Scor SE Investor Day 2018

Company Participants

- Adrian Jones, Head of Strategy & Development at SCOR Global P&C
- Brock Robbins, Deputy CEO of Americas
- Brona Magee, Deputy CEO
- Bruno Latourrette, Head of Actuarial & Risk
- Corinne Trocellier, COO
- David O'Brien, Head of Global Financial & Longevity Solutions
- Denis Jean-Marie Kessler, Chairman & CEO
- FranÃ§ois de Varenne, CEO of SCOR Global Investments
- Frieder KnÃ¼pling, Group Chief Risk Officer
- Ian Kelly, Head of IR
- Laurent Rousseau, Deputy CEO
- Mark Kociancic, Group CFO
- Paolo De Martin, CEO of SCOR Global Life
- Romain Launay, Group COO
- Unidentified Speaker, Unknown
- Victor Yves Peignet, CEO of SCOR Global P&C
- Vincent Foucart, Director of Alternative Solutions Business Unit

Other Participants

- Andrew James Ritchie, Partner, Insurance
- Edward Morris, Equity Analyst
- Frank Kopfinger, Research Analyst
- Panagiotis Koffas, Equity Research Analyst
- Sami Taipalus, Research Analyst
- Vikram Gandhi, Equity Analyst
- Vinit Malhotra, Banca di credito finanziario S.p.A., Research Division
- William Hawkins, MD, Head of European Insurance Research and Senior Analyst

Presentation

Ian Kelly {BIO 19976646 <GO>}

Okay. Good morning, everybody. I'm Ian Kelly, Head of Investor Relations here at SCOR. And I would like to welcome you to the SCOR Group 2018 Investor Relations Day. Today is going to be an interactive day, a little different to how we have run things in the past. And you will get the opportunity to vote upon the topics which we will be discussing today. To do this, we will be using a tool code Bcast. You can access that with the iPad that you have received. There are some iPads available here still, if you don't have one, or you can use your own device.

So let me take a few moments to explain how it works. If you click on More, you will see some documents about the IR day. So you will be able to access the agenda, details of the speakers, the presentation by topics and the full IR day deck.

As usual, feedback is something that we find very important and very useful. So we'd be grateful if you could complete the questionnaires and provide as much detail as you can. That helps us with our IR days, our presentations and our quarterly results calls.

So as I said, we wish to make the day interactive. And you will get to decide the topics on which you would like to have a deep dive. And the entire management team are here supported by some of our experts in the group to help us do that.

So you will be invited to vote 3 times today on the 3 themes, key themes that we're discussing. And you will have 10 points to distribute amongst the topics that are being discussed in a theme. And you can add more than 1 point to a particular topic if you have a stronger interest in that.

And we'll see the results on the iPad and we will endeavor to make sure that we pick up on the topics that you find most important. So now let's do a quick test to see if everything is working. Which of these world leaders would you prefer to have a drink with? Donald, Vladimir, Emmanuel, Xi, Theresa, Angela or Kim. And to be clear, that's not Kardashian.

Okay. So if you'd like to vote. Okay. So I can see the answers on screen and it looks like Vladimir and Donald are winners today. Okay. So that's Bcast explained and as I said, you'll get the opportunity to vote shortly for the topics on the first theme of the day. But before we do that, I would like to hand over to Denis Kessler, our CEO and Chairman for an introduction to the day. Denis.

Denis Jean-Marie Kessler {BIO 1498477 <GO>}

Thank you, Ian. Ladies and gentlemen, we'd like to welcome you on behalf of SCOR. And your management team, as you can see to an annual Investor Day. Thank you for going to Paris and to attend this presentation. And certainly, also thank you for those attending online through the live webcast. So need to show you alignment with the management team I will ask you to take a few tie. It clear sign of support and I will collect the ties at the end of this meeting. My message today is extremely simple and straightforward. Two years after the launch of our strategic plans, the last one called Vision in Action, SCOR is powering ahead.

At the heart of this very simple and straightforward message I would like to deliver today lies a true conviction. We are positive, very positive and optimistic about your future of reinsurance. And we firmly believe that reinsurance continues to be a highly attractive industry. SCOR is ideally positioned in this industry. And we can significantly benefit from the positive trends that the industry offers and is pursuing its permanent transformation to continuously adapt to our ever-changing environment and optimize its operations. We are absolutely on the move and SCOR's value creation process is accelerating.

