January 1st 2014 Conference Call

Company Participants

- Antonio Moretti, IR Director
- Benjamin Gentsch, Deputy CEO of Scor SE Global P&C, Leader of Specialty Lines
- Victor Peignet, CEO of Scor SE Global P&C

Other Participants

- Andrew Ritchie, Analyst
- Frank Copling, Analyst
- Jason Kalamboussis, Analyst
- Kamran Hossain, Analyst
- Maciej Wasilewicz, Analyst
- Michael Huttner, Analyst
- Thomas Fossard, Analyst
- Thomas Jacquet, Analyst
- Thomas Seidl, Analyst
- Tom Dorner, Analyst
- Vinit Malhotra, Analyst

Presentation

Operator

Good day, ladies and gentlemen. and welcome to the Scor Global P&C Renewals at January 1st, 2014 Conference call. For your information, today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Antonio Moretti. Please go ahead.

Antonio Moretti {BIO 17681290 <GO>}

Good morning, everyone. And thank you for joining the Scor Global P&C Renewal call, where we are pleased to present you the outcome of our January 2014 renewals.

I'm joined in this call by Victor Peignet, CEO of Scor Global P&C; and Benjamin Gentsch, Deputy CEO of Scor Global P&C and Leader of our Specialty Lines.

The presentation today focuses on our global property and casualty business and the January 2014 renewals. I would like to remind you that our full-year 2013 accounts will be published on the 5th of March and we will be pleased to answer any questions on the full-year results during that event.

Before we start with the presentation, please consider our disclaimer on page 2. It is very important to mention that all figures in this presentation are unaudited and on an underwriting-year basis, unless otherwise specified.

With this, I would like to give the floor to Victor Peignet, CEO of Scor Global P&C.

Victor Peignet {BIO 6287211 <GO>}

Good morning. During the past few months and more intensively during the past few weeks, a lot has been said, quoted and written about the status of the reinsurance industry and the probable outcome of the January renewals. This morning we are talking about the actual outcome for Scor as we release the results of our renewals. And during this presentation of our results and the Q&A following, we will be discussing the actual situation based on all the detailed information at our disposal.

I'm sure that you have already scrutinized the figures that are contained in our press release and in the detailed presentation that goes with it. By now, you are familiar with the format and the contents of our renewal presentation and this one is no different from the previous ones in terms of granularity of the disclosure.

It aims at giving you a true presentation of what we see happening in our industry and how we deal with it. I don't intend to go through all the slides and I will only be referring to three of them that in my opinion capture the essence of the information, the slides number 4, 5 and 20.

Going into the presentation itself, my first point is to emphasis the quality of the performance of the teams and the solidity of our renewals at the end of the 2013 year, which we have seen -- where we have seen our business profitably growing by 8% at constant exchange rates to reach EUR4.85 billion. I remind you that we had projected a growth of about 6% for 2013 in the January 2013 renewals presentation.

I will come on this performance of the January 2014 renewals in the second part of the presentation. But before that let's have a look at the business environment in which we operate. Moving on to slide 4, I can say that the context and the outcome of these renewals are not a surprise for us. You will remember what we said back in September at the Monte Carlo rendezvous, the views we then gave on the reinsurance and the insurance industry as a whole and the projections we made in anticipation of the January renewals.

The reality of the situation is not much different from what we anticipated and it is characterized by the four key factors that are shown and commented on the slide number 4.

Without minimizing the impact of the influx of new capital in reinsurance, the main drivers of the changes that we are observing in our industry are definitely the clients themselves by the choices they make to rationalize their reinsurance purchase. They are increasingly driven by capital and solvency management. And they are aiming at optimizing their returns according to their risk appetite. And the reinsurance is part of the equation for them.

Having done a lot of work to better understand the mechanisms that are behind the capital requirements and the solvency ratios in relation to the ongoing regulatory changes as well as to improve the technical performances in order to partly offset the impact of the low interest rates, many insurers are now taking a much more structured approach to the projections of their earnings and of their balance sheets.

They are also paying a lot more attention to their counterparty risk and to the management of this risk. Reinsurance has become more strategic than opportunistic for them and this fundamental change is having as a main consequence the tiering or the bifurcation of the reinsurance industry that we foresaw well before we communicated on it back in September 2013.

Most of the initiatives we have implemented during the recent years, whether they be organizational, system or business related, were having as a prime objective to align ourselves ahead of time with this evolution of the demand.

The January 2014 renewals are like the first step of the manifestation of this tiering that we foresee continuing and intensifying in the next renewal seasons. What it means in practice is that a group of 5 to 15 reinsurers is emerging and is going to form the panel of core partners for an increasing number of large and even mid-sized insurers starting with the most sophisticated ones.

What it also means is that within this group of reinsurers, the truly global players operating as true multi-liners in terms of pricing capacities and underwriting capabilities with global presence and global approaches to the clients' relationships will be the most influential and will benefit the most from this tiering.

