



**SOLVENCY AND FINANCIAL
CONDITION REPORT**

AS OF 31 DECEMBER 2018

SCOR UK COMPANY LIMITED

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EXECUTIVE SUMMARY

INTRODUCTION

This document, the Solvency and Financial Condition Report (SFCR) for SCOR UK Company Limited (the “Company”), presents information on SCOR UK and its solvency position as at December 31, 2018 and has been prepared in accordance with Solvency II regulations (Solvency II Directive 2009/138/EC of the European Parliament of November 25, 2009, the Delegated Regulations of the European Commission of October 10, 2014 supplementing the Directive, the EIOPA Guidelines on Reporting and Public Disclosure EIOPA-BoS-15/109) and the PRA Rulebook applicable to Solvency II firms. SFCR appendices include key financial information in the standard format of Solvency II public Quantitative Reporting Templates.

The SFCR of SCOR UK is available at www.scor.com and has also been submitted to the Prudential Regulation Authority.

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

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

Within the narratives of the rest of this report, the 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 details included in the following publicly available documents have been made throughout the report:

- SCOR UK's financial statements, filed with Companies House
- SCOR Group SFCR available on SCOR's website www.scor.com
- SCOR's three-year strategic plan, “Vision in Action” covering the period mid-2016 to mid-2019 available at www.scor.com/en/the-group/strategy/vision-in-action.html

SCOR UK

Business and Performance

SCOR UK is part of the SCOR Group which is the world's fifth largest reinsurer¹ serving more than 4,000 clients from its three organisational hubs (the “Hubs”): the EMEA Hub, the Americas Hub and the Asia-Pacific Hub.

SCOR UK, operates as a global (re)insurance company with a branch in Canada, SCOR Insurance – Canadian Branch.

SCOR UK is regulated by the “Solvency II” European Directive which applies since January 1, 2016, having been transposed into UK law on March 9, 2015.

SCOR UK is subject to supervision by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

The material lines of SCOR UK's business are as follows:

- Fire and other damage to property
- Marine, aviation and transport
- General liability

SCOR UK's business book has a good geographical spread insuring risks globally with the main locations being North America, continental Europe, and the United Kingdom.

Since January 1, 2016, the regulatory solvency position of SCOR UK has been assessed using the Solvency II Standard Formula.

¹ By net reinsurance premiums written, source: “AM Best Special Report Global Reinsurance 2018”.

SCOR UK in GBP thousands	December 31, 2018	December 31, 2017
Eligible Own Funds (EOF)	157,974	154,044
Solvency Capital Requirement (SCR)	98,441	114,608
Minimum Capital Requirement (MCR)	37,348	38,340
Solvency ratio	160%	134%
Gross written premiums	332,323	264,983

SCOR UK's Eligible Own Funds are split between Tier 1, Tier 2 and Tier 3.

SCOR UK Own funds structure as at December 31, 2018 in GBP thousands	Tier 1	Tier 2	Tier 3	Total
Total available own funds	128,007	29,967	-	157,974
Total eligible own funds to cover the SCR (after limit deductions)	128,007	29,967	-	157,974
Total eligible own funds to cover the MCR (after limit deductions)	128,007	7,470	-	135,477

SCOR UK Own funds structure as at December 31, 2017 in GBP thousands	Tier 1	Tier 2	Tier 3	Total
Total available own funds	122,921	29,967	1,156	154,044
Total eligible own funds to cover the SCR (after limit deductions)	122,921	29,967	1,156	154,044
Total eligible own funds to cover the MCR (after limit deductions)	122,921	7,668	-	130,589

The position of the company shows that it is more than adequately capitalised for the activities undertaken.

System of governance

SCOR UK is incorporated in England, under registered number 01334736 and its registered office is at 10 Lime Street, London EC3M 7AA.

The Board of Directors of SCOR UK aims to achieve as high a standard as possible in its governance framework and aligns itself as closely as is possible with the structures and framework established within the SCOR Group.

Risk profile

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

SCOR UK has identified the following categories of risks:

- underwriting risks related to the P&C (re)insurance businesses, which can arise when the actual amounts of claims and indemnity payments, or the timing thereof, differ from estimates;
- market risks: the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market prices or macroeconomic variables;
- credit risks: the risk of incurring a loss as a result of an unexpected change in the financial situation of a counterparty;
- liquidity risks, which can arise when available liquidity is not sufficient to meet liquidity needs;
- operational risks, which are inherent to all businesses;
- strategic risks, which can arise either from the strategy itself, from external risks or from internal risks.

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

Valuation for solvency purposes

Solvency II requires SCOR UK 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 and willing parties in an arm's length transaction and liabilities valued at the amount for which they could be transferred, or settled, between knowledgeable and 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 recognised at market-consistent values, which constitute the valuation for solvency purposes. SCOR UK's EBS as at December 31, 2018 has been prepared based on the assumption that SCOR UK will continue as a going concern, in line with the preparation of the financial statements. SCOR UK prepares financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

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 captions for which SCOR UK use estimates and assumptions are reinsurance reserves, receivables and liabilities relating to (re)insurance operations, the fair value and impairment of financial instruments, and deferred taxes.

Capital management

Capital management is at the core of SCOR UK's strategy. SCOR UK's goal is to manage its capital in order to maximise its profitability, while meeting its solvency target, in line with its risk/return strategy as defined in SCOR's strategic plan Vision in Action.

DIRECTORS' RESPONSIBILITY STATEMENT

in respect of the Solvency and Financial Condition Report

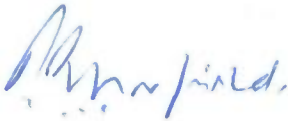
Financial Year Ended 31 December 2018

The Directors are responsible for preparing the Solvency and Financial Condition Report (the "SFCR") in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

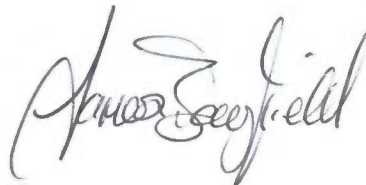
We are satisfied that:

- the SFCR has been prepared in all material respects in accordance with the PRA Rules and Solvency II Regulations;
 - throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to it; and
 - it is reasonable to believe that the Company has continued so to comply subsequently and will continue so to comply in future.

On behalf of the Board



Thomas Corfield
Director
11 April 2019



James Bayfield
Director

A. BUSINESS AND PERFORMANCE

A.1 Business

A.1.1 OVERVIEW OF SCOR UK

A.1.1.1 NAME AND LEGAL FORM

SCOR UK Company Limited (SCOR UK, or the Company) is a limited liability insurance company.

Registered office of SCOR UK and contact information

10 Lime Street

London

EC3M 7AA

Tel: 020 3207 8500

A.1.1.2 SUPERVISORY AUTHORITIES FOR SCOR UK AND SCOR GROUP

SCOR UK's principal regulator is the Prudential Regulation Authority. SCOR UK is a member of the SCOR SE Group (the SCOR Group or the Group).

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.

Name of supervisory authority	Contact details	Entities in scope
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
Prudential Regulation Authority (PRA)	Prudential Regulation Authority 20 Moorgate London, EC2R 6DA	SCOR UK
Financial Conduct Authority (FCA)	25 The North Colonnade Canary Wharf London E14 5HS	SCOR UK
The Office of the Superintendent of Financial Institutions (OSFI)	255 Albert Street, Ottawa Canada K1A 0H2	SCOR Insurance – Canadian Branch.

A.1.1.3 STATUTORY AUDITORS

Auditors for SCOR UK are as follows:

Name

Ernst & Young LLP

25 Churchill Place

London E14 5EY

UK

A.1.1.4 SIGNIFICANT SHAREHOLDERS

SCOR (U.K.) Group Limited (SCOR UK Group) is the immediate parent company of SCOR UK Company Limited (74% of control and interest). SCOR UK Group is domiciled in the United Kingdom. SCOR Holding (UK) Limited* holds the remaining 26% of control and interest in SCOR UK and is also domiciled in the United Kingdom.

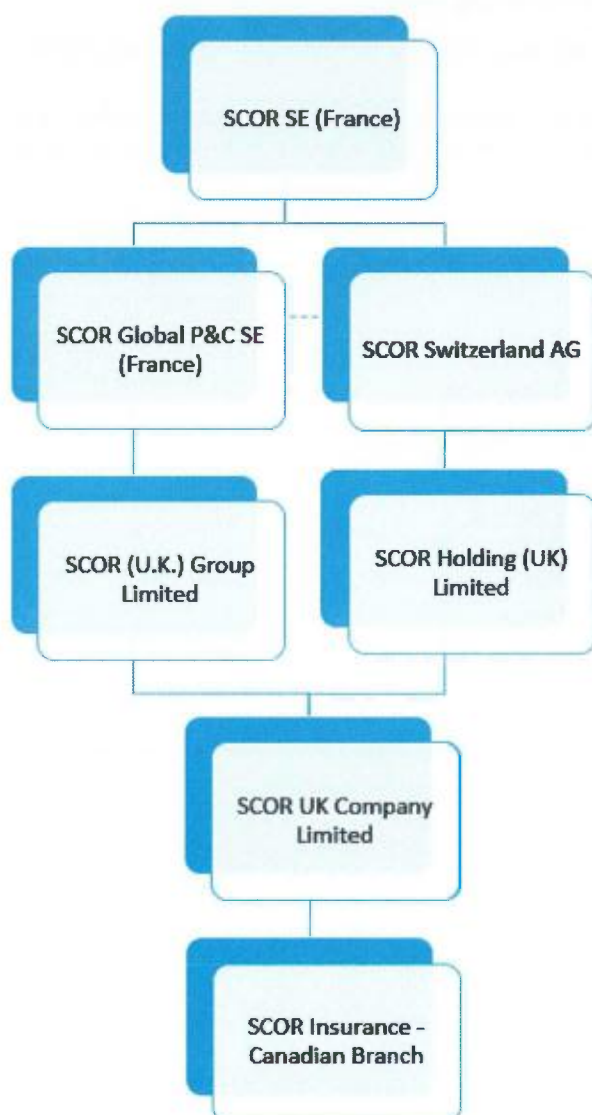
The ultimate parent company is SCOR SE, domiciled in France.

A.1.1.5 LEGAL AND ORGANISATIONAL STRUCTURE OF SCOR UK

The Group parent company is SCOR SE, domiciled in France. SCOR SE together with its consolidated subsidiaries, forms the world's fifth 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 SCOR UK's parent company, SCOR UK Group.

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

This report is prepared as at December 31, 2018 and at that point in time SCOR SE and SGP&C SE existed as distinct legal entities. The merger of these two entities, along with SGL SE, to optimise the Group's legal entity structure has subsequently been completed as of the publication date of this document. The full organisational chart and details of the merger is available on SCOR's website (www.scor.com).



* As of March 21, 2019 SCOR Holding (UK) Limited became SCOR Services UK Limited.

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

SCOR Global Life, the Group's Life division, operates worldwide through two main global reinsurance companies (SCOR Global Life SE and SCOR SE) as well as insurance and reinsurance subsidiaries and branches in the EMEA region, including Germany, the UK, Ireland, Italy, Spain, Switzerland, the Netherlands, Sweden, Belgium, Russia, South Africa, in the Americas region, including Canada, the US, Latin America and in the Asia-Pacific region, including Australia, New Zealand, China, Hong Kong, Japan, Singapore, Malaysia, South Korea and India. It operates its reinsurance distribution solutions activities through a specialised subsidiary of SCOR Global Life 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 the risk appetite, monitoring investment risks and recommending investment guidelines. SCOR Investment Partners manages directly the assets of many SCOR Group subsidiaries and also manages the funds on the behalf of the Group and third party clients.

A.1.2 BUSINESS DESCRIPTION

A.1.2.1 LINES OF BUSINESS AND GEOGRAPHICAL AREAS

The business written by the Company is driven mainly by the large corporate segment and also by the aviation and space sector. SCOR UK has a well-diversified line of business book (property, property energy, engineering, liability, offshore, aviation, space). The business book by geographical spread insuring risks globally with the main locations being North America, continental Europe, and the United Kingdom.

SOLVENCY II LINES OF BUSINESS

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

The material lines of SCOR UK's business are as follows:

- Marine, aviation and transport
- Fire and other damage to property
- General liability

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

A.1.2.2 SIGNIFICANT BUSINESS AND OTHER EVENTS IN THE PERIOD

Natural catastrophes

2018 saw fewer large natural catastrophes than 2017 although the company experienced a number of large risk loss events during the year. The in-force reinsurance programmes have responded as expected, with recoveries on proportional and non-proportional covers. As a result, net technical ratio decreased to 84.8% (96.8% as at December 31, 2017).

Impact of change in Ogden rate

In 2017 the UK Ministry of Justice's decision to reduce the discount rate used to calculate lump sum awards in UK bodily injury cases (the Ogden rate) had a very limited net impact on the SCOR UK liabilities net of reinsurance.

UK Proposed Exit from the EU

The Company continues to assess the impact of the result of the UK referendum to leave the EU as part of a wider Group project. The Group has established a new EU based direct insurance company, SCOR Europe, that has been accepting risks for EU 27 clients since January 1, 2019. This enables the group to maintain continuity of service to all affected clients. At the time of writing the precise mechanism, or potentially even timing, of the UK's exit from the EU means that considerable uncertainty remains.

A.2 Underwriting performance

A.2.1 UNDERWRITING RESULTS BY LINE OF BUSINESS

Gross written premiums for the financial year ended December 31, 2018 increased by 25% compared to 2017 from GBP 265 million to GBP 332 million. At constant exchange rates the growth is 20%.

2018 has seen a continuation of large risk losses, but a reduction in natural catastrophes compared to 2017.

In 2018, SCOR UK achieved a net combined ratio of 107% against 116% in 2017. The combined ratio reflects the reduction in the impact of natural catastrophes that occurred compared to previous years.

SCOR UK		As at December 31, 2018		
IFRS in GBP thousands	Net technical result ¹	Internal management expenses ²	Net underwriting result	
Marine, aviation and transport insurance	4,783	(5,155)	(372)	
Fire and other damage to property insurance	(25,420)	(8,264)	(33,684)	
General liability insurance	11,491	(3,098)	8,393	
Credit and suretyship insurance	997	(8)	989	
Non-proportional casualty reinsurance	(284)	(1,750)	(2,034)	
Non-proportional marine, aviation, transport reinsurance	1,911	(455)	1,456	
Non-proportional property reinsurance	22,801	(3,364)	19,437	
Other	-	(1,155)	(1,155)	
Total	16,279	(23,249)	(6,970)	

¹ In net technical result, claims expenses (ULAE) are reclassified from claims to expenses

² Includes all management expenses

Net technical result of SCOR UK amounted to GBP 16 million as of December 31, 2018.

SCOR UK		As at December 31, 2017		
IFRS in GBP thousands	Net technical result ¹	Internal management expenses ²	Net underwriting result	
Marine, aviation and transport insurance	13,485	(4,677)	8,808	
Fire and other damage to property insurance	(1,945)	(6,776)	(8,721)	
General liability insurance	5,047	(2,415)	2,632	
Credit and suretyship insurance	200	3	203	
Non-proportional casualty reinsurance	5,301	(1,568)	3,733	
Non-proportional marine, aviation, transport reinsurance	(1,279)	(587)	(1,866)	
Non-proportional property reinsurance	(17,524)	(2,586)	(20,110)	
Other	-	(1,045)	(1,045)	
Total	3,285	(19,651)	(16,366)	

¹ In net technical result, claims expenses (ULAE) are reclassified from claims to expenses

² Includes all management expenses

Net technical result of SCOR UK amounted to GBP 3 million as of December 31, 2017.

A.2.2 UNDERWRITING RESULTS BY GEOGRAPHICAL AREA

In 2018, SCOR UK generated 46% (2017:46%) of its gross written premiums in Europe, Middle East and Africa (EMEA), 42% (2017:45%) of its gross written premiums in the Americas and 12% (2017:9%) in Asia.

The following table shows the breakdown of underwriting performance by geographical areas.

SCOR UK		As at December 31, 2018		
IFRS in GBP thousands	EMEA	Americas	Asia-Pacific	Total
Gross written premiums	152,417	140,741	39,165	332,323
Net technical result ¹	13,365	7,367	(4,453)	16,279
Internal Management expenses ²	(11,514)	(9,648)	(2,087)	(23,249)
Net underwriting result	1,851	(2,281)	(6,540)	(6,970)

¹ In net technical result, claims expenses (ULAE) are reclassified from claims to expenses

² Includes all management expenses.

SCOR UK

As at December 31, 2017

IFRS in GBP thousands	EMEA	Americas	Asia-Pacific	Total
Gross written premiums	122,833	118,742	23,408	264,983
Net technical result ¹	25,164	(16,647)	(5,232)	3,285
Internal Management expenses ²	(9,474)	(8,326)	(1,851)	(19,651)
Net underwriting result	15,690	(24,973)	(7,083)	(16,366)

¹ In net technical result, claims expenses (ULAE) are reclassified from claims to expenses² Includes all management expenses.

A.3 Investment performance

A.3.1 INVESTMENT INCOME AND EXPENSES

SCOR UK is fully embedded in the SCOR Group Investment Management process. For more details please see section A.3 – Investment performance of the SCOR Group SFCR at www.scor.com.

A.3.1.1 INVESTMENT INCOME AND EXPENSES BY ASSET CLASS

SCOR UK's portfolio positioning is risk averse as a result of the Company's decision to focus on underwriting risks and limit other risks such as market risks. The invested assets portfolio is mainly invested in government and corporate bonds. The duration of the fixed income portfolio has decreased to around 3.3 years and the average rating has remained stable at AA-.

SCOR UK

IFRS in GBP thousands	2018	2017
Investment revenues on invested assets	7,014	5,000
<i>Investment revenues on fixed income</i>	6,700	4,726
<i>Investment revenues on others</i>	314	274
Interest on deposits	26	1
<i>Interest income on funds withheld and contract deposit</i>	61	2
<i>Interest expense on funds withheld and contract deposit</i>	(35)	(1)
Realized gains/losses on invested assets	(253)	804
Change in fair value of investments	(476)	12
Total IFRS investment income net of foreign exchange	6,311	5,817
Foreign exchange gain/loss	370	(394)
Total IFRS investment income	6,681	5,423
Investment management expenses	(202)	(926)
IFRS investment income net of investment management expenses	6,479	4,497

In 2018 the income before foreign exchange gain/loss was GBP 6 million on the overall invested assets portfolio. Some capital losses, GBP (0.3) million, have been generated mainly in the government bonds category.

Total investment income net of management expenses stands at GBP 7 million as at December 31, 2018.

The foreign exchange impact for the year is GBP 0.4 million. SCOR UK has followed the group process of hedging material currency imbalances each quarter (see section C.3.2.3 – Management of currency risk).

A.3.2 INVESTMENT GAINS AND LOSSES RECOGNISED IN EQUITY

SCOR UK has posted an unrealised loss in the invested assets, mainly due to the effect on the fixed income book of the increase in interest rates and spreads widening.

SCOR UK

in GBP thousands	2018	2017
Fixed income	(5,760)	(1,013)
Total	(5,760)	(1,013)

A.3.3 SECURITISED INVESTMENTS

Not applicable to SCOR UK.

A.4 Performance of other activities and any other information

No material income and expense was incurred by SCOR UK over the reporting period other than income presented above in sections A.2 Underwriting performance and A.3 Investment performance.

A.5 Any other information

No material information regarding SCOR UK's business and performance, other than presented above in sections A.1 Business, A.2 Underwriting performance and A.3 Investment performance, is reported.

B.SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

B.1.1 GENERAL GOVERNANCE PRINCIPLES

The Board of Directors of SCOR UK aims to achieve as high a standard as possible in its governance framework and aligns itself as closely as is possible with the structures and framework established within the SCOR Group.

SCOR has an objective of excellence with regards to governance as it contributes to reaching its strategic objectives and to ensuring an appropriate management of risks.

The governance of the 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 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;
- mobilisation of skills and expertise;
- balance between a 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 flowing of information bottom-up and top-down.
- SCOR UK is fully integrated into the group and divisional organisational structure of the SCOR Group. For more information on the SCOR Group please refer to the Group SFCR on www.scor.com.

B.1.2 LEGAL STRUCTURE AND FUNCTIONAL ORGANISATION OF SCOR UK

Legal structure of the company

SCOR UK is incorporated in England, under registered number 01334736 and its registered office is at 10 Lime Street, London EC3M 7AA (the "Company").

As a consequence, SCOR UK is subject to English law and regulations (including but not limited to the Financial Services and Markets Act 2000, the Rulebooks of the PRA and the FCA) and is supervised by the PRA and the FCA.

The Company has been authorised by the PRA and the FCA to operate:

- within the European Union pursuant to the European passporting regulation (this is subject to change and will be dependent upon the nature of the Brexit agreement reach with the EU)
- in other countries where the Company has obtained licences to write insurance and reinsurance business or where operating in reinsurance is not subject to licence.

SCOR UK's Canadian Branch, known as SCOR Insurance - Canadian Branch, is regulated by the OFSI and authorised to operate in Canada.

SCOR UK is also authorised to write surplus lines in all US States and Territories.

B.1.3 GOVERNANCE STRUCTURE

B.1.3.1 THE CORPORATE GOVERNANCE MODEL FOR SCOR UK

The corporate governance framework for SCOR UK is centred on the Board, who have the ultimate authority at the UK regulated entity level, for ensuring that the regulated firm is managed in accordance with main stakeholder instructions, SCOR UK Board approved strategy and legal and regulatory requirements. Authority lies jointly and severally with the Board collectively and not with any specific individual.