So let's get started. Over the last 16 years, that's when I joined SCOR, by the way, in 2002. SCOR's development has been driven by an industrial project that is making the group a recognized Tier 1 global venture. We were not at that time I can tell you. We are suffering a lot you know as bad choices in the '90s, of course the WTC, the financial crisis at that time and some adverse developments on the reverse. So the consistent execution of successive strategic plans designed to bring the group back on track in 2002 and then to move it forward, SCOR has been able to successfully combine profitability, solvency and growth. It's a magic formula. SCOR's achievement, it relied on guiding principles and cornerstones, which the group has consistently followed since 2002: a controlled risk appetite, an optimized risk composition with a strong diversification by geography and by lines of business, a balanced business model between life and P&C reinsurance, a robust capital shield, a strong franchise, a nimble and agile organization, a good market approach, high financial flexibility and the development of cutting edge modeling tools and technologies.

SCOR has successfully become a market leader with a critical size, demonstrating year after year its capacity to grow endogenously but also to carry out major acquisitions while achieving solvency and profitability objectives and increasing its rating to best-in-class. The group is today a global player with a geographically balanced and strongly diversified business, recording gross written premiums of EUR 14.8 billion in 2007 -- in 2017 and as you know we're going to cross the EUR 15 billion mark in 2018.

Very well balanced between its life and P&C divisions and by geographies, we have experienced that growth rate of 11% annual growth rate since 2008 at current exchange rates. SCOR's successful achievement of its industrial project has been an exciting journey and SCOR's shareholders have benefited over the last 10 years from this journey. Over this period of time, the group has actively pursued a consistent and strong shoulder remuneration policy relying on diverseness of its fundamentals. This graph tells a powerful story, a predictable creation of value, which is shared with the shareholders. We have a strong and sustainable progression of a dividend over the years in spite of shocks. So last 10 years have been a bumpy road, financial crisis, European crisis, slowdown of the economy. In spite of all those shocks and difficulties, we have been able to deliver what we promised.

Over the last 10 years, SCOR has delivered superior shareholder remuneration with a 10-year average ROE of between 9% and 10%. And we have distributed over the last 10 years, EUR 2.5 billion in dividends. We've been able to successfully grow our shareholders' equity and rating in parallel, which is not as easy as you might think. Your group benefits from the highest financial ratings in the industry, equivalent to the best-in-class competitors. The upgrade of the group's rating by A.M. Best in September last year, exactly one year ago, the 19th upgrade since 2003, taking all the rating agencies into account. This A.M. Best upgrade recognized the relevance of SCOR's strategy and cemented our position as a Tier 1 global reinsurer.

It was even more notable because one year ago, as you know, it took place in a year marked by record losses due to the 3 U.S. Hurricanes. SCOR's solvency ratio at the end of the first semester 2018 at 30th of June, stands at 221%. This is slightly above the optimal range that we have defined a few years ago, the range between 185% and 220%, by the way that the scale that we adopted in Vision in Action. And the solvency performance has been driven by very strong capital generations.

Ladies and gentlemen, how did we achieve these performances? What's the secret recipe to be 16 years growing, increasing solvency and increasing profitability? What's the secret recipe behind SCOR's success? One fundamental reason, because we are an independent company. We are an independent company, listed, listed, having permanently to deliver, permanently, accepting fair competition and respecting all the principles underlying market economies. Because we have a vision, we have always had vision, we have a vision of the risk universe in which we operate. We have a vision of the industry development. And we have always shared this vision with our shareholders, with our clients, with partners around the world.

Because from the start, in 2002, we had one ambition, to be a Tier 1 player. And we were not long journey. But when you have an ambition you are always successful when you are determined, consistent and you are except permanently to improve what you do. Because we follow 3-year's plan, well known, precise targets and stable solvency. And in terms of profitability. We elaborate those plans under our sole responsibility. That's really to be accountable. We define the targets, we look at the ways and means to achieve those targets and of course, the remuneration for the personnel is absolutely linked to the performance we are able to achieve. So we are committed to deliver everything we promise with pride. By the way, we have a slide showing that SCOR has always outperformed their plans, delivering systematically results above the target. This is true for growth. This is true profitability. This is true for solvency.

Ladies and gentlemen, we have an industrial project, whereas some are just managing their companies on a kind of short-term basis, annually, year after year. This is not what we do. We have sophisticated products. And we don't provide basic services. It's a sophisticated company offering sophisticated products and montage to sophisticated clients. A B2B company, we have extremely sophisticated demand by corporations using reinsurance services and capacities to improve the development of the company.

