2010 Market Consistent Embedded Value - Supplementary Information

16 June 2011

SCOR Global Life

Market Consistent Embedded Value 2010

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2010 Market Consistent Embedded Value - Supplementary Information

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1 Introduction

This document contains details of the 2010 Market Consistent Embedded Value (MCEV) of SCOR. SCOR adopts for the first time the CFO Forum's Market Consistent Embedded Value Principles©[1] for the valuation of its Life and Health business.

In June 2008 the CFO Forum published the Market Consistent Embedded Value Principles (MCEV Principles) with the objective to promote comparability and ease of understanding of the published embedded values of European life insurance companies. These principles were amended in October 2009 to allow the use of an illiquidity premium in valuing liabilities. In this document MCEV refers to these principles.

For prior reporting years, from 2005 to 2009, SCOR Global Life determined its Embedded Value in line with the European Embedded Value Principles (EEV Principles) published in May 2004 and October 2005 by the CFO Forum. From the reporting year 2006 on, SCOR Global Life applied a bottom-up market consistent valuation method on the basis of unadjusted risk-free rates and implied volatilities as at the respective valuation date. The economic assumptions used were therefore consistent with the MCEV Principles. The main effect of the change to reporting according to the MCEV Principles is therefore in the allowance made for the cost of residual non hedgeable risks. Under the EEV Principles, SCOR allowed for these risks by discounting projected profits using a risk discount rate with a spread above risk free depending on the nature of the business and by applying the same spread as a cost of capital charge to the required capital held in respect of that business[2].

This partly implicit allowance has now been replaced by a calculation of the frictional costs of holding required capital (FCRC) and by an explicit cost of residual non hedgeable risks (CoRNHR), calculated by applying a 4% cost of capital charge to the economic risk capital for residual non hedgeable risks determined at the 99.5% VaR level for such risks. Further details of SCOR's calculation of the FCRC and of the CoRNHR are given in sections 6.6 and 6.7 below.

Note that SCOR does not report an analysis of change in Group MCEV. In all other respects this disclosure complies with the MCEV Principles.

Towers Watson has been engaged to review the MCEV. The scope and conclusions of this review are stated in section 9 below.

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

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[1] Copyright Stichting CFO Forum Foundation 2008

[2] SCOR also disclosed its EEV allowance for risk in a form analogous to the MCEV presentation. See Section 6 Alternative Presentation of SCOR's "2009 European Embedded Value - Supplementary Information"

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2 Covered Business

The MCEV covers 100% of the Life and Health reinsurance business of SCOR, written by the following operating entities (including all their branches), which in the following are collectively referred to as SCOR Global Life:

- SCOR Global Life SE, Paris
- Prévoyance Ré, Paris
- Sweden Reinsurance Co. Ltd., member of the SCOR Global Life Group, Stockholm
- SCOR Global Life Rückversicherung Schweiz AG, Zurich
- SCOR Global Life Reinsurance Ireland Ltd., Dublin
- SCOR Financial Services Ltd., Dublin
- SCOR Global Life U.S. Re Insurance Company Inc., Dallas
- SCOR Global Life Re Insurance Company of Texas Inc., Dallas
- SCOR Global Life Reinsurance International (Barbados) Ltd., Bridgetown
- SCOR Global Life Reinsurance Company of America, Delaware
- SCOR Reinsurance Asia-Pacific, branch for South Korea

The Life reinsurance business previously written in SCOR Rückversicherung (Deutschland) AG, Cologne and SCOR Switzerland AG, Zurich has been transferred to SCOR Global Life SE during 2010.

All figures exclude the Transamerica Re acquisition announced on 26 April, 2011.

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3 Market Consistent Embedded Value Results

3.1 Components of the MCEV

	EEV 31.12.2009	MCEV 31.12.2009	MCEV 31.12.2010
Shareholder Net Worth (SNW)	907.4	907.4	1,075.8
Required capital (RC)	525.6	525.6	525.4
Free surplus (FS)	381.8	381.8	550.4
Value of In-force Business (VIF)	1,026.9	1,030.4	1,135.1
Present Value of Future Profits (PVFP)	1,174.6	1,506.8	1,631.7
Time Value of Financial Options and Guarantees (TVFOGs)	-10.0	-10.0	-9.8
Cost of Capital (CoC)	-137.7	-	-
Frictional Costs of Required Capital (FCRC)	-	-49.4	-44.9
Cost of Residual Non Hedgeable Risks (CoRNHR)	-	-417.0	-441.9
Embedded Value	**1,934.3**	**1,937.8**	**2,210.9**

(After tax, in €m)

Table 1: EEV 2009, MCEV 2009 and MCEV 2010 of SCOR Global Life

At end 2010, SCOR Global Life's MCEV was 14.1% higher than the equivalent value at end 2009. This increase was brought about by favourable operating earnings, investment returns and currency movements.