Size and diversification are increasingly becoming key competitive advantages in the eyes of clients that do value security, line sizes, global offering including for new products and solution, network of local presence and support and services.

To illustrate my point, I can take the example of Asia and many large emerging markets where only a few truly global players can engage successfully, securing and then renewing large quota share deals are (gleamed) clear demonstration of our market standing.

One of the main outcomes, if not the main outcome, of this renewals for us is the confirmation that the clients and their brokers see Scor as definitely belonging to the first tier as a lead market and a core and preferred partner.

Moving on to slide number 5, we will now go through the facts and figures of the renewals. In a few words, given the competitive environment and the number of major restructuring in the reinsurance programs of large buyers, we are showing a very solid performance with a 5% overall premium growth and a stable expected net technical profitability.

This 5% growth is in line with the assumptions of our Optimal Dynamics new 3-year strategic plan excluding the expecting additional growth from Scor Business Solution and our Lloyd's business including our own Syndicate Channel 2015, all of this being due to be implemented over the three years of the plan.

The increase weights of the restructuring are shown in the (inaudible) boxes for treaty P&C and specialty treaty on slides 12 and 16 respectively. And the good timing of our global reinsurer initiative allowed us to continue to grow with them whist they did significantly increase their retention and reduce their cessions.

The volume of property cat premiums coming up for renewal at the first of January represented slightly less than 10% of the total premiums to be renewed. And out of these 10%, US cat accounted for only about 2% for us. Whilst we didn't experience material deterioration in the terms of the contract, we did face pressure on risk-adjusted pricing that led us to more actively manage this portfolio.

The outcome for us is a 6% premium growth on the US cat portfolio that results from a reinforcement of our position on large programs of multinational and global insurers and a disengagement from a number of programs of regional insurers.

Overall, pricing is quasi stable with variation in primary insurance prices largely compensating those of reinsurance prices. This is well illustrated in the pricing variation of proportional and non-proportional business that are shown on slide number 9.

The expecting return on risk adjusted allocated capital is stable and the savings made on the retrocession cost almost offset the increase by 0.9% of the expected gross underwriting ratio. Our retrocession got placed at better-than-expected terms and conditions. And slightly improved coverage versus the objective of the first year of our Optimal Dynamics 3-year plan implementation. This translates into a 0.6% average expected positive impact on the net combined ratio.

Now moving on to the conclusion slide number 20, the main points to retain from these renewals are the following. First, the January 2014 renewals largely confirm the trends that we had indentified well in advance and on which we communicated as early as at Monte Carlo in September 2013.

In this changing environment, Scor Global P&C is set to benefit from the tiering of the market. The diversification of our business platform, our longstanding local presence and the continuity and consistency of our underwriting policies and services are proving to be key competitive advantages as the industry is walking away from a commoditization that never took over.

Looking ahead, we are confident in our ability to continue to reinforce our market position in a new environment with which our business model is already aligned. Based upon our plan as it stood for the first year Optimal Dynamics and taking into account the January 2014 renewals, we estimate at around EUR5 billion our total premiums for the full-year 2013 and we confirm our 93% to 94% assumption for the net combined ratio.

At this point I thank you for your attention and I will now pass on to Antonio, who is going to lead us into the Q&A session. Thanks.

Questions And Answers

A - Antonio Moretti {BIO 17681290 <GO>}

Thank you, Victor. We can now move on to the Q&A and I would like to ask everyone to limit your questions to a maximum of two. Again, as I mentioned at the beginning, the questions should be focused on the January 2014 renewals. Any other questions will be answered during the call of the 5th of March. Thank you.

Operator

(Operator Instructions)

Kamran Hossain, RBC.

Q - Kamran Hossain {BIO 17666412 <GO>}

I have just got two questions. The first one, you helpfully in September gave a number on -- the number of contracts you managed to lead. So I think the number of at the end of 2012 was 29%. Do you have an updated number for what that looks like at the January renewals? That's question one.

And secondly on the Asian growth, 32% there, could you give us some idea of which countries the growth came from? Thanks.

A - Victor Peignet {BIO 6287211 <GO>}

Percentage of premium that we lead -- but I mean there is different definitions for leading. But true leading 33% out of the 2014 renewals. So slightly up compared to where we were last year.

Regarding Asia, while China is taking of course a big part of the premium increase. But we had also interesting increases on regional programs of global insurers on which we took lead positions.

Q - Kamran Hossain {BIO 17666412 <GO>}

Thanks very much.

Operator

Michael Huttner, JPMorgan.

Q - Michael Huttner {BIO 1556863 <GO>}

My first question is on the pricing. So the pricing at SBS is down. And that's on slide 18. But the pricing in property proportional is up and that's on slide 10. And given that they are similar businesses, if you could explain why one should be up, the other one down, I couldn't understand that?

And the other question is on the outlook. So the sense I have, which was your opening marks, that the business renewed now is less nat cat than the business to be renewed later, given that the pressure is mainly in nat cat, does it mean we should expect the trend of apparent price changes to be slightly down? Thank you.