We are not threatened at SCOR by the emergence of new players in the consumer space mastering new technologies. We are not in a corner. We have a bright future. We'll not stick to a geographical corner in the world like France as compared to the rest of the world. We like the vast space. In the meantime, we are not also limited to specialized business lines, automobile and homeowners. We like to practice all lines of business around the world and to be at the front page of sophistication.

Why did we succeed? Because we are accountable for everything we do. We have the highest sense of responsibility. We are the deciders in last resort. When a client come to us he knows that when we sign a treaty, when we sign a contract, we will deliver, we will stick to a commitment. We always deliver, whatever the difficulties. That's to be a decider in last resort. We take commitments for one year, 10 years, 20 years, 30 years. When you sign a longevity contract, it's not a 1-year contract. You have to stick to your word and to be sure to deliver at the end. This is true for liabilities. This is for casualties.

And our clients believe that we are so committed to do what we do, we are so committed to stick to our word, that they trust SCOR. And that's explained why we grow. And that's why we have a portfolio of risk which is certainly one of the best in P&C around the world. That's what we expand. That's the secret recipe. Because they know that we are going to be there in 1, 2, 3, 10 years, 20 years because the group is determined always to deliver. Of course, strong consequences for the solvency of the group. We are accountable, deciders of last resort.

How did we achieve those performances? Because we're an independent company. We have to integrate all the developments without delay. We cannot procrastinate. No one is protecting us. Reinsurance is a very open market with full of competition, newcomers coming from different geographies with less, sometimes, taxes than we do, we accept competition. There is no issue about that. But we had always to face competition, very fierce competition throughout the last 16 years. Newcomers, new companies, everyone wants to do business -- ILS. We've integrated everything. We issue ILS. We invest in ILS and we transform in us into opportunities permanently because we cannot procrastinate.

We have developed sophisticated and innovative tools to better manage our capital base. I did, in a read for our last capital accumulated by previous generations, that's not the case of SCOR. We started with nothing. So everything we own, all the equity today, that's what we've been able, with my team, throughout the 16 years to accumulate.

We had no gift, bequest left by the previous generations, not at all. We are proud of that. It means that we had a very tight capital management and unless we're profitable we would be nowhere. How did we go up the rating scale from BBB; to AA; is just because we have an extraordinary management of a capital base. Dictated by the surge of profitability and minimization of volatility. We are very proud of that. Everything we have, we got it. We did our best to get it. Of course it's not only to manage capital. You have to measure and control risk exposure. We have to assess claims. We'll be the first to get the approval of our internal model, the most elaborated, stochastic internal model. We're very proud of that. We're not the #1 company in the world. But we got the first approval of the full internal model: 12 years of development, 20,000 pages filed to the regulator. That's an achievement, again, the performance because we wanted to do it. Some companies still use a standard formula model. A standard formula, that's Stone Age approach to solvency. Stone Age. So we are proud of that. No secret again, if we have been able to be where we are today, it's 16 years of work, hard work in order to be sure to reach the vision we had to be a Tier 1 reinsurer.

So we were progressive in many fields. For instance in developing a solvency scale. That's new in the industry, to define the optimal range of solvency. We explained why it was optimal because it's clear. When we have too much capital, we give it back to our shareholders. That's what we do, through a dividend, also share buyback. That's what we do. We want exactly the level of capital corresponding to the optimal solvency, no more, no less. Because that's the way we can manage in the long term all the risk we have to carry in the balance sheet of the group. Some have a lot of extra capital. Give it back to the clients or to your shareholders. We don't wait to accumulate too much capital. You are analysts. And you are shareholders. Of course you know we just need the capital to carry the risk we have accepted to carry, given the risk appetite we have chosen. No more, no less. I'm very proud again to be just at the upper part of the solvency scale and SCOR is committed to give back to the shareholders everything that would exceed the upper part of the solvency scale above 220% and we don't need this capital. Given the portfolio of risk we have decided to carry and given the risk appetite we have decided to respect.

People should do that. If they have too much capital, it means they mismanaged the capital base. Too much capital? Give it back. We do, for instance, to clients. We are certainly today at the front page of technological development. SCOR is deeply involved in the Blockchain technology. And we support B3i from the start. We play an important role. We of course invest in artificial intelligence. But we don't talk about that. Because. And as an independent company, we value freedom. We know that a reinsurer needs degrees of freedom. We need degrees of freedom. Why? They are indispensable to be successful.