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3.2 Analysis of MCEV Earnings

	Free Surplus	Required Capital	VIF	MCEV
EEV 2009	**381.8**	**525.6**	**1,026.9**	**1,934.3**
Restatement to MCEV	-	-	3.5	3.5
MCEV 2009	**381.8**	**525.6**	**1,030.4**	**1,937.8**
Opening adjustments (capital movements)	-62.9	-	-	-62.9
Adjusted MCEV 2009	**318.9**	**525.6**	**1,030.4**	**1,874.9**
Value of new business	-181.5	85.4	152.9	56.8
Expected existing business contribution (reference rate)	7.7	-	63.1	70.8
Expected existing business contribution (in excess of the reference rate)	-	-	-	-
Transfers from VIF and required capital to free surplus	228.9	-85.7	-143.2	-
Experience variances	-10.8	12.7	21.6	23.4
Assumption changes	-6.3	3.8	-11.7	-14.2
Other operating variance	92.6	-37.6	-13.3	41.7
Operating MCEV earnings	**130.7**	**-21.4**	**69.3**	**178.6**
Economic variances	80.4	-0.8	-14.8	64.7
Other non-operating variance	3.3	-5.0	1.7	0.0
Total MCEV earnings	**214.3**	**-27.2**	**56.2**	**243.3**
Closing adjustments (foreign exchange movements)	17.1	27.0	48.5	92.7
MCEV 2010	**550.4**	**525.4**	**1,135.1**	**2,210.9**

(After tax, in €m)

Table 2: Analysis of change in MCEV

Operating MCEV earnings of €178.6m were 9.2% of the MCEV 2009.

Total MCEV earnings of €243.3m were 12.6% of the MCEV 2009.

Overall, SCOR Global Life’s embedded value was 17.9% up on the adjusted MCEV 2009.

The **restatement** of SCOR Global Life’s 2009 embedded value under MCEV Principles leads to a similar value to the published 2009 embedded value under EEV Principles. The PVFP is higher under MCEV Principles, since it is discounted at the reference rate under the MCEV Principles, but at the reference rate plus a spread under the EEV Principles. This is offset by the higher CoRNHR under MCEV Principles.

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Opening adjustments of -€62.9m are net capital movements from SCOR Global Life to SCOR SE in 2010, consisting of dividends, capital increases or decreases, fees and interest paid by SCOR Global Life to SCOR SE.

Experience variances are positive, mainly as a result of better than expected claims and lapse experiences.

Non-economic **Assumption changes** are negative, but small and are the sum of a number of changes to expenses, claims and lapse expectations made as part of our regular active review of best estimate assumptions.

Other operating variances include the effect of model improvements and the effect of transferring certain in-force treaties between different statutory regimes.

Closing adjustments of +€92.7m were caused mainly by the rise of the US dollar against the Euro.

3.3 Value of New Business (VNB)

	EEV 2009	**MCEV 2009**	**MCEV 2010**
VNB (€m)	113.2	95.3	56.8
PVNBP (€m)	2,184.6	2,957.7	2,372.4
New business margin	5.2%	3.2%	2.4%

Table 3: VNB and new business margins on MCEV 2009 and 2010

The reduction in the VNB and the new business margin compared to the 2009 values on an MCEV basis were mainly due to a large block transaction in 2009.