A - Victor Peignet {BIO 6287211 <GO>}

Well, on the SBS versus property proportional, SBS is a large corporate business underwriter focusing on the upper end of the large corporate in terms of complexity and capacity requirements. So it's a very, very specific type of business on which, yes, there is a competitive pressure.

As far as property proportional business is concerned, it's a mix of personal lines, commercial, SME business as well as large corporate. But the essential of our book is much more on personal and commercial and large corporate business that doesn't directly conflict with SBS business in order to handle our accumulation.

I'm not saying that we are not supporting large insurers on their industrial business. But that is not the essential part of our property proportional book. So it's quite normal that you see a difference. And then there is also a fundamental difference between the behavior of US market and the behavior of European markets, where in the US commercial and industrial has been on the rise as opposed to Europe where it's much more basically personal line business where we see the premium increases.

Q - Michael Huttner {BIO 1556863 <GO>}

Okay, thank you.

A - Victor Peignet {BIO 6287211 <GO>}

Regarding the rest of the year, if I understood your question, I think normally when we start the year with a portfolio mix that is not the most favorable. So it means that the expected return on allocated capital and underwriting ratio out of the January renewals were lower than what we see at the end of the year in the sense that April renewals and June-July renewals, the business -- the portfolio compositions are generally higher margin portfolios.

So we have an improvement that goes as time goes during the year. I don't think there is any reason why we should not see the same pattern, maybe not to the same extent. But basically we should have the same behavior as the year develops for this year.

Q - Michael Huttner {BIO 1556863 <GO>}

Pinned it. Thank you, very much.

Operator

Tom Dorner, Citigroup.

Q - Tom Dorner {BIO 15847486 <GO>}

So my first question is on the statement that the profitability of the renewed business is broadly stable. And that's quite an achievement given the broader market commentary. But in your Optimal Dynamics plan you are expecting the margin of the P&C business to improve. So is that still being driven by I think what you mentioned at the time of the Investor Day was mainly portfolio steering and can you give an update on that please?

And then the second question is on the changing habits of reinsurance buyers. And you mentioned they are looking increasingly to manage capital and use reinsurance to do that. To what extent is the developments on Solvency II and potentially greater clarity around that providing opportunities for you? So it would just be interesting to hear your view about that more generally. Thanks.

A - Victor Peignet {BIO 6287211 <GO>}

Okay. I'll start with your second question. I think the way it goes is that just like what we've been doing at Scor for quite some years now, everything start with risk appetite. And I think the way reinsurance is now introduced in the discussion within sophisticated insurers is definitely at the level of the risk appetite once you've set your risk appetite and your risk tolerance and also your risk reward targets according to your risk appetite, then reinsurance is one of the tools in order to manage your capital requirement and your returns on capital.

So what I was trying to explain is that this is now a very strategic approach that is taken by those insurers in which reinsurance is brought up much higher in the preoccupations of the Company and those are prospects or problems that are being discussed at risk committee levels, go to the Board. So the purchase is becoming much more strategic.

And in that sense in a way -- I mean we fit in this equation because our business is already driven like that. So we do understand very well that approach and we can even share it with a number of insurers. And our risk management team and our operation management teams are in contact with a number of insurers in order to exchange views on how we've been doing at Scor and how they intend to do and how they are already doing for some of them.

So it adds in a way to the value we bring to the table in the sense that while we are capable to exchange views on the way we manage our business and the way they intend now to manage our business. And what we have explained to you over the years regarding our retrocession policy is exactly what they are planning now for their reinsurance policy and there are a lot of similarities between the two.

As far as the combined ratio is concerned, well, we are definitely confirming that our target is the 93%, 94%. We have set that target for the three years of the plan. Out of the January renewals, well, we are coming with a combined ratio that is stable. We will publish about the 2013 year result in a few weeks. So we will have a very, very precise starting point that is showing where we start in 2013 and then I would like to discuss that maybe in 3-4 weeks when we will have the two, the results of 2013 and the information we are providing you today on the renewals. And that would be probably the proper time to discuss that.

Q - Tom Dorner {BIO 15847486 <GO>}

Okay, thanks, Victor.

Operator

Thomas Jacquet, Exane.

Q - Thomas Jacquet {BIO 4110153 <GO>}

Two questions on my side, the first one regards to slide six on the Asia-Pacific renewals. We see that 61% of the business has been renewed in January. Last year it was 45%. Did anything significant happen on that side to explain this? And my second question is on the French motor. On the roadmap you signaled a sharp deterioration in both proportional and non-proportional. Can you maybe give a bit of color and does it relate to the recent change in the way annuities are provisioned? Thank you.

A - Victor Peignet {BIO 6287211 <GO>}

Regarding Asia, the big difference has been the Korean market, where a lot of business that used to renew in April has moved ahead to January, to be on a calendar year basis. If we look at the -- to come back on the growth in Asia, I think it's basically China. But we did excellent renewals in Korea. And we have been present in Korea for many, many years and we have a real deep rooting in this market. And we did find the way this year to continue to improve our position in this market. So Korea and China did perform very well at the renewal, on top, as I mentioned before, of the original business of global insurers.