We merged with Converium 10 years ago, offering shares, 20% cash, 80% was share-based. But you need shares to do that. And we're so proud to see that the Converium shareholders decided to join the company to create what was absolutely a major step to create a Tier 1 company and to reach the upper level. We're proud of it. But we offered shares. We merged the 2 shareholder base and we developed this platform, which has been incredibly successful. Because as you have seen, we have increased the ratings since then. We have doubled the size of the group, tripled the size of the group. So that's what I call degrees of freedom. But you need shares to do that.

What -- fortunately, we had shares to offer. And it was a good quality paper and therefore, we have been able to do that. What can you do if you cannot offer shares and that your main shareholder, only shareholder, cannot issue shares. That's why I like shares and market economies because you can issue paper. Of course you have to convince the shareholders it's a good move. But it's always possible. Otherwise, you are stuck with no possibility to increase your capital base if you need. That's why it's an absolutely indispensable element of financial flexibility.

And financial flexibility is key to a reinsurance company because we live in a stochastic world. We work at the end of the tail of the risk distribution. And no one can predict the size of the risks that we can afford. We do protect the shareholders through (inaudible) programs that we have been carrying. As an independent listed company, we have invented the contingent capital scheme, which -- highly innovative. In the worst case scenario, we issue shares so as to be sure that immediately we work with an initial capital base, we have to keep the rating and go on underwriting because that's positive, to underwrite after a shock. Usually the rates goes up. If you can -- what the contingent capital scheme is going to become if you have no shares? You wait for what, someone to help you? And if it doesn't. And my clients are going to say, are you sure of that? No. I'm not sure. I'm sure what I commit myself and my team is sure of what we're going to do. That's why we have a contingent capital, which is irrefutable. I cannot say: I stop it. That's a key element of trust I try to convey. Maybe I'm not sure to do it. But the fact to be an independent company is a key element of the trust you can build with your shareholders.

And of course we do, with your clients. So if necessary, we do everything not to turn to our shareholders. But we know in the worst case scenario we will have to do it for the sake of the company and for the sake of the clients. We know it.

As an independent company, we can make acquisitions. We don't have to argue for, well, we are very speedy, rapid. We -- when there is an opportunity, what we do? We rush and we do it. Because opportunities vanish and so we've been able to do Revios, Converium, Generali U.S., Transamerica Re. That's such freedom. No one is deciding for us, we do it because we believe it's the best interest of -- oh, by the way, all those acquisitions, 3 of them led to a nice (bed wheel) benefiting the shareholders. Because we're active, because we were ready to do it, able to acquire, integrate and move forward.

We can make acquisitions. We did make acquisitions. We want to remain on the acquisition track. Because we believe that we have capacity to integrate companies or integrate portfolios, if they are absolutely consistent with the strategy of the group. Because we are truly global, genuinely global. That's not a word for general assembly and interviews. We are global serving thousands of corporations around the world, operating, I said it, 160 countries. That's a lot. Reinsurance is a global business or is not.

We're not a French company. I'm sorry to say that. We're not a French company. Shareholders come from around the world, 72% of our shareholders are non-French today. We're very proud of that. 26% of shareholders are U.S. shareholders. We're very proud of that. That's a global company. We have people in Sweden, Germany, U.K., Italy, in the U.S. and Japan. When -- shares of SCOR, a global company needs a global shareholder base. A global company needs a global clients base. A global company needs a global team coming from everywhere.

By the way, look at the nationalities of the people supporting the group and pushing the group forward. My board is international and global. My team is international and global. And we empower people in each country where we operate. It's a fantastic tool. It's not a French company, a global company with people around the world serving clients around the world and giving dividends to shareholders around the world. That's freedom. It's quite a discipline because we have to meet those expectations. You have to deliver, as I said. And that's absolutely fantastic, exciting, demanding, challenging. But absolutely fantastic.

We are a truly B2B company. We have no households in our shareholder base -- in our clients base, pure B2B. We don't compete with the clients. We have a very strict business model. We have principles. We stick to the principles and I defy you to show that we do things that are not according to what we have said. Cornerstones, principles, guidelines, that's important. That's the mandate we received from our shareholders. We have a plan, principles. And you ask us to follow what we say we're going to do. That's pressure. We like pressure. We like pressure from our shareholders.

Of course there's competition, there's market economies. That's how you can reach the highest productivity, efficiency, the best service. We love competition. As a listed independent company, we have to respect the highest standard in corporate governance.