The governance framework consists of the following:

- The Board of Directors;
The Board develops and implements strategy, measures and manages business performance, develops and implements internal control and risk management framework and ensures that the business is managed within the risk appetite it has established. The Board is assisted by the Management Committee of SCOR UK.
- Risk and Compliance Committee;
The Risk and Compliance Committee provides oversight of the management of risk by the Board (supported by the Compliance and Risk Functions).
- Audit Committee;
Independent and objective assurance over the effectiveness of control system is provided by Group Internal Audit (“GIA”) with oversight by the Audit Committee.

Maintenance of the Corporate Governance Framework

The Board undertakes to review the effectiveness of the corporate governance framework to ensure that it remains effective and complies with regulatory requirements. The review includes the following:

- Specific and annual effectiveness review;
- The Board performs an annual review of the corporate governance framework. This ensures their confidence in the framework, and fulfils their role in ensuring the effectiveness of the corporate governance framework. Any weaknesses found are acted upon and resolved;
- Redefine the framework where necessary;
- It is the Board’s responsibility, through whichever method it chooses, to improve continuously the corporate governance framework. Action may be delegated to a committee, an individual or executed by the Board itself;
- Regular monitoring of the robustness of the system of corporate governance.

The Board regularly monitors the corporate governance framework, including the Governance Map and Committee Terms.

B.1.3.2 THE BOARD OF DIRECTORS AND BOARD COMMITTEES

Composition of the Board

Ultimate authority at SCOR UK for ensuring that the Company is managed in accordance with the expectations and requirement of the main stakeholder, SCOR Group, rests with the SCOR UK Board of Directors.

SCOR UK has determined that the composition of the Board comprises of:

- Chairman;
- Chief Executive Officer;
- Chief Underwriting Officer
- Chief Finance Officer;
- Internal Non-Executive Directors; and
- External (Independent) Non-Executive Directors; and
- Company Secretary in attendance.

Where appropriate, the above Directors have been allocated a Senior Insurance Management Function (SIMF) as required by the Senior Managers Certification Regime (SM&CR) which allocates personal accountability for their area of responsibility.

The Directors of the Board provide the Board with expert input and advice in relation to their area of responsibility and are directly involved in the setting of strategic objectives and overall risk appetite.

In addition, Directors may also have separate executive roles.

The collective responsibilities of the Board are detailed in the SCOR UK Board Terms of Reference (Board TOR).

Structure and organisation of the Board

The competencies, duties and responsibilities of the Board of Directors of the Company (the Board of Directors) are determined by applicable English laws and regulations, the Articles of Association of the Company and the Board TOR.

As more precisely set out in the Fit and Proper policy, no person can be appointed as a member of the board if he/she has not fulfilled fit and proper requirements including:

- Relevant professional qualifications, knowledge and experience, combining a broad set of skills and experience adequate to enable sound and prudent management
- Proof of good repute and integrity

- Completed “Fit and Proper Test” set out and monitored by the FCA and the PRA (based on the following issues: honesty, integrity and reputation; competency and capability; and financial soundness).

The members of the Board are responsible for electing a Chairman of the Board.

The Board of Directors is responsible for considering the appropriateness of the 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. Committees’ composition and organisation are set out in the appropriate Terms of Reference.

Duties of the Board of Directors of the Company

The Board of Directors is a collegial body whose main duties and responsibilities comprise:

- **Strategy and performance**
 - determining the orientations of the Company’s business;
 - ensuring that the corresponding strategy is implemented throughout the business;
 - monitoring management’s performance;
 - addressing any subject related to the Company’s performance and making the necessary business decisions;
 - reviewing and approving any policies and procedures, guidelines and limits of authority, and regulations issued by SCOR Group if they are appropriate for SCOR UK;
 - setting and approving the policies for SCOR UK’s activities and monitoring their implementation;
 - ensuring that the policies implemented by SCOR UK are consistent with SCOR Group’s policies;
- **Duties and responsibilities arising out of Solvency II regulations and the PRA / FCA Handbook including but not limited to:**
 - appointment and dismissal of key function holders and SIMFs;
 - maintaining a sound system of internal control as an essential element of corporate governance;
 - approval of the Solvency and Financial Condition Report (SFCR) and Regular Supervisory Report (RSR) prior to its submission to the PRA;
 - approval of the ORSA report prior to its submission to the PRA.
- **Reviewing and approving the delegated powers to specific individuals on an annual basis to ensure they remain appropriate for SCOR UK.**
- **Compliance and legal environment**
 - monitor compliance with the laws, regulations and administrative provisions including those adopted pursuant to the Solvency II Directive;
 - monitor possible impacts of changes in the legal environment on the operations of SCOR UK.
- **Reserving**
 - be informed of the reliability and adequacy of the calculation of technical provisions by the actuarial function.
- **Reporting Procedures**
 - be provided with information, to be supplied in a timely manner, which is in a form and of a quality appropriate to enable it to discharge its duties;
 - obtain information from relevant sources including Board Committees, executive reports and external advice.
- **General Reporting**
 - determine the current status of SCOR UK;
 - determine factors that influence SCOR UK’s ability to continue to operate in a satisfactory manner;
 - determine the plans in place to mitigate, or avoid, material events that may prevent the Company from operating satisfactory;
 - obtain information from relevant sources including, but not limited to, Board Committees, executive reports and external advice.
- **Other responsibilities**
 - deliberate on all issues concerning the proper running of the Company, which are not otherwise delegated to the CEO, or any other corporate body, either in terms of (i) the issue as such or (ii) the level of authority granted;

- require from Management any information the Board of Directors deems necessary to carry out its roles and responsibilities.

As and when necessary, the Board can delegate authority to its Chairman, the Chief Executive Officer or any special delegate to implement its decisions.

Executive Management

The Board considers and approves the Controlled Functions and SM&CR requirements as required by the PRA/FCA and responsibility for these are allocated to suitably skilled individuals in line with PRA/FCA guidelines and procedures.

The Board considers and approves the line management structure in operation at SCOR UK.

The Board considers and approves policies and procedures relating to key functions of the business.

BOARD OF DIRECTORS' COMMITTEES

SCOR UK Board of Directors has established four Committees and two sub-Committees in order to examine specific topics, to prepare the Board's proceedings and to make recommendations to it.

Certain individuals and committees may have authority delegated to them in order that they may monitor and oversee specific aspects of the business without further reference to the Board or the Chief Executive Officer.

Audit Committee

The Board has established an Audit Committee to oversee the financial reporting process, the system of internal control over financial reporting, the audit process, and the SCOR UK process for monitoring compliance with laws and regulations.

Investment Committee

The Board has established an Investment Committee to monitor, and where necessary direct, the investment activities of the investment manager in relation to the Company's investment portfolio.

Risk & Compliance Committee

The Board has established a Risk & Compliance Committee to review and report on the adequacy of risk management and compliance within SCOR UK.

Management Committee

The Board has established a Management Committee to review and report on the business plan of SCOR UK incorporating strategy, operational plans, budget and the monitoring and operation of financial performance.

The Management Committee has established two sub-Committees as follows:

- Reserving Committee

The Reserving Committee has been established to make recommendations regarding appropriate reserving levels for SCOR UK.

- Canadian Branch Management Committee

To ensure that Management have appropriate oversight and understanding of the branch a Committee has been established to monitor all relevant matters and to ensure that internal controls meet the expectations of SCOR UK and the UK and Canadian regulators.

B.1.3.3 THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Chairman of the board

In addition to his function as a member of the Board of Directors, the Chairman of the Board shall notably:

- organise and prepare the meetings and resolutions of the shareholders as well as call, organise and prepare the meetings and resolutions of the Board of Directors;
- preside over the meetings of the Board of Directors;
- organise and conduct the work of the Board of Directors;
- ensure the functioning of the committees of the Board of Directors, if any, and the fulfilment of tasks by Board members;
- ensure the close cooperation between the Board of Directors and the Board Committees;
- inform immediately the Board of Directors of all incidents, questions and developments of extraordinary importance for the Company;
- inform appropriately the Board of Directors on reports, proposals, information and other communication received from the CEO, or any other delegate of the Board of Directors including key function holders;
- be entitled, but not obliged, to attend meetings of any Committee of the Board of Directors in an advisory function, and to inspect the files of the Committees of the Board of Directors.

Chief Executive Officer (“CEO”)

The CEO is an actual person and may be chosen within the members of the Board of Directors or outside of the Board of Directors.

The CEO has the widest possible powers to act in the name of the Company under all circumstances. He is granted all necessary authority by the Board of Directors to fulfil the functions and tasks in conjunction with the general management of the Company. His exercise of such powers and authorities shall be limited to the corporate purpose of SCOR UK and be subject to the powers specifically conferred to the Board of Directors as per any prevailing legal or regulatory provisions, the Articles of Association or the Organisational Framework.

The CEO is entitled to delegate any of his powers vested in him to any member of the Management Team or any other person specifically granted from time to time. Directors and senior managers are responsible for cascading information about strategy and policy down to their direct reports, who cascade the information further – to their direct reports and so on throughout the organisation’s hierarchy. In turn, the lower levels of the organisation report to and are accountable to the higher levels of the organisation.

The CEO is responsible for the definition and implementation of the strategy and objectives of SCOR UK in line with the overall Group strategy and objectives, and exercises the general management of the entire business of the Company and its branch. He has overall management responsibility for the organisational, operational and financial performance of SCOR UK and represents the Company at all times towards third parties.

To carry out the functions and tasks in conjunction with Management, the CEO is supported by the Management Team or any member thereof and/or one or more specific Board Committees.

The CEO shall be responsible for documenting any decisions concerning SCOR UK, i.e. with a material impact on the Company’s strategic, organisational position or with a material financial or balance sheet impact, based on the Four Eyes Principle.

B.1.3.4 FIT AND PROPER REQUIREMENTS

The SCOR Group commits to high “fit and proper” standards, and is committed to having “the right person in the right place” to conduct business.

The SCOR Group Fit and Proper Policy defines standards adapted to the category of work performed by each individual and this Policy has been adopted by SCOR UK.

The members of the Board of Directors, the CEO, and the Management Team members, where appropriate, and persons that hold Key Functions, SIMFs shall fulfil at all times the requirements of the SCOR Fit and Proper Policy, see section B.2 Fit and proper requirements:

- their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and
- they are of good repute and integrity (proper).

Notification requirements to the relevant regulatory bodies are applicable to Members of the Board of directors, persons who effectively run the Company, SIMFs and Key Function holders.

B.1.3.5 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.

Key functions may be outsourced to other entities, as and in accordance with the rules laid out in the Group Outsourcing Policy and with prevailing local legal and regulatory provisions. Refer to section B.7 – Outsourcing for further details.

Roles and Responsibilities

Risk Management function

The main roles of the Risk Management function are to:

- help to steer SCOR UK’s risk profile, in line with its risk appetite framework;
- maintain, develop and monitor effectiveness of the risk-management system, in accordance with the defined objectives, through the definition of consistent strategies, processes and reporting procedures related to identification, measurement, monitoring, management and reporting on the risks faced by the Company;

- implement the ORSA;
- spread a risk aware culture / improve knowledge of risks;
- ensure regulatory compliance in relation to risk and capital management.

For further information on SCOR UK's risk management function and risk management system, refer to section B.3. Risk management system including the ORSA.

Compliance function

The main roles of the Compliance function are to:

- promote SCOR UK's compliance with applicable laws and regulatory requirements, through policies, guidelines and procedures, and enhanced staff awareness;
- assess the possible impact of any changes in the legal environment on the business;
- advise the Board of Directors and CEO on compliance with the laws, regulations and administrative provisions, in particular with regulations adopted pursuant to the Solvency II directive;
- identify and assess compliance risk;
- monitor risk mitigating processes and procedures:
 - list compliance related internal controls
 - develop the compliance plan
- investigate and report on compliance breaches notified.

For further information on SCOR UK's Compliance function, refer to B.4 Internal Control System.

Actuarial function

The main roles of the actuarial function are to:

- coordinate and supervise the calculation of technical provisions;
- report to the CEO and Board on the reliability and adequacy of the calculation of technical provisions, including the quality of data used in the calculation;
- express an opinion on the overall underwriting policy and on the adequacy of reinsurance arrangements;
- contribute to the implementation of the risk management system, in particular on risk modelling for the calculation of the solvency capital requirements and for the ORSA.

For further information on SCOR UK's Actuarial function, refer to section B.6 Actuarial function.

Internal audit function

The main roles of the internal audit function are to:

- assist the Audit Committee in providing independent, objective assurance and consulting activities that are designed to add value and improve an organisation's operations;
- report to the Audit Committee, the Board of Directors and the CEO any findings and recommendations arising from its investigations;
- ensure that SCOR UK has highly effective procedures, and controls its risks, and inform the senior managers and heads of operating and functional units of any unsatisfactory conditions or risks;
- advise the managers of various units on setting up their internal control systems, allowing them to control their risks and procedures;
- keep an eye on the relevance and the implementation of control procedures by the various operating units within the undertaking;
- make proposals when the organisation lacks sufficient control of risks and / or costs;
- improve and spread a culture of internal controls aimed at managing risks more effectively and emphasizing effective control procedures;
- ensure the effective and timely implementation of its recommendations.

For further information on SCOR UK's internal audit function, refer to section B.5 Internal Audit.

Free from influences

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

With the exception of the Internal Audit Function which has a separate reporting line, the key functions operate under the ultimate responsibility of the Chief Executive Officer, through their management lines.

Each of the key function holders have a sufficiently high rank in the organisation 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. 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 SCOR UK, or one of its specialised Committees.

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

Designation, fit and proper requirements and notification requirement

SCOR UK's key function holders are designated by the Board of SCOR UK. They are subject to specific fit and proper requirements which are set out in the Fit and Proper Policy (see section B.2 – Fit and proper requirements). Upon designation, key function holders are notified to the PRA.

Access to information

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

Interactions with other key functions

For further information on these interactions, refer to the respective dedicated sections below, 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 2018

There has been an enhancement to the Governance arrangements during 2018 by the separation of roles of the Chief Executive Officer (CEO) and Chief Underwriting Officer (CUO). In addition, these roles are now shared with a fellow subsidiary undertaking in the UK to better align with the Group's strategic objectives. A new Chairman was also appointed during the year. However, despite these changes in composition, there has been no further material changes to the governance framework during 2018.

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

B.1.5.1 MATERIAL TRANSACTIONS AT SCOR UK LEVEL

Material transactions with shareholders

As set out in section A.1.1.4, SCOR UK Group is the immediate parent company of SCOR UK (74% of control and interest) while SCOR SE is the ultimate parent company.

SCOR UK has a business relationship with SCOR SE, including:

- Parental guarantee agreement with SCOR SE, guaranteeing SCOR UK's payment obligations under its reinsurance contracts
- Various outsourcing agreements relating to the provision of services including investment management services.

For more information on transactions with SCOR UK Group, SCOR Holding and SCOR SE refer to Note 15 in SCOR UK's 2018 Financial Statements.

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

As described in section B.1.3, SCOR UK's 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 a fixed sum of GBP 20,000 annually payable in four equal instalments, plus an amount equal to GBP 1,500 per Board or Committee meeting they attend. These are paid by a fellow group undertaking and recharged to the Company under a service agreement.

The members of the SCOR UK Board who are employees of the SCOR Group do not receive directors' fees in respect of their directorships.

Material transactions with persons who exercise a significant influence

Related party transactions according to the IFRS accounting standard IAS 24

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.

SCOR UK'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.

SCOR UK has several business relationships with related parties, in addition to those with 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 as those prevailing at the same time for comparable transactions with other parties.

For more information on transactions with related parties refer to Note 15 in SCOR UK's 2018 Financial Statements.

Transactions with key management personnel

Key management personnel are those individuals having responsibility and authority for planning, directing and controlling the activities of SCOR UK. SCOR UK considers that members of the Board constitute key management personnel for the purposes of IAS 24.

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

SCOR UK conforms to the Group Compensation Policy. All employees governed by the policy are employed by Group undertakings other than the Company and their services provided to the Company under various service agreements.

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

Within SCOR UK, INED directors' fees are charged partly in one fixed sum of GBP 20,000 annually, payable in four equal instalments 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, in an amount equal to GBP 1,500 per Board or per Committee meeting they attend.

No direct retirement contribution or commitment has been paid or made for the benefit of the directors.

B.1.6.2 GENERAL PRINCIPLES OF THE GROUP COMPENSATION POLICY

SCOR Group 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 Group is committed to:

- maintaining a compensation policy that is fully in line with its controlled risk appetite and discourages taking excessive risks;
- aligning management incentives with shareholder value objective;
- having an innovative compensation policy which meets the long term horizon that is part of SCOR Group's internal model;
- motivating and retaining its pool of talent and having a Compensation Policy aligned to human capital development;
- 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 Group 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 October 2017.

The Compensation and Nomination Committee's competencies focus on the compensation of the Chairman and CEO. It is informed of the compensation of the Group Executive Committee. In addition, it recommends to the Board the approval of SCOR Group's shares and options programmes. This Committee is, as a rule, composed of a majority of independent directors.

SCOR Group has established a "Partners" ⁽²⁾ programme. This programme which is a specific and selective 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 Group has a formal, carefully designed procedure for appointing and promoting Partners implemented every year during an Executive Committee meeting.

(1) The 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 programme in terms of information sharing, career development and compensation schemes

Candidates must have consistently demonstrated their skills, leadership and commitment in the past. As December 31, 2018, the proportions of partners by level is as follows: EGPs: 2%, SGPs: 8%, GPs: 32%, APs: 58%.

B.1.6.3 MAIN COMPONENTS OF THE COMPENSATION BY STAFF CATEGORY - PERFORMANCE CRITERIA

Overall compensation components

Staff member category	Fixed compensation	Variable compensation in cash	Share-based plans	Pension plan
Chairman and Corporate Executive Officer ⁽¹⁾	✓	✓	Free shares, Stock options, LTIP ⁽³⁾	✓
Group Executive Committee members ⁽²⁾	✓	✓	Free shares, Stock options, LTIP	✓
Partners	✓	✓	Free shares, Stock options ⁽⁴⁾ LTIP	✓
Non partners	✓	✓	Free shares	✓

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

(2) The Executive Committee includes the CEOs of SGP&C SE and SGL SE, who are the persons effectively running the Group and SCOR SE, SGP&C SE and/or SGL SE in addition to the Chairman and CEO of SCOR SE. Executive Committee members do not receive directors' fees in respect of their directorships in companies in which SCOR holds more than 20% of the capital

(3) Long Term Incentive Plan (LTIP)

(4) Only Executive Global Partners and Senior Global Partners are awarded stock options

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

Fixed compensation

As a global Group with three Hubs located in the main financial centres of the world, SCOR Group pays competitive base salaries in order to be a competitive player on the job market and to attract talent. SCOR Group 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 labour market, education and professional experience before joining SCOR Group, expertise acquired, and the present position and responsibilities of the employee.

SCOR Group 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. The 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). 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 Group cash bonus rewards individual performance over the previous year. The bonus varies from 0% and 6% of the annual base salary depending on the rating received in the individual appraisal by the employee's direct superior. This scale is increased by a multiplier (2 or 3) in some Hubs in order to take into account specific local labour markets.

Non partners are also eligible for the exceptional contribution bonus (ECB), ranging from 0% to a maximum of 6% of the annual reference salary (the multiplier of 2 or 3 mentioned above does not apply to the ECB).

Share - based compensation

SCOR Group launched the free shares and stock options programme 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 Group.

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 Group's key employees in the long-term development of the Group.

Partners

The allocations of free shares and stock options to Partners is primarily designed to retain and create loyalty amongst key Group employee. An allocation will occur every year so 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 on 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). For more information on the performance conditions of 2018 plans, refer to section 2.2.3.4 – Plans providing employee profit sharing of SCOR Group's 2018 Registration Document.

Other employees

Free shares may be granted to employees who 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 Group offers attractive pension plans to its employees that in certain countries also cover accident and disability.

Although the SCOR Group 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 Group uses defined contribution pension plans.

The senior executives and the members of the Executive Committee who joined SCOR Group before June 30, 2008 and are employed in France, are entitled to a guaranteed capped pension plan conditional upon a minimum five years of service with the Group, the payment of which is based on their average compensation over the last five years.

Executive Committee members who are not employed in France benefit from the collective pension schemes in place in their entity and do not have any specific plan except for members with Swiss contracts who benefit from a specific guaranteed pension plan similar to the one granted to the Executive Committee members employed in France and hired before June 30, 2008.

For Executive Committee members under French contracts and hired before June 30, 2008 or under Swiss contracts, the amount of the additional pension guaranteed by the Group varies from 5% to 50% (with a maximum growth of 5% per year) of the average compensation over the last five years, depending on seniority acquired in the Group at retirement. The additional pension guaranteed by the Group is calculated after deductions of the pensions paid out through the compulsory schemes and thus shall in no case exceed 45% of the benchmark compensation.

The pension benefits offered to the members of the Executive Committee who are not French citizens are comparable to the pension benefits offered to those who are French citizens.

B.2 Fit and proper requirements

In addition to the requirements set out below, SCOR UK conforms to the PRA / FCA requirements concerning Fitness and Propriety in addition to conforming to the regulatory requirements of the SIM&CR.

SCOR UK abides by the minimum standards set out by the PRA / FCA, SCOR UK is required to identify and apply Prescribed Responsibilities to those individuals who are performing key defined roles, along with a Governance Map highlighting these specific roles and the governance structure of SCOR UK.

There are a number of controls in place in order to ensure the continuing obligations of the SIMR are met on an ongoing basis. SCOR UK will not permit an individual to perform a regulated role unless it is satisfied on reasonable grounds that the individual complies with the expected standards.

The fit and proper standards of the SCOR Group are embedded in the SCOR Group Fit and Proper policy. These standards consist of fit and proper principles, and criteria to be used to assess whether a person could be considered as fit and proper. The policy also includes an assessment process to be complied with. The SCOR Group Fit and Proper Policy has been adopted by SCOR UK. These elements are further detailed below.

