows of technical provisions.

The reinsurance payables are amounts linked to retrocession costs which have not yet been settled and therefore cash flows are still due to the reinsurer.

Payables are carried at amortized cost as it is a good approximation of their market value.

Comparison with the valuation in the financial statements

As explained above, technical cash flows that are taken into account in the Solvency II net best estimate liabilities are not recognized separately in the EBS. Reinsurance payables include a reclassification of ceded outstanding claims estimates from IFRS technical reserves, as these are not included in Solvency II technical provisions.

For the remaining insurance technical liabilities the method of valuation applied in the Solvency II EBS does not differ from IFRS, however there are reclassifications between line items and timing differences.

For further details on IFRS balances and valuation methods applied to insurance technical liabilities, please refer to the following note in the 2016 Financial Statements: Note 2 - Accounting policies, Note 23 - Assumed reinsurance accounts payable and Note 24 - Accounts payable on ceded reinsurance transactions.

D.3.2 DEFERRED TAX LIABILITIES

SGLRI in USD thousands	As at December 31, 2016		
	EBS	Statutory IFRS	Difference
Deferred tax assets	-	(2,797)	2,797
Deferred tax liabilities	388,089	-	388,089

Valuation for solvency purposes and comparison with the valuation in the financial statements

SGLRI recognized a deferred tax liability of USD 388 million in the EBS and a deferred tax asset of USD 3 million in the financial statements.

For further information on the valuation of deferred taxes, please refer to section D.1.4 - Deferred tax assets.

For further details on IFRS balances and valuation methods applied to deferred taxes please refer to the following notes in the 2016 Financial Statements: Note 2 - Accounting policies and Note 18 - Tax assets and liabilities.

D.3.3 FINANCIAL AND OTHER LIABILITIES

SGLRI in USD thousands	As at December 31, 2016		
	EBS	Statutory IFRS	Difference
Derivatives	11,058	11,058	-
Payables (trade, not insurance)	38,760	40,806	(2,046)
Any other liabilities, not elsewhere shown	51,073	50,320	753
Total financial and other liabilities	100,891	102,184	(1,293)

Valuation for solvency purposes**Financial liabilities**

Derivative instruments are carried as liabilities when the economic values are negative. Derivatives are valued based on quoted market prices. For more information on derivatives please refer to section D.1.2 Cash and investments.

Other liabilities including trade payables

This section covers all other liabilities recognized in the EBS, including trade payables and any other liabilities.

Trade payables include amounts due to various business partners, employees, the State (for example Irish Tax Authorities) and others that are not insurance or reinsurance related.

Any other liabilities primarily include accruals. Trade and other liabilities are carried at amortized cost as it is a good approximation of their market value.

Comparison with the valuation in the financial statements

Other liabilities (including trade payables) are carried at their fair value for IFRS. The difference between the value of trade payables in the EBS and the financial statements is attributable to reclassifications between line items and timing differences.

For further details on IFRS balances and the valuation methods applied to financial and other liabilities, please refer to the following note in the 2016 Financial Statements: Note 2 - Accounting policies, Note 16 - Derivative financial instruments and Note 25 - Other liabilities.

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, SGLRI 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 SGLRI are explained within relevant sections in chapters D.1 - Assets and D.3 - Other liabilities.

D.5 Any other information

No other material information was identified by SGLRI over the reporting period other than valuation of assets and liabilities presented in sections D.1 - Assets to D.4 - Alternative methods for valuation.

E. CAPITAL MANAGEMENT

This section gives an overview of the year end 2016 internal model (IM YE 2016) capital position for SGLRI.

SGLRI in USD thousands	As at December 31, 2016
Eligible Own Funds (EOF)	3,201,690
Solvency Capital Requirement (SCR) Internal Model	2,088,250
Excess Capital (EOF - SCR)	1,113,440
Solvency ratio	153%

E.1 Own funds

E.1.1 OWN FUNDS

For more information on own funds please also refer to Quantitative Reporting Template S.23.01 – Own funds, presented in Appendix A.

E.1.1.1 OWN FUNDS STRUCTURE

SGLRI is a 100% subsidiary of SGL SE.

SGLRI own funds eligible to cover the SCR are USD 3,202 million at December 31, 2016.