Look at my board. Look at the committees. It's fundamental for me. And my clients want a board fully independent, making sure that the management is sticking to its promise and pursuing the strategy we said we would pursue. That's a nice board.

And we have a risk committee checking all the risk portfolio: emerging risk, new risk, everything. We have a strategy committee, assuring that we can harness all the industry developments. We have, of course, an audit committee to check the accounts and everything we do. And now we have an ESG committee composed of independent board members to check that we stick to our promise when we say that we are going to respect ESG principles. And that's what we do. So we always -- by the way, well, to my knowledge, one of the rare company in the world with an ESG committee, with the same status as the audit committee or the strategy committee. You see, that's important for me. It means that we do value ESG, which is a value proposition that's certainly expected by my shareholders. But -- my shareholders. But by my clients. Highest standard in corporate governance. Majority of independent board members coming from around the world.

The latest addition to my board is a Chinese lady, extremely competent to show that when you want to operate in the east part of the world, in Asia PAC, trust the people. Have someone at your board to explain what's going on in China, what's going on in (PAC). She joins the committee. She's independent because she believes an independent company doing what it needs to and she has a lot of input to help us growing in this part of the world.

As a listed company, independent, we respect all the discipline, disclosures, checks and balances, transparency. We'll never be caught in any problem like not telling to my shareholders things I should have told or doing things that were not absolutely (clean) or straightforward. No. We respect market discipline. As a listed company, by the way, we love the dialogue, interaction with you analysts and investors. We value it. We are listed. You have, every day you have a quotation. The group is listed. So you can see the quotation. You interpret everything we say. For us, we like your input. We take into account your analysis, your critiques, your judgment.

What do you do when you're a listed company -- you are not a listed company. By the way, we protect your job because if all listed companies were getting private or under mutual companies, I mean, you will be out of jobs. So we are here to protect you. Don't thank me but I will do my best to protect your job. If you are not a listed company, you don't feel the market pressure the way I do, the way my team does. It's a permanent pressure. Don't believe it's -- you can rest and take two days off, 2 weeks of holidays, especially when you have a shareholder launching a bid when you are off before (inaudible) just before Monte Carlo, which is the fact that -- little understanding of the reinsurance industry.

Because Monte Carlo is where we meet 3,000 clients and where we need the serenity. People trust us because they don't want instability. They want predictability. They want visibility. They don't want turmoil and uncertainty That is reinsurance. If you want to do reinsurance, learn what it is. If you don't know what it is, pass your way. I see it's clear, no? So we don't like to be disturbed, when we want to meet you, explain what we want to do. We don't want to be disturbed when we meet our clients, to prepare the renewals. On the 1st of January, we do 70% of our business for one year. If you are distracted, if you're not focused and concentrated to meet the demand for your clients, come on, come on. Sorry, come on.

So why did we give this performance? Because an independent company, we've been able to attract talents, key talents around the world. Exceptional talents. And surrounded by an exceptional team and have been able to empower them, have been able to allocate them shares and stock options. What do you do when you have no shares and stock options, what do you do? Certificates of good conduct? Shake hands? I don't know. I mean, in my world of a listed company what I do is to help our people and to share the success of SCOR with all the employees.

Since I joined -- since 2005, we've allocated 10% of SCOR capital not only to the managers but also to the people at SCOR. That's an extraordinary alignment of interests. When we get rich, my people get rich. When my shareholders get rich, my people get rich. No dilution, we buy the stocks on the market. No dilution, no shareholders can complain this money has been out of the pocket. We buy exactly the number of shares corresponding to what we allocate.

But people, when they wake up in the morning, they look at the share price. They can assess your performance. They see sometimes the critiques and so on. They tremble when we have a U.S. tax reform, what's going to happen? Will they find a way to get of the mess and so on? They look at the dividend policy of the group always increasing. So it's alignment of interests, which is for me, fundamental in an industry resting on people. I don't serve affinity groups. A highly sophisticated market worldwide with demanding clients and to have people moving as they do around the world to keep the clients and larger footprint of the group. I want them to be aligned with the interests of the shareholders. It has been key to my vision. Since 2004, 14 years, proud of that. I don't know what to do if I cannot -- it would be a radical change of the philosophy of remuneration and our alignment of interests with my people.