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4 Sensitivity Analysis

	EV (in €m)	Change (in €m)	Change %
Base case	2,210.9		
Mortality/Morbidity -5% (life insurance)	2,506.0	+ 295.0	+ 13.3%
No mortality improvements (life insurance)	1,900.9	- 310.0	- 14.0%
Mortality/Morbidity -5% (annuities)	2,216.1	+ 5.1	+ 0.2%
Lapse rates -10%	2,265.0	+ 54.0	+ 2.4%
Maintenance expenses -10%	2,243.4	+ 32.5	+ 1.5%
Interest rates +100 bps	2,252.7	+ 41.8	+ 1.9%
Interest rates -100 bps	2,183.4	- 27.5	- 1.2%
Equity and property capital values -10%	2,193.1	- 17.8	- 0.8%
Equity and property implied volatility + 25%	2,208.5	- 2.4	- 0.1%
Swaption implied volatility + 25%	2,211.4	- 0.1	- 0.0%

Table 4: Sensitivities of the MCEV 2010

	VNB (in €m)	Change (in €m)	Change %
Base case	56.8		
Mortality/Morbidity -5% (life insurance)	89.4	+ 32.6	+ 57.4%
No mortality improvements (life insurance)	20.5	- 36.3	- 63.9%
Mortality/Morbidity -5% (annuities)	57.3	+ 0.4	+ 0.7%
Lapse rates -10%	64.0	+ 7.2	+ 12.6%
Maintenance expenses -10%	58.3	+ 1.5	+ 2.6%
Interest rates +100 bps	56.9	+ 0.1	+ 0.1%
Interest rates -100 bps	53.8	- 3.1	- 5.4%
Equity and property capital values -10%	56.8	-	-
Equity and property implied volatility + 25%	56.8	-	-
Swaption implied volatility + 25%	56.8	-	-

Table 5: Sensitivities of the VNB 2010

SCOR's Life and Health reinsurance portfolio is exposed primarily to mortality risk. Changes to mortality and morbidity assumptions have a strong impact on the MCEV and VNB.

Economic assumptions have a relatively minor impact on values.

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5 Reconciliation of the MCEV to IFRS Equity and Group MCEV

The equity capital of SCOR Global Life SE includes medium and short-term loans from SCOR SE. For the embedded value calculation and disclosure, these loans are treated as capital of SCOR Global Life, as described in Section 6.1. This allocated capital must therefore be added to IFRS equity for SCOR Global Life in order to reconcile the MCEV with the IFRS equity.

	31 December 2009	31 December 2010
IFRS net assets of SCOR Global Life	1,036.9	1,195.5
Allocated capital	469.9	498.3
Adjusted IFRS equity of SCOR Global Life	**1,506.7**	**1,693.8**
Embedded Value	1,934.3	2,210.9
Value not recognised in IFRS equity	**427.6**	**517.1**

(in €m)

Table 6: Reconciliation of the EEV 2009 and MCEV 2010 to IFRS equity

The value not recognised in IFRS equity increased by €89,5m, mainly due to new business and change in assumptions which are treated differently under IFRS.

The Group MCEV of SCOR is then the IFRS equity for SCOR published in its 2010 Annual Report, plus the value not recognised in IFRS equity above. The non covered business IFRS equity is calculated as IFRS equity for SCOR,excluding minorities, less adjusted IFRS equity of SCOR Global Life.

	31 December 2010
Covered business MCEV	2,210.9
Non covered business IFRS Equity	2,651.4
Total Group MCEV	**4,862.3**

(in €m)

Table 7: Group MCEV (excluding minorities)

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6 Methodology

The embedded value was calculated in accordance with the MCEV principles of the CFO Forum as issued in June 2008 and later amended in October 2009.

6.1 Shareholder Net Worth (SNW)

The Shareholder Net Worth (SNW) of each SCOR Global Life entity is derived from the local statutory (regulatory) equity by making a number of adjustments to convert to a market value basis. The most important adjustments are:

- allowing for the market value of invested assets
- removing intangible assets
- adjusting the book value of outstanding debt to its market value
- replacing the statutory pension liabilities by their IFRS values, in cases where the latter are higher

In addition, the SNW contains capital allocated by SCOR SE to SCOR Global Life in the form of internal loans amounting to €488m, and capital allocated to L&H business booked in composite entities to cover statutory and internal solvency requirements amounting to €10m.

All adjustments allow for the consequential impact on deferred tax.

It should be noted that the SNW does not fully coincide with the definition of admissible assets under local solvency regulations.

6.2 Required Capital (RC)

The projected level of required capital is based on the higher of current statutory requirements on a going-concern basis (i.e. taking into account the necessity to hold a certain multiple of the local minimum solvency margin due to competitive pressures or guidance from the regulator) and internal requirements on a group level. No allowance is made for Solvency II.

The resulting aggregate required capital exceeds the capital required to meet SCOR’s target rating.