SGLRI Own funds structure as at December 31, 2016

in USD thousands	Tier 1	Tier 2	Tier 3	Total
Basic own funds	3,201,690	-	-	3,201,690
Ordinary share capital	3,352	-	-	3,352
Share premium	110,632	-	-	110,632
Reconciliation reserve	3,006,525	-	-	3,006,525
Other items approved by supervisory authority	81,181	-	-	81,181
Total available own funds	3,201,690	-	-	3,201,690
Total eligible own funds to cover the SCR (after limit deductions)	3,201,690	-	-	3,201,690
Total eligible own funds to cover the MCR (after limit deductions)	3,201,690	-	-	3,201,690

SGLRI considers all its basic own funds, identified in line with Solvency II rules and resulting from economic adjustments made to the SGLRI's equity under IFRS, as available and eligible to cover the SCR.

Solvency II own funds are classified into three tiers depending on whether it is a basic or ancillary own fund 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 the Articles 71, 73, 75 and 77 of the Delegated Acts.

The table above presents the components of basic own funds. SGLRI currently recognizes no ancillary own funds.

Ordinary paid-in share capital and the related share premium of SGLRI are classified as tier 1 basic own funds.

The reconciliation reserve represents the reserves from the 2016 Financial Statements, net of any adjustments, and the economic valuation differences. The reserves are adjusted for foreseeable dividends. The economic valuation differences result from adjustments made to the statutory financial statements balance sheet to arrive at economic value of all assets and liabilities recognized in the Solvency II EBS.

The foreseeable dividend is USD 100 million; this is consistent with the dividend paid during 2016. The reconciliation reserve is classified as tier 1 basic own funds.

“Other items approved by supervisory authority” relate to capital contribution which received approval from the Central Bank of Ireland as tier 1 own funds in 2015.

E.1.2 ELIGIBILITY OF OWN FUNDS

For the purposes of compliance with the SCR, tier 1 capital must account for at least a 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 eligible amount of tier 3 capital must account for less than 15% of the SCR.

The application of the above limits determines SGLRI’s eligible own funds as at December 31, 2016. None of the limits are exceeded by SGLRI.

E.1.3 RECONCILIATION WITH SHAREHOLDERS’ EQUITY

The table below presents the differences between the shareholders’ equity in the 2016 financial statements prepared under IFRS and the net assets over liabilities as calculated for solvency purposes and presented in the EBS (see SGLRI EBS QRT in appendix).

SGLRI Reconciliation between statutory IFRS equity and EBS net assets as at December 31, 2016 in USD thousands

Statutory - IFRS Shareholders' equity	579,590
Economic adjustments	2,722,100
Net technical balances	3,111,827
<i>Net technical balances, excluding risk margin – Life</i>	5,283,678
<i>Risk margin – Life</i>	(2,171,851)
Financial liabilities	-
Deferred taxes	(390,886)
Other assets and liabilities	1,159
Excess of assets over liabilities in the Solvency II EBS	3,301,690
Deductions for foreseeable dividends	100,000
Total available own funds	3,201,690

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

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 SOLVENCY CAPITAL REQUIREMENT

This section is linked to the Quantitative Reporting Template S.25.03 – SCR-IM in the Appendix A.

This section provides the SGLRI solvency capital requirement (SCR) by risk category and a quantification of the diversified risk profile.

E.2.1.1 SCR BY RISK CATEGORY

SGLRI - Standalone SCR by risk category YE 2016

SGLRI As at December 31, 2016 in USD thousands	S/A VaR 0.5%
Life underwriting	2,301,706
Market	937,346
Credit	44,946
Operational	85,381
Required capital before diversification	3,369,379
Diversification	(1,000,108)
Loss absorbing capacity of deferred taxes	(281,021)
SCR	2,088,250

E.2.2 MINIMUM CAPITAL REQUIREMENT

SGLRI in USD thousands	December 31, 2016
MCR Minimum (25% of SCR)	522,062
MCR Linear	1,056,171
MCR Maximum (45% of SCR)	939,712
MCR with internal model cap & floor	939,712

The life linear Minimum Capital Requirement (MCR) is obtained by applying pre-defined factors to the net best estimate technical provisions classified by product type as well as to the capital at risk for all life exposures. In the case of SGLRI, the best estimate technical provisions are negative and this charge is floored to zero. 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 based on the internal model.