It creates a unique sense of ownership, unique sense. Nothing can match it, not a bonus (inaudible) shake hands, I mean I like shares, I like equity and I accept the judgment of the market. Share goes up, share goes down, which is of course a consequence of everything we do. Alignment of interests, fantastic. If you know how to do when you have no shares and options to drive a reinsurance company, please let me know. Write to 5th Avenue KlÃ©ber, Denis Kessler. And I will take your suggestion into consideration. But I don't know myself what to do if we don't have those tools that are the modern tools to manage people and to manage talents.

Because as an independent company, we have permanently to transform the organization to reach the efficiency frontier. We don't have a dad, if we make mistakes, we don't have a dad helping to cope with the difficulties. So we have to transform the company. We have to transform the business. We have to reach the efficiency frontier permanently. We cannot wait. I mean I'm sorry, we can't. We have to generate productivity gains and we share those productivity gains.

The cost ratio, 5% for the last seven years. We are proud of that. 5% of cost ratio. And God knows that we have additional requests, reporting, Solvency II is a massive burden. We don't care. We want to have a nimble organization and this is to the benefit of our shareholders. You can compare my cost ratio with some other cost ratios, including you have people that would like to run this company instead of ourselves. Be ready to â€" be ready or, please, fasten your seatbelt. So we are nimble, flat organization. We are not pyramidal, we are flat. That's the vision. Global company, spread around the world, empowering people.

It's not a vertical organization like a bureaucracy, you see what I mean, a bureaucracy. I hate bureaucracies. Bureaucracies is when it's vertical. You have orders, top down, will you do that and so on. No, (in this way) how do you get a innovation and -- no, flat company, global instead of vertical. It's philosophy of business. It's philosophy of management. My vision was to create a flat company and I see my people help me to do that because they accept to be empowered.

Paolo has the responsibility of Life. He feels that he's the owner, sometimes too much. But -- of its business. And he wants to deliver what he has promised and Victor is the owner of Global P&C. Sometimes I have the right to have a little look at it. But basically Victor and his team are fully in charge of SCOR Global P&C. Did I intervene, Victor, in one of your underwriting decisions, yes, or no?

Victor Yves Peignet {BIO 6287211 <GO>}

No.

Denis Jean-Marie Kessler {BIO 1498477 <GO>}

No. Otherwise, if I overlook behind his shoulder, hey, hey, hey, do that. How do you empower people? You empower people when you say: That's your mandate. That's your objectives, your resources. Please tell us how this business is developing. That's my vision. That's why you know my people, by the way. That's rare in certain companies. You don't know the #2. You don't know the #3. You don't know the #4. You don't know the -- by the way, in my company you have no 2, 3, 4 because they're empowered. They are Comex and Comex members have same status in my company. So the philosophy of management is key to the success of the group. And God knows that my philosophy seems very far apart, very, very far from what I can perceive. I hate bureaucracy. I love empowerment and accountability. Those are conditions of success.

Ladies and gentlemen, performance, success, expansion, value creation are directly, intimately linked to the independent status of SCOR. We run the shop as if it was our shop. It's your shop, you are the shareholders, you own. But we do as if it was our shop. And that's a success. No one is deciding for us. But we decide for you what's the best interest of the company. We are extremely proud to be independent. That's why we are a Tier 1 company. It's linked. By the way, all Tier 1 companies are independent, otherwise they are not Tier 1 companies, subsidiaries. Sub, below, sub, below, submarine, below so. We are not submarines. We are not daughters. You see what I mean? We are big boys.

And big ladies, because we today we welcome the first lady in the Comex, Brona Magee. Welcome to the club, Brona. Maybe you should have -- fantastic addition, extremely talented actuary, serving the group for four years, based in Ireland, accepting to go to U.S. to help integrate the company in the U.S., extremely talented lady. So if you want to try, among my successors here, you have 1, 2, 3, 5, 6, 7, 8. You can vote afterwards if you are using the tablets. So they will make a quick introduction and then we have a vote and then I leave.

So we want to remain an independent company, serving our shareholders and our clients. By the way, the unanimous conviction of the board, it's unanimous conviction of the Comex and by the way, it's also the conviction of SCOR partners. I would like to look at the future. The past is the past. I explain to you why we are here where we are. Let's look at the future. We are subject to many forces. We spend a lot of time analyzing what's going on in the industry. We have positive, negative and disruptive forces shaping the industry with immediate or future impacts. We know it. We have trends. You have cycles. You have shocks and you have contestability. Trends, the expanding risk universe, more and more risk, cyber risk, all those risks, global warming. Risks, they're out there, those are trends no one denies. Longevity, life expectancy increasing, those are trends. They are linear or nonlinear but those are trends. So we identify the trends.