Regarding the French market, well, I think you have as much information as I do on the primary insurance. So this has been an ongoing debate for months now. It's not only the changes that are in the pipeline. But it also is the effect of the crisis on the actual loss activity. So on the primary side, the situation is no better on the motor than it is on personal lines, property business. I think the margins are not there at the moment. Hence the price increases. But -- I mean prices which are certainly not sufficient to cope with the deterioration of the loss ratios on the losses.

Well, as far as the reinsurance is concerned, well, this is not the first year that we are disappointed. We have got some increases on the prices. But which in our opinion are not commensurate with the expectations. So it is becoming for us a portfolio management issue with our clients in France, mixing motor with the rest of the business and trying to see whether we have a global equation that is manageable for us.

Q - Thomas Jacquet {BIO 4110153 <GO>}

Okay, thank you very much.

Operator

Andrew Ritchie, Autonomous Research.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Two short questions. First of all, Victor, your initiative with global clients, it's quite hard to tell what momentum is there because obviously, as you mentioned, some clients have reduced the amount they are seeding, et cetera. Can you give us a sense of has there been any increase in the number of clients, the number of global clients or where you are on panels versus where you want to be or some other metric that allow us to assess what exactly the progress of the global clients has been and what the remaining potential is?

Secondly, on retro, you mentioned that you expect to save 60 basis points. Just to be clear, has there been any change in your net retention per events or is that just simply repurchasing the same retro at cheaper rates? And in relation to that, has there been any increase in basis risk on the nature of the retro that you are buying? Thanks.

A - Victor Peignet {BIO 6287211 <GO>}

On the retro, as I mentioned during the presentation, our coverage has slightly improved, which means that we didn't cut on the risk taking. I mean our retention is as we presented it in Optimal Dynamics. It happens that we've got a bit of a better cover on non-peak territories and overall we got a better price.

We didn't restructure massively. We have shifted a bit of per event into aggregate. But overall it's the same program and same structure as we presented in our IR Day in September. The improvements is -- as I say, is an average improvement; that is if you put the retro as we renewed it in our business planning and our operating plan, we see an improvement of about 0.6%.

Q - Andrew Ritchie {BIO 18731996 <GO>}

That's based on normalized loss experience I guess, expected normal --

A - Victor Peignet {BIO 6287211 <GO>}

Exactly because we cannot know in advance how the year is going to develop. But on a normalized basis, we would get 0.6% of improvement.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Okay.

A - Victor Peignet {BIO 6287211 <GO>}

Regarding the global insurers, well, we have an increase of the number by three to four. We are also including in our global insurers initiatives some insurers that are not truly global yet but are on their way to be. So overall we think probably six or seven more than what we had in initiatives when we started it.

Well, a lot of them have restructured their purchase. And you are right, I mean they have a view to retain more in certain areas, generally in cat to start with. Some of them have a view to buy more so retain more at the bottom, buy more at the top. There are also some reconsideration in areas of business where they feel that some of the -- well. And the business may not be as volatile as they thought and then their reinsurance support becomes different.

It's very, very specific to each and every -- I mean some people would move their property from proportional to non-proportional. Some others would move their casualty from non-proportional to proportional. So it's really case-by-case. What we see is in conjunction with that while there is a reduction of the number of reinsurers, which means there is a kind of concentration on the shares.

And there is probably a rebalancing of the diversification. I think there is still a lot of consideration for diversification. But at the same time, as I was saying, monitoring of counterparty risk is also very important. So I think what they are trying to do is to find the right number of partners that they want to have, whereby while they have a competitive environment they have the right level of diversification. But they are not dispersing their relationship.

In that sense -- I mean we had a number of openings through these restructurings and overall we've been able to increase our line. So we increased our line on the pie, which is shrinking. And at the end of the day, we have a positive result, which mean that our premium with global insurers on the same global insurers as we had last year has increased, which I think is a proof that the initiative is paying off in the sense that as the pie is reducing we are still increasing our premium at good levels of profitability. So I think we had a good anticipation.

And I believe if we would have been more advanced in our casualty initiative, we could have even done better. But we've been adopting a very prudent attitude in the sense that while we take it extremely seriously in terms of risk management and we are moving at the speed that we feel is reasonable in that particular area.

Q - Andrew Ritchie {BIO 18731996 <GO>}

To just be clear, the premium with the existing global insurers increased. And you said the three to four new global insurers. Is that -- I think that's what you said.

A - Victor Peignet {BIO 6287211 <GO>}

Yes, that's what I said, yes.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Okay, thank you. That's great. Thanks.

Operator

Jason Kalamboussis, Societe Generale.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Just a couple of quick questions. The one it is, Victor, you mentioned the 0.6% on the renewals having basically an impact on your combined ratio. At the same point, you mentioned 0.9% that is offset by the 0.6%. At which page were you because I've missed the 0.9%?