B.2.1 OBJECTIVES AND GENERAL PRINCIPLES

The SCOR Group Fit and Proper Policy, which SCOR UK adheres to, 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). SCOR 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 SCOR GROUP’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) and Chief Executive Officers of legal entities subject to the Solvency II Directive or where the Board includes external Board members. 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 SCOR SE Board is deemed to be fit if, for each subject matter, at least one member is individually fit.

B.2.3 FITNESS CRITERIA

SCOR Group considers that fitness is an appropriate mix of:

- relevant educational background and qualifications and;
- 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 (e.g. Chief actuary).

SCOR Group expects that individuals hold the following qualifications:

Applicable to	Qualification requirements
Category A (Directors, Chief Executive Officer and “persons effectively running the company”)	<p>Master’s degree or equivalent which relates to at least to one of the following areas:</p> <ul style="list-style-type: none"> ■ strategy or business management; ■ finance; ■ risk management; ■ actuarial science; ■ engineering; ■ economy; ■ law.

If an individual does not meet the above, further consideration will be given to the individual’s professional experience (see below).

Category B (key function holders)	<p>Master's degree or equivalent.</p> <p>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).</p> <p>At Group level, the Chief Actuary, holder of the actuarial function, shall have appropriate formal actuarial qualifications and be a Fellow or Accredited Member of a recognised professional body (such as the Institute of Actuaries in France).</p>
Category C (other staff)	<p>Qualification criteria are defined in the HR recruitment guidelines and/or the job profiles, depending on the position.</p>

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. SCOR's Directors, CEOs and "other persons effectively running the company" are expected to have a 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"> ■ a recently acquired relevant experience (within the last five 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>CEOs and "other persons effectively running the company":</p> <ul style="list-style-type: none"> ■ a recently acquired 5 or more-year long relevant experience (within the past 5 years): <ul style="list-style-type: none"> - in an insurance or reinsurance company; - in a field directly relevant to his/her field of responsibility.
Category B (key function holders)	<ul style="list-style-type: none"> ■ a recently acquired relevant experience (no more than 5-years old) ■ the Actuarial key function holder shall have an appropriate actuarial experience with an insurance or reinsurance company ■ the Risk Management key function holder shall have an appropriate experience of risk management in the financial industry; ■ the Compliance key function holder and the Internal Audit key function holder shall have an appropriate experience in their field of responsibility (Audit, Finance, Law & Compliance, Underwriting, Claims handling...).
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. SCOR Group 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 behaviours casting doubt on an individual's good repute and integrity, remediation actions shall be taken as appropriate. SCOR Group 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 the company concerned.

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

B.2.5 FIT AND PROPER ASSESSMENT PROCESS

The assessment process shall allow SCOR Group 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 / Chief Executive Officer / Other "persons effectively running the company"	<ul style="list-style-type: none"> ■ Board; ■ Corporate Secretary with the support of Human Resources for applicants who are also SCOR employees.
Key function holders	<ul style="list-style-type: none"> ■ Chief Executive Officer; ■ Human Resources; ■ Board.

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, Corporate Secretary / HR department update their information with the annual fit and proper questionnaire collected from Directors, CEOs and other "persons effectively running the company" and key function 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: for example, 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 at Group level and applied consistently across the Group, in line with the proportionality principle, without prejudice of further and/or more stringent requirements from local applicable laws or regulations or policies.

SCOR UK'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 optimised whilst remaining aligned with the risk appetite framework.

As part of SCOR Group, SCOR UK has adopted the group-wide approach to risk management.

B.3.1 RISK APPETITE FRAMEWORK

SCOR's risk appetite framework is an integral part of the Group's strategic plan. It is approved by the Board of Directors upon the review of new strategic plans, based on recommendations from the Group's Executive Committee and the Risk Committee of the Board of Directors. The Board of Directors may vary the amount and the composition of risk that the Group is prepared to take.

SCOR's risk appetite framework encompasses the concepts of risk appetite, risk preferences and risk tolerances. This framework is defined for the Group as a whole. Where appropriate (i.e. for material entities or where regulations require), legal entities have their own Board approved risk appetites, preferences and tolerances with which to comply – as is the case for SCOR UK.

B.3.1.1 RISK APPETITE

Risk appetite defines the quantity of risk that SCOR UK wishes to accept to achieve a desired level of profitability. This determines where SCOR UK 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).

In execution of its objectives, SCOR UK's Board has set a risk appetite consistent with the Group's upper mid-level risk profile.

B.3.1.2 RISK PREFERENCES

Risk preferences are qualitative descriptions of the risks which SCOR UK is willing to accept. The Company aims to focus on insurance and facultative reinsurance risks, mostly mainstream risks covered in P&C. Business is underwritten in accordance with the global applicable non-life underwriting guidelines. SCOR UK is targeting a diversified portfolio in terms business and geography covering various lines of business such as property energy and non-energy, offshore and ship building, casualty, engineering, marine, aviation and space, as well as inherent defect insurance. For other relevant risks and preferences, the risk preferences of SCOR Group apply as appropriate.

B.3.1.3 RISK TOLERANCES

The risk tolerances define the limits set out in order to ensure that SCOR UK's risk profile remains aligned with the Company's risk appetite framework.

SCOR UK has established a set of limits per risk as set out in the globally approved underwriting guidelines and investment guidelines approved by SCOR UK's Board, supplemented with limits by risk category and scenario analysis as part of the annual Own Risk & Solvency Assessment (ORSA) to measure the appropriateness of the solvency position. In the event of breaching these limits, the Company's overall solvency may be affected and different levels of management actions would be taken. For further information on specific risk management strategies and processes, see Chapter C – Risk Profile.

B.3.2 ERM FRAMEWORK

The Risk Management function relies on an ERM framework composed of various risk management mechanisms as described in the following sections. These mechanisms are adapted to legal entities, including SCOR UK, when

appropriate. Some mechanisms are only relevant at Group or division level and are not implemented specifically at the legal entity level, in line with materiality principles.

B.3.2.1 INTERNAL ENVIRONMENT

The main tasks of the Group Risk Management Department (GRM) are to further develop the Enterprise Risk Management framework and promote an ERM culture within the Group so that risks are managed consistently within each department.

The Group Risk Management Department is supported in these tasks by the departments in charge of risk management at SCOR Global P&C, SCOR Global Life and SCOR Global Investments. Local risk managers are involved in promoting a risk aware culture and implementing the appropriate measures at a local level. Compliance with local regulations and constraints is ensured by Hub General Counsels.

Group business standards and practices are governed by Group policies and underlying guidelines established in a common format, by the three divisions and the central functions such as the Group Internal Audit Department and the functions managed by the Group Chief Financial Officer, the Group Chief Operating Officer and the Group Chief Risk Officer. Group policies are approved by the Group Executive Committee 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 SCOR SE. These Group policies are not intended to enumerate all the rules governing SCOR's activities in the different countries in which the Group operates, but rather to establish certain principles intended to ensure that SCOR Group companies and employees share a common understanding of the Group's standards and that they work in compliance with these standards. When approved, these documents are made available to employees on the SCOR intranet on a dedicated page. As part of SCOR Group, SCOR UK adopts (or adds addenda to) group policies as appropriate.

Refer to section B.1 – General information on the system of governance for further details on SCOR UK's organisation and governance structure

B.3.2.2 SETTING OF OBJECTIVES

For several years, SCOR Group has implemented and formalised three-year strategic plans. On September 7, 2016 SCOR publicly presented "Vision in Action" its latest three-year strategic plan (2016 to 2019). "Vision in Action" is largely a continuation of SCOR's previous strategic plan, "Optimal Dynamics", representing in particular the Group's core objectives:

- a return on equity (ROE) equal to or greater than 800 basis points above the five-year risk-free rate over the cycle³; and
- a solvency ratio in the optimal 185%-220% range⁴.

The strategic plans establish the Group's risk appetite framework from which SCOR UK's objectives stem.

The Group Executive Committee defines the procedures for implementing the strategy and reviews the consistency of the operational plans or policies (e.g. underwriting, finance, retrocession, information technology) with the strategic plan. The Group Executive Committee also ensures that there is an optimal risk-based allocation of capital and diversification. Under the responsibility of the Group Chief Risk Officer, the Capital Shield Strategy sets risk limits to ensure a protection of the Group's capital in line with the strategic plan's objectives. The Capital Shield Strategy is approved and monitored by the Group Risk Committee and the Board Risk Committee.

The clarity and detailed description of strategic objectives and their implementation within the Group facilitate the identification, evaluation and control of risks, whatever their nature (e.g. underwriting risk, market risk, and operational risk), possibly caused by these objectives.

As an integral part of SCOR Group, SCOR UK supports the SCOR Group's three-year strategic plans. The Company's solvency and capital position is reported regularly to the Board of SCOR UK which takes suitable capital actions as appropriate.

B.3.2.3 IDENTIFICATION AND ASSESSMENT OF RISKS

Different techniques and initiatives for identifying and assessing risks have been implemented to analyse risks from different angles and to deal with them in an exhaustive manner. These include:

- a risk information process: every quarter, regular and comprehensive risk reporting is provided to the Group Risk Committee and the Board of Directors. This includes a quarterly "Group Risk Dashboard" which describes and assesses the major risks the Group 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 the Group's risk profile remains aligned with the risk level validated by SCOR SE's Board of Directors.

³ Based on a five-year rolling average of five-year risk-free rates.

⁴ This solvency target is unchanged from that under the previous strategic plan, Optimal Dynamics.

The Group 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. These include:

- the 'risk driver' system that enables the Group to manage the annual aggregate exposure to each major risk. The objective is to avoid overconcentration of risk and hence maximise diversification benefits. For the majority of SCOR's risk drivers, the amount of post-tax retained annual exposure per main risk driver (with a probability of 1 in 200 years) is limited to a percentage of the Group's eligible own funds. Other risk drivers have limits expressed in terms of the Group's solvency ratio or duration for invested assets;
 - an 'extreme scenario' system designed to avoid the Group's over-exposure to a single event. The amount of post-tax retained exposure to each defined extreme scenario (with a probability of 1 in 200 years) is limited to 10% of eligible own funds;
 - sub limits for invested assets;
 - limits per risk which are set in the global underwriting and local investment guidelines.
- 'footprint scenarios': which aim to review and assess the potential impact on the Group of selected deterministic scenarios. This process provides an alternative perspective on the Group's exposures. Working groups dedicated to specific subjects are composed of experts across the Group, and coordinated by the Group Risk Management Department with the support of the divisional Chief Risk Officers. These groups perform quantitative studies which are summarised in specific reports;
 - an Emerging Risks process which is part of SCOR's ERM Framework and is linked to other risk management methods such as the use of 'footprint scenarios'. Potential emerging risks are identified and individual risk assessments are carried out by experts from SCOR Global P&C, SCOR Global Life and the Group functions. Significant emerging risks are then reported to SCOR's Executive Management and Board. 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;
 - certain risks related to Climate Change are assessed via the Emerging Risks process. The scientific consensus is that human-induced increases in global temperatures will impact human and natural systems. Climate Change is expected to alter the frequency and/ or severity of extreme events, although the long-term impacts on underwriting activities are difficult to estimate. SCOR's asset portfolio may also be exposed to potential physical and transition risks over the longer term; however, to minimise this risk, SCOR is committed to Environment, Social and Governance (ESG) investing, for which the Group prioritises investments that have a positive sustainability impact. In addition, as part of its Corporate Social Responsibility program, SCOR is gradually implementing low-Carbon initiative as described in SCOR's 2018 Registration Document;
 - SCOR's ORSA (Own Risk & Solvency Assessment), which provides the Group's Board and those of the legal entities (e.g. the EEA (re)insurance legal entities), the Group Executive Committee and senior management of these legal entities with forward-looking information on the respective risk and capital positions of the Group and legal entities;
 - SCOR's internal model, which is deeply embedded in SCOR's risk management system and contributes to the assessment of risks. SCOR uses its internal model for determining economic capital. Its results are used to implement SCOR's underwriting and asset management policies and guidelines.

Where relevant, the analyses from these processes are reported to the Group Risk Committee and to the Risk Committee of SCOR SE's Board of Directors (the "Board Risk Committee") and to the Board of Directors on a regular basis.

As part of SCOR Group, SCOR UK is similarly organised with respect to identification, assessment and monitoring of risk, leveraging on the Group approach but with some adaptation such as maintenance of a risk register rather than a risk dashboard and use of the Solvency II Standard Formula for determining regulatory capital and a partial internal model for the Company's own view of risk.

B.3.2.4 MAIN CONTROL ACTIVITIES

Because of its activities, SCOR UK is exposed to many risks: reinsurance related risks, market risks and other risks (e.g. liquidity, rating). These risks are detailed in the Chapter C – Risk profile. These activities rely on the control mechanisms including adequate reporting mechanisms to the main governance bodies throughout the Group.

This section summarises the principal activities and participants of risk control for the following important areas:

- Group functions;
- activities related to (re)insurance;
- asset management;
- accounting management.

The control activities described below are considered as the principal activities for controlling risks specific to those areas. In accordance with SCOR's internal control system approach, these control activities are performed at Group or Company level, on core business and investment process level or at support process level, as appropriate.

Group functions

The Group's functions are organised in three departments led by the Chief Operating Officer, Chief Financial Officer and Chief Risk Officers respectively. The Operations area comprises Information Technology, Human Resources the General Secretariat (including the Compliance and Legal departments), the Group Project Office, Budgeting and Cost Control, and Corporate Communications. The Finance area comprises Treasury, Forecasting and other functions relating to controlling, consolidation, reporting, accounting, financial communications and tax issues. The Risk Management area comprises the actuarial function, the risk management function, various risk and actuarial modelling teams and the Group's Prudential and Regulatory Affairs Department.

Further information is presented below regarding the risk function.

- The Group Risk Management Department's primary focus is to develop and manage ERM mechanisms, promote ERM concepts throughout the Group and to provide risk management challenge and support for (re)insurance underwriting and asset management;
- The Prudential and Regulatory Affairs Department advises the Group on prudential regulations. It ensures the Group actively positions itself in relation to the different jurisdictions and requirements to which it is exposed or could be exposed; and continuously develops and promotes SCOR's leading risk management expertise through regular dialogue with internal and external stakeholders. Prudential and Regulatory Affairs also provides specialist expertise to SCOR colleagues via the Solvency II Centre of Excellence and prepares the Group for the adoption of major new prudential regulations;
- The Financial Analysis and Risk Modelling department manages and operates SCOR's internal model and provides a detailed quantitative analysis on the modelled range of changes in economic value. It provides reports to management on risk assessment and actively assists the Group in its various uses of the internal model;
- The Group Chief Actuary and team report to the Chief Risk Officer. See section B.6 – Actuarial function for further information on the role and responsibilities of the Actuarial key function.

Activities related to (re)insurance

The operating and control procedures concerning underwriting, pricing, administration of (re)insurance contracts and claims management are validated by SCOR Global P&C and are applied to all underwriting segments of SCOR UK.

For further information on how the main underwriting risks are managed, see section C.2 - Underwriting risks

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 SCOR implements.

Governance and principles

The Group has harmonised the principles governing the management of its assets: the Group Policy on Invested Assets defines the Group's governance in terms of asset management and the Manual of Group Investment Guidelines determines the limits for concentration risk as well as limits of exposure to different asset classes. The Manual of Group Investment Guidelines thus determines the conditions in which SCOR Global Investments will implement the Group investment policy as defined by the Group Investment Committee. These two documents are rolled out across all SCOR entities to ensure consistency across the Group. Local investment guidelines complement the Group guidelines and set the rules to be applied by all internal and external asset managers on behalf of SCOR UK. The Group Investment Committee meets at least once every quarter. Its role is to define the investment strategy on a Group level and to supervise the implementation of this strategy with regard to the regulatory and contractual constraints. At local level, SCOR UK's local investment committee supervises the implementation of the investment strategy relating to the Company as well as the compliance of the portfolio positioning with the local investment guidelines.

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

Investment strategy

The investment strategy at SCOR is risk-based and the portfolio positioning is derived from the risk appetite allocated by the Group to invested assets as well as the Group risk tolerance.

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

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

while

- preserving the Group liquidity and level of solvency,
- protecting the capital,
- allowing the Group to operate on a day-to-day basis as well as over the long-term,
- complying with the legal entities' investment regulations, risk appetites and regulatory capital requirements (level of capital and type of admissible assets), and Group and local investment guidelines
- being committed to ESG investing, for which the SCOR Group prioritises investments that have a positive sustainability impact.

Operational framework

As a general rule, and in compliance with local regulations, the SCOR legal entities appoint the Group to supervise and implement the investment and reinvestment of all of their invested assets. This relationship is put in place through an Investment Management Agreement ("IMA") which includes local investment guidelines. SCOR delegates to SCOR Investment Partners the implementation of the investment strategy for its invested assets as determined by the Group Investment Committee. This relationship is put in place through a Master Investment Management Agreement ("MIMA") which includes the list of invested assets portfolios and legal entities and their respective 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 the Group risk appetite and investment guidelines. The GIO is also in charge of reporting processes related to invested assets. The GIO provides SCOR with regular reports used for the monitoring of the asset portfolios. Breaches are escalated to the Group Investment Committee as well as to the Group and Board Risk Committees. Investments falling outside of the scope of Group Investment Guidelines are subject to special referral procedures managed by the Group Risk Management Department.

Accounting management

The Solvency II reporting process is built upon the group-wide IFRS reporting process and ensures quality and consistency of legal entity and Group solvency reporting. It therefore benefits from controls over the accounting and consolidation process, as presented in the 2018 Registration Document, and their extension to solvency reporting.

B.3.2.5 INFORMATION AND COMMUNICATION

The 2018 Registration Document was produced via a specific process that ensures the contribution of all relevant departments and the consistency of the information provided. A final review is performed by members of the Group Executive Committee.

Similarly, for the Solvency and Financial Condition Reporting and other Solvency II reporting, a specific process has been implemented to coordinate the contribution of all relevant departments and the consistency of the information provided. A final review is performed by Senior Management, members of the Group Executive Committee and the Board(s).

B.3.2.6 MONITORING OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The monitoring of the internal control and risk management systems is ensured by a number of complementary mechanisms with the support of several departments across the Group.

SCOR implements dedicated processes and tools to identify, assess and monitor its risk exposures on a regular basis and has dedicated risk management mechanisms in order to evaluate the appropriateness and effectiveness of controls and propose risk management and mitigation measures. See section B.3.2.3 - Identification and assessment of risks.

SCOR operates an Internal Control System Competence Centre ("ICS-CC") which reports to the Group Risk Management Department. For more information on the Internal Control System see section B.4.1 – Description of the 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. 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 organisation, it must discuss the matter with the Group Executive Committee. 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 relative to internal control of accounting and financial reporting.

B.3.3 INTERNAL MODEL CONTRIBUTION TO THE ERM FRAMEWORK

SCOR uses its approved internal model to inform management decisions which involve risk management or solvency considerations. However, SCOR UK is maintaining regulatory solvency capital on the Standard Formula basis under Solvency II. The risk modules reported for the Standard Formula calculations include P&C Underwriting and Reserving risk, Operational risk, Market risk, Counterparty Default risk and the Loss Absorbing Capacity effect of Deferred Tax. For further information refer to Chapter E – Capital management.

SCOR UK is exposed to other risks not included in the Standard Formula calculation including strategic risks, 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.3.4 ORSA CONTRIBUTION TO THE ERM FRAMEWORK

The ORSA process is a key mechanism of SCOR Group's ERM framework and is an integral part of the Risk Management System leveraging the Group's capital management and strategic planning processes, fully incorporated by SCOR UK. SCOR performs the ORSA at Group and legal entity levels – including at the level of SCOR UK - based on clearly defined principles and objectives, close cooperation between Group, divisional and legal entity teams and regular involvement of Group, divisional and legal entity senior management, as well as involvement of the SCOR SE and legal entities' Boards. As well as performing its own ORSA exercise, SCOR UK also contributes to the group-wide ORSA.

SCOR UK's ORSA provides forward-looking information on the respective risk and capital positions, taking into account the Company'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 SCOR UK's business objectives and risk profile, including an analysis of any excess or shortfall in the Eligible Own Funds. For further information on capital management processes, see section E.1 – Own Funds.

The ORSA process is embedded in SCOR UK's system of governance and is taken into account on an on-going basis in the Company's decision making process. Examples include Board consideration of capital requirements informing:

- strategic decisions;
- operating plans, for both short term and longer term;
- capital management, such as the projections of capital requirements and solvency positions under various scenarios over the ORSA time horizon;
- product design and development, including material initiatives where appropriate, to support the objectives of SCOR Group's strategic plan and the Company's business objectives.

The Board of the Company ensures the definition and implementation of the operating plan are closely aligned with its risk strategy, including the risk appetite framework and the capital planning exercise. In view of its business strategy, the Company identifies and assesses the risks involved in achieving this strategy over the length of its operating plan, revises ongoing adequacy of the risk tolerance limits and quantifies the major risks.

The risk mitigation strategy, including reinsurance planning, is also taken into account. The Company maintains a coherent reinsurance program that supports the adherence to the risk tolerance limits, provides protection to its capital and solvency, achieves an acceptable net risk exposure, and eventually enhances its ability to accept a diversified book of business without compromising its profitability expectations.

In addition, the business plan forms the central scenario (i.e. the most likely outcome from SCOR UK's perspective) of the Company's capital planning exercise, through which the Company projects and monitors the amount of capital necessary to respect SCOR Group's strategic objectives over the planning horizon. This involves the projections of the Company's solvency capital requirements and eligible own funds under both the central scenario and adverse scenarios. These projections are not only assessed to ensure continuous compliance with the capital requirements, but also to establish an early warning system to identify changes in the risk profile. This enables the Company to plan possible remedial actions (e.g. change in retrocession) and/or establish precautionary mitigation actions. Additionally, the Company has considered "reverse stress scenarios" that could threaten its ongoing viability.