We have cycles, financial cycles. We had a nice financial cycles in 2008. It seemed to revert, I like that. We suffered all the negative phases. We've started the cycle, we're going to benefit from the positive cycle. Increase of rates are very good for my company, very good for the reinsurance industry. We have underwriting cycles, less and less present. But it seems that after five years of negative phase of the underwriting cycle, no, we are optimistic about the fact that we should go up again, we should ramp up again. Terms and condition will be tighter, then rates pro -- gradually will increase.

By the way, consolidation is certainly the proof that something is going on in the P&C industry today. So shocks, we have shocks in the industry, by the way, they are specific to the reinsurance industry, shocks. Stochastic shocks, large catastrophes, earthquakes, tsunami, hurricanes, varying in origin, size and consequences. You better know what's a shock if you want to absorb it. And that's where all the art of SCOR is to identify the shocks, to compose a portfolio highly diversified and of course, to protect the shareholders through our retrocession policy, extremely sophisticated retrocession policy.

The proof: last year the way we've absorbed the hurricanes at SCOR as compared to my peers. Fantastic job because we manage risk. Not small risk, not usual risk, not frequency risk, that's easy to do. End of the tail risk, welcome into the club. You better learn before you start to do it. It's another universe, the universe where we are so, shocks. Sometimes you have political shocks, U.S. tax reforms, (Ogden), IFRS 17. Those are shocks, deviation from what we used to do.

And finally, contestability. It's a rupture, it's a discontinuity, it's new actors coming into your business, with different constraints also different technologies. We are also facing contestability. ILS could be a contestable movement, trying to do our business with different constraints and different ways. Instead of saying oh, ILS, we are mastering ILS. We invest in ILS, we issue ILS to the benefit of the shareholders. And we help clients to shape ILS. So we review all those factors, sometimes exogenous, sometimes endogenous, affect the industry. We anticipate those forces. We detect them, analyze them and we use them because we understand them. I really believe that we are so alert on everything that goes on in the industry, we can always be caught by surprise but that's quite rare because we anticipate lots of movements.

Overall, I said we are very optimistic about the development of the industry. Higher demand for risk cover and protection. So demand is growing. Be careful for households, all the (gaffer) of the world and the high-tech and the AI and so on. So we'll try to commoditize, by the way, driverless car and so on, on detection. So -- what goes on in the household. So we -- contestability is a decreasing function of the size of risk. So higher the risk the less contestable. So lower the risk with most frequent risk more contestable. It's an equation that you can write down because it's an easy one to remember. So we are at the peak to replace reinsurers for large risk, it will take some time, a lot of time. Different for frequency household risk. So we have protection gap to be filled around the world at various positions around the globe. As I said, it is to be global.

Reverting interest rate cycles, very positive news. Interest rates are going to go up, are going up now, will go up and it will flow down to the bottom line, 100 basis points. You can -- you have my asset base on a steady state basis. That represents potentially hundreds of millions, nothing -- everything being equal. So we are going finally to benefit from the financial cycle and by the positioning of SCOR assets that we have decided to adopt. We have EUR 5.4 billion of financial cash flow in the next 24 months flowing that's core that we would reinvest into the new interest rate environment. That's extremely positive. And of course, the surge in technology is helping us to transform the insurance and reinsurance ecosystem. We invest a lot in tech. We didn't say it enough. And therefore, we will be ready in case you have an acceleration of technology as we see today. We're not caught by surprise again. We invest in insure tech companies. We develop all those new technologies. So that's highly positive for growth.

So you take those 3 main factors, they are extremely positive. I see the environment in which we're going to operate in the coming years much more supportive financially, business wise and technology wise as the one we've been through the last 10 years. And look at what we have done in the last 10 years. In spite of low interest rates and a tough underwriting cycle. So that's why we are extremely excited about what's gone on, to the benefit of shareholders.

So being an independent -- can you move -- being an independent global Tier 1 group, we have 2 conditions to be able to create superior values the years ahead because we can surf on the new cycles. We are ready to surf. We are good surfers. So we're going to surf. And the second that conditions are met to accelerate, not just replicate, accelerate a profitable growth story to the benefit of the shareholders. So it's absolutely key, we accelerate. We're not only replicating what we have done. And god knows, it was already quite an achievement to do what we have done for the last 10 years. We don't want to replicate, we want to accelerate. And that's why the company wishes to remain as it is to demonstrate the next 10 years, that we are even better than what we have done for the last 10 years or for the last 16 years. In terms of conviction of the board, it is my conviction, it is the conviction of the management and all the people of SCOR. I hope you share it.