The MCR for SGLRI is equal to the cap, being the maximum level of the MCR i.e. 45% of the Internal Model SCR

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

SGLRI does not use the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement.

E.4 Differences between the standard formula and any internal model used

The following sections describe SCOR's internal model and show it is used within SGLRI.

E.4.1 OVERVIEW OF THE INTERNAL MODEL

SCOR developed its internal model to ensure that its solvency is properly measured: the model is part of a comprehensive solvency framework which seeks to ensure that SCOR, including SGLRI, is solvent now and will continue to be solvent in the future. The model is materially complete in its coverage of risk and entities. For this purpose, material is defined as being at a level below which information could influence the decision-making or judgment of the intended users of that information.

This section gives an overview of the internal model. Section E.4.2 gives examples of SCOR's use of the internal model. Section E.4.3 provides more detail on the operation of the internal model, describing how SCOR forecasts the probability distributions for its risks and section E.4.4 describes the key differences between the standard formula and SCOR's internal model.

Summary approach

The internal model produces a probability distribution of SCOR's EBS at a date one year in the future. It does this by calculating, for many thousands of scenarios, the value of the balance sheet items exposed to risk. SCOR leverages its experience to forecast a probability distribution for each of these risks and to determine how the different risks interact. SCOR then uses this to produce a single probability distribution of the change in economic value. See section E.4.3 for more details.

Scope of the internal model

Business units

The internal model is a global model and operates under the same standards across the SCOR Group, within and outside the Solvency II regime. SCOR manages its business using a Group and Divisional approach as described in section A.1.1.5 - Legal and organizational structure of the Group, under which the activities of the Life and P&C divisions are represented alongside SCOR Global Investments.

The internal model fully captures the risk exposures of all EEA-regulated entities; these include SCOR SE, SGLRI, SGL SE and SGP&C SE; the latter two are the primary consolidating entities for the Life division and P&C division internal model results respectively. For non-EAA entities, the model captures material participation and other risks.

Risk measure and time period

The risk measure used to determine the Solvency Capital Requirement is VaR 0.5%, i.e. the minimum loss of the 0.5% highest values of the probability distribution forecast described in section E.4.3 below. The time period used is one year. In other words, there is only a 1-in-200 chance of a loss higher than this value during the 12 months following the reporting date.

Risk categories

SGLRI groups the risks modelled into four categories⁴: Life underwriting, market, credit and operational risks. Definitions of the risk categories are as follows:

- **Life underwriting** risk is the risk of adverse change in the value of life and health liabilities. It also includes related risks such as those associated with deposits to cedents, reinsurance recoverables and reinsurance payables.
Underwriting risk covers risks from business written to date and over the one year period.
- **Market** risk is the risk of loss to balance sheet items (for instance provisions, payables, investments and debt) from the change in the level of market prices.
- **Credit** risk is the risk of loss from the default or changes in the rating of insurance or investment counterparties.

⁴ SCOR Group also models P&C underwriting risk but SGLRI has no exposure to this risk.

- **Operational** risk is the risk of loss from inadequate or failed internal processes, personnel or systems or from external events. Operational risk includes legal risks, and excludes risks arising from strategic decisions and reputational risks.

The risk categories are reported net of tax and net of risk mitigating measures. Reporting also shows:

- **Diversification.** This is the impact of determining the joint capital requirements of the four risk categories. The aggregated capital requirement is less than the sum of the individual capital requirements because of SGLRI's diversified portfolio which significantly reduces the likelihood of simultaneous occurrence of adverse experience and because losses in one area are offset by gains in another.
- **Taxes.** For each modeled scenario, the internal model calculates the tax impact of the change in economic value.

Data used in the internal model

The probability distribution forecast of SGLRI's EBS requires forecasts to be made for the economic background, for each risk factor, and for the dependencies between the various risk factors. These forecasts rely on actuarial, economic, financial and business portfolio assumptions and data. Because the accuracy and appropriateness of this data are crucial, SGLRI carefully manages data to ensure its proper and structured storage, reliability, and accessibility. SGLRI applies a data quality management framework to identify key data affecting internal model results, in particular the SCR. Section E.4.3 describes in more detail for each risk category the data used and how SGLRI ensures that the data is appropriate.

In some areas, there is little data available, the data lacks reliability, or its relationship to the forecast being made is only indirect. In these cases, SGLRI applies expert judgement within a framework to make sure that its application is proportionate to the quantity and quality of data available, and to its potential impact on the SCR.

