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SCOR VIE

European Embedded Value as at 31 December 2005: EUR 693 million, up 12%

- **SCOR Vie's European Embedded Value** at 31/12/2005: EUR 693 million (compared to EUR 618.9 million at 31/12/2004)
- Confirmation of the **solidity** and **dynamism** of SCOR Vie's portfolio
- **Adjusted Net Asset Value** up 16%
- **Value of portfolio** up 9%
- Value of **new production** up 9%
- **Negligible** impact of Financial Options and Guarantees

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SCOR Vie has arranged for B&W Deloitte to review its calculation of the Embedded Value as at 31 December 2005. This indicator has been calculated in accordance with the CFO Forum* principles, thereby constituting a European Embedded Value (EEV) of SCOR Vie.

SCOR Vie's Embedded Value was EUR 693 million at 31/12/2005, up 12% compared to 31/12/2004. This confirms the solidity and dynamism of SCOR Vie's portfolio.

Summary of results:

Consolidated Embedded Value in EUR millions	**SCOR Vie 31/12/2004**	**SCOR Vie 31/12/2005**
Adjusted Net Asset Value (after tax)	**266.9**	**309.6**
Value of business in force before cost of locking-in (after tax)	432.8	481.6
Cost of locking-in the solvency margin (after tax)	(80.8)	(96.4)
Value of business in force after cost of locking-in (after tax)	**352.0**	**385.2**
Consolidated Embedded Value (after tax) before cost of Financial Options and Guarantees	**618.9**	**694.8**
Cost of Financial Options and Guarantees (after tax)	-	(2.0)
Consolidated European Embedded Value after tax	-	**692.8**

1. European Embedded Value – Methodology

The European Embedded Value is the sum of the four following elements:

(a) Adjusted Net Asset Value
(b) Value of portfolio of treaties in force
(c) Cost of locking-in the solvency margin
(d) Cost of Financial Options and Guarantees

(a) Adjusted Net Asset Value:

The Net Asset Value is calculated on the basis of the company's equity capital, making some adjustments to take into account the differences between the market value and the book value. These adjustments consist of:

- removing the intangible assets,
- removing the book value of shareholdings in the subsidiaries and replacing it with the adjusted Net Asset Value of these subsidiaries.

* The CFO Forum is a working group of Chief Financial Officers from big European insurance companies which established in May 2004 a set of 12 principles with the objective of standardizing published Embedded Values in order to make them more comparable.

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- Adding the portion of unrealised capital gains attributable to shareholders and not taking into account into the value of the portfolio.

(b) Value of portfolio of treaties in force:

This is calculated by projecting future profits from treaties in force at the valuation date, using reasonable assumptions as to the future development of factors that will impact profitability. These profits are then discounted to the valuation date. The discount rate is defined using a top-down approach, and using the CAPM ("Capital Asset Pricing Model") formula.

The future results used in the evaluation model are based on the portfolio of treaties in force at the valuation date, excluding from the projections:

- new policies underwritten after this valuation date and reinsured under in force treaties,
- new treaties underwritten by the company in the future.

The management expenses have been calculated as a percentage of premiums and/or technical reserves. The percentage is assumed to be stable throughout the projected period. An increase of 10% in the expenses is shown in the *Sensitivity Analysis* section.

Future financial returns are calculated on the basis of the asset allocation of each entity as at 31/12/2005, and using return assumptions for each asset based on market returns as at 31/12/2005. Except for the SCOR Life Re and the SCOR Vie Montréal portfolios that have a dedicated bond portfolio (assuming that the bonds are held until maturity), returns on fixed rate assets do not include capital gains or losses at the valuation date and therefore remain constant for the projection period.

(c) Cost of locking-in the solvency margin

SCOR Vie's activity requires it to hold net assets in each entity at least equal to the minimum required solvency margin, which must bear interest. The European directive regarding solvency regulations for reinsurers, which was approved by the European authorities in 2005, has not yet been incorporated into national legislation, notably in France. The terms and conditions of this directive have therefore not been used to calculate the cost of locking-in. The sensitivity calculations set out at the end of this press release assess the potential impact of this directive.

The capital amounts used to calculate the EEV at 31/12/2005 are:

- For Europe, the minimum solvency margin in force for direct insurers as set out in the regulations.
- For US-based subsidiaries, 200% of the Risk-Based Capital defined by the NAIC.

The difference between the rate of return after tax earned on assets covering the solvency margin and the return expected by shareholders (discount rate) leads to a locking-in cost of the solvency margin, which is taken into account in these calculations.

The method used to calculate the locking-in cost is fairly prudent:

- The future return on locked-up assets backing the solvency margin does not include unrealised capital gains at the valuation date. This rate of return is the same as the one used in the projections to calculate the value of business in force.