6.3 Value of In-Force (VIF)

The VIF is calculated as:

Present Value of Future Profits (PVFP)

\+ Time Value of Financial Options and Guarantees (TVFOG)

\+ Frictional Costs of Required Capital (FCRC)

\+ Cost of Residual Non Hedgeable Risk (CoRNHR)

The calculation of each of these components is described in more detail below.

6.4 Present Value of Future Profits (PVFP)

The PVFP is the present value at the valuation date of projected statutory profits expected to emerge to shareholders from the business in-force, discounted at the reference rate, net of projected maintenance

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expenses and tax attributable to in-force business. Allowance is made for the projected impact of tax losses carried forward.

The PVFP is calculated

- on a certainty equivalent basis, i.e. projecting investment returns on assets at the reference rate and discounting treaty proceeds at the same rate.
- on a deterministic basis, i.e. the effect of asymmetries in the impact of risks is allowed for in the TVFOG in the case of financial risks, and otherwise in the CoRNHR.

The PVFP excludes any new treaties (expected to be) underwritten after the valuation date and any new policies underwritten after the valuation date and reinsured under in-force treaties.

The value of expected renewals of treaties which are renewed on an annual basis without significant commercial effort has been included in the PVFP. Future renewals which require significant commercial effort have been excluded from the PVFP.

The future outgoing premium payments for some annually renewable external retrocession treaties that cover the portfolio of SCOR Global Life against catastrophic events have been projected over the full lifetime of the covered blocks of business. As a prudent assumption, no future claims recoveries to the benefit of SCOR Global Life under these treaties have been projected.

6.5 Value of New Business (VNB)

The VNB is calculated as:

Statutory profit or loss during the reporting year in respect of new business written during the reporting period, after acquisition expenses and tax,

\+ the VIF related to new business written during the reporting period.

Economic capital for the calculation of the CoRNHR for new business is allocated on a proportional basis.

6.6 Frictional Costs of Required Capital (FCRC)

Assets backing required capital can be regarded as being locked-in. The corresponding frictional costs are the tax on the investment return earned on these assets and the net of tax investment management expenses for these assets. The Frictional Costs of Required Capital (FCRC) are the present value of these annual costs projected over the outstanding life of in-force policies.

6.7 Cost of Residual Non Hedgeable Risks (CoRNHR)

The CoRNHR allows for the cost of risks not already allowed for in the PVFP or TVFOG. These costs include operational risk, cedant credit risk, unavoidable market risk, the effect of the asymmetric influence of tax, the effect of asymmetries in risk distributions or asymmetries in the impact of risks on treaties of the portfolio and an allowance for uncertainty in the best estimate of shareholder cashflows.

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The CoRNHR is calculated using a cost of capital approach:

- the Non Hedgeable Risk Based Capital (NHRBC) required for SCOR Global Life's Life and Health business portfolio is determined consistent with a 99.5% confidence level over a one year time horizon using SCOR's internal economic capital model. Diversification of non hedgeable risks within the covered business is allowed for, but diversification with the risks of non-covered business is excluded, in line with the MCEV principles.
- a cost of capital rate of 4% per annum is applied.

6.8 Time Value of Financial Options and Guarantees (TVFOG)

The Financial Options and Guarantees (FOGs) allowed for in the MCEV cover all material options and guarantees in SCOR Global Life reinsurance business. The FOGs embedded in reinsurance contracts have been valued on a market consistent basis.

Various types of reinsured U.S. accumulation contracts contain Financial Options and Guarantees (FOGs) in the form of guaranteed interest rates, or guarantees linked to equity indices, guaranteed minimum death benefits, buy-back options and options to convert to annuities. The impact of these FOGs was projected for a large number of stochastically generated risk-neutral economic scenarios for the swap yield curve and the S&P 500 equity index. The TVFOGs were calculated as the difference between:

- the average present value of projected statutory profits, discounted at the respective risk-free rate, from all the stochastic economic scenarios, and
- the "certainty equivalent VIF" calculated on the basis of the financial parameters at the valuation dates.

The FOGs for certain U.S. Universal Life products and Italian savings policies with interest rate guarantees were derived on the basis of internal benchmarks or benchmarks based on MCEV results published by other insurers in the corresponding markets. For other businesses, the FOGs are not material.

The same methodology has also been applied in valuing the FOGs for the value of new business.