And the second question is, in Europe do you find that basically even with what we saw the German floods and hail, et cetera, that at the end of the day when we look at prices in -- cat prices in Europe, they are quite sharply down. So basically it has been -- the impact of the excess capital has been bigger than the events that we saw.

A - Victor Peignet {BIO 6287211 <GO>}

Well, if you look on slide number 10, you see the sort of premium reduction, risk adjusted premium reduction or price reductions we have seen on cat. It is significant. It depends on the portfolio you are having of course. I mean whether you are weighted in UK or you are more weighted in Germany has got a lot of impact this year. I mean the cat is basically also following the loss activity. So depending on the market. So UK has certainly been one of the toughest in terms of price predictions. But the continental Europe has behaved quite differently.

So again I mean it's a lot of portfolio management that you are doing. By the way, thanks to our cat platform for the first year this year, we were able to have every day worldwide to the underwriting teams a status of the accumulation of cat commitments.

So I think we have now reached a position where we have an extremely dynamic follow-up of our cat business worldwide whereby our underwriting teams every day mid-day are getting a worldwide picture so they know all of them exactly where they are. And if we want to shift capacity from one area to another and basically that's what we did in the US where we shifted capacity from regional to large insurers and global players, well, this is something we can do as time goes in real time.

So I think that also allows us to more actively manage the portfolio when the market is having the sort of situation where we are in at the moment on the cat side.

Regarding the 0.9% and the 0.6%, well, the 0.9% is gross. So we are talking of gross underwriting ratio, which is basically loss ratio plus commission. And there we have seen a deterioration of 0.9%. Then in order to go to from gross to net, you bring the retrocession. So what we are saying is 0.9% deterioration, 0.6% improvement. But overall you are within 0.1%, 0.2%, 0.3% maybe. So we consider that it is stable, consider also that it is going to improve.

So then 0.9% deterioration will probably reduce slightly in April and it will further reduce as a result of June-July. So overall, we are within the margin of uncertainty and we can say that it is stable. But it's really the gross to net.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

And do you find that -- it will reduce in April I can understand. Do you find that it will still reduce in June-July?

A - Victor Peignet {BIO 6287211 <GO>}

Well, I think the composition of the portfolio that we renew in April and June-July is a portfolio that traditionally brings a better margin than the overall portfolio of January. And there is no reason to consider that this year will be different on the trend. So there will be a slight improvement as time goes during the year as every year.

Q - Jason Kalamboussis {BIO 4811408 <GO>}

Okay, thank you.

Operator

Thomas Fossard, HSBC.

Q - Thomas Fossard {BIO 1941215 <GO>}

Two questions on my side and one confirmation. The first question would be on the different business lines. Obviously, different pricing trend. But could you comment on the economic profit you're doing on the different lines? I don't know if you could comment on page 13 and 14, just to tell us basically where you still see the best economic margins currently and where potentially the worst are in terms of lines. So in terms of geographies? Just because in fact, for example, the US cat business is falling from a cliff in terms of prices. But still probably holds very good economic margin. So just to have also a sense of where the margins are in the industry.

Second question would be your strategic shift in the US from the regional to the more, I would say, multiregional or larger carriers. I don't know if it was a trend you already implemented last year. But wanted to better understand what you are doing there as I thought that you were more, I will say, exposed to regional -- US regional (inaudible).

And the confirmation would be with the type of retrocession you've renewed this year, can you confirm that the cat budget on a calendar year basis for 2014 will remain unchanged at 7 points of combined ratio? Thank you.

A - Victor Peignet {BIO 6287211 <GO>}

The 7 points is the weight of the cat in the budget. That's what you are talking about?

Q - Thomas Fossard {BIO 1941215 <GO>}

Yes, that's right, yes.

A - Victor Peignet {BIO 6287211 <GO>}

Yes, this we maintain because, as I said before, our retrocession has been renewed broadly as planned. So we didn't have any material change in the structure of it. So the efficiency is still there at a slightly better cost than what we had anticipated.

Regarding the profitability by lines, I understand you want to start, Thomas Fossard, read somewhere. So we can discuss that maybe. But I don't think it would be proper for us to give any detailed information on that and I'm sure you understand it. But I think it's a bit more complicated than that. I think you cannot -- you have to really to go down to markets and lines of business and you have also to consider that we are developing global approach to clients. That is no new for us. We've been doing that since the -- well, since the division was created.

So we are not looking really -- we are of course looking line by line with any client because we want to know exactly where we are technically on each line of business. But at the end of the day, we take also a global view of the profitability of the relationship. So it's a mix. It's a mix of the two. But as you rightly say, I mean the reduction of the cat prices in the US doesn't mean that the cat business that we write in the US is not attractive anymore. We consider that this business is worth being written for sure.