E.4.2 USES OF THE INTERNAL MODEL

The internal model is used to support SCOR Group's business initiatives and to provide input for management decisions. See for example sections B.3.1.3 – Risk tolerances, B.3.2.3 – Identification and assessment of risks and C.2.2 – Risks related to reserves. Other examples are:

- SCOR uses the internal model to align solvency and profitability and for economic and solvency capital assessment. The internal model is used to produce distributions of scenarios for changes in basic own funds over the coming year for SCOR Group and material Group entities, in accordance with Solvency II principles.
- SCOR uses the internal model for strategic solvency management. The internal model is the core tool for setting and maintaining SCOR's strategic solvency target, under which SCOR's solvency position remains within a range set to align shareholder returns, business growth, profitability and solvency protection for clients.
- The internal model plays an important role in SCOR's System of Governance, and Risk Management System and thereby helps to optimize shareholder return. SCOR designed and developed the model specifically for its own risks, so the internal model provides a better understanding of its risk profile than an industry-standard or standard formula approach.
- SCOR's Capital Shield strategy, uses a range of protection mechanisms to ensure that the retained risk profile remains in line with the risk appetite framework and risk tolerances.
- SCOR's SCR is mainly driven by its underwriting risks, with high diversification through well-balanced Life and P&C portfolios. Full distribution modelling and capital allocation based on the Euler⁵ technique steer SCOR's risk return profile to the optimum allocation of economic capital to divisions and lines of business, and to new business. This approach means that capital allocation in pricing targets' business is expected to give a good return on capital.
- SCOR uses the internal model for risk analysis to support acquisitions and other major decisions and to assess the impact on the Group's (and relevant entity's) solvency and SCR.

⁵ See https://www.scor.com/images/stories/pdf/scorpapers/scorpapers1_en.pdf and <https://www.scor.com/images/stories/pdf/scorpapers/scorpapers7-en.pdf>

E.4.3 PROBABILITY DISTRIBUTION FUNCTIONS

This section describes how SCOR forecasts the probability distribution for each risk category. The approach can be summarized as follows:

- SCOR determines the exposure of the EBS items exposed to risk using the economic characteristics of its portfolio
- SCOR analyses each risk category into a number of risk factors and generates probability distributions for each of these risk factors, using its own experience and expertise applied to internal, external and market data
- SCOR uses Monte-Carlo simulation techniques to produce the full probability distribution forecast for each risk category. The risk factor distributions are applied to the exposures to generate the changes in the EBS for a large number of simulations.

Life Underwriting Risk

SCOR has developed its capacity to model its Life and Health risks since 2005, combining global expertise and significant amounts of experience, including data from acquisitions. It uses this to derive the statistical characteristics of these risks, particularly their current probability distributions, the nature of the dependencies between them and their expected behavior over the next year.

Probability distribution functions are chosen to model the underlying risk factors such as mortality, longevity and policyholder behavior. SCOR applies expert judgment and scenario analyses where experience data are relatively scarce, for example lapse and morbidity risks.

The internal model takes future management actions into account, reflecting the optionality available to SCOR on certain blocks of business in the event of adverse mortality or critical illness experience.

Market Risk Category

The market risk category comprises a number of risk factors, including government bond yields and credit spreads for different ratings, maturities and economies and currency exchange (FX).

SCOR applies probability distributions for these risk factors to the values of EBS items. Within this risk category, SCOR also applies probability distributions for interest rates to the modelled values of discounted best estimate liabilities and deposits to cedents.

SCOR forecasts the probability distributions of the risk factors, and the dependencies between them, using economic scenarios for a number of major currencies. These economic scenarios are created by SCOR's Economic Scenario Generator (ESG), which produces scenarios representing various plausible states of the economy specified in terms of economic risk factors, to determine how the EBS would react under these various scenarios.

The internal model determines, for each ESG scenario, the impact on the underlying EBS item. Repeating this exercise many times for different future economic scenarios gives the full probability distribution forecast for market risk.

Credit Risk

The probability distribution forecast for credit risk is determined in three stages. Firstly, using historical data on credit spreads and downgrading, the risks of counterparty downgrade (including default) and credit spreads are forecast. Secondly, the loss on downgrade or default is determined from the exposure to the counterparty. Finally, this exercise is repeated many times for different future economic scenarios to arrive at the probability distribution forecast for credit risk.