6.9 Consolidation

Embedded values of legal entities have been consolidated by

- replacing book values of subsidiaries by their respective MCEVs
- eliminating any differences between intra-group receivables and payables (net of applicable tax).

6.10 Change in Embedded Value

The opening adjustments are net capital movements, namely changes to capital allocated by SCOR SE to SCOR Global Life, interest paid thereon in 2009 and profits transferred by SCOR Global Life to SCOR SE.

The allocated capital as per 31 December 2010 corresponds to loans from SCOR SE to SCOR Global Life and capital allocated to Life and Health business booked in composite entities to cover statutory and internal solvency requirements.

The value of new business is the sum of the actual 2010 after tax statutory profit or loss arising from the new business written in 2010 (allowing for internal and external acquisition expenses) and the VIF of this business at the end of 2010.

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It has been calculated using 2010 closing assumptions. It includes the value of new treaties underwritten during 2010, the value of 2010 new business on treaties in force at 31 December 2009, and the actual renewals in 2010 of annually renewable treaties in those cases where the renewal required significant commercial effort.

The expected existing business contribution (reference rate) is the unwinding of one year's discounting for business in-force as at 31 December 2009, plus expected after tax investment income on the SNW, assuming investment returns equal to the reference rate.

SCOR sets the expected existing business contribution (in excess of reference rate) to be nil.

Experience variances include the differences between actual experience and projected results during the year 2010 with respect to mortality, morbidity, lapses, expenses etc. on business in force as at 31 December 2009.

Assumption changes shows the impact of changes made in 2010 to non-economic parameters affecting the business in-force as at 31 December 2009.

Other operating variances show the effect of changes made in 2010 to projection models as well as the MCEV impact of transferring business from one entity of SCOR Global Life to another.

Economic variances reflect differences between actual and expected returns on invested assets, including changes to unrealised capital gains and losses, and the aggregate impact of changes to the economic environment during the reporting year, including changes to projected investment returns, letter of credit costs and inflation rates.

Other non operating variances shows the effect on the MCEV of changes to the legal or regulatory environment, such as changes to tax rates, changes to regulatory capital requirements, and so on.

Closing adjustments reflect movements of foreign exchange rates against the Euro from 2009 to 2010. MCEV earnings and capital movements have been converted into Euros using 2009 exchange rates, with the exception of the value added by new business, which has been converted using 2010 exchange rates.

6.11 Sensitivity Calculations

Sensitivities are generally calculated using the base case assumptions, except for the stated sensitivity assumption.

The sensitivities on interest rates allow for a change to the entire interest environment from a parallel shift in the yield curve, including a revaluation of fixed interest assets and change in projected inflation rates.

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7 Assumptions

7.1 Operating Assumptions

Actuarial assumptions on mortality, morbidity, persistency etc. have been actively reviewed and are SCOR's best estimate assumptions as at the projection dates, which are derived from a mixture of historic experience and industry data. Appropriate allowance has been made for trends.

Reinsurance companies generally have less policy and experience data available than primary insurers. This means that embedded value calculations require more assumptions and simplifications than is the case for primary insurance companies.

Future maintenance expenses expected to be incurred in relation to the administration of the in-force business have been projected and deducted from the present value of statutory profits.

Acquisition expenses on new business written during the reporting year are allocated on the basis of activity analyses and a proportional allocation of indirect expenses.

The expense assumptions have been based on current expense levels and the expected run-off pattern of the in-force portfolio. In particular, no exceptional development or one-off costs were excluded from actual incurred expenses to derive the basis for expense projections, and no allowance was made for future productivity gains. Costs incurred in holding or service companies have been fully taken into account on a look-through basis.

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7.2 Economic Assumptions

All assumptions relating to investment scenarios are constructed to reflect market conditions following a market consistent valuation approach. Reference rates have been derived from swap rates at the valuation date and do not include any liquidity premiums. The zero coupon rates used for the main currencies are as follows:

Swap zero coupon rates		**31 December 2009**		
Term	EUR	USD	GBP	CAD
5 Years	2.85%	3.07%	3.48%	2.93%
10 Years	3.69%	4.17%	4.26%	4.04%
15 Years	4.13%	4.63%	4.59%	4.72%
20 Years	4.23%	4.74%	4.53%	4.86%
25 Years	4.13%	4.76%	4.38%	4.66%
30 Years	3.97%	4.80%	4.25%	4.46%
		31 December 2010		
5 Years	2.60%	2.23%	2.69%	2.63%
10 Years	3.42%	3.56%	3.70%	3.52%
15 Years	3.79%	4.12%	4.09%	4.08%
20 Years	3.83%	4.29%	4.15%	4.23%
25 Years	3.67%	4.36%	4.12%	4.09%
30 Years	3.47%	4.39%	4.04%	3.94%

Table 8: Swap rates for main currencies by duration

For business containing FOGs, the valuation has been based on stochastic projections using market consistent, risk neutral economic scenarios, except where other approximations for a market–consistent valuation have been employed.

Volatility assumptions are based on observed market implied volatilities on exchange traded options (with the longest available term) at the respective valuation date:

Equity implied volatilities	
Equity Index	S&P 500
31 December 2009	24.1%
31 December 2010	22.1%

Table 9: At the money equity implied volatilities

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Swaption implied volatilities	31 December 2009	31 December 2010
Term	USD	USD
1 Year	30.4%	30.2%
2 Years	28.1%	27.0%
3 Years	25.5%	24.7%
4 Years	23.6%	23.1%
5 Years	22.0%	21.8%
7 Years	19.9%	20.9%
10 Years	17.3%	20.1%

Table 10: Swaption implied volatilities for at-the-money swaptions with a 10-year tenor

The economic scenarios assume a correlation of -40% between annual returns on treasuries and on the S&P 500 index.

The MCEVs have been converted into Euros using the exchange rates at the respective valuation dates. MCEV earnings and capital movements have been converted using end 2009 exchange rates with the exception of the value added by new business, which has been converted using end 2010 exchange rates. Changes in the MCEV due to changes in foreign exchange rates are disclosed under *closing adjustments*.

For the major foreign currencies, the following exchange rates have been used:

1 Euro = …foreign currency	31 December 2009	31 December 2010
USD	1.4541	1.3435
GBP	0.8960	0.8487
SEK	10.4635	9.1284
CAD	1.5459	1.3531
CHF	1.5123	1.2916

Table 11: Exchange rates for main currencies

Inflation assumptions of between 1.5% and 4% p.a., depending on the country and currency, have been used to project future maintenance expenses. Inflation rates were derived from market prices of inflation linked securities, where available.

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7.3 Tax Assumptions

Expected future tax payments have been projected using the applicable tax basis (allowing for valuation differences between the statutory and the tax accounts) after allowing for any tax losses carried forward of each entity. No allowance has been made for the effect of tax losses carried forward of SCOR's non-life entities or for potential tax on remittances/dividends from subsidiaries.

Different tax treatments of treaties booked in branches (which file local tax statements) have also been reflected in the projections.

The following tax rates have been applied to projected future profits expected to emerge in the main tax jurisdictions:

Tax rate	**EEV 2009**	**MCEV 2010**
France	34.4%	34.4%
Germany	31.6%	31.6%
USA	35.0%	35.0%
UK	28.0%	27.0%
Ireland	12.5%	12.5%

Table 12: Tax rates for main tax environments

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8 Disclaimer

Forward looking statements

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

Please refer to SCOR's document de référence filed with the French Autorité des Marchés Financiers (AMF) on 8 March 2011 under number D.11-0103 (the “Document de Référence"), for a description of certain important factors, risks and uncertainties that may affect the business of SCOR. As a result of the extreme and unprecedented volatility and disruption of the current global financial crisis, SCOR is exposed to significant financial, capital market and other risks, including movements in interest rates, credit spreads, equity prices, and currency movements, changes in rating agency policies or practices, and the lowering or loss of financial strength or other ratings.

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9 External Opinion

Towers Watson has reviewed the methodology and assumptions used to determine the 2010 embedded value results for the Life and Health business of SCOR SE ("SCOR") and its subsidiaries, together with the disclosure provided in this document, against the requirements of the European Insurance CFO Forum Market Consistent Embedded Value Principles ("MCEV Principles")©[3], and has also reviewed the results of the calculations. Our review covered the embedded value as at 31 December 2010, the value of 2010 new business, the analysis of movement of embedded value over 2010 and the sensitivities on the embedded value and value of new business.

Towers Watson has concluded that the methodology and assumptions used by SCOR, together with the disclosure provided in this document, comply with the requirements of the MCEV Principles, except for the absence in the disclosure of the analysis of Group MCEV earnings.