And regarding the shift from regional to large, well, I think this is due to circumstances in a way and the way the clients are buying and the prices and the structures as well -- not only the prices. But the structures of reinsurance that we have seen at the renewal. So when you are not getting the minimum required anymore or where the structures are structures that you do not want to support, well, you don't have much choice but to take a view on that business.

At the same time, as we were saying, there were a number of restructuring program. There were number of initiatives with global insurers, where those global insurers were opening doors for us to strengthen our position and we took the opportunity.

Q - Thomas Fossard {BIO 1941215 <GO>}

Okay. So a part of that was linked to your maybe initiatives towards US global clients as well?

A - Victor Peignet {BIO 6287211 <GO>}

Not only US global client because there is US cat with non-US clients. I mean we have large Asia-Pacific clients, for instance, that have got substantial US exposure. So it's not just US. But, yes, we had opportunities from large clients. And at the same time, we had problems with a certain part of the regional.

Q - Thomas Fossard {BIO 1941215 <GO>}

Yes, okay.

A - Victor Peignet {BIO 6287211 <GO>}

But I believe that if we did not have the problem with the regionals we would have happily continued with the regional and at the same time, developed the global insurer initiatives. We had the means to do that which means basically that for the rest of the Europe, well, we have a substantial amount of capacity available to continue our global insurer initiative because a quite a number of them are renewing later in the year.

Q - Thomas Fossard {BIO 1941215 <GO>}

Okay, thank you.

Operator

Thomas Seidl, Bernstein.

Q - Thomas Seidl {BIO 17755912 <GO>}

My first question is on slide 10, could you give us some color on the size of commission increase you have experienced in property and motor proportional. And secondly, go back I think to slide 5, your projected net combined ratio is up 30 basis points. At the same time, we should expect further falling investment income. Does it mean that the reinsurance market is not disciplined any more to compensate low investment in terms of higher prices going forward? Thank you.

A - Victor Peignet {BIO 6287211 <GO>}

On commissions overall, I would say a weighted average of about 1% increase in commissions in broad terms.

The second question, I didn't really catch what you wanted to know?

Q - Thomas Seidl {BIO 17755912 <GO>}

Okay. So on page -- I think on page 5, you say that the projected net combined ratio is 30 bps higher going forward, right, 90 bps gross minus 60 bps retrocession is 30 bps higher, correct?

A - Victor Peignet {BIO 6287211 <GO>}

Well, what I'm saying is that this is -- well, the 0.9% is for the 1st of January. We believe that over the year as it develops we will have some improvement of it, which is why I'm saying that overall we are planning it to be stable. And the 0.9% we slightly reduce as the year goes and if we are in a normalized year the 0.6% will -- well, the 0.9% reducing will converge with the 0.6%.

At the beginning, we are at 0.3% -- well, I think we are really talking of figures where -- well, we are at the margin here. I mean it's nice to have systems and it's nice to have a lot of mathematics. But at the end of the day I mean all of this is model driven. So I think we can say that we are broadly stable.

Q - Thomas Seidl {BIO 17755912 <GO>}

Okay. Thank you.

Operator

Frank Copling, Commerzbank.

Q - Frank Copling

My first question goes to page 9, where you showed the price drivers by region and that the key driver is the Americas region. So could you overall elaborate a little bit on the drivers behind this? So you mentioned that it's primarily rate increases. But could you also comment on the impact on this 1.5percentage points that you showed that comes from other lines of business, be it is nat cat or casualty or other lines?

And my second question goes on your -- also to your nat cat exposure. And do you see any shifts in your 200 (years theme) (inaudible) given the current developments on US or European nat cats? You mentioned that the budget stayed at the 7%. But do you expect any shifts within this budget?

A - Victor Peignet {BIO 6287211 <GO>}

Well, as far as the PML on the cat, we have set our maximum cat exposures for the year. This is a capacity that we have discussed with the Group. We intend to use the capacity. So if I look at where we are, we are slightly below the capacity we had set for Europe, which mean that we have some capacity left for writing more Europe cat if there is any opportunity during the year.

Well, as US, as you have seen, is basically not renewing (1/1) but much more renewing (1/4) and (1/7). Well, we are -- we believe that we will have opportunities to use the capacity and the PML target is as it was set.

And regarding Asian, well, I think for the moment China renewal went well and we are waiting now for the April with India and Japan. Japan in particular we are pretty confident that we are going to be able to use profitably our capacity for Japanese earthquake and wind and all the indicators. We were in Japan 2 or 3 weeks ago, all the indicators for us are very positive in this market. So I think overall no change in PML and no change in nats considering that our retro has been well renewed.

Regarding the profitability, well, I think in the US, as you know, we write little of casualty and we have started to write some. But it is not yet meaningful in the business. So most of the increases we are seeing in the US are coming from property and auto business. That's basically where we see the increases.

Q - Frank Copling

Okay, thank you.

Operator

Vinit Malhotra, Goldman Sachs.