The regular ORSA reporting exercise is performed annually. In the event of significant changes in the risk profile of the Company outside the regular annual ORSA timeframe, ad-hoc ORSAs may also be conducted when requested by the Company's Board. The decision to perform an ad-hoc ORSA and the scope and extent of the analyses performed, as well as the scope and governance of any report produced, will be proportionate to the materiality of the precipitating event. Examples of events, that may potentially trigger an ad-hoc ORSA, could be major acquisitions or disposals by SCOR, or a merger.

B.4 Internal control system

B.4.1 DESCRIPTION OF THE INTERNAL CONTROL SYSTEM

SCOR UK applies the Internal Control System (ICS) principles as defined at Group level and leverages on processes implemented across the Group. The ICS standards are embedded in the Group Policy. The ICS is defined at Group level and applied consistently across the Group, in line with the proportionality principle, without prejudice of further and/or more stringent requirements from local applicable laws, regulations or policies. Where deemed relevant and appropriate, SCOR UK has adapted the processes defined at Group or division level, or implemented its own local processes in order to reflect local specific requirements.

The core objective of the Internal Control System Competence Centre (ICS-CC) is to pool ICS expertise in order to foster a consistent ICS approach and application of ICS standards across the Group. The ICS-CC consists of experts who are dedicated to coordinating the internal control formalisation activities within the Group, its divisions and entities, and supporting the business process owners where necessary. 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 being maintained across the Group and regularly reviewed for continuous improvement.

The approach used to develop and maintain the internal control system is specified in the ICS Group Policy. The policy sets out the reference framework and details the Group 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 SCOR Group's franchise, balance sheet or statement of income and indirectly its solvency. The optimal risk response is obtained through appropriately designed key controls;
- at a process level, appointment of global process owners (GPO) at Group, SCOR Global P&C, SCOR Global Life and SCOR Global Investments levels and local process owners (LPO). The GPOs' responsibility is to document the processes, identify the related critical risks, define the appropriate key controls and to ensure their deployment and application in the various entities of the Group. The LPOs' main responsibilities are to assess processes, risks and key controls on a local level based on the defined global process and to ensure 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 across the Group.

SCOR Group implements dedicated processes and tools to identify, assess and monitor its risk exposures on a regular basis. In addition, SCOR Group 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 ORGANISATION OF THE COMPLIANCE FUNCTION

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

At Group level and for Solvency II related legal entities, including SCOR UK, compliance function holders are responsible for the compliance key function. Within SCOR UK the compliance key function holder is the Compliance Officer.

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 Group policies and guidelines applicable to them.

B.4.2.2 POSITION AND INDEPENDENCE PRINCIPLES

At SCOR Group, the compliance function both at Group and local level must operate free of any influences that may compromise its ability to perform its duties in an objective, fair and independent manner.

The SCOR UK Compliance Officer has direct access to the Chairman and Chief Executive Officer and reports quarterly to the Board of Directors on any material compliance breaches and issues.

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

B.4.2.3 COMPLIANCE FRAMEWORK

SCOR Group follows a risk-based approach to compliance in accordance with the SCOR Group Policy on Risk Management, which is adopted on a local level. This involves identifying areas of high risk within SCOR Group and prioritising 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 Group 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 and confirmation process,
- introducing controls as part of SCOR Group'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,
- 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 SCOR Group.

Response

In response to compliance breaches, SCOR Group must 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

B.5.1.1 GENERAL PRINCIPLES

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

SCOR UK Internal Audit assists the SCOR UK Audit Committee in providing independent, objective assurance and consulting services designed to assess the adequacy, effectiveness and efficiency of SCOR UK's governance, policies and guidelines, risk management, and internal control system, as well as compliance of operations with applicable policies

and guidelines, in order to ensure the safeguarding and integrity of SCOR UK's assets (e.g. financial assets, human resources, systems and data), to ensure the effective use of resources and identify opportunities for process improvement.

B.5.1.2 ORGANISATION

SCOR UK outsources internal audit services to a fellow group undertaking. The fellow group undertaking's Head of Internal Audit has a dual role as the key function holder for both the fellow group undertaking and SCOR UK. The principles and organisation as defined and implemented at Group level by Group Internal Audit apply fully to the Internal Audit function for SCOR UK.

Planning, Auditing and Monitoring: SCOR UK's Internal Audit Plans are reviewed and approved by the SCOR UK Audit Committee and 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 the Group Internal Audit full resource and comply with rotating principles.

Reporting: The SCOR UK key function holder reports to the Head of Group Internal Audit and the SCOR UK Audit Committee Chairman.

B.5.1.3 INDEPENDENCE PRINCIPLES

Within SCOR Group, 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 SCOR UK key function holder reports to the Head of Group Internal Audit and the SCOR UK Audit Committee Chairman and has no other operational roles or responsibilities within SCOR UK. The Head of Group Internal Audit and the SCOR UK Audit Committee Chairman approve decisions regarding the SCOR UK key function holder's appointment and removal and make appropriate inquiries to ensure that audits are performed within an appropriate scope with adequate resources, and might steer SCOR UK Internal Audit's activities in a specific direction.

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

SCOR UK 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 audited department and management.

B.6 Actuarial function

SCOR UK actuarial key function is organised along the lines of the actuarial key function of 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 Administrative, Management or Supervisory Body (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; and
- produce an annual written Actuarial Function Report submitted to the AMSB of SCOR UK. The report includes a description of tasks undertaken by the actuarial key function, an opinion on the technical provisions overall

underwriting policy and the adequacy of reinsurance arrangements, a description of any deficiency and recommendations on how such deficiencies can be remedied.

This role is undertaken by the Actuarial Function Holder (AFH) and the so-called Actuarial Function community, composed of members of the reserving teams, with the support of other teams within SCOR Group (Underwriting teams, Retrocession teams, Financial Modelling, Risk Management).

The Actuarial Key function holder for SCOR UK is in charge of coordinating the implementation of Solvency II standards related to the actuarial key function throughout SCOR UK.

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 key function holders performing the tasks in the scope of these functions.

B.7 Outsourcing

B.7.1 OUTSOURCING PRINCIPLES AND ORGANISATION

SCOR has put in place a SCOR Group Policy on Outsourcing which sets forth the principles, framework and rules to be followed by SCOR employees considering the outsourcing of critical or important functions by any SCOR entity to another entity, within or outside the SCOR Group.

The SCOR Group Outsourcing Policy is supplemented by the SCOR Group Guidelines on Outsourcing (the "Guidelines"). The Guidelines provide an easy step by step process when considering outsourcing as covered by such Policy and Guidelines.

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 service provider within or outside the SCOR Group. In particular, prior to entering into any such outsourcing relationship, the SCOR entity shall conduct a due diligence adequate and commensurate to the risks involved.

A SCOR entity shall monitor and review the quality of the service provided and shall maintain 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 SCOR EU entities. A SCOR EU entity is an insurance or reinsurance undertaking incorporated in and supervised by a regulator with jurisdiction in a country located in the European Union. As of the date of this report SCOR UK falls into the definition of SCOR EU entities.

A Critical or Important Function is defined in the Group Policy as a function essential to the operation of the relevant SCOR entity, i.e. a function the interruption of which would be considered as likely to have a significant impact on:

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

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 fulfil its obligations on time;
- the difficulty of finding another service provider or resuming live activity;
- the ability of the SCOR entity 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 a SCOR entity that is a SCOR EU entity shall be subject to the following process:

- cost/benefit analysis of the considered outsourcing will be conducted and the business case associated with such considered outsourcing will be reviewed;
- the outsourcing of the 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, in accordance with guidelines;
- 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 the SCOR entity to adequately control and monitor the quality of the critical or important functions outsourced.

B.7.2 MAIN ACTIVITIES OUTSOURCED TO EXTERNAL PROVIDERS

As of the date of this report, Critical or Important Functions outsourced by SCOR UK to external service providers include the following:

- underwriting and claims handling activities of certain space and aviation risks assumed by SCOR UK have been outsourced to companies located in France and in the UK, that are specialised underwriting agencies partially owned by SCOR. A SCOR underwriting manager specialised in the review of these risks monitors these outsourced relationships closely, through attendance at regular technical meetings, frequent reporting and audits
- A central settlement facility is provided to SCOR UK by one of the UK's leading providers of services to the insurance industry. A designated person closely monitors the relationship, through accounts reviews, regular meetings and file audits;
- These outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by the designated person of SCOR UK in charge of monitoring;

B.7.3 MAIN INTRAGROUP OUTSOURCING ARRANGEMENTS

The SCOR Group operates through a hub structure and SCOR UK is situated within the EMEA Hub. SCOR UK does not have any employees as all UK based employees of SCOR are employed by SCOR SE – UK Branch and then provide services (including underwriting, claims and actuarial) to SCOR entities operating in the EMEA Hub structure, of which SCOR UK is one. In addition, the SCOR Group has developed centres of expertise for certain services, often located in identified hubs, which provide expertise to SCOR Group entities, of which SCOR UK is one.

As a result, parts of certain key functions may be outsourced to the SCOR staff responsible for carrying out tasks in support of the execution of the key function in the hubs in which the relevant SCOR EU entity operates. These outsourcing relationships between SCOR UK and other SCOR entities are documented through appropriate outsourcing agreements and closely monitored by the SCOR UK Management Committee.

As of the date of this report, Critical or Important Functions outsourced by SCOR UK to internal service providers include the following:

The internal audit function is outsourced to a fellow group undertaking. This outsourcing relationship is documented through an appropriate outsourcing agreement and is closely monitored by the SCOR UK Management Team.

The compliance function is outsourced to a fellow group undertaking. This outsourcing relationship is documented through an appropriate outsourcing agreement and is closely monitored by the SCOR UK Management Team.

Certain underwriting and claims activities of SCOR UK which are considered as Critical or Important Functions are outsourced to fellow group undertakings. These outsourcing relationships are documented through adequate outsourcing agreements and closely monitored by a designated person of SCOR UK.

The risk management function, including structuring and validation of the internal model, when relevant, is outsourced by SCOR UK to the internal model centre of excellence of SCOR and/or to the validation centre of SCOR. Other SCOR entities may provide services in support of the execution of this key function, when necessary. These outsourcing relationships are documented through appropriate outsourcing agreements and closely monitored by the risk management key function holder of SCOR UK.

The asset management activities, considered as Critical or Important Function, are outsourced by SCOR UK to a fellow group undertaking. This outsourcing relationship is documented through the adequate outsourcing agreement and closely monitored by a designated person of SCOR UK. Certain asset management middle and back office services have been outsourced by the fellow group undertaking, to subsidiaries of banking institutions specialised in the provisions of these services because these companies are able to provide a more efficient state-of-the-art service at a lower cost than the services that might be developed internally. These relationships are closely monitored by the relevant SCOR staff.

IT, considered as Critical or Important Function, is outsourced, to some extent and when relevant, to a fellow group undertaking. This outsourcing relationship is documented through appropriate outsourcing agreements and closely monitored by a designated person of SCOR UK. Certain IT systems and services are then outsourced by the fellow group undertaking, (which pools and manages the IT needs of SCOR entities worldwide) to large IT companies.

B.8 Other material information regarding the system of governance

No other material information is reported regarding SCOR UK's system of governance, other than that presented in sections B.1 – General information on the system of governance to B.7 – Outsourcing.

C. RISK PROFILE

C.1 Introduction

C.1.1 GENERAL INTRODUCTION

SCOR UK regularly conducts reviews of the risks that could have a material adverse effect on its activity, its financial position or results (or capacity to meet objectives) and considers that no significant risks other than those disclosed in the section below exist. This section outlines management's current view of SCOR UK's main risks and main risk management mechanisms currently in place, categorised as follows:

- underwriting risks related to the P&C (re)insurance business;
- market risks;
- credit risks;
- liquidity risks;
- operational risks;
- strategic risks (refer to section C.7.1 – Strategic risks).

All these risks, further described in this chapter, are managed through a variety of mechanisms in SCOR Group's ERM framework.

SCOR Group's ERM framework is further described in:

- Section B.3 – Risk management system including the ORSA for a wider description of the Group 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 across the Group in order to prevent all risks from having a significant impact, there is no guarantee that these mechanisms achieve their intended objective. Many of SCOR UK's methods for managing risk and exposures are based on observed historical market behaviour, 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 SCOR UK. This information may not always be accurate, complete, up-to-date or properly evaluated.

SCOR UK 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 SCOR UK operates, such as changes in professional practices, legal, jurisdictional, regulatory, social, political, economic, financial and environmental conditions.

Emerging risks may adversely affect SCOR UK's (re)insurance business due to either a change in interpretation of the contracts leading to extensions of cover 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 the Company's business. In addition, emerging risks may also have a direct impact on SCOR UK's operations, for instance by generating unexpected additional expenses.

Therefore, SCOR UK 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 SCOR UK'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 modules in SCOR UK's capital calculation include P&C Underwriting and Reserving risk, Operational risk, Market risk, Counterparty Default risk and the Loss Absorbing Capacity of Deferred Tax. For further information on risks included in SCOR UK's capital calculation see Chapter E – Capital management.

SCOR UK is exposed to other risks not included within the Solvency II Standard Formula capital calculation 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, see Section E.2.1 – Solvency capital requirement.

C.1.2 SENSITIVITY ANALYSIS

SCOR UK has well established risk management processes in place to monitor the evolution of its risk profile and the expected impact on solvency, for instance when it considers material new initiatives. As part of its ORSA process, SCOR UK assesses the financial impact of a range of possible adverse scenarios, including combinations of severe events. This enables the resilience and sensitivity of the current and planned solvency positions to be tested and possible management actions to be identified. Bespoke sensitivity studies are conducted at the request of Management and the Board.

The minimum capital requirement that meets the regulator's solvency requirement is calculated quarterly and presented annually to the Board. In case of large movements or significant changes in the portfolio, the capital figures are stress tested and also presented to the Board. SCOR UK produces and evaluates scenarios, providing comfort that the impact of such events on SCOR UK's current solvency would be limited.

Sensitivity to underwriting risk (SCOR UK's most significant risk) is evaluated through a variety of mechanisms explained in section B.3.2.3 – Identification and assessment of risks. Through its invested assets being dominated by bonds, SCOR UK is sensitive to interest rate and spread risk.

C.2 Underwriting risks

The main risk SCOR UK faces under insurance and reinsurance contracts is that the actual amounts of claims and indemnity payments, or the timing thereof, differ from expectations. The frequency of claims, their severity, the actual payments made, the development of long-tail claims (whether they be litigated or not), and external factors such as those listed below are all beyond SCOR UK's control. Additionally, SCOR UK is dependent on the quality of underwriting of its clients for certain (re)insurance contracts and on the quality of claims management by these organisations and other data provided by them. Under these uncertainties, the Company seeks to ensure that sufficient reserves are available to cover its liabilities.

Generally, SCOR UK'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 SCOR UK'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 contract clauses) or by increasing the frequency and/or severity of claims beyond what was anticipated at the time of the underwriting.

Consistent with the Group's strategy of selective market and business division development, SCOR UK seeks to maintain a portfolio of business risks that is strategically diversified geographically, by line and class of business and over time (short and long-tail). The volatility of risks is reduced by careful business selection, implementation of underwriting guidelines, the use of reinsurance and other risk transfer arrangements and proactive claims handling as well as underwriting, claims and administration audits at client companies.

SCOR UK writes direct (re)insurance, primarily on a business-to-business basis to cover large corporate risks through the Business Solutions domain of SCOR Group's P&C division as well as joint ventures with third parties and other SCOR Group entities.

C.2.1 P&C (RE)INSURANCE

The main risks linked with the P&C (re)insurance business underwritten by SCOR UK are natural and man-made catastrophes, inadequate pricing levels in soft market environments, long tail reserve deterioration and terrorism, and other risks beyond its direct control such as systemic crisis or the cyclicity of the business.

For quantitative information on P&C underwriting risks, refer to section C.1 - Introduction and section E.1.2 – Solvency Capital Requirement.

C.2.1.1 NATURAL AND MAN-MADE CATASTROPHES

SCOR UK's property business is exposed to multiple insured losses arising from single or multiple events, which can be catastrophic, being either caused by nature (e.g. hurricane, typhoon, windstorm, flood, hail, severe winter storm, earthquake) or man-made (e.g. explosion, fire at a major industrial facility, act of terrorism). Any such catastrophic event can generate insured losses in one or several of the Company's lines of business.

Natural Catastrophes

The most material catastrophes in SCOR UK's risk profile are related to natural events, mainly tropical cyclones, windstorms, earthquakes and floods arising in North America and Europe and affecting property, engineering and possibly other lines of business.

SCOR UK manages its gross exposure to catastrophes through a comprehensive reinsurance programme.

Man-Made Catastrophes

SCOR UK is exposed to insured losses, arising from single or multiple events, which can be catastrophic, caused by the occurrence of a man-made event. The lines of business mostly exposed to man-made catastrophe are property (other than natural catastrophe), marine, casualty, credit and surety, aviation and space.

Property

Man-made catastrophes refer to negligent or deliberate human actions, e.g. conflagration, a large explosion and fire at a major industrial site, and terrorism. These events can cause great damage to property and lives. Malicious man-made events often target large cities and key landmarks such as international airports and governmental facilities.

In particular, SCOR UK is exposed to single or multiple terrorist attacks through some contracts and national terrorism pools. Terrorism exposures are monitored on a worldwide basis as a fully integrated part of the Underwriting Management Framework. Underwriting guidelines stipulate the rules and procedures for terrorism risk for specialty insurance and reinsurance.. SCOR monitors this risk using a very conservative approach.

SCOR UK's exposure to terrorism arises from participation in the protection of existing national terrorism pools and exposure from some markets that do not permit the exclusion of terrorism from insurance policies due to local regulation, such as in the US, or due to market practice. Furthermore, the US insurance market is exposed to significant risks due to the insurance obligation created by the law. However federal aid is also provided by the Terrorism Risk Insurance Programme Reauthorization Act ("TRIPRA").

Casualty

SCOR Group is also exposed to man-made casualty catastrophes whose underlying nature and key specificities can vary widely, from commonly used products (with asbestos as a typical example), mass product liability losses emanating from items produced by a single manufacturer, to a single disastrous event (e.g. Deepwater Horizon oil rig explosion).

The amount of information available on casualty catastrophes is limited. In contrast to property catastrophes, which are short term in nature (limited number of days between insured event and loss emergence) and for which reasonable estimates of the size of the loss can be calculated, most casualty catastrophes emerge gradually and the full extent of the losses is often not known for decades.

SCOR Group is engaged in the development of advanced liability catastrophe analytics, and data mining and modelling techniques for improving its prediction capabilities for man-made casualty event losses.

Property and Casualty

The extent of the loss event and the affected lines of business will vary depending on the man-made event. SCOR UK can be affected by a man-made event simultaneously in the property and the casualty lines of business, e.g. if the explosion at a large industrial site destroys the industrial facility, but also pollutes the environment, given its proximity to vulnerable landscape (e.g. river, lake), and causes property damages and bodily injuries affecting the population.

C.2.1.2 INADEQUATE PRICING

SCOR UK's business is exposed to the risk of inadequate prices in soft market environments with terms and conditions resulting in insufficient premium to cover claims costs and profitability requirements. This can arise from a variety of causes such as the application of underwriting guidelines being inconsistent with market conditions, contract wordings being misleading, pricing mechanisms not reflecting all risks adequately, adverse court decisions/developments and/or changes in the legal environment.

C.2.1.3 P&C LONG-TAIL RESERVE DETERIORATION

This is the risk that SCOR UK's reserves prove to be inadequate which could occur if P&C claims inflation is higher than assumed in the calculation of the Best Estimate Liabilities (BEL) and would mostly affect the long-tail lines of business, such as all casualty, professional liability, inherent defect and construction warranty as well as medical malpractice. Claims inflation is influenced by, but not directly linked to, general inflation.

For the Company's casualty business, the frequency and severity of claims and the related indemnification payment amounts can be affected by several factors. The most significant factors are the changing legal and regulatory environments, including changes in civil liability law and jurisprudence.

For further information on risks related to technical provisions, please see Section C.2.3 – Risks related to technical provisions.

C.2.1.4 OTHER RISKS

In addition to SCOR UK's main underwriting risks listed above, other factors could have an adverse impact, such as systemic crises, cyclicity of the business and concentration risks related to its broker business.

Systemic Crises

Historically, (re)insurers have experienced significant fluctuations in operating income due to volatile and unpredictable developments, many of which are beyond the control of the (re)insurer including general economic conditions, levels of capacity offered by the market, and the level of competition with regards to pricing. In particular, some of SCOR UK's lines of business which are directly linked to financial activities are more exposed to global economic recessions (e.g. the Global Financial Crisis): for example, specialty lines such as Credit and Surety or liability risk such as Errors & Omissions and Directors & Officers liability.

Cyclicality of the business

SCOR UK's insurance and reinsurance businesses are cyclical. The primary consequences of the market softening are a reduction in the volume of P&C (re)insurance premiums in the market, an increase in competition within the (re)insurance market, and also a preference for those operators who are most attentive to the specific needs of the clients and the most capable of meeting them.

Beyond the general trends, the premium rate cycle affects certain geographic markets and/or certain lines of business in different ways and to different extents, independently of each other.

Risk Concentrations

The accumulation of risks, such as by geographies, by lines of business or by exposure to individual events, may produce risk concentrations. Material concentration of risk in the business portfolio particularly relates to accumulation of exposures to natural catastrophes. In terms of individual events, the largest exposures are to North American earthquake and hurricane and man-made.