Operational Risk

SCOR models annual losses at the entity level and by key operational areas. There are two main data sources for modelling operational risk: scenario analyses from experts and historical losses. The methodology for modelling losses for each operational risk area is based on a Bayesian⁶ approach. This allows for the combination of several input data sources for each modelled operational risk area to obtain credible data.

Other

Tax. The modelled EBS starts with actual deferred tax assets and deferred tax liabilities recognized at the beginning of the year. For each modeled scenario, the internal model calculates the tax impact of the change in economic value (i.e. economic profit or loss).

Minor balance sheet items, such as intangible assets or debt, are assumed to carry a low intrinsic risk. These are modelled in a simplified way and included in the relevant risk category.

⁶ See footnote 3 for details

E.4.4 KEY DIFFERENCES BETWEEN THE STANDARD FORMULA AND THE INTERNAL MODEL

The SCR standard formula follows a modular approach where the overall risk to which the (re)insurance entity is exposed is divided into risk modules. These risk modules include Life underwriting, Non-Life underwriting, Health underwriting, Market and Operational. 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.

Subject to regulatory approval, (re)insurers are permitted to use their own internal model to calculate their SCR rather than the standard formula. Since 2003 SCOR, has used its experience and knowledge to develop an internal model which accurately reflects its own risk profile as a global reinsurer.

SCOR's internal model is similar to the standard formula in that both use a risk category approach, apply diversification between the risk categories, and calculate the SCR at a 99.5% VaR. However, in contrast to the simplified factor approach of the standard formula, the internal model applies full distribution modelling.

SCOR's internal model structure reflects geographical market specificity by use of appropriate risk factor calibration. The standard formula uses generic diversification factors for all (re)insurers, whereas the SCOR internal model reflects the benefits of risk diversification specific to a global reinsurer as compared to a less diversified local insurance undertaking.

Additional key differences are summarized below by risk category:

- For Life underwriting, a wider range of risk factors than considered in the standard formula is modelled. Also, for Life underwriting, the standard formula only covers risks from business in force, whereas the SCOR internal model also includes risks from future business expected to be written over the next year according to the Business Plan.
- For Market risk, SCOR uses its own ESG which reflects dependencies over the full range of outcomes (not just those at the 99.5th percentile) between the different components of market risk are modelled.
- For Credit risk, SCOR models migration and default risk comprehensively for marketable securities and covers default of future profits from cedents.
- For Operational risk, SCOR adopts a granular approach, which reflects actual historical operational loss data from key operating areas.

E.5 Non compliance with the Minimum Capital Requirement and non compliance with the Solvency Capital Requirement

SGLRI, subject to Solvency II requirements, has been compliant with the MCR and the SCR throughout the period covered by this report.

SGLRI, for solo Solvency II reporting, is required to produce the SCR annually, unless there is a material change in SGLRI's risk profile.

Quarterly Quantitative Reporting Templates are submitted to the Regulator, where own funds and other key metrics are updated throughout the year for SGLRI under Solvency II. This includes the SGLRI EBS.

E.6 Any other information

Not applicable to SGLRI.

APPENDIX A: PUBLIC DISCLOSURE QRTS SGLRI

S.02.01.02 - Balance Sheet

SGLRI Assets as at December 31, 2016 In USD thousands	Solvency II value
Intangible assets	-
Deferred tax assets	-
Pension benefit surplus	-
Property, plant and equipment held for own use	1,346
Investments	2,146,039
Property (other than for own use)	-
Participations and related undertakings	-
Equities	-
<i>Equities - listed</i>	-
<i>Equities - unlisted</i>	-
Bonds	2,127,295
<i>Government bonds</i>	455,454
<i>Corporate bonds</i>	1,665,365
<i>Structured notes</i>	-
<i>Collateralised securities</i>	6,476
Collective Investments Undertakings	6,184
Derivatives	12,560
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	75,856
Non-life and Health similar to Non-life	-
Non-life excluding Health	-
Health similar to Non-life	-
Life and Health similar to Life, excluding Health and index-linked and unit-linked	75,856
Health similar to Life	-
Life excluding Health and index-linked and unit-linked	75,856
Life index-linked and unit-linked	-
Deposits to cedents	1,472,276
Insurance and intermediaries receivables	1,103,172
Reinsurance receivables	39,303
Receivables (trade, not insurance)	3,572
Own shares	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
Cash and cash equivalents	93,107
Any other assets, not elsewhere shown	29
TOTAL ASSETS	4,934,700