Q - Vinit Malhotra {BIO 16184491 <GO>}

So the first question is -- so both questions on page five really. The first question is obviously you mentioned that terms and conditions are not really deteriorating. But if you could just comment a bit more on what you are seeing, because we've obviously heard a lot of reinsurance broker commentaries regarding things like hours clauses or reinstatement premiums. So if you could just comment -- or maybe even multi-year deals, if you could comment on terms and conditions a bit more, that will be great?

And second one is just to clarify, also in the slide we have this variations in planned reinsurance prices. Now in proportional obviously the driver is commission sharing and you just mentioned a number 1% higher commissions. So is that in the same context and is that the way to look at it, if you could just clarify that once more please? Thank you.

A - Victor Peignet {BIO 6287211 <GO>}

Okay. I'll answer for the first and then, if I may, I'll ask you to repeat the second because I didn't catch it.

On the first, well, yes, there has been a lot of (mediatization) of certain initiatives. While frankly we don't see that in our book the hour closes. Well, for us are as they were basically. The reinstatement premiums, well, we certainly didn't see those reinstatement for free happening in our contracts. And I don't think that overall the market has seen it.

Multi-year deal, we have a very slight increase of multi-year deal, which basically is not a request from clients but is also a much more mutual agreement with certain clients that, yes, why not doing a 2-year. But it doesn't represent any meaningful part of the contracts that we renewed. You are in a handful of% of the total premium.

So what we saw is much more discussion regarding flexibility of cessations. And what I mean by that what type of risk can be ceded or cannot be ceded. If you look to some markets whether the interest aboard can be ceded or cannot be ceded, on which conditions, some sub limits that were discussed. But that is really nitty-gritty of the negotiations. But certainly nothing material that we see is having a real impact on the expected profitability of the business, certainly no.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Sure, thanks. Yes, the second question I was asking was just about the proportional 0.6% price increase on slide nine and I was wondering if when you say the 1% commissions have gone up. So is that -- should we just try to add that 1% and get 1.6% and say that is what the primary pricing was up and then you gave 1% away? Is that the right way to look at that, just to clarify that please?

A - Victor Peignet {BIO 6287211 <GO>}

Yes. No, when we talk about price increase, we talk about price increase. And if you look at the glossary, the definitions on slide 24, the 0.6% doesn't take into account the effect of commission and that has always been like that. And I think it is the same for everyone of us. So you have to see that with 0.6% increase in prices and 1% in commission, you're neutralizing your price increases by the commission.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay. All right, thank you.

Operator

Michael Huttner, JPMorgan.

Q - Michael Huttner {BIO 1556863 <GO>}

Just a very quick follow-up question. When we met the Lloyd's company at the start of the year, they also spoke a bit about tiering. They had the opposite view, which was interesting. And I just wanted -- maybe I can -- maybe you can clarify a little bit. So their view is that the way the tiering work is that the smaller players, the very smaller ones possibly well below your radar, they can hop around. So if they are not on this program, they don't -- they just say to the broker who cares, I'll be on the next one. So this means that they can be a little bit more robust with regards to pricing.

And then they say there is a population of reinsurers -- I'm not sure if it includes you, I don't and that is my question really -- that is very keen to be on the larger programs and doesn't want to miss out and for that would make some concessions on prices or conditions, whatever. Can you maybe give some granularity on how you see it particularly as this tiering seems to be a bit new? Thank you.

A - Victor Peignet {BIO 6287211 <GO>}

Okay. Well, my first comment will be that when you set the price, you know where you are when you follow. Well, whether you have the capabilities to price or not, depends. We are pricing market. We price all our contracts in our system. There is no single contract that is written by this company without being priced. It's not unique to Scor. I think the multi-line global reinsurers are doing the same.

So I think being a pricing market we know where we are, which means that we know -- first of all we can stand by our price. We don't need subscription. We can do private deals and we know what price we want and we can discuss it. And if we make concessions we know exactly what sort of concession we are making and we can measure them. So then it's -- I think it's a question -- I think we are equipped to pilot and steer our vessel. And that for me is very important. And when we draw statistics and when we manage our business, our underwriters are equipped to do that.

Regarding the tiering, well, I think the quality business exists in the market. You need to find it. And then I believe myself that, well, with the number of insurers today because of the way they are buying, I truly believe that global players having the possibility to write all the lines. I'm not saying writing all the lines. I'm saying having the possibility to write all the lines, having the possibility to discuss with the client on all their lines of business and offer prices, offer conditions. I think that's what the insurance market is looking for today. And maybe, Benjamin, you want to add something?

A - Benjamin Gentsch {BIO 5633839 <GO>}

I was just going to add one point here. I would certainly challenge the statement that it's easy for the smaller players to hop from A to B or from C to D, because in today's market, which I think is described by certainly sufficient capacity, many are as more than sufficient capacity, any program is basically placed with the insurers.

And if you think especially after better price programs, also there they are incumbent to insurers. So they will certainly defend their position there. And I don't think that this statement is true that a new reinsurer can just easily hop in and write a small line there. I think it's about business proposition of the reinsurers like ourselves who are basically a long-term partner of our clients, establishing a solid and a broad relationship with our client. If you are in such a relationship. And I think the first year reinsurers are in such relationships, there is not a lot of room or I would even dare to say there is no room for those opportunistic ones to jump in. So I would certainly challenge that statement of those names that you -- or those players that you have stated.