Concentration risks related to its broker business

SCOR UK produces its business through both brokers and direct relationships with insurance company clients. For the year ended December 31, 2018, the Company wrote approximately 88% of non-MGA gross written premiums through brokers; the Company has 5 brokers that accounted for approximately 56% of its non-MGA gross premiums (in 2017: 60%). The risk for SCOR UK is mainly the concentration of premiums written through a limited number of brokers. A significant reduction in the business generated through these brokers could potentially reduce premium volume and net income.

C.2.1.5 MANAGEMENT OF UNDERWRITING RISKS RELATED TO THE P&C BUSINESS

SCOR's P&C division, within which SCOR UK operates, is organised in order to enable it to assess and control its risks at each level of its business.

- SCOR UK establishes annual underwriting plans, both qualitative (description of the environment) and quantitative (activity budget). These plans are approved by the Board.
- Most of SCOR UK's facultative underwriters work in the Business Solutions domain of Specialty Insurance, which operates worldwide. This Business Solutions area is dedicated to large corporate businesses and is geared to providing clients with solutions for coverage of large conventional risks.
- Underwriting and pricing guidelines, defined by SCOR's P&C division, specify the underwriting capacities delegated to each underwriter in each entity, as well as the underwriting rules and principles to be complied with. These guidelines are subject to a regular review and approval process. SCOR's underwriting guidelines are more restrictive regarding certain areas with difficult or uncertain legal environments.
 - Underwriting guidelines in place within the P&C division specify (i) the underwriting rules and principles within which the Group must comply; (ii) the underwriting capacities individually delegated to the underwriters in each of the markets and lines of business in which the Group operates; as well as (iii) the relevant maximum acceptable commitments per risk and per event. They are reviewed and updated annually by the Group's Underwriting Management and approved by the Chief Executive Officer and Chief Risk Officer of SCOR's P&C division.
 - Pricing guidelines and parameters apply to all business priced within the P&C division. There are additional guidelines related to Natural Catastrophes and others specific to certain products which include Agriculture and Credit & Surety. These guidelines seek to ensure that the analyses provide: (i) a best estimate; (ii) assistance with underwriting decisions; and (iii) the suitable outputs needed for the risk management process, in particular the internal model, such as probability distributions for losses/Net Present Value (NPV), cash flow patterns for premium/losses, etc. They are set to provide consistency and continuity across the organisation but also to take into account differences between markets and lines of business as well as the geographical location of the client and the risks insured. Parameters are revised at least once a year to consider, as the case may be, changing market conditions and environment. Contracts that meet certain risk thresholds are subject to mandatory peer reviews that have to be performed and documented before pricing is completed. SCOR P&C's division uses a data system that allows management to monitor and receive the results from pricing tools.

- The underwriting teams are supported by P&C division's Underwriting Management. This function provides worldwide treaty and facultative underwriting guidelines, policies regarding the delegation of capacity, underwriting support to specific lines of business or individual risks when required, ceding company portfolio analysis and risk surveys and is responsible for the monitoring and referral of non-standard business and for authorising exceptions to the underwriting guidelines.
- Business opportunities going beyond the stipulations of the guidelines previously defined are subject to special referral procedures at two levels: by Underwriting Management and, where applicable, by Legal and/or the Finance and for cases which may have a significant impact on the balance sheet (thresholds and/or conditions defined in a procedure or specific guidelines) by Group Risk Management.
- P&C division's Actuarial Pricing is responsible for the pricing of reinsurance business, which is done by individual treaty. Guidelines, methods and tools are set and maintained at the global level which are used by the pricing teams across the SCOR offices. Delegation authorities specify criteria under which the underwriters may price certain contracts still subject to the use of the Pricing Guidelines and tools. Pricing results quantify expected underwriting statistics (such as loss and expense ratios), volatility measures, and profitability measures (such as NPV, Return on Risk Adjusted Capital (RORAC), and Profit Excess Targets). The results are also used as criteria for referrals within Underwriting. Pricing actuaries team up with underwriters and modelers by market or by line of business.
- Risk Modelling & Global Natural Hazards is responsible for monitoring accumulations. A "CAT" sub-group of the P&C Risk & Capital Committee meets regularly to review accumulations and decide on or arbitrate the allocation of CAT capacities by country. Earthquake and storm risk gross exposures are measured using proprietary external models from industry-leading catastrophe model suppliers, including Risk Management Solutions RiskLink® ("RMS") and AIR Worldwide Catrader® ("AIR"). These tools enable the Group to quantify its exposure in terms of a probable maximum loss ("PML") at various levels of probability for each peril and geographic location. The overall aggregate annual PML per peril, allowing for potential multiple events, provides the information required to determine the level of reinsurance and other alternative risk transfer solutions that are needed to ensure that the net aggregate exposure is optimised for the Group's risk appetite and remains within predefined tolerance limits.
- In order to mitigate its property exposure, SCOR UK reinsures a portion of the risks it underwrites. See Section C.2.4 – Retrocession and other risk mitigation techniques for further information.
- The claims handling function is performed by the claims teams, which review, process and monitor reported claims. P&C division's Claims & Commutations is responsible for the implementation and overview of the overall claims handling and commutation management policy for SCOR UK. It implements worldwide control and reporting procedures and manages commutation of portfolios and commitments. It supports and controls the day-to-day activity and takes over the direct management of large, litigious, serial and latent claims. In addition, periodic audits are conducted on specific claims and lines of business, and claims processing and procedures are examined at client offices with the aim of evaluating their claims adjustment process, valuation of case reserves and overall performance. When needed, recommendations are given to underwriters and local management.
- The adequacy of SCOR UK technical provisions is controlled based on specific procedures. For further information on how risks related to technical provisions are managed, see Section C.2.2 – Risks related to technical provisions.
- Risks specific to the administration of contracts are subject to checks performed at the subsidiary and branch level. SCOR's Group Information System includes multiple automatic checks and additional tools.
- A quarterly review of technical results is performed by business area (Reinsurance, Specialty Insurance, Business Ventures and Partnerships) and region. The review enables the analysis of technical results by underwriting year, by nature and by line of business.
- SCOR UK's Risk Management is a major contributor to the Company's quarterly Risk and Compliance Committee meetings, responsible for overseeing and guiding the identification, management and monitoring of risks and defined mitigation actions with the Company's management.
- Cross-reviews are conducted by P&C division's Risk Management department to assess the quality of underwriting, pricing and claims handling of particular business units or particular lines of business, to identify and assess risks, to evaluate the appropriateness and effectiveness of controls and to propose risk-management measures, including mitigating actions.

C.2.2 RISKS RELATED TO TECHNICAL PROVISIONS

SCOR UK's technical provisions are established based on the information it receives from insurance clients and ceding companies, including their own assessments, as well as on the basis of the Company's knowledge of the risks, the studies it conducts and the trends it observes on a regular basis. As part of the technical provisions process, SCOR UK reviews

available historical data and tries to anticipate the impact of various factors such as change in laws and regulations, judicial decisions, social and political attitudes, and changes in general economic conditions.

If some information were to be incorrect and/or incomplete, this could have an adverse effect on the Company. Despite the audits it carries out on the companies with which it does business, SCOR UK is still dependent on clients' own reserves assessments.

As is the case for all other (re)insurers, the inherent uncertainties in estimating technical provisions 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 lead primary insurer and ultimately to the other (re)insurers.

Another factor of uncertainty resides in the fact that some of SCOR UK's activities are long-tail in nature such as general liability or medical malpractice. It has, in the past, been necessary for SCOR UK to revise estimated potential loss exposure on such lines of business.

C.2.2.1 MANAGEMENT OF TECHNICAL PROVISION RISKS

With regards to technical provisions risk, SCOR UK seeks high confidence in reserving adequacy based on the implementation of group-wide 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.

Around its technical provisions risk, SCOR UK has put in place a strict and robust corporate governance structure with transparent decision processes and four levels of control – SCOR UK Reserving, SCOR P&C Chief Reserving Actuary to assure appropriateness in the reserving methods and parameters used and to enhance reserving governance, the Group Chief Actuary (in charge of the independent validation and testing of reserving tools, workflows, assumptions and processes) and external consultants when required.

All these processes and controls tend to minimise the risk of inadequate technical provisions.

Solvency II Technical Provisions

The Solvency II technical provisions, are composed of Best Estimate Liabilities (BEL) and the Risk Margin. The Group Actuarial Function coordinates the calculation of technical provisions across the Group. It relies upon the existing processes and controls described in the Group's Actuarial Function Report (AFR). SCOR UK's processes and controls around technical provisions and its AFR are aligned with SCOR Group's. The AFR provides evidence that the duties of the Actuarial Function are being fulfilled, which are specifically to:

- coordinate the calculation of the 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;
- oversee the calculation of technical provisions in the cases set out in Article 82 of the Solvency II Directive;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions.

For further information on how technical provisions are valued, see Chapter D – Valuation for solvency purposes D.2 – Technical provisions.

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

- Externally audited IFRS reserves (loss reserves and undiscounted IBNR) are the starting point for calculating the Solvency II technical provisions (before discounting). Thereafter, the adjustments made to move from IFRS reserves to the Solvency II technical provisions are reviewed internally and across functions according to the area of expertise of the appropriate stakeholders (P&C division, Finance function, Actuarial Function Holder).
- SCOR UK's risk margin is calculated by the Company's Risk Management function (based on the Standard Formula solvency capital requirement calculation), and is subject to review and validation by SCOR UK's Actuarial Function Holder.

For further information on how the Actuarial Function contributes to the effective implementation of the risk management system, see section B.6 – Actuarial function.

C.2.3 REINSURANCE AND OTHER RISK MITIGATION TECHNIQUES

As SCOR UK transfers a portion of its exposure to certain risks to other reinsurers through reinsurance arrangements, its results may be impacted by the inability of the Company's reinsurers to meet their obligations. Under such reinsurance cover, the Company is still liable for those transferred risks if the reinsurer cannot meet its obligations. Therefore, the

inability of the Company's reinsurers to meet their financial obligations could materially affect the Company's operating income and financial position.

In addition to facultative reinsurance arranged for some large accounts, the reinsurance protection programme is selected each year to ensure that SCOR UK's retained risk profile respects the Company's specific risk appetite framework and to help the Company achieve its return on capital and solvency objectives including use of proportional and non-proportional covers and negotiation of reinstatement conditions. The risks faced by SCOR UK through its reinsurance arrangements are minimised via use of highly rated reinsurance arrangements, including all treaty protection purchased internally within the SCOR Group which in turn has organised a Capital Shield Strategy which aims at protecting the group capital base with the use of diversified external retrocessions and risk mitigation instruments.

For further information on how credit risk related to reinsurers is managed, see section C.4.1.2 – Credit risk related to reinsured liabilities.

C.3 Market risks

C.3.1 OVERVIEW OF MARKET RISKS

Market risk is the risk that the fair value or 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, to which SCOR UK is exposed through its investments. Market risk also includes credit spread risk on the invested assets. For further information on credit risk, see to section C.4 - Credit risks.

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

For quantitative information on market risk on SCOR UK's invested assets, see section C.1 – Introduction and section E.1.2 – Solvency Capital Requirement. The presentation of SCOR UK's assets giving rise to market and credit risks is provided in section D.1 – Assets.

C.3.1.1 INTEREST RATE RISKS

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 SCOR UK's fixed income investments as well 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 SCOR UK to cash flow interest rate risk, whereas fixed interest rate instruments expose SCOR UK to fair value 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 actions.

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 SCOR UK's return on equity objectives are not met. In addition, during periods of declining interest rates, fixed income securities are more likely to be redeemed early in cases where bond issuers benefit from an early redemption option and can borrow at lower interest rates. Consequently, the probability of needing 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 SCOR UK holds. In the case of a need for cash, SCOR UK may be obliged to sell fixed income securities, possibly resulting in capital losses.

SCOR UK's (re)insurance business may also be exposed to interest rate risk. The value of long-term liabilities, the risk margin and deposits with clients are also subject to discounting. The discounting impact from a change in interest rates on assets and liabilities will offset to some extent.

Finally, the interest rate risk depends on the duration mismatch between assets and liabilities. As such, changes in interest rates can affect the Eligible Own Funds, the Solvency Capital Requirement and the Solvency Ratio of the Company.

C.3.1.2 CURRENCY RISKS

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 SCOR UK's assets (e.g. through direct investments in assets denominated in various currencies) and liabilities (e.g. (re)insurance contracts with liabilities denominated in specific currencies). The following type of foreign exchange risk has been identified by SCOR UK:

Translation risk

SCOR UK publishes its financial statements in Sterling, but a significant part of its income and expenses, as well as of its assets and liabilities, are denominated in currencies other than Sterling. Consequently, fluctuations in the exchange rates used to convert these currencies into Sterling may have a significant impact on its reported net income and net equity from year to year.

C.3.1.3 EQUITY INVESTMENT RISKS

Equity investment prices are likely to be affected by risks which affect the market as a whole (uncertainty on economic conditions in general, such as anticipated changes in growth, inflation, interest rate fluctuations, sovereign risk, etc.) and/or by risks which influence a single asset or a small number of assets (specific or idiosyncratic risk). This may lead to a decrease in prices of the equity held by SCOR UK and may impact its unrealised gains and losses. A material or long-lasting decline in the prices of equity holdings may also result in the impairment of its equity portfolio which would affect its net income.

The Company's exposure to the equity market is very limited.

C.3.1.4 CREDIT SPREAD RISKS

Credit spread risk on invested assets is the risk of incurring a financial loss arising from the change in market assessment of the counterparty risk of the financial instruments or counterparties. Credit spread variations could have a direct impact on the market value of fixed-income securities and loans.

C.3.2 MANAGEMENT OF MARKET RISKS**C.3.2.1 OVERVIEW OF RISK MANAGEMENT OF ASSETS**

The Group's and SCOR UK's investment strategies are prudent with the majority of assets held in cash and fixed income securities. They are defined in line with risk appetites and risk tolerance limits and consider the economic and market environment and the ALM process.

Investment Guidelines at Group and local levels, including SCOR UK, outline the investment universe and limits, including concentration limits, in line with the objectives of the strategic plan. They are approved by the Group Board/local Boards or top management.

SCOR, has outsourced the implementation of its investment strategy to its asset management company "SCOR Investment Partners SE" and to external asset managers. They are provided with the Company's Investment Guidelines, approved by the Company's Board.

Exposures to major risks is monitored at least on a weekly basis and sensitivity analyses measure the impact of changes in risk drivers on the invested assets portfolio. Analysing portfolio sensitivity analysis to major risks is an important management tool which is used when making portfolio reallocation or hedging decisions.

In currency and geographic terms, SCOR UK is heavily exposed to USD denominated assets. SCOR UK's investment portfolio is risk averse as a result of the Company's decision to focus on underwriting risks and limit other risks such as market risk. The invested assets portfolio is significantly invested in bonds and with a spread by country and currency that is appropriate to the underlying business. For more information on the principles applied to invest the assets in a prudent manner, see section B.2.3.4 – Main control activities – Asset Management.

C.3.2.2 MANAGEMENT OF INTEREST RATE RISKS

Interest rate risk is managed from a holistic point of view. SCOR UK monitors the interest rate sensitivity in the Economic Balance Sheet (EBS). Regular monitoring enables the exposure to be compared with the risk tolerance limit.

SCOR UK'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 RISKS

From an economic perspective, SCOR UK does not hedge its Eligible Own Funds. However, on an economic basis an appreciation (depreciation) of Sterling against other currencies to which the Company is exposed would result in a reduction (an increase) in both SCR and Eligible Own Funds, as the currency split of the Company's Eligible Own Funds is broadly in line with the currency split of the SCR.

From an IFRS perspective, SCOR UK 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 future hedges.

C.3.2.4 MANAGEMENT OF EQUITY INVESTMENT RISKS

SCOR UK's limited exposure to equity risk is predominately indirect through diversified mutual funds that underlying funds withheld by clients.

C.3.2.5 MANAGEMENT OF CREDIT SPREAD RISKS

At the heart of credit risk management, SCOR UK analyses its portfolio at a granular level. The Company applies 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). The application of these limits also helps to mitigate the credit default risk arising from investments.

C.4 Credit risks

For quantitative information on credit risk, see section C.1 – Introduction and section E.1.2 - Solvency Capital Requirement. The presentation of SCOR UK's assets giving rise to market and credit risks is provided in section D.1 – Assets.

C.4.1 OVERVIEW OF CREDIT RISKS

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

This includes credit 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 unexpectedly failing to discharge, either partially or fully, an obligation. Credit risk also includes credit migration risk, which is the risk of incurring a financial loss due to a change in the value of a contractual agreement following unexpected changes in the credit quality of counterparties.

SCOR UK 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 and loan portfolios, receivables from reinsurers, funds withheld by clients, cash deposits at banks and default of pool members. SCOR UK is exposed to credit risk through its Credit and Surety (re)insurance portfolio.

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.7.3 – Significant risk concentrations.

C.4.1.1 CREDIT RISK RELATED TO BOND AND LOAN PORTFOLIOS

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

This risk would apply also to loan transactions in which the Company might invest. The borrower's solvency deterioration may lead to a partial or total loss of the coupons and the nominal invested by SCOR UK.

C.4.1.2 CREDIT RISK RELATED TO REINSURED LIABILITIES

SCOR UK transfers part of its risks to reinsurance programmes in exchange for the payment of premiums. The reinsurers then assume the losses related to claims covered by the reinsurance contracts. In the event of a reinsurer defaulting, or its financial situation deteriorating, SCOR UK could lose part or all of the coverage provided by a reinsurer whereas the Company would retain its liability to the insured for the payment of all claims covered under the underlying (re)insurance contract.

Moreover, the Company is exposed to a credit risk in the event of a payment default by the reinsurer of the balance due in respect of its cession, including through timing differences between statement of accounts received and real payment due.

C.4.1.3 CREDIT RISK RELATED TO FUNDS WITHHELD BY CLIENTS

SCOR UK participates in several material business ventures, both for "live" business and run-off business. The Company has exposure to the liabilities generated by these business ventures (see insurance risk) as well as the funds withheld as part of the operating set-up of these business ventures. In the event of a client default or a deterioration in its finance situation it is, at least in principle, possible that the Company may remain liable for paying claims due without being able to offset all or part of the corresponding deposits.

C.4.1.4 CREDIT RISK RELATED TO CASH DEPOSITS AT BANKS

SCOR UK is exposed to the risk of losing all or part of any cash deposited with a bank in the event such a bank is no longer able, due to insolvency, to honour its commitments (e.g. following liquidation). The current main risk for SCOR UK 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.4.1.5 OTHER CREDIT RISKS

Default of pool members

SCOR UK participates, for certain risk categories that are material (particularly terrorist risks), in various market dedicated groups of insurers, reinsurers or other member “pools” aimed at pooling the relevant risks among the members of each group and which offer best available expertise and risk sharing at market level. In the event of a total or partial default by one of the members of a group, the Company could be required to assume, in the event of joint liability of the members, all or part of the liabilities of the defaulting member.

C.4.2 MANAGEMENT OF CREDIT RISKS

Management of credit risk related to bond and loan portfolios

SCOR UK mitigates the credit risks related to bond and loan portfolios by careful analysis and selection of issuers, and by a policy of geographic and sector diversification. The Company maintains its investment policy in high-quality assets and in countries with the lowest sovereign debt.

Exposure analyses are performed on a regular basis (sector, geographical area, counterparty and rating) and this enables critical risks to be identified and evaluated in order to take appropriate actions.

Management of credit risk related to reinsured liabilities

Following SCOR Group policy the majority of the reinsurers that SCOR UK cedes business to are affiliated entities. The Company assesses this exposure on a regular basis, with the reinsurance programmes being ratified by the Board on an annual basis. The Company also has the benefit of a segregated trust fund arrangement supporting the exposure of its most material intra-group reinsurance contract.

Management of credit risk related to funds withheld by clients

With regards to the material “live” business ventures, senior management within SCOR UK has direct access to the management of the business ventures. This access is used to monitor the operations and financial performance of the business venture and hence the security of the funds withheld. In one longstanding case a Senior Group Underwriting manager, with expertise in the relevant business, has a seat on the Board of the business venture.

For the business venture in run-off annual claims audits and actuarial reserving meetings take place to monitor the operations and financial performance of the business venture, and hence the security of the funds withheld.

SCOR UK favours deposit arrangements with the ability to off-set liabilities against deposits with high legal certainty. Deposits with clients are monitored regularly.

Management of credit risk related to cash deposits at banks

SCOR UK selects bank counterparties according to their rating and credit quality. Concentration risk from cash deposits at banks is mitigated through counterparty exposure limits set by the EMEA Hub. SCOR UK takes into consideration the public assistance (e.g. loans, guarantees of deposits, nationalisations) 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 risk.

Management of credit risks related to default of pool members

In the event of joint liability of the members in pools in which SCOR UK participates, the risk of default of other pool members is carefully monitored by SCOR UK:

- through its appointment of directors and via the participation of senior management in dedicated committees such as Audit and Risk Committees and Technical Committees, for the pools in which SCOR UK’s participation is the most significant; and
- via the careful consideration of the financial situation of other pool members. This contributes to the application of sound and robust governance.

C.5 Liquidity risks

C.5.1 OVERVIEW OF LIQUIDITY RISKS

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

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

C.5.1.1 LIQUIDITY NEEDS

SCOR UK needs liquidity to pay claims, operating expenses, interest payments and redemptions on its debts and 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.