S.02.01.02 - Balance Sheet (continue)

SGLRI Liabilities as at December 31, 2016 In USD thousands SGLRI	Solvency II value
Technical provisions - Non-life	-
Technical provisions – Non-life (excluding Health)	-
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	-
<i>Risk margin</i>	-
Technical provisions - Health (similar to Non-life)	-
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	-
<i>Risk margin</i>	-
Technical provisions - Life (excluding index-linked and unit-linked)	836,674
Technical provisions - Health (similar to Life)	(53,690)
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	(57,483)
<i>Risk margin</i>	3,793
Technical provisions – Life (excluding Health and index-linked and unit-linked)	890,364
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	(1,277,694)
<i>Risk margin</i>	2,168,058
Technical provisions - index-linked and unit-linked funds	-
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	-
<i>Risk margin</i>	-
Other technical provisions	-
Contingent liabilities	-
Provisions other than technical provisions	-
Pension benefit obligations	-
Deposits from reinsurers	-
Deferred tax liabilities	388,089
Derivatives	11,058
Debts owed to credit institutions	-
Financial liabilities other than debts owed to credit institutions	-
Insurance & intermediaries payables	234,231
Reinsurance payables	73,125
Payables (trade, not insurance)	38,760
Subordinated liabilities	-
Subordinated liabilities not in basic own funds	-
Subordinated liabilities in basic own funds	-
Any other liabilities, not elsewhere shown	51,073
TOTAL LIABILITIES	1,633,010
EXCESS OF ASSETS OVER LIABILITIES	3,301,690

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

SGLRI As at December 31, 2016 In USD thousands	Line of business* for Life reinsurance obligations		TOTAL
	Health reinsurance	Life reinsurance	
Premiums written			
Gross	302,326	4,444,707	4,747,033
Reinsurers' share	90	672,512	672,602
Net	302,236	3,772,194	4,074,430
Premiums earned			
Gross	303,529	4,444,707	4,748,236
Reinsurers' share	90	672,512	672,602
Net	303,439	3,772,195	4,075,634
Claims incurred			
Gross	242,572	4,107,255	4,349,827
Reinsurers' share	-	859,723	859,723
Net	242,572	3,247,532	3,490,104
Changes in other technical provisions			
Gross	-	-	-
Reinsurers' share	-	-	-
Net	-	-	-
Expenses incurred	49,749	408,337	458,086
Other expenses			5,026
Total expenses			463,112

*The table above presents lines of business applicable to SGLRI (empty columns for the following lines of business for life insurance have been omitted: health insurance, insurance with profit participation, index-linked and unit-linked insurance, other life insurance, annuities stemming from non-life insurance contracts)

S.05.02.01 – Premiums, claims and expenses by country

SGLRI As at December 31, 2016 In USD thousands	Home country**	Top 5 countries (by amount of gross premiums written) - Life obligations					Total Top 5 and home country
		(US)	(GB)	(BM)	(KR)	(ES)	
		United States	United Kingdom	Bermuda	Korea, Republic of	Spain	
Premiums written							
Gross	44,749	3,122,520	793,961	300,912	181,590	115,397	4,559,129
Reinsurers' share	-	667,378	5,224	-	-	-	672,602
Net	44,749	2,455,142	788,737	300,912	181,590	115,397	3,886,527
Premiums earned							
Gross	44,749	3,122,520	793,961	300,912	181,592	115,397	4,559,131
Reinsurers' share	-	667,378	5,224	-	-	-	672,602
Net	44,749	2,455,142	788,737	300,912	181,592	115,397	3,886,529
Claims incurred							
Gross	34,253	2,994,481	745,904	201,786	188,643	51,183	4,216,250
Reinsurers' share	-	858,161	1,561	-	-	-	859,722
Net	34,253	2,136,320	744,343	201,786	188,643	51,183	3,356,528
Changes in other technical provisions							
Gross	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-
Expenses incurred	7,262	281,311	28,950	45,226	(6,883)	26,290	382,156
Other expenses							4,827
Total expenses							386,983