Q - Michael Huttner {BIO 1556863 <GO>}

Brilliant. That's really helpful. Thank you.

Operator

Maciej Wasilewicz, Morgan Stanley.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

Two questions if I can. The first question just on the discussion we are having on the tiering of the reinsurance market, I think a lot of the points that you've made are that reinsurance is becoming a more strategic purchase which is moving up the (C-suite), if you like, in these companies, becoming more important decision.

I know from discussions with brokers, they also see this shift. I'm just wondering if you could describe to me the tension between the broker discussions in terms of the brokers having these types of discussions, offering these types of services to their (inaudible) versus the reinsurers directly. What does the reinsurance company itself have the brokers can't replicate in that kind of a shift in service?

And the second thing that I wanted to ask is just more broadly on the capital that was consumed by the business at 1/1. I'm not sure if you can comment. But it looks like a fairly stable renewal with an increase in quota share treaties that might not be that capital consumptive. Would it be a fair assumption to say that the overall level of capital consumed at 1/1 is relatively the same as last year or is there a material shift in some way?

A - Victor Peignet {BIO 6287211 <GO>}

On the capital, well, I would answer talking about the capital intensity, which is the ratio of capital to premium or expected losses. And there we are absolutely -- you are right, we are absolutely stable. So in proportion, we are using the same amount of capital.

Regarding the brokers and the reinsurers, well, I would think that ourselves at Scor we work very well with brokers. I think we consider them as partners in the business. I think clients, most of them would like to have independent views, would like also to get services of a different nature from different providers. I think there is space for both. There is kind of a complementary offer between the two. So I don't see a conflict and I see at Scor at least a good cooperation between ourselves, our teams and the brokers of the clients.

At the end of the day when -- every time there is a need to create a consensus around terms and condition, the large reinsurers and while the prices of the business will all submit terms and conditions, there will be differences, variations. And I think the role of the broker is to build up a consensus and to advice the client on where the consensus should be or what is the lending that is feasible in the market considering that -- and it's a very important role in the sense that if you miss a placement because you are not targeting the right level and you don't have this consensus, well, generally it becomes extremely difficult to do a second round.

So I think it's going to continue like this I believe, a kind of a sharing of advisory roles and roles in the pricing area between the brokers and the clients.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

I guess what I was getting at as well is like if you are trying to de-comodify your entire offering and part of that offering is strategic advice, you've partially answered this. You say that there is a complementary role between the brokers and the reinsurers. But the brokers are certainly trying to push in exactly the same direction. So if they become the lead advisors, if you like, at the strategic area, it could be that you can't prevent the comodification of the reinsurance offering because the strategic value add is not provided by the reinsurers but the brokers instead. I guess what you are saying is that actually that's not true, that there is a complementary advisory role. Is that fair or what do you have that brokers don't have in terms of the advisory capacity?

A - Victor Peignet {BIO 6287211 <GO>}

The fact that at the end of the day we pay the losses, I believe. So I think whatever -- I think there is a certain weight in what we are putting on the table. The weight is how much hundreds of million dollar we put at stake behind our advices. I'm not saying there is no responsibility on the broker. There is definitely a responsibility and when they advice, they are responsible for the quality of their advices.

But when we advice, we are, one, responsible for the quality of the advice. But we are also responsible because if the clients say, well, that's yours now, well, we take it and we carry the risk. So I think it's -- yes, it gives credibility to what we are saying. But I think -- I believe in the sense it is complementary because while clients want to have choices, they want to have different opinions. And I think they will ask different parties to provide them different opinions. And I think you could even add other people in the markets that can provide advices to clients.

At Scor we are not looking for fee business. We are looking for making our margin, our living out of risk carrying. Well, we consider that providing advices and providing services is part of the relationship and it's also part of the information sharing. If the client is open, which most of our clients are. And if you provide the service, it's an exchange of information that is also allowing us to get to a better knowledge of their risk and to improve in a way the (adequation) of what we offer them to their needs.

So I think there is an interest also in having that sort of sharing. But we are not looking at it as a remuneration source, not at all. We are looking at it as part of the relationship in order to create the business mix that we are looking for.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

Thank you.

Operator

That will conclude today's Q&A session. I will now hand the call back over to your host for any additional or closing remarks.

A - Victor Peignet {BIO 6287211 <GO>}

Well, closing remarks, I would think that -- well, first of all, thank you all for being there today and also I appreciate the dialog that we are having all the way through the year. So we'll meet again in a few weeks for the results of 2013 and for sure we'll continue to discuss about the market future at April and June-July renewal.

In the meantime should you have any particular question or willing to discuss on any particular subject, well, you know all of us. So feel free to pick up the phone and talk to us. Thank you, very much.

Operator

Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.