Towers Watson has performed limited high-level checks on the results of the calculations and has confirmed that any issues discovered do not have a material impact on the disclosed 2010 embedded value, value of new business, analysis of movement and sensitivities. Towers Watson has not, however, performed detailed checks on the models and processes involved.

In arriving at these conclusions, Towers Watson has relied on data and information provided by SCOR and its subsidiaries. This opinion is made solely to SCOR in accordance with the terms of Towers Watson's engagement letter. To the fullest extent permitted by applicable law, Towers Watson does not accept or assume any responsibility, duty of care or liability to anyone other than SCOR for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.

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Glossary

Certainty equivalent VIF	VIF discounted using the risk-free yield curve without a risk margin.
Cost of residual non hedgeable risks (CoRNHR)	The cost of residual non hedgeable risks allows for the risks not already assessed in PVFP or TVFOGs. SCOR determines the CoRNHR by using a cost of capital approach. These non hedgeable risks consist of, for example, asymmetries, operational risk, credit risk and unavoidable market risk.
Discount rate	Risk-free rate for the respective currency and duration (i.e. the zero bond rate which is consistent with the risk-free yield). No liquidity premiums are taken into account.
Economic assumptions	Assumptions on the future development of parameters which do not depend on the composition of the portfolio, e.g. regarding future interest.
Financial Options and Guarantees (FOGs)	Options and guarantees in reinsurance treaties which can create asymmetric shareholder returns resulting from movements in financial variables.
Free Surplus	Capital allocated to underlying business in excess of Required Capital.
Frictional Costs of Required Capital (FCRC)	Costs of holding required capital at risk-free investment returns net of tax and investment expenses.
Going-concern basis	Assumption that the respective company will continue writing new business.
Liquidity premium	The assumed additional risk-free return which can be earned on illiquid investments held to maturity and, by extension, the higher discount rate which might be used to value liabilities which can safely be matched with illiquid investments.
New business	New treaties written during the reporting period, including renewals of treaties which require significant commercial effort, and new policies reinsured under existing treaties.
New business margin	The ratio of the VNB and the PVNBP.
Value of new business (VNB)	Sum of the actual 2010 after tax statutory profit or loss arising from the new business written in 2010 (allowing for internal acquisition expenses) and the VIF of this business at the end of 2010, net of FCRC, CoRNHR and the value of FOGs.
Non-economic assumptions	Assumptions on the future development of parameters which are based on the current composition of the portfolio of treaties and policies insured, mainly biometrical assumptions like lapse, mortality and morbidity.
Non Hedgeable Risk Based Capital (NHRBC)	The economic capital required to cover the non hedgeable risks of SCOR Global Life's Life and Health business portfolio consistent with a 99.5% confidence level over a one year time horizon. It is determined using SCOR's internal economic capital model, allowing for diversification of non hedgeable risks within the covered business, but not allowing for diversification with the risks of non-covered business, in line with the MCEV principles.

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Present Value of Future Profits (PVFP)	Present value at the valuation date of projected statutory profits expected to emerge to shareholders from the business in-force, discounted at the reference rate, net of projected maintenance expenses and tax attributable to in-force business.
Present Value of New Business Premiums (PVNBP)	Present value of future premiums for new business including the premiums in the year the business has been written, discounted at the reference rate.
Required Capital (RC)	Capital which is needed to back internal and statutory solvency requirements.
Reference rate	A proxy for a risk-free rate appropriate to the currency, term and liquidity of the liability cash flows. Under the MCEV Principles, the reference rate is generally derived from the swap yield curve.
Shareholder Net Worth (SNW)	Capital not needed to back liabilities, also known as shareholders' equity, adjusted to allow for, among others, the share of unrealised capital gains on invested assets attributable to shareholders and differences between statutory and IFRS pension liabilities, and excluding intangible assets which cannot be used to cover statutory liabilities.
Time Value of Financial Options and Guarantees (TVFOGs)	The difference between the value of FOGs included in the PVFP and the total market consistent value of the FOGs.
Value of In-Force (VIF)	Present value of projected statutory profits, calculated at the valuation date, expected to emerge to shareholders from the business in-force, discounted at the discount rate, net of tax and maintenance expenses reduced by FCRC, CoRNHR and TVFOGs.

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