C.5.1.2 SOURCES OF LIQUIDITY

The principal internal sources of SCOR UK's liquidity are (re)insurance premiums, cash flows from its investment portfolio and other assets, consisting mainly of cash or assets that are readily convertible into cash. SCOR UK's ability to access sources of liquidity may be subject to adverse capital and credit market conditions. Liquidity risks are increased when capital and credit markets experience extreme volatility or disruption, as SCOR UK may need to sell a significant portion of its assets quickly and on unfavourable terms, particularly, if current internal resources do not satisfy its liquidity needs.

C.5.2 MANAGEMENT OF LIQUIDITY RISKS

Liquidity risk is monitored across SCOR UK, nevertheless following all the mechanisms in place, SCOR UK assesses its risk level as very low due to:

- the majority of investment holdings being readily realisable;
- the Group's European cash pooling facility of which the Company is a member will give immediate access to liquidity;
- the nature of the insurance portfolio is cash generative;
- internal reinsurance contracts arranged with SCOR Group allow advance cash calls to be made should they be necessary; and
- the Company has an overdraft facility with a major bank.

C.5.3 EXPECTED PROFITS INCLUDED IN FUTURE PREMIUMS

SCOR UK's expected profit included in future premiums (EPIFP) as at year end 2018 amounts to GBP 37 million. EPIFP results are produced by SCOR UK 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

SCOR UK's operational risks are aligned with those of the Group, as described in Section C.6.1 – Overview of operational risks in the SCOR Group's SFCR at www.scor.com.

For quantitative information on operational risk, see section C.1 – Introduction and Chapter E section 1.2 Solvency Capital Requirement. Operational risks are inherent to all businesses including SCOR UK. Operational losses may be split into four broad categories: risks related to staff, systems or facilities, processes or external events.

The largest operational risk, as seen by SCOR UK management, is the Group risk and in particular the financial contagion risk from the deterioration of another Group company. SCOR UK monitors this risk by reviewing intra-group reinsurance and liquidity exposures and with Board oversight via shared governance with the P&C Division and SCOR Group. Nevertheless, this remains one of the largest residual risks in SCOR UK's risk register.

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 SCOR UK having authorised access to the Company's offices or systems or taking advantage of SCOR UK'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 SCOR 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 or facilities can arise as follows:

- a malfunction or a major breakdown in SCOR's IT systems, outages, disruptions due to viruses, attacks by hackers and thefts or data breaches. This can occur within SCOR's own environment or to a third party providing services or data to SCOR;
- interruption of any of SCOR's 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 Group'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 SCOR 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.

Through centrally provided SCOR Group services, the above could impact SCOR UK.

C.6.1.3 RISKS RELATED TO PROCESSES

SCOR UK'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 business venture or development of a new line of business may lead to an accumulation of operational risks.

Since SCOR UK 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 the Company to its clients or a breach of contract may lead to a loss of profitable business relationships.

In addition, SCOR UK 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 unfavourable outcome.

Some of SCOR UK's processes are partially or fully outsourced. 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 SCOR UK, please see section C.7.1.3. – Risks related to legal and regulatory development in the SCOR Group's SFCR at www.scor.com.

C.6.1.4 RISKS RELATED TO EXTERNAL RISKS

SCOR UK may be exposed to an unfavourable business environment such as evolving or additional regulatory constraints potentially hindering its business model.

Legal and regulatory risk in SCOR UK's operating environment

As an international (re)insurer, SCOR UK must comply with national and international laws, regulations and accounting standards. This includes all applicable economic sanctions, programs relating to anti-corruption, anti-money laundering, in addition to anti-terrorism laws, and laws and regulations applicable to its operations. Laws and regulations applicable to some of SCOR UK's operations refer *inter alia* to the economic trade sanctions laws and regulations administered by the United States Department of the Treasury's Office of Foreign Assets Control (OFAC) and to certain laws administered by the United States Department of State. They also refer to applicable economic trade sanctions laws, regulations and directives of the European Union and its member states. Other directives with which SCOR UK complies apply to anti-money laundering, corruption, terrorism financing and insider trading (e.g. the European Regulation of April 2014 on market abuses). Regarding anti-corruption laws and regulations, SCOR UK must comply with the Foreign Corrupt Practices Act (FCPA) and other laws such as the UK Bribery Act, that bar corrupt payments or unreasonable gifts to foreign governments or officials. Additionally, SCOR UK complies with regulatory requirements regarding data management (both SCOR UK's data and that of its clients), in particular the General Data Protection Regulation (GDPR). Any breach to these requirements could lead to regulatory sanctions, expose SCOR UK to legal proceedings from clients and generate reputational damage.

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) and the location. The large number of different regulatory environments in which SCOR operates, as well as changes in present and future regulations, increase the complexity of the related Group processes. Any violation of laws, regulations or accounting requirements could expose SCOR to fines, class actions with compensation payments, accounts restatements or business restrictions.

Following Brexit, the direct P&C insurance activities for European Economic Area (EEA) clients currently carried by SCOR UK will be carried in the future by SCOR Europe SE, a legal entity based in France, as insurers based in the United Kingdom will lose their European passport.

SCOR might change its operational business model in order to improve efficiency (e.g. through restructuring) and this could result in an increase in the operational risks to which the Group and hence its legal entities including SCOR UK is exposed.

Other risks related to external events

SCOR UK is also exposed to external fraud which is characterised by the theft of certain Company assets by third parties. External frauds may be perpetrated by various means including cyber-attacks and usually target cash, or data. Such attacks could be driven either by people external to SCOR, or could require involuntary intervention from personnel having access to SCOR's IT systems. Should a cyber attack succeed in bypassing the controls, or protection measures in place, this could generate a direct loss for the Group.

SCOR UK 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 SCOR's regulatory or contractual obligations.

Any of these could generate a reputational risk, give rise to a breach of SCOR UK'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

SCOR UK relies upon the organisation defined within the Group. The two main principles driving SCOR Group's operational risk management approach are:

- exhaustiveness: ensure that a complete and exhaustive identification of all risks within the Group 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, the Group 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. 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.

At Group level, experienced staff members collect relevant information and analyses on operational risks, on a qualitative and quantitative basis. When relevant, they develop key indicators, with support from the Group Risk Management Department. The Group has also implemented regular risk reporting mechanisms in order to provide for an overview of operational risks across the Group.

At legal entity level, depending on local requirements, specific operational risk management processes are implemented, where relevant.

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 SCOR 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, SCOR frequently adapts its risk management, for example by organising specific training programs and sending regular warnings and detailed instructions to its employees.

Some of the previously mentioned operational risks are transferred in whole or in part to direct insurers as follows:

- the properties and other assets of SCOR and its subsidiaries are covered locally through property damage policies;
- risks which are mostly covered at Group level include civil liability risks related to the operation of the company caused by employees and real estate, professional liability risks, civil liability risks of directors and officers, and cyber risks.

Nevertheless, these insurance covers could prove to be insufficient and some losses could fall into the scope of the exclusion clauses (or interpreted as such by the insurance company).

SCOR UK leverages on processes and practices implemented at SCOR Group level and aims to minimise its own operational risk, which is intrinsic in the conduct of business and cannot be completely avoided. The Company has in place a risk register with corresponding processes and controls to mitigate such risks. The risk register considers many types of operational risk and it is reviewed regularly during Risk & Compliance Committee meetings.

C.7 Other material risks

C.7.1 STRATEGIC RISKS

SCOR UK is exposed to similar strategic risks as SCOR Group through its underwriting and investment activities. For further details refer to section C.7.1 – Strategic risk of the SCOR Group SFCR at www.scor.com.

C.7.2 OTHER MATERIAL RISKS AT SCOR UK LEVEL

C.7.2.1 STRATEGIC RISKS

External factors

Economic, geopolitical and financial uncertainty has been affecting the market for the past several years. In recent years increased political uncertainty has been observed, notably in countries where SCOR UK has exposures such as the UK, US and Continental Europe. Political uncertainty could impact SCOR UK in a number of ways, including through market volatility and changes in the legal and regulatory environments in which the Company operates. In certain circumstances these political events can unfold quickly and unexpectedly and so are difficult to adequately anticipate. Sustained signs of higher inflation expectations are emerging in key markets. Although higher inflation may develop, which might be positive for SCOR UK's investment returns, this could adversely influence claims inflation if claims inflation follows the increased pattern of general inflation. Despite recent increases in yields, there remains a risk of continued low interest rates in continental Europe.

There is considerable political uncertainty in the UK regarding the UK's withdrawal from the EU (commonly referred to as "Brexit"). See section A.1.2.2 – Significant business and other events in the period.

The traditional (re)insurance industry has been experiencing a sustained period of stronger competition with alternative capital markets, such as cat bonds due to their increased popularity in a period of low interest rate returns on investments. Over an extensive period relatively benign to major natural catastrophes market conditions remain challenging with ongoing soft rates and abundant capacity even after the severe market losses of caused by natural catastrophes in the second half of 2017.

Risk selection and long term relationships are crucial and SCOR UK has been successful in establishing these necessary relationships. Future challenges include SCOR UK's capacity to reengineer its participations in order to improve the overall book and acquire clients looking at long-term partnerships, particularly in light of the potential outcome of Brexit negotiations.

Structure Risks

In terms of the structure risks, SCOR UK is exposed to risk related to participation in new business ventures. SCOR UK limits such risks by involving multi-disciplinary project teams for each material potential target and seeking Board approval.

Risks related to acquisitions

Acquisitions are managed at SCOR Group level, in coordination with each division depending on the size of the operation or the lines of business concerned. SCOR Group acquisitions may impact SCOR UK, either directly (by participating in the financing of the acquisition or taking on all or parts of the acquired business) or indirectly (by entering risk-sharing or retrocession agreements with other SCOR affiliates directly impacted by the acquisition).

Risks related to capital

SCOR UK is able to access capital through the SCOR Group. As a legal entity it may be exposed to the risk of increased local regulatory constraints.

C.7.3 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 SCOR UK's exposure to catastrophes and how these risks are managed, see section C.2.1 – P&C (re)insurance;
- market risks, in particular in case of major events impacting specific types of assets to which SCOR UK is exposed. For further information on market risks and how they are managed, see section C.3 – Market risks;
- credit risks, in case of major events impacting certain types of counterparties or certain individual counterparties to which SCOR UK is exposed. For further information on credit risks and how they are managed, see section C.4 – Credit risks.

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

C.7.3.1 OVERVIEW OF CURRENT RISK CONCENTRATIONS

SCOR UK aims to preserve a high level of diversification throughout its activities, while controlling exposure concentrations to a single counterparty, type of asset, geographical area or industry sector. Risk concentrations are monitored to ensure they remain in line with risk tolerances, i.e. below the limits set out in order to ensure that the Company's risk profile remains aligned with its risk appetite framework. The definition of the risk appetite framework aims to strike an appropriate balance between risk, capital adequacy and return, while respecting SCOR UK's key stakeholders' expectations. For further information on the risk appetite framework and risk tolerances, see section B.3.1 – Risk appetite framework. Losses arising from such risk concentrations may also significantly increase SCOR UK's liquidity needs. SCOR UK assesses liquidity risks arising from a deviation from its liquidity needs. For further information on these risks and how they are managed, see section C.5 – Liquidity risks.

C.8 Any other information

No other material information is reported regarding SCOR UK's risk profile other than presented above in section C.1 – introduction to C.7 – Other material risks.

D. VALUATION FOR SOLVENCY PURPOSES

Solvency II requires SCOR UK 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 recognised at market-consistent values which constitute the valuation for solvency purposes. SCOR UK's EBS as at December 31, 2018 has been prepared based on the assumption that the Company will continue as a going concern, this is in line with the preparation of the financial statements. SCOR UK prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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 captions for which SCOR UK uses estimates and assumptions are reinsurance reserves, receivables and liabilities relating to (re)insurance operations, the fair value and impairment of financial instruments, and deferred taxes.

The EBS for SCOR UK is presented in Appendix 1. The relevant extracts of the EBS are included at the beginning of each of the following sections.

D.1 Assets

The table below presents the assets of SCOR UK as in the EBS together with references to the relevant sections within this chapter explaining the valuation basis and methods used for Solvency II purposes. There have been no changes made to the recognition and valuation bases used or to estimations during the reporting period.

Tab.01 - Assets

SCOR UK Assets as at December 31, 2018 in GBP thousands	EBS Solvency II	Section
Deferred tax assets	22	D.1.3
Property, plant and equipment held for own use	1	
Investments	408,925	
Equities	10	D.1.1
Bonds	408,915	D.1.1
Loans and mortgages	168	D.1.4
Other loans and mortgages	168	
Reinsurance recoverables	611,322	D.1.2
Non-Life and Health similar to Non-Life	611,322	
Non-Life excluding Health	611,322	
Deposits to cedents	19,124	D.1.2
Insurance and intermediaries receivables	15,767	D.1.2
Reinsurance receivables	47,723	D.1.2
Receivables (trade, not insurance)	267	D.1.4
Cash and cash equivalents	28,026	D.1.1
TOTAL ASSETS	1,131,345	

D.1.1 CASH AND INVESTMENTS, OTHER THAN PROPERTY AND PARTICIPATIONS

SCOR UK in GBP thousands	As at December 31, 2018		
	EBS	Statutory IFRS	Difference
Equities	10	10	-
Bonds	408,915	408,915	-
Cash	28,026	28,027	(1)
Total investments and cash	436,951	436,952	(1)

Valuation for solvency purposes

Investments in the EBS include financial assets such as bonds, (corporate bonds, government bonds, collateralised securities), derivatives, deposits, other investments and cash. SCOR UK does not hold any assets in index-linked or unit-linked funds.

The economic value of financial assets that are traded in an active financial markets 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 government, covered and agency bonds, corporate bonds, as well as short term investments. For 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.

As SCOR UK is responsible for determining the economic value of its investments, regular analysis is performed to check whether prices received from third parties are reasonable estimates of market value.

The analysis includes: (i) a review of price changes made in the investment management systems; (ii) a regular review of pricing deviations between dates exceeding predefined pricing thresholds per investment categories; and (iii) a review and approval of extraordinary valuation changes noted.

SCOR UK may conclude prices received from third parties are not reflective of current market conditions. In those instances, SCOR UK may request additional pricing quotes or apply internally developed valuations. Similarly, SCOR UK may value certain derivative investments using internal valuation techniques based on observable market data.

Equities

For unlisted equity instruments, the economic value is determined according to commonly used valuation techniques.

Bonds (government, corporate, structured notes, collateralised securities)

Structured products, other than securities issued by government agencies for which the market is considered active, hybrid and tier 1 and tier 2 corporate debt, private placements, inflation linked government assimilated bonds, specific and alternative investments are valued based on models prepared by internal and external experts using observable market inputs.

Cash and cash equivalents

SCOR UK 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 date of purchase or deposit.

Comparison with valuation in financial statements

The method of valuation applied to financial assets in the Solvency II EBS does not differ from IFRS. The difference between the value of equities and other investments in the EBS and the financial statements is attributable to reclassifications on other line items.

For further details on IFRS balances and valuation methods applied to investments, please refer to the following notes in the SCOR UK Audited Financial Statements 2018: Note 1 Accounting Policies – D Financial Instruments.

D.1.2 INSURANCE TECHNICAL ASSETS

SCOR UK in GBP thousands	As at December 31, 2018		
	EBS	Statutory IFRS	Difference
Deferred acquisition costs (DAC)	-	31,248	(31,248)
Reinsurance recoverables	611,322	821,938	(210,616)
<i>Non-Life</i>	611,322	821,938	(210,616)
<i>Life</i>	-	-	-
Deposits to cedents	19,124	19,124	-
Insurance and intermediaries receivables	15,767	225,250	(209,483)
Reinsurance receivables	47,723	44,234	3,489
Total insurance technical assets	693,936	1,141,794	(447,858)

Valuation for solvency purposes

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

In the EBS assumed and ceded technical provisions are recognised in line with Solvency II methodology (see section D.2 Technical provisions). The calculation of Solvency II best estimate liabilities and risk margin considers all cash flow projections related to existing insurance and reinsurance contracts, including premiums, benefits and expenses 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 recognised in the EBS. Reimbursements of initial incurred acquisition costs are included in future premiums 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 in respect of SCOR UK's reinsurance contracts.

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 reinsured 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 clients as collateral for SCOR UK's (re)insurance commitments. 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. This type of fund is adjusted to match the corresponding liabilities.

Insurance and intermediaries receivables

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

Comparison with valuation in 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 recognised separately in the EBS. The same principles apply to reinsurance operations through the assessment of reinsurance recoverables. Adjustments to the value of deposits to cedents are calculated consistently with the adjustments to best estimate liabilities.

For further details on IFRS balances and valuation methods applied to insurance technical assets, please refer to the following notes in the SCOR UK Audited Financial Statements 2018: Note 1 Accounting Policies – F Insurance Contracts.

D.1.3 DEFERRED TAX ASSETS

SCOR UK in GBP thousands	As at December 31, 2018		
	EBS	Statutory IFRS	Difference
Deferred tax assets	22	22	-
Deferred tax liabilities	(877)	(235)	(642)
Net deferred tax (liabilities) / assets	(855)	(213)	(642)

Valuation for solvency purposes

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

The main temporary differences arise from the equalisation reserve, change in technical provisions and risk margin and unrealized losses carried forward.

Deferred tax assets are recognised on net operating losses, carried back when a carry-back claim is available and carried forward to the extent that it is probable that future taxable income will be available against which they can be offset. Management makes assumptions and estimates related to income projections to determine the availability of sufficient future taxable income. Business plans include assessments of gross and net premium expectations, expected loss ratios and expected general expenses ratios, together with actuarial assumptions. To the extent that net operating losses carried forward cannot be utilised or expire, deferred income tax expenses may be recorded in the future.

Deferred tax assets and liabilities are assessed at the tax rate applicable in the fiscal year in which the asset will be realised or the liability settled, based on the tax rates (and tax regulations) that have been enacted or substantially enacted at the reporting date.

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

Deferred tax assets that are recorded in the IFRS financial statements in accordance with IAS 12 Income Taxes are retained on the EBS.

Comparison with valuation in financial statements

Measurement of deferred taxes for 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 recognised in the EBS and their values recognised 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 EBS the appropriate deferred tax effect of all adjustments between IFRS balance sheet and EBS is recognised using the applicable local tax rates. Deferred tax balances are adjusted for the impacts of the differences between the IFRS and Solvency II valuation basis – the main difference being driven by revaluation of technical balances.

D.1.4 OTHER ASSETS

SCOR UK in GBP thousands	As at December 31, 2018		
	EBS	Statutory IFRS	Difference
Loans and mortgages	168	168	-
Receivables (trade, not insurance)	267	267	-
Any other assets	-	-	-
Total other assets	435	435	-

Valuation for solvency purposes

This section covers all other assets recognised in the EBS, including trade receivables. Most of these assets are carried at cost which is a good approximation of their market value.

Trade receivables include amounts receivables from various business partners and the state (e.g. current tax) that are not insurance or reinsurance related.

Comparison with valuation in financial statements

Other assets are carried at a value that is not different from market value and hence there is no valuation difference between IFRS accounts and the EBS.

D.2 Technical provisions

SCOR UK'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 approach. This chapter provides an overview of the technical provisions at year-end 2018. In addition, the bases, methods and assumptions used for the calculations are described as well as the related uncertainties.

The risk-free interest rates used for discounting are those provided by EIOPA. Unadjusted risk-free rates are used with no transitional or long-term guarantee measures (e.g. volatility adjustments).

D.2.1 NON-LIFE TECHNICAL PROVISIONS

The table below presents the Non-Life technical provisions of SCOR UK.

SCOR UK As at December 31, 2018 in GBP thousands	EBS
Non-Life technical provisions	856,869
TPs – Non-Life (excl. Health)	856,869
<i>Best estimate</i>	838,864
<i>Risk margin</i>	18,005
Non-Life reinsurance recoverables	(611,322)
Non-Life (excl. Health)	(611,322)
Net Non-Life technical provisions	245,547

D.2.1.1 SEGMENTATION BY LINES OF BUSINESS

The table below shows the valuation of net technical provisions of SCOR UK as at December 31, 2018, presented by line of business (LoB) as defined for Solvency II reporting purposes.

SCOR UK As at December 31, 2018 in GBP thousands	Best estimates liabilities (BEL)	Reinsurance recoverables	Risk margin	Total net technical provisions
Marine, aviation and transport	154,969	(130,796)	2,815	26,988
Fire and other damage to property	259,955	(123,696)	10,147	146,406
General liability	283,025	(243,261)	2,491	42,255
Credit and suretyship	1,319	(1,126)	1	194
Non-proportional casualty	86,848	(77,239)	384	9,993
Non-proportional marine, aviation and transport	3,806	(3,878)	-	(72)
Non-proportional property	48,942	(31,326)	2,167	19,783
Total	838,864	(611,322)	18,005	245,547

The P&C net technical provisions of GBP 246 million is the sum of P&C best estimate liabilities net of reinsurance recoverables of GBP 228 million and a risk margin of GBP 18 million.

The P&C net best estimate liabilities of GBP 228 million (comprising the gross best estimate liabilities of GBP 839 million reinsurance recoverables of GBP (611) million, as presented in the above table) are composed of two parts: net claims provisions (GBP 209 million) and net premiums provisions (GBP 19 million). The expected future premiums and premium estimates net of commissions are not shown on the assets side of the EBS but are netted down from the future claims on the liability side.

D.2.1.2 BEST ESTIMATE LIABILITY**Claims provisions methodology and assumptions**

The elements of claims provisions (GBP 209 million) recognised within best estimate liabilities in SCOR UK EBS are described below.