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- The solvency margin is 100% financed by “hard” capital. No intangible asset (DAC or VOBA), or future value of profits backing the solvency margin, which would reduce the cost of locking-in capital, has been taken into account. The cost of locking-in the solvency margin is not reduced by using a financial leverage such as subordinated debt.

(d) Cost of Financial Options and Guarantees

Principle 7 of the CFO Forum stipulates that a valuation of the cost of Financial Options and Guarantees (“FOGs”) must be conducted. SCOR Vie has reviewed its portfolio in order to identify the Financial Options and Guarantees present in its treaties.

No material financial option or guarantee within the scope of the principles of the CFO Forum has been identified in the portfolios recorded for SCOR Vie and its branches (Europe, Canada and Asia).

Conversely, Financial Options and Guarantees were identified and taken into account in the SCOR Life Re (USA) portfolio, essentially on Annuities (“accumulation” savings products with the option to convert to annuities) and to a lesser extent on Universal Life contracts. The following Financial Options and Guarantees were identified:

- guaranteed rates or return guarantees on share indices
- guaranteed minimum benefits in the event of death,
- buy back options,
- options to convert to annuities.

The Financial Options and Guarantees on Annuities contracts (excluding conversion options) were taken into account using a stochastic simulation of neutral-risk economic scenarios, with regard to the yield curve of the US market and the S&P500 stock market. The time value of these options and guarantees was calculated based on the difference between:

- the average portfolio value resulting from the projections made on the basis the various scenarios used,
- and a portfolio value resulting from the projections calculated on the basis of an average scenario (“intrinsic value”).

This time value therefore represents the risk of financial deviation in relation to the average scenario.

The value of the options to convert to annuities was estimated using a closed formula based on the same rate model as that used for stochastic simulations.

The reserves of the Universal Life portfolio represent a relatively small amount compared to the reserves of the Fixed Deferred Annuities portfolio. Universal Life contracts, however, have a similar type of risk to Fixed Deferred Annuities. Therefore the value of the options on the Universal Life portfolio has been calculated using the same proportion of the reserves as used for the Fixed Deferred Annuities portfolio.

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2. Analysis of Value Added

The variation in Embedded Value excluding the cost of Financial Options and Guarantees, between 31/12/2004 and 31/12/2005, is analysed in the following table:

in EUR millions (before tax)

a **Embedded Value at 31/12/2004 (before tax and dividend)**	857.6
b Payment of dividend and tax on 2004 income	(25.4)
c Change in value due to the operating activity of SCOR Vie (before tax)	92.3
d Change in value due to changes in the economic environment (before tax)	(5.4)
e **Embedded Value at 31/12/2005 – constant exchange rates (before tax)** e =a+b+c+d	**919.1**
f Impact of exchange rates (before tax)	54.5
g **Embedded Value at 31/12/2005 – current exchange rates (before tax)** =e+f	**973.6**
h Tax	(278.8)
k **Embedded Value at 31/12/2005 – current exchange rates (after tax)** =g+h	**694.8**

Change in value due to SCOR Vie operating activity

in EUR millions (before tax)

Expected return from unwinding of discount rate	67.0
Experience deviation during current year	(2.1)
Change in non-economic assumptions	(9.7)
Value of new production	37.1
Change in value due to SCOR Vie operating activity (before tax)	92.3

The expected return from unwinding of discount rates corresponds to the expected return on Embedded Value calculated in accordance with the economic assumptions in force as at 31/12/2004.

The experience deviation during current year reflects on the one hand the difference between the elements projected for the year 2005 in the Embedded Value as at 31/12/2004 and the actual experience registered at 31/12/2005 closing, and on the other hand the difference for 2004 and previous accounting year estimations between the two closings. The universal deviation shown in the table, which is close to zero, is due to positive or negative differences between the actual technical results and the technical results projected for 2005 at 31/12/2004.

The changes in non-economic assumptions reflect the impact of changes in the technical parameters (such as loss ratios, lapse ratios, expenses and so on) used in the projections. An overall negative effect was recorded, mainly due to modelling improvements and adjustments to the projection parameters of the Traditional Life portfolio underwritten by SCOR Life Re, made in accordance with principle 9 of the CFO Forum.

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The value of new business in 2005, which includes acquisition costs, includes the value of new treaties underwritten during 2005, calculated at the underwriting date, and the value of new business on treaties in force, calculated at the date of entry into the portfolio, corresponding to the value generated by the 2005 production of ceding companies, reinsured with treaties underwritten before 31/12/2004. The total value of new business is up by +8.5% compared to 2004.

(b) Changes in value due to changes in the economic environment

The table below sets out the changes in value due to changes in the economic environment:

in EUR millions

Experience in deviation during current year	(5.9)
Changes in economic assumptions	0.5
Changes in the economic environment (before tax)	**(5.4)**

The *experience deviation during the current year* corresponds to the difference between the returns actually recorded during the year and the returns expected for 2005 according to the economic assumptions used in the projections made at 31/12/2004. This negative value is mainly due to falling interest rates in Europe between 31/12/2004 and 31/12/2005.