**Ireland

S.12.01.02 - Life and Health SLT Technical Provisions

SGLRI As at December 31, 2016 In USD thousands	Accepted reinsurance (other than health)	Health reinsurance (reinsurance accepted)
Technical provisions calculated as a whole		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-
Technical provisions calculated as a sum of best estimate (BE) and risk margin (RM)		
Best estimate		
Gross best estimate	(1,277,694)	(57,483)
Total recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	75,856	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	(1,353,550)	(57,483)
Risk Margin	2,168,058	3,793
Amount of the transitional on technical provisions		
Technical provisions calculated as a whole	-	-
Best estimate	-	-
Technical provisions - total	890,364	(53,690)

(*) The table above presents lines of business applicable to SGLRI (empty columns for the following life insurance lines of business have been omitted: insurance with profit participation, index-linked and unit-linked insurance, other life insurance, annuities stemming from non-life insurance contracts, direct health insurance)

S.23.01.01 – Own funds

SGLRI As at December 31, 2016 In USD 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)	3,352	3,352	-	-	-
Share premium account related to ordinary share capital	110,632	110,632	-	-	-
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	3,006,525	3,006,525	-	-	-
Subordinated liabilities	-	-	-	-	-
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	81,181	81,181	-	-	-
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	3,201,690	3,201,690	-	-	-

S.23.01.01 – Own funds (continue)

SGLRI As at December 31, 2016 In USD 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	3,201,690	3,201,690	-	-	-
Total available own funds to meet the MCR	3,201,690	3,201,690	-	-	
Total eligible own funds to meet the SCR	3,201,690	3,201,690	-	-	-
Total eligible own funds to meet the MCR	3,201,690	3,201,690	-	-	
SCR	2,088,250				
MCR	939,712				
Ratio of Eligible own funds to SCR	153.32%				
Ratio of Eligible own funds to MCR	340.71%				

S.23.01.01 – Own funds (continue)

SGLRI As at December 31, 2016 In USD thousands	Total
Reconciliation reserve	
Excess of assets over liabilities	3,301,690
Own shares (held directly or indirectly)	-
Foreseeable dividends, distributions and charges	100,000
Other basic own fund items	195,165
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
Reconciliation reserve	3,006,525
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	2,857,362
Expected profits included in future premiums (EPIFP) - Non-life business	-
Total expected profits included in future premiums (EPIFP)	2,857,362

S.25.03.21 – Solvency Capital Requirement - for undertakings on Full Internal Models

SGLRI

As at December 31, 2016

In USD thousands

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
L&H underwriting		2,301,706
Market		937,346
Credit		44,946
Operational		85,381
Calculation of Solvency Capital Requirement (SCR)		
Total undiversified components		3,369,379
Diversification		(1,000,108)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)		-
Solvency Capital Requirement excluding capital add-on		2,088,250
Capital add-ons already set		-
Solvency Capital Requirement		2,088,250
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions		-
Amount/estimate of the overall loss-absorbing capacity of deferred taxes		(281,021)
Total amount of Notional Solvency Capital Requirements for remaining part		-
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))		-
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios		-
Diversification effects due to RFF nSCR aggregation for Article 304		-

S.28.01.01 – Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**SGLRI****As at December 31, 2016****In USD thousands**

Linear formula component for Non-life insurance and reinsurance obligations		
MCR _{NL} Result		
	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	-	-
Fire and other damage to property insurance and proportional reinsurance	-	-
General liability insurance and proportional reinsurance	-	-
Credit and suretyship insurance and proportional reinsurance	-	-
Legal expenses insurance and proportional reinsurance	-	-
Assistance and proportional reinsurance	-	-
Miscellaneous financial loss insurance and proportional reinsurance	-	-
Non-proportional health reinsurance	-	-
Non-proportional casualty reinsurance	-	-
Non-proportional marine, aviation and transport reinsurance	-	-
Non-proportional property reinsurance	-	-
Linear formula component for life insurance and reinsurance obligations		
MCR _L Result	1,056,171	
	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		1,508,820,000
Overall MCR calculation		
Linear MCR	1,056,171	
SCR	2,088,250	
MCR cap	939,712	
MCR floor	522,062	
Combined MCR	939,712	
Absolute floor of the MCR	3,786	
Minimum Capital Requirement	939,712	