- IBNR corresponds to the reserves for claims incurred but not yet reported and not enough reserved. It is calculated in the SCOR system at actuarial segment/underwriting year level using Best Estimate Ultimate Loss Ratios which are based on an annual analysis by the local actuaries.
- Outstanding claims are the same as in IFRS.
- Claims estimates mostly correspond to the part of the claims not yet paid in cash. It can also correspond to the loss corridor clause, which is a feature of the contract defining a range of loss ratios between which the reinsurer will pay a percentage defined in the contract. An estimate of the amounts to be paid is computed according to the best estimate loss ratios.
- In calculating the unallocated loss adjustment expenses (ULAE) and overhead expenses SCOR UK takes into account all cash flows arising from expenses that will be incurred in servicing the recognised insurance and reinsurance obligations over the lifetime thereof. This includes administrative expenses, investment management expenses and claims management handling expenses.
- Claims discount represents the adjustment for the time value of money linked to claims estimates, outstanding claims, IBNR and ULAE reserves. The discount on claims reserves is calculated using underwriting years' claims patterns calculated by SCOR UK and risk-free rates yield curves published by EIOPA.

- The underwriting claims patterns gross of reinsurance are annually estimated by local actuaries at actuarial segment level. In most cases, patterns are calculated using the Chain-Ladder method, derived from the claims paid triangles.
- Each and every year, relevant assumptions made in the calculation of best estimate are reviewed and updated.

Premium provisions methodology and assumptions

The elements of Solvency II premium provisions are described below:

- The future premiums correspond to the part of the premiums not yet written and relates to the difference between Estimated Gross Premium Income (EGPI) and Written premiums for bound contracts only.
- Future commissions correspond to commissions on future premiums.
- Future claims are the claims reserves related to future premiums and IFRS unearned premium reserves. The best estimate loss ratio used for future claims calculation is derived by SCOR UK reserving actuaries from either pricing loss ratios or experience loss ratios.
- The premiums' estimates correspond to the part of the written premiums not yet received in cash. Premiums' estimates include the reinstatement and burning cost premiums which are calculated using the projected claims ultimate (so including IBNR). Given that IBNR under IFRS and EBS are not necessarily the same, reinstatement premiums and burning cost premiums will also vary.
- The commissions' estimates correspond to the commissions on premiums estimates. Commissions' estimates include the sliding scale commissions and the profit commissions which are calculated using the projected claims ultimate.
- ULAE on future claims is calculated in the same way as ULAE for Claims Provisions.
- Discount: Claims discount principles apply to premium discount.

Comparison to prior period

Compared to last year there were no changes which have been made in the methods used or main assumptions.

List of the most commonly used methods

To assess the IFRS and Solvency II Best Estimate, SCOR UK uses generally accepted actuarial methods which take into account quantitative loss experience data, together with qualitative factors and exogenous data, where appropriate. The reserves are also adjusted to reflect (re)insurance contract terms and conditions, and the variety of claims processing that may potentially affect the Company's commitment over time.

SCOR UK uses among others:

- Deterministic methods (e.g. Chain Ladder, Bornhuetter-Ferguson, Average cost or Loss ratio methods) for Best Estimate and patterns assessment;
- Stochastic approaches (e.g. Mack model, Bootstrap) for reserves' volatility estimates;
- Expert judgments (e.g. exogenous a priori loss ratios provided by SCOR Global P&C pricing or underwriting);
- Tailor made solutions: depending on data availability and portfolio complexity, SCOR UK develops tailor made solutions. Some parameters used in these models can be subject to dedicated studies. These parameters include but are not limited to interest rates, legal changes or inflation.

D.2.1.3 LEVEL OF UNCERTAINTY

In P&C Business, the uncertainty mainly arises from:

- The level of ultimate loss ratios used to compute the reserves. Some reserving methods require the use of a priori ultimate loss ratios. Pricing loss ratios are often used; sensitivities around these ratios are tested.
- The level of the case reserves which is tested through two tests: the first tests the tail development and the second tests the outstanding claims reserves.
- The claim inflation on the UK Medical Malpractice portfolio as the medical inflation is hard to predict and could result in an increase in future payments. Therefore, we quantify the impact of the historical claims inflation on the future payments for each underwriting year.

The results of the above stress tests fall within a reasonable range of potential loss deviations from the best estimate and are absorbable by usual reserve volatility.

D.2.1.4 REINSURANCE RECOVERABLES

SCOR UK transfers part of its risks to reinsurers via reinsurance programmes. The reinsurers then assume, in exchange for the payment of premium by SCOR UK, the losses related to claims covered by the reinsurance contracts.

Reinsurance IBNR

For proportional reinsurance, the cession rate is applied to assumed best estimate IBNRs and reinsurance IBNR amounts are automatically calculated.

For non-proportional reinsurance under the Solvency II framework, it is considered that the reinsurance IBNRs booked under IFRS reflect the Best Estimates position.

Reinsurance discount

For proportional reinsurance, the pattern of the corresponding assumed segments is used.

For non-proportional reinsurance, the pattern linked to the LoB reinsurance is used to calculate the cash flows of the reinsurance contract.

Adjustment for expected losses due to counterparty default (bad debts)

Reinsurance Bad Debt is estimated at contract/section/underwriting year/reinsurance level using the credit rating of the relevant reinsurer. The rating is associated with an expected default probability and a recovery rate provided by EIOPA in Article 199 of the Delegated Acts.

Reinsurance segmentation

For proportional reinsurance, the allocation by line of business is following the assumed segmentation.

For non-proportional reinsurance, rules starting from the reinsurance contract criteria are used.

D.2.1.5 RISK MARGIN

The Risk Margin is computed based on the following principles:

- It is calculated according to the cost-of-capital approach following Solvency II rules.
- A simplified method from the hierarchy of methods set out in EIOPA guidelines on the valuation of technical provisions has been used for the computation of the risk margin as at December 31, 2018
- The SCR of the reference undertaking captures exclusively the non-life underwriting risk including catastrophe risk, counterparty default risk and operational risk associated with the transferred portfolio.
- The required capital over time is obtained from the projections using paid claims patterns.

The Risk Margin is allocated to reach the granularity (e.g. transaction currencies, lines of business) needed for the EBS production and the filing of the Quantitative Reporting Templates. Allocation keys are derived from discounted net Best Estimates liabilities related to the P&C underwriting risks.

D.2.1.6 COMPARISON WITH VALUATION IN FINANCIAL STATEMENTS

The main differences between IFRS and EBS reserves (excluding risk margin) as at December 31, 2018 are shown in the following tables, which are split between claims and premium reserves:

SCOR UK As at December 31, 2018 in GBP thousands	EBS Claims provisions	IFRS Claims provisions	Difference
Marine, aviation and transport	33,102	34,947	(1,845)
Fire and other damage to property	117,835	119,269	(1,434)
General liability	28,930	29,230	(300)
Credit and suretyship	9	4	5
Non-proportional casualty	4,458	5,429	(971)
Non-proportional marine, aviation and transport	(409)	(362)	(47)
Non-proportional property	25,169	24,970	199
Total	209,094	213,487	(4,393)

The main differences between IFRS and Solvency II best estimate liabilities are coming from the reserve adequacy amount, the claims discount as well as a broader scope of the ULAE definition. Regarding ULAE, the IFRS definition includes only claims expenses whereas the EBS definition includes as well administrative and investment expenses.

SCOR UK As at December 31, 2018 in GBP thousands	EBS Premium provisions	IFRS Premium provisions	Difference
Marine, aviation and transport	(8,929)	23,313	(32,242)
Fire and other damage to property	18,424	67,900	(49,476)
General liability	10,834	3,417	7,417
Credit and suretyship	184	803	(619)
Non-proportional casualty	5,151	782	4,369
Non-proportional marine, aviation and transport	337	2,041	(1,704)
Non-proportional property	(7,553)	23,633	(31,186)
Total	18,448	121,889	(103,441)

The main differences between IFRS and Solvency II best estimate liabilities are coming from premium/commission estimates inclusion within the technical provisions and the future positions. Regarding the premium estimates, it is due to a difference of position in the balance sheet: the premium estimates are contained in assets under IFRS whereas they are included in the technical provisions in a Solvency II view.

The future positions do not exist in IFRS balance sheet but replace the Unearned Premium Reserves and DAC (booked on the asset side under IFRS). They also include future cash flows relating to contract boundaries, which are not integrated into SCOR UK's financial statements (see section D.2.1.2 - Best Estimate Liability).

D.3 Other liabilities

The table below presents the liabilities of SCOR UK as in the EBS together with references to the relevant sections within this chapter explaining the valuation bases and methods used for Solvency II purposes. There have been no changes made to the recognition and valuation bases used or to estimations during the reporting period.

SCOR UK Liabilities as at December 31, 2018 in GBP thousands	EBS Solvency II	Section
Technical provisions – Non-Life	856,869	D.2
Deposits from reinsurers	31,702	D.3.1
Deferred tax liabilities	877	D.3.2
Insurance and intermediaries payables	50,330	D.3.1
Reinsurance payables	12,680	D.3.1
Payables (trade, not insurance)	2,921	D.3.3
Subordinated liabilities	45,346	D.3.3
Subordinated liabilities not in basic own funds	15,379	
Subordinated liabilities in basic own funds	29,967	
Any other liabilities, not elsewhere shown	2,613	D.3.3
TOTAL LIABILITIES	1,003,338	
EXCESS OF ASSETS OVER LIABILITIES	128,007	

D.3.1 INSURANCE TECHNICAL LIABILITIES

SCOR UK in GBP thousands	EBS	Statutory IFRS	Difference
Deposits from reinsurers	31,702	31,702	-
Insurance and intermediaries payables	50,330	46,226	4,104
Reinsurance payables	12,680	149,106	(136,426)
Other technical provisions	-	18,943	(18,943)
Total insurance technical liabilities	94,712	245,977	(151,265)

Valuation for solvency purposes

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

As explained in section D.3.2 – Insurance technical liabilities, technical cash flows are taken into account in Solvency II best estimate liabilities. Adjustments to the value of deposits from cedents and reinsurers follow the corresponding adjustments to the best estimate liabilities. For the remaining insurance technical liabilities, the method of valuation applied in the Solvency II EBS does not differ from the statutory financial statements.

Deposits from reinsurers

These are deposits received from or deducted by a (re)insurer as collateral in relation to SCOR's outwards reinsurance contracts. SCOR UK measures its deposits from reinsurers (or ceded fund withheld) at amortised cost as that approximates their market value.

Insurance and intermediaries payables

Most payables related to insurance and reinsurance contracts are considered within the net best estimate liabilities as Solvency II requires 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 policyholders, intermediaries and other insurers, but that are not included in the cash flows of technical provisions.

The reinsurance payables are outstanding amounts linked to (re)insurance costs that are still due to the reinsurer or the broker.

The payables are carried at amortised cost that approximates their market value.

Other technical provisions

DAC asset is not recognised in the EBS (see section D.1.2 Insurance technical assets) and the same applies to the reinsurers' share of these costs as all acquisition costs and related reinsurance recoveries are covered in the calculation of net technical provisions. This de-recognition drives the decrease in any other technical provisions as ceded DAC is included in the IFRS balance.

Comparison with valuation in financial statements

As explained above, technical cash flows that are taken into account within Solvency II net best estimate liabilities are not recognised separately in the EBS. For the remaining insurance technical liabilities the method of valuation applied in the Solvency II EBS does not differ from IFRS.

For further detail on IFRS balances and valuation methods applied to insurance technical liabilities, please refer to the following notes in the SCOR UK Audited Financial Statements 2018: Note 1 – Accounting Policies.

D.3.2 DEFERRED TAX LIABILITIES

SCOR UK in GBP thousands	As at December 31, 2018		
	EBS	Statutory IFRS	Difference
Deferred tax liabilities	877	235	642

Valuation for solvency purposes and comparison with valuation in financial statements

For further details on IFRS balances and valuation methods applied to deferred taxes, please refer to sections D.1.3 Deferred tax assets.

D.3.3 FINANCIAL AND OTHER LIABILITIES

SCOR UK in GBP thousands	As at December 31, 2018		
	EBS	Statutory IFRS	Difference
Payables (trade, not insurance)	2,921	2,921	-
Subordinated liabilities	45,346	45,294	52
Any other liabilities, not elsewhere shown	2,613	2,502	111
Total financial and other liabilities	50,880	50,717	163

Valuation for solvency purposes

Financial liabilities

Financial liabilities in the EBS include subordinated liabilities.

Subordinated liabilities are debts which rank after other debts when the company is liquidated. (Those subordinated liabilities that are classified as basic own funds (BOF) are presented separately in the EBS.)

For subordinated liabilities SCOR uses a simple cash flow modelling approach that discounts future cash flow using the swap rate yield curve as at December 31, 2018 plus the frozen credit spread at issuance.

Other liabilities

This section covers all other liabilities recognised in the EBS, including provisions, trade payables and any other liabilities. Trade payables include amounts due to suppliers, and the state (e.g. current tax) that are not insurance or reinsurance related.

Any other liabilities primarily include accruals. Trade and other liabilities are carried at amortised cost as that approximates their market value.

Provisions are recognised when SCOR UK has a present legal, contractual or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the expected present value of future cash flows required to settle the obligation.

Management assesses provisions and the likely outcome of pending or probable events, for example from lawsuits or tax disputes, on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of events, management bases its assessment on external legal assistance and established precedents.

Comparison with valuation in financial statements

Generally, the valuation method applied to financial liabilities in the Solvency II EBS does not differ from IFRS, except for the change from amortised cost to fair value for subordinated debt.

Provisions and other liabilities are carried at their fair value for IFRS and there is no valuation difference between IFRS accounts and the EBS.

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, SCOR UK 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 SCOR UK are explained within relevant sections in chapters D.1 for assets and D.3 for other liabilities.

D.5 Any other information

No other material information was identified by SCOR UK 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 2018 capital position for SCOR UK. The following table displays the key results as at December 31, 2018.

SCOR UK in GBP thousands	December 31, 2018	December 31, 2017	Variance
Eligible Own Funds (EOF)	157,974	154,044	3,930
Solvency Capital Requirement (SCR)	98,441	114,608	(16,167)
Excess Capital (EOF - SCR)	59,533	39,436	20,097
Solvency ratio	160%	134%	26%

E.1 Own funds

Capital management is at the core of SCOR UK's strategy. SCOR UK's goal is to manage its capital in order to maximise its profitability, while meeting its solvency target range, in line with its risk / return strategy as defined in SCOR Group's strategic plan "Vision in Action".

SCOR UK has had strong capital management governance and processes in place with integrated supervision of regulatory constraints at Group level for many years, ensuring an optimised use of capital and fungibility of capital within the Group. SCOR UK monitors and updates, quarterly, the regulatory solvency position allowing it to detect any material changes over each quarter and to anticipate necessary actions to maintain adequate solvency. This detailed capital planning exercise is based on the bi-annual financial operating plan of the group and is broken down at legal entity level. SCOR also performed three- year capital projections, including IFRS, regulatory capital, and rating capital projections, in the context of its three-year strategic planning exercise.

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

SCOR UK is a 100% owned subsidiary of ultimate parent SCOR SE.

SCOR UK's own funds eligible to cover the SCR are GBP 158 million at December 31, 2018. (December 31, 2017: GBP 154 million).

Total eligible own funds as at December 31, 2018 (GBP 158 million) are GBP 4 million higher compared to the balance as at December 31, 2017.

The main changes in the composition of own funds during 2018 relate to a net loss for the year (GBP 0.8 million) and reductions in the revaluation reserves (GBP 3.2 million).

The key drivers for the change in own funds is a series of large natural catastrophes which occurred during the second half of the year and changes in best estimate liabilities.

SCOR UK Own funds structure as at December 31, 2018

in GBP thousands	Tier 1	Tier 2	Tier 3	Total
Basic own funds	128,007	29,967	-	157,974
Ordinary share capital	60,552	-	-	60,552
Share premium	14,448	-	-	14,448
Surplus funds	-	-	-	-
Reconciliation reserve	53,007	-	-	53,007
Revaluation reserves	53,808	-	-	53,808
Consolidated reserves	-	-	-	-
Net income for the year	(801)	-	-	(801)
Equity based instruments	-	-	-	-
Foreseeable dividends	-	-	-	-
Subordinated liabilities	-	29,967	-	29,967
Net deferred tax assets	-	-	-	-
Other items approved by supervisory authority	-	-	-	-
Ancillary own funds	-	-	-	-
Total available own funds	128,007	29,967	-	157,974
Total eligible own funds to cover the SCR (after limit deductions)	128,007	29,967	-	157,974
Total eligible own funds to cover the MCR (after limit deductions)	128,007	7,470	-	135,477

SCOR UK Own funds structure as at December 31, 2017

in GBP thousands	Tier 1	Tier 2	Tier 3	Total
Basic own funds	122,921	29,967	1,156	154,044
Ordinary share capital	60,552	-	-	60,552
Share premium	14,448	-	-	14,448
Surplus funds	-	-	-	-
Reconciliation reserve	47,921	-	-	47,921
<i>Revaluation reserves</i>	57,025	-	-	57,025
<i>Consolidated reserves</i>	-	-	-	-
<i>Net income for the year</i>	(9,104)	-	-	(9,104)
<i>Equity based instruments</i>	-	-	-	-
<i>Foreseeable dividends</i>	-	-	-	-
Subordinated liabilities	-	29,967	-	29,967
Net deferred tax assets	-	-	1,156	1,156
Other items approved by supervisory authority	-	-	-	-
Ancillary own funds	-	-	-	-
Total available own funds	122,921	29,967	1,156	154,044
Total eligible own funds to cover the SCR (after limit deductions)	122,921	29,967	1,156	154,044
Total eligible own funds to cover the MCR (after limit deductions)	122,921	7,668	-	130,589

SCOR UK considers that there is no significant restriction affecting fungibility and transferability of its basic own funds for covering the SCR.

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

The table above presents the components of basic own funds. Net deferred tax assets recognised in the EBS are classified as tier 3 basic own funds. SCOR UK does not recognise any ancillary own funds.

Ordinary paid-in share capital and the related share premium of SCOR UK are classified as tier 1 basic own funds. The components of the reconciliation reserve are also classified as tier 1 basic own funds.

The reconciliation reserve represents the reserves from SCOR UK's Audited Financial Statements 2017, net of any adjustments, and the economic valuation differences. The economic valuation differences result from adjustments made to the statutory balance sheet to arrive at the economic value of all assets and liabilities recognised in the Solvency II EBS. The reconciliation reserve is classified as tier 1 basic own funds.

Subordinated liabilities represent loans issued to the benefit of SCOR UK that meet the own funds recognition criteria. Subordinated liabilities are classified into tiers based on terms and conditions as specified in each contract. £30 million of the £45 million subordinated loan, to the benefit of SCOR UK, has been classified into tier 2 based on grandfathering rules. The loan from a fellow group undertaking qualified as lower tier two capital as December 31, 2015, therefore it can be classified as tier 2 capital under Solvency II for up to 10 years under the transitional measures in the PRA rulebook.

The table below presents the subordinated debt included in basic own funds.

Borrower/Lender	Outstanding amount in local currency	Issue date	Maturity date	Tier	Optional redemption	
					First call date	Call dates thereafter ²
SCOR Holding UK	45,000	30/04/2009	30/04/2019	2	30/04/2014	Anytime after the 1st call date

² At any interest payment date

E.1.1.2 ELIGIBILITY OF OWN FUNDS

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

Within those limits, the total of subordinated liabilities (with or without benefitting from the transitional arrangement) eligible as tier 1 capital must be less than 20% of total tier 1 capital.

The application of the above limits determines SCOR UK's Eligible Own Funds. As at December 31, 2018, none of these limits are exceeded by the SCOR UK.

E.1.2 RECONCILIATION WITH SHAREHOLDERS' EQUITY

The table below presents the differences between SCOR UK's shareholders' equity presented in accordance with IFRS and the net assets over liabilities as calculated for solvency purposes and presented in the EBS.

The differences represent revaluations necessary to remeasure all of SCOR UK'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.

SCOR UK as at December 31, 2018 in GBP thousands	2018
Statutory - IFRS Shareholders' equity	124,962
Economic adjustments	3,046
Goodwill	-
Other intangible assets	-
Investments	-
Net technical balances	3,852
<i>Net technical balances, excluding risk margin – Non-Life</i>	21,857
<i>Risk margin – Non-Life</i>	(18,005)
Financial liabilities	(53)
Deferred taxes	(642)
Other assets and liabilities	(111)
Excess of assets over liabilities in the Solvency II EBS	128,008
Subordinated liabilities	29,967
Own shares	-
Deductions for foreseeable dividends	-
Total available own funds	157,974

E.2 Solvency capital requirement and minimum capital requirement

This section is linked to the Quantitative Reporting Templates S.25.01 – Solvency capital requirement and S.28.01 – Minimum capital requirement in Appendix A.

E.2.1 SOLVENCY CAPITAL REQUIREMENT

SCOR UK maintains regulatory capital calculated on the Solvency II Standard Formula basis. The table below shows the standalone and diversified solvency capital requirement (SCR) for each risk module.

The SCR amounts to GBP 98.4 million as at December 31, 2018, a decrease of GBP 16.2 million from the prior year end. It is highlighted that the year-end 2018 SCR is still subject to supervisory assessment by the PRA.

SCOR UK SCR based on Standard Formula in GBP thousands	December 31, 2018		December 31, 2017		Changes from 2017 to 2018	
	Standalone Capital ¹	Contribution to SCR ²	Standalone Capital ¹	Contribution to SCR ²	Standalone Capital ¹	Contribution to SCR ²
Non-life underwriting	78,815	76,210	82,101	78,959	(3,286)	(2,749)
Market	20,888	9,777	25,039	12,400	(4,151)	(2,623)
Counterparty default	11,001	6,609	8,590	4,984	2,411	1,625
Diversification	(18,108)	-	(19,387)	-	1,279	-
Basic SCR	92,596	92,596	96,343	96,343	(3,747)	(3,747)
Operational	25,166	25,166	24,176	24,176	990	990
Adjustment for loss absorbing capacity of deferred taxes	(19,321)	(19,321)	(5,912)	(5,912)	(13,409)	(13,409)
SCOR UK SCR	98,441	98,441	114,607	114,607	(16,166)	(16,166)

1. Standalone capital value of the risk module allows for diversification benefit between sub-modules (i.e. within each risk module) but not between higher level risk modules.