The changes in economic assumptions correspond to the change in value arising from changes, from the previous year, in the economic assumptions (such as discount rate, interest rate on deposits and rate of return on other financial assets) used in projections for the coming years. The increased discount rate in the US and Canada has been set off by reduced letter of credit costs (thanks in particular to SCOR's improved Insurer Financial Strength Rating) and a decreased discount rate in the Euro zone.

(c) Impact of exchange rates

The evolution of exchange rates in 2005 has had a positive impact of EUR 54.5 million, mainly due to the rise of the US Dollar against the Euro.

(d) Value of Financial Options and Guarantees

At 31/12/2005 in the United States, almost the entire cost of the options was linked to equity risk on Equity Index Annuities.

<u>Assumptions</u>

The choice of non-economic assumptions is based on internal experience analyses carried out by SCOR Vie and on the experience of the different markets in which it operates. In particular, claims assumptions are mostly based on the portfolio experience of each of SCOR's operating entities.

The tax charge modelled reflects current regulations as at the valuation date.

The discount rate is determined in accordance with the CAPM formula. It is equal to the risk-free rate plus a risk premium of 350 basis points multiplied by a beta coefficient. The beta coefficient represents the market correlation of reinsurance values with the financial markets. This coefficient was estimated over a period of two years based on a sample of 7 international reinsurance stocks. This approach is consistent with principle n° 10 of the CFO Forum.

The following economic assumptions have been used in the projections:

	Euro Zone	USA	Canada
Discount rate	7.08 %	8.17 %	7.76 %
Risk-free rate	3.30 %	4.39 %	3.98 %
Return on fixed-interest assets	3.50 %	4.69 %	4.28 %
Return on stocks	6.80 %	7.89 %	7.48 %
Return on cash	2.42 %	4.37 %	3.25 %
Net return rate used for projections (*)	3.80 %	4.66 %	3.94 %

(*) Except for the SCOR Life Re and the SCOR Vie Montréal dedicated asset portfolios, for which the projected returns are calculated on the assumption that the dedicated bond portfolio is held to maturity.

General comments on the assumptions:

As for all reinsurance groups, the data available to SCOR Vie is less detailed than that generally available to ceding companies.

Furthermore, certain items of accounting information are sometimes only available with a substantial delay and thus cannot be reflected in the Embedded Value calculations on a timescale consistent with the timing of the release of the financial results in general. In this case, estimates have been based on the experience of the Life portfolio.

Nonetheless, as for all reinsurers, the Embedded Value and the analysis of value added shown are subject to greater uncertainty regarding the value itself and the evolutions from one year to the next, than would be the case for a direct writer.

3. Analysis of sensitivities

The following table shows the sensitivity of the value of the portfolio of treaties in force to changes in different assumptions.

in Euro millions

Value of portfolio as at 31/12/2005 (after tax)	385.2
Discount rate – 100 bp	47.0
Discount rate + 100 bp	(42.3)
Claims - 5%	115.0
Expenses - 10 %	7.9
Lapses + 10 %	(10.9)
Lapses - 10 %	12.9
Interest rates - 100 bp (*)	(43.3)
Share risk premium + 100 bp	1.9
Solvency margin + 10 %	(9.6)
Estimated impact of the European directive on reinsurance solvency margin	13.1

(*) this decrease is combined with a decrease of 100 bp in the rate of deposit payment and an equivalent decrease in the discount rate

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4. External opinion (B&W Deloitte)

B&W Deloitte, Actuarial Consultants, have reviewed the European Embedded Value of SCOR Vie as at 31 December 2005, which has been calculated internally in accordance with principles of the CFO Forum and under the guidelines and responsibility of the Management of SCOR Vie. The review covered the methodology used, the assumptions and the calculations.

The review was conducted in accordance with normal actuarial practice and processes. In particular, B&W Deloitte have relied on and not sought to check in full detail the data provided by SCOR Vie – this data included information contained in the SCOR group's audited financial statements.

In the light of the above remarks, B&W Deloitte consider that the methodology is appropriate, that the Company's assumptions are together reasonable and consistent, and that the European Embedded Value results have been properly compiled on the basis of the methodology and assumptions chosen, and the principles of the CFO Forum.

The calculation of Embedded Values is based on numerous assumptions with respect to economic conditions, operating conditions, taxes and other matters, most of which are beyond the Company's control. Although the assumptions used are estimates, which the Company and B&W Deloitte believe are reasonable, deviations from projected assumptions to actual experiences in the future are usually observed. Such deviations may materially impact the value calculated.

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2006 communications timetable

2006 First Half Results	30 August 2006
2006 Third Quarter Results	8 November 2006

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