2. Contribution to SCR of the risk module allows for diversification between risk modules

The Standard Formula SCR follows a modular approach where the overall risk to which the (re)insurance entity is exposed is divided into risk modules. In broad terms, 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.

SCOR UK's risks underlying the Standard Formula risk modules, and the Company's approach to risk mitigation, are described in the following sections of this report:

- **Non-life underwriting:** see section C.2 – Underwriting risks
- **Market:** see section C.3 – Market risks
- **Counterparty default:** see section C.4 – Credit risks
- **Operational:** see section C.6 – Operational risks.

The risk module calculations are net of risk mitigating measures. The final SCR also takes account of:

- **Diversification.** This is the impact of determining the joint capital requirements of the risk modules through the application of the Standard Formula correlation matrices. The aggregated capital requirement is less than the sum of the individual capital requirements because of SCOR UK's diversified portfolio which significantly reduces the likelihood of simultaneous occurrence of adverse experience and because losses in one area may be offset by gains in another.
- **Loss absorbing capacity of deferred taxes (LACDT).** In the event that a shock loss occurs in 2019, the LACDT is an estimated credit to the SCR reflecting SCOR UK's ability to carry back losses to offset elements of tax paid in the previous year and to carry forward losses to offset future taxable profits over the Company's planning time horizon.

Non-life underwriting standalone risk has decreased by GBP 3.3 million from December 31, 2017. This is driven by increased net premiums and reserves with some growth in the business offset by a reduction in the catastrophe risk charge reflecting improvements in the calculation methodology.

Market standalone risk has decreased by GBP 4.2 million from December 31, 2017. The mix of invested assets has not changed substantially but there is some improvement in bond ratings with reduction in durations and higher yields.

Counterparty default standalone risk has increased by GBP 2.4 million from December 31, 2017. This is primarily due to changes in the 2018 year-end reinsurance payables/receivables and cash at bank compared with the prior year end.

The required pre-tax basic solvency capital requirement has decreased by GBP 3.7 million from December 31, 2017.

The **diversification benefit** is fairly stable since the prior year-end with no significant change in the risk profile.

Operational risk has increased by GBP 1.0 million from December 31, 2017, driven by the increase in gross reserves since the prior year end with some growth in the business and immaturity of claims development of some large losses at year-end.

The **loss absorbing capacity of deferred taxes** has increased significantly by GBP 13.4 million from December 31, 2017.

E.2.1.1 DATA USED IN THE CALCULATIONS

The accuracy and appropriateness of the data for assessing SCOR UK's solvency ratio is crucial. SCOR UK participates in the group wide data flows also underlying SCOR Group's internal model data in this regard. The Group manages data to ensure its proper and structured storage, reliability and accessibility and applies a data quality management framework to identify key data affecting the capital calculations with appropriate data quality criteria.

E.2.1.2 SIMPLIFICATIONS USED IN THE CALCULATIONS

Having regard to the principle of proportionality in less material components of the Company's risk profile, SCOR UK's Standard Formula SCR calculation has used simplified calculations in the counterparty default risk module for:

- Risk mitigating effect for reinsurance arrangements; and
- Risk adjusted value of collateral to take into account the economic effect of the collateral.

The Company does not use undertaking-specific parameters in its Standard Formula SCR calculation.

E.2.2 MINIMUM CAPITAL REQUIREMENT

SCOR UK in GBP thousands	As at December 31, 2018	As at December 31, 2017	Variation
MCR Minimum (25% of SCR)	24,610	28,652	(4,042)
MCR Linear	37,348	38,340	(992)
MCR Maximum (45% of SCR)	44,298	51,574	(7,276)
MCR with Standard Formula cap & floor	37,348	38,340	(992)

The non-life exposures used for the calculation of the Minimum Capital Requirement (MCR) are the net premium amounts written in the previous 12 months and the net best estimate technical provisions both split by lines of business. Predefined regulatory factors are applied to the premium and technical provision elements and added up to obtain the non-life linear MCR. 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 on the Standard Formula basis. The MCR for SCOR UK is equal to the linear MCR, being between the cap and the floor. The MCR has changed by just GBP (1.0) million from December 31, 2017. According to the classes of business that SCOR UK is authorised to write, the regulatory absolute floor of the Company's MCR is GBP 3.3 million at December 31, 2018.

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

SCOR UK does not use the duration-based equity sub-module in the calculation of the solvency requirement.

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

Not applicable as SCOR UK maintains regulatory capital calculated on the Solvency II Standard Formula basis.

E.5 Non-compliance with MCR and non-compliance with the SCR

SCOR UK has complied with the MCR and the SCR requirement throughout the period covered by this report.

E.6 Any other information

No other material information is reported regarding SCOR UK's capital management other than presented above in section E.1 - Own funds to E.5 - Non-compliance with MCR and non-compliance with the SCR.

APPENDIX A. PUBLIC DISCLOSURE QRT SCOR UK

S.02.01.02 – Balance Sheet

SCOR UK Assets as at December 31, 2018 In GBP thousands	Solvency II value
Intangible assets	-
Deferred tax assets	22
Pension benefit surplus	-
Property, plant and equipment held for own use	1
Investments	408,925
Property (other than for own use)	-
Participations and related undertakings	-
Equities	10
<i>Equities - listed</i>	-
<i>Equities - unlisted</i>	10
Bonds	408,915
<i>Government bonds</i>	131,405
<i>Corporate bonds</i>	273,964
<i>Structured notes</i>	-
<i>Collateralised securities</i>	3,546
Collective Investments Undertakings	-
Derivatives	-
Deposits other than cash equivalents	-
Other investments	-
Assets held for index-linked and unit-linked contracts	-
Loans and mortgages	168
Loans on policies	-
Loans and mortgages to individuals	-
Other loans and mortgages	168
Reinsurance recoverables	611,322
Non-life and Health similar to Non-life	611,322
Non-life excluding Health	611,322
Health similar to Non-life	-
Life and Health similar to Life, excluding Health and index-linked and unit-linked	-
Health similar to Life	-
Life excluding Health and index-linked and unit-linked	-
Life index-linked and unit-linked	-
Deposits to cedents	19,124
Insurance and intermediaries receivables	15,767
Reinsurance receivables	47,723
Receivables (trade, not insurance)	267
Own shares	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
Cash and cash equivalents	28,026
Any other assets, not elsewhere shown	-
TOTAL ASSETS	1,131,345

S.02.01.01 – Balance Sheet (continued)

SCOR UK

Liabilities as at December 31, 2018

In GBP thousands

	Solvency II value
Technical provisions – Non-life	856,869
Technical provisions – Non-life (excl. Health)	856,869
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	838,864
<i>Risk margin</i>	18,005
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 (excl. index-linked and unit-linked)	-
Technical provisions – Health (similar to Life)	-
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	-
<i>Risk margin</i>	-
Technical provisions – Life (excl. Health and index-linked and unit-linked)	-
<i>TP calculated as a whole</i>	-
<i>Best estimate</i>	-
<i>Risk margin</i>	-
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	31,702
Deferred tax liabilities	877
Derivatives	-
Debts owed to credit institutions	-
Financial liabilities other than debts owed to credit institutions	-
Insurance and intermediaries payables	50,330
Reinsurance payables	12,680
Payables (trade, not insurance)	2,921
Subordinated liabilities	45,346
Subordinated liabilities not in basic own funds	15,379
Subordinated liabilities in basic own funds	29,967
Any other liabilities, not elsewhere shown	2,613
TOTAL LIABILITIES	1,003,338
EXCESS OF ASSETS OVER LIABILITIES	128,007

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

SCOR UK As at December 31, 2018 In GBP thousands	Line of business* for Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							
	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Miscellaneous financial loss
Premiums written								
Gross - Direct business	-	-	-	72,924	132,108	23,425	12,729	-
Gross - Proportional reinsurance accepted	-	-	-	15,066	259	-	-	-
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	66,443	73,285	23,425	12,205	-
Net	-	-	-	21,547	59,082	-	524	-
Premiums earned								
Gross - Direct business	-	-	-	56,592	100,325	14,663	82	-
Gross - Proportional reinsurance accepted	-	-	-	26,700	235	-	-	-
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	60,295	44,895	15,394	188	-
Net	-	-	-	22,997	55,665	(731)	(106)	-
Claims incurred								
Gross - Direct business	-	-	-	50,634	163,333	(57,600)	84	-
Gross - Proportional reinsurance accepted	-	-	-	26,160	147	-	-	-
Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	60,981	88,946	(48,260)	83	-
Net	-	-	-	15,813	74,534	(9,340)	1	-
Changes in other technical provisions								
Gross - Direct business	-	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	-	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-
Expenses incurred	-	-	-	7,556	14,815	216	(1,096)	-
Other expenses	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	-	-

*The table above presents lines of business applicable to SCOR (empty columns for the following lines of business have been omitted in Direct business and accepted proportional reinsurance lines: Medical expense insurance, Other motor insurance, Legal expense insurance, Assistance)

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

SCOR UK As at December 31, 2018 In GBP thousands	Line of business for accepted non-proportional reinsurance				TOTAL
	Health	Casualty	Marine, aviation, transport	Property	
Premiums written					
Gross - Direct business					241,186
Gross - Proportional reinsurance accepted					15,325
Gross - Non-proportional reinsurance accepted	-	19,641	5,836	50,335	75,812
Reinsurers' share	-	18,086	3,064	21,019	217,527
Net	-	1,555	2,772	29,316	114,796
Premiums earned					
Gross - Direct business					171,662
Gross - Proportional reinsurance accepted					26,935
Gross - Non-proportional reinsurance accepted	-	19,033	6,975	41,213	67,221
Reinsurers' share	-	17,650	4,543	16,086	159,051
Net	-	1,383	2,432	25,127	106,767
Claims incurred					
Gross - Direct business					156,451
Gross - Proportional reinsurance accepted					26,307
Gross - Non-proportional reinsurance accepted	-	37,978	(3,963)	(9,465)	24,550
Reinsurers' share	-	34,703	(4,287)	(9,398)	122,768
Net	-	3,275	324	(67)	84,540
Changes in other technical provisions					
Gross - Direct business					-
Gross - Proportional reinsurance accepted					-
Gross - Non- proportional reinsurance accepted	-	-	-	-	-
Reinsurers' share	-	-	-	-	-
Net	-	-	-	-	-
Expenses incurred	-	142	652	5,757	28,042
Other expenses					1,155
Total expenses					29,197

S.05.02.01 – Premiums, claims and expenses by country

SCOR UK As at December 31, 2018 In GBP thousands	Home country**	Top 5 countries (by amount of gross premiums written) - Non-life obligations					Total Top 5 and home country
		(US) United States	(FR) France	(BM) Bermuda	(DE) Germany	(AU) Australia	
Premiums written							
Gross - Direct business	4,261	67,195	79,242	1,886	13,332	16,642	182,558
Gross - Proportional reinsurance accepted	2,631	8,530	(16,335)	5,369	3,065	-	3,260
Gross - Non-proportional reinsurance accepted	2,867	13,772	2,775	12,633	1,465	637	34,149
Reinsurers' share	2,419	56,126	56,843	18,621	9,779	6,311	150,099
Net	7,340	33,371	8,839	1,267	8,083	10,968	69,868
Premiums earned							
Gross - Direct business	(606)	62,206	32,042	1,471	13,632	14,016	122,761
Gross - Proportional reinsurance accepted	2,445	7,929	(2,489)	4,991	2,850	-	15,726
Gross - Non-proportional reinsurance accepted	3,978	12,719	517	12,398	1,079	268	30,959
Reinsurers' share	(2,442)	48,931	23,527	17,670	9,182	5,763	102,631
Net	8,259	33,923	6,543	1,190	8,379	8,521	66,815
Claims incurred							
Gross - Direct business	(56,134)	86,326	14,726	1,218	16,109	19,722	81,967
Gross - Proportional reinsurance accepted	2,318	7,518	(1,516)	4,732	2,703	-	15,755
Gross - Non-proportional reinsurance accepted	11,911	(18,604)	(832)	29,570	2,812	17	24,874
Reinsurers' share	(31,291)	38,484	12,248	34,653	11,197	9,119	74,410
Net	(10,614)	36,756	130	867	10,427	10,620	48,186
Changes in other technical provisions							
Gross - Direct business	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	-	-	-	-	-	-	-
Reinsurers' share	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-
Expenses incurred	4,136	7,391	2,969	212	2,170	1,652	18,530
Other expenses							-
Total expenses							18,530

**United Kingdom

S.17.01.02 – Non-life Technical Provisions

SCOR UK As at December 31, 2018 In GBP thousands	Income protection insurance	Workers' compensatio n insurance	Motor vehicle liability insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
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 as a whole	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	-	-	-	(7,765)	4,862	8,288	1,215
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	1,164	(13,562)	(2,546)	1,031
Net best estimate of premium provisions	-	-	-	(8,929)	18,424	10,834	184
Claims provisions							
Gross	-	-	-	162,734	255,093	274,737	104
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	129,632	137,258	245,807	95
Net best estimate of claims provisions	-	-	-	33,102	117,835	28,930	9
Total best estimate - gross	-	-	-	154,969	259,955	283,025	1,319
Total best estimate - net	-	-	-	24,173	136,259	39,764	193
Risk margin	-	-	-	2,815	10,147	2,491	1
Amount of the transitional on technical provisions							
Technical provisions calculated as a whole	-	-	-	-	-	-	-
Best estimate	-	-	-	-	-	-	-
Risk margin	-	-	-	-	-	-	-
Technical provisions - total							
Technical provisions - total	-	-	-	157,785	270,102	285,516	1,320
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	-	-	130,796	123,696	243,261	1,126
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-	-	-	26,988	146,406	42,255	194

(*) The table above presents lines of business applicable to SCOR (empty columns for the following lines of business have been omitted in direct business and accepted proportional reinsurance lines: Medical expense insurance, Other motor insurance, Legal expense insurance, Assistance)

S.17.01.02 – Non-life Technical Provisions (continue)

SCOR UK As at December 31, 2018 In GBP thousands	Accepted non-proportional reinsurance				Total Non-life obligation
	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
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 as a whole	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross	-	86	(170)	(1,713)	4,803
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	(5,065)	(507)	5,840	(13,645)
Net best estimate of premium provisions	-	5,151	337	(7,553)	18,448
Claims provisions					
Gross	-	86,762	3,976	50,655	834,061
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	82,304	4,385	25,486	624,967
Net best estimate of claims provisions	-	4,458	(409)	25,169	209,094
Total best estimate - gross	-	86,848	3,806	48,942	838,864
Total best estimate - net	-	9,609	(72)	17,616	227,542
Risk margin	-	384	(1)	2,167	18,005
Amount of the transitional on technical provisions					
Technical provisions calculated as a whole	-	-	-	-	-
Best estimate	-	-	-	-	-
Risk margin	-	-	-	-	-
Technical provisions - total					
Technical provisions - total	-	87,232	3,806	51,109	856,869
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	-	77,239	3,878	31,326	611,322
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	-	9,993	(73)	19,783	245,547

S.19.01.21 – Non-life Insurance Claims Information

Total Non-life Business - Underwriting year

**Gross Claims Paid (non-cumulative)
(absolute amount)**

	Development year											In current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior												225	225
N-9	(2,985)	4,312	10,088	16,048	15,345	8,337	17,051	1,616	1,586	938		938	72,336
N-8	25	23,671	43,607	26,664	16,811	10,615	9,293	9,892	5,854			5,854	146,432
N-7	4,395	12,596	28,963	17,209	16,527	10,959	7,014	9,050				9,050	106,713
N-6	430	30,306	43,662	26,824	16,222	30,383	24,572					24,572	172,399
N-5	2,321	30,395	39,117	25,339	8,014	3,710						3,710	108,896
N-4	13,734	61,630	59,530	41,240	23,967							23,967	200,101
N-3	4,418	31,739	47,021	30,557								30,557	113,735
N-2	2,907	40,651	37,549									37,549	81,107
N-1	3,693	54,042										54,042	57,735
N	4,167											4,167	4,167
Total												194,631	1,063,846

Gross undiscounted best estimate Claims Provisions (absolute amount)

	Development year											Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior												103,394	94,145
N-9	-	-	-	-	-	-	-	25,898	25,136	20,086		20,086	18,548
N-8	-	-	-	-	-	-	48,631	41,421	17,419			17,419	16,190
N-7	-	-	-	-	-	54,988	56,510	33,526				33,526	30,866
N-6	-	-	-	-	104,456	98,481	51,125					51,125	47,721
N-5	-	-	-	59,069	35,805	24,571						24,571	23,492
N-4	-	-	112,458	-	60,324							60,324	56,986
N-3	-	132,161	97,608	76,305								76,305	71,709
N-2	80,086	151,931	122,696									122,696	113,842
N-1	149,748	198,781										198,781	188,219
N	183,198											183,198	172,343
Total												834,061	834,061

S.23.01.01 – Own funds

SCOR UK As at December 31, 2018 In GBP 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)	60,552	60,552		-	
Share premium account related to ordinary share capital	14,448	14,448		-	
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	53,007	53,007			
Subordinated liabilities	29,967		-	29,967	-
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	-	-	-	-	-
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	157,974	128,007	-	29,967	-

S.23.01.01 – Own funds (continued)

SCOR UK As at December 31, 2018 In GBP 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	157,974	128,007	-	29,967	-
Total available own funds to meet the MCR	157,974	128,007	-	29,967	-
Total eligible own funds to meet the SCR	157,974	128,007	-	29,967	-
Total eligible own funds to meet the MCR	135,477	128,007	-	7,470	-
SCR	98,441				
MCR	37,348				
Ratio of Eligible own funds to SCR	160.48%				
Ratio of Eligible own funds to MCR	362.74%				

S.23.01.01 – Own funds (continued)

SCOR UK As at December 31, 2018 In GBP thousands	Total
Reconciliation reserve	
Excess of assets over liabilities	128,007
Own shares (held directly or indirectly)	-
Foreseeable dividends, distributions and charges	-
Other basic own fund items	75,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
Reconciliation reserve	53,007
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	-
Expected profits included in future premiums (EPIFP) - Non-life business	36,584
Total expected profits included in future premiums (EPIFP)	36,584

S.25.01.21 – Solvency capital requirement – Standard Formula

SCOR UK Standard Formula
As at December 31, 2018
In GBP thousands

	Gross solvency capital requirement	USP	Simplifications
Market risk	20,888		0
Counterparty default risk	11,001		
Life underwriting risk	-	0	0
Health underwriting risk	-	0	0
Non-life underwriting risk	78,815	0	0
Diversification	(18,108)		
Intangible asset risk	-		
Basic Solvency Capital Requirement	92,596		
Calculation of Solvency Capital Requirement (SCR)			
Operational risk	25,166		
Loss-absorbing capacity of technical provisions	-		
Loss-absorbing capacity of deferred taxes	(19,321)		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	-		
Solvency Capital Requirement, excluding capital add-on	98,441		
Capital add-ons already set	-		
The overall Solvency Capital Requirement	98,441		
Other information on SCR	0		
Capital requirement for duration-based equity risk sub-module	-		
Total amount of Notional Solvency Capital Requirement for the remaining part	-		
Total amount of Notional Solvency Capital Requirement for ring fenced funds	-		
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

SCOR UK
 As at December 31, 2018
 In GBP thousands

Linear formula component for Non-life insurance and reinsurance obligations

MCR _{NL} Result	37,348		
		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	24,174	21,547	21,547
Fire and other damage to property insurance and proportional reinsurance	136,259	59,082	59,082
General liability insurance and proportional reinsurance	39,764	-	-
Credit and suretyship insurance and proportional reinsurance	193	524	524
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	9,609	1,555	1,555
Non-proportional marine, aviation and transport reinsurance	-	2,772	2,772
Non-proportional property reinsurance	17,616	29,316	29,316

Linear formula component for life insurance and reinsurance obligations

MCR _L Result	- <th></th> <th></th>		
		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	-	-	-

Overall MCR calculation

Linear MCR	37,348
SCR	98,441
MCR cap	44,298
MCR floor	24,610
Combined MCR	37,348
Absolute floor of the MCR	3,288
Minimum Capital Requirement	37,348

APPENDIX B. AUDIT REPORT

Report of the external independent auditor to the Directors of SCOR UK Company Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2017, ('the Narrative Disclosures subject to audit'); and
- Company templates S02.01.02, S17.01.02, S.23.01.01, S25.01.21 and S28.01.01 ('the Templates subject to audit').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the 'relevant elements of the Solvency and Financial Condition Report'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company templates S05.01.02, S05.02.01, S19.01.21; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the solvency and financial condition report ('the Responsibility Statement').

To the extent the information subject to audit in the relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter – Basis of Accounting & Restriction on Use

We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of External Audit Chapter of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose. Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information. Our opinion on the relevant elements of the Solvency and Financial Condition Report does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

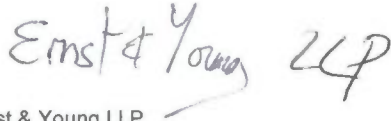
Our objectives are to obtain reasonable assurance about whether the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Solvency and Financial Condition Report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. The same responsibilities apply to the audit of the Solvency and Financial Condition Report.

Report on Other Legal and Regulatory Requirements.

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Handwritten signature in blue ink that reads "Ernst & Young LLP". The signature is written in a cursive style.

Ernst & Young LLP

London

15 April 2018

The maintenance and integrity of the Company web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the web site.