So we're going to have a new innovation here. We are going to look at the opportunities for us in the future along 3 axis. Expansion and business development, operational optimization and innovation and digitalization. Fantastic opportunities ahead of us in that we have identified good many trends and how we can cope with those trends, shocks, innovations, developments. Can I have the next slide, please.

So Ian, I'll give you the floor to explain what we're going to do. Where is Ian?

Ian Kelly {BIO 19976646 <GO>}

Okay. Thank you very much, Denis, for a very passionate and forward-looking introduction. So as we said, we have 3 themes today. Expansion and business development, operational optimization and then innovation and digitization. So we will give you the opportunity to vote now on the first of the themes, expansion and business development. And we will try to take your feedback in terms of the -- which particular areas to focus upon. I think there are 13 up there to vote on. What we will do is we will talk very briefly to each of the topics and then you can have a short Q&A. We'll try to manage the time as best as we can. A short Q&A on each of those topics as we go through. So we have hostesses available with microphones to be able to do that. So if you'd like to vote on the topics now.

(Voting)

Okay. So let's see what's coming up. All right. So let's close the vote there. Value creation. I do know, actually, is a topic that Denis will talk to. But I think what we'll do is give him a break and we will come back to that. That looks top of the list, we've just changed actually. So reinsurance versus insurance. I'd like to invite first up, then, if we take this topic, Laurent Rousseau, Deputy CEO of the P&C division to talk to reinsurance versus insurance for a moment.

Laurent Rousseau {BIO 5131107 <GO>}

Thank you, Ian. Good morning. I am Laurent Rousseau, Deputy CEO of the Global P&C business. One of the key items of the new organization that we have announced is the creation of a specialty insurance entity. Even though this entity is created as such, it groups a number of businesses that are well known and for some of them have been long-standing specialties of SCOR.

In these slides, we actually quantify that business and you can see that, one, it is meaningful. It's about 1/4 of our business today. And second, it has been steadily increasing over the years since 2012. And on the right-hand side of the slide, we show the profitability profile. I think the profitability is actually quite interesting in the sense that it shows that the specialty insurance operation is actually more profitable and more volatile than the core reinsurance business. And of course, profitability comes with volatility. What this graph shows you is our specialty insurance business does not have a profitability issue that a number of our competitors do have. And that I think is a distinctive factor in the diverse operations that we include in this specialty insurance block.

If you can move to the next page, perhaps. This page shows how we match risk to capital. And in the approach that we follow for specialty insurance, just like for a reinsurance, we put clients first at the rate open whether they are insurers, captives, back to smaller focused in each businesses. And we have an organization in the underwriting that allows flexible matching from the risk to the capital at the bottom, which are the legal entities. This structure is nimble. It's fluid. You can see in the middle of the underwriting operations, combined the large commercial lines risk business, SCOR Business Solutions, which is under our new organization since May of this year. And it includes the London specialty platform, which again, was put in place early July this year. Last but not least, the North American programs business in Brazil where we have successful and growing MGAs operations.

My last point on the slide will be some of the quantifications that we provide here, which again are not new to us. We've been running a number of these businesses for a long time. But for the first time, we provide information on what is single risk. So very much risk-by-risk selection in insurance. Our portfolio underwriting, which is the MGAs. And looking at it in different ways what is speculative and captive reinsurance versus primary insurance.

Questions And Answers

A - Ian Kelly {BIO 19976646 <GO>}

Okay. If we have any questions from the audience for Laurent. Andrew?

Q - Andrew James Ritchie {BIO 18731996 <GO>}

It's Andrew Ritchie from Autonomous. It's more a philosophical question. I mean this year, we've seen an awful lot of primary insurance groups get into reinsurance through M&A. So there appears to be more and more convergence of insurance and reinsurance at an industry level. I guess, one of your calling cards is partly independents is that you're more a pure play reinsurer. But I'm interested to know what you think of the implications of that for SCOR and for the industry? It does seem slightly concerning from a competitive viewpoint.

A - Laurent Rousseau {BIO 5131107 <GO>}

Sure. First of all, reinsurance remains our core business and this is very clear and stated again today. Second point. And to your philosophical question, I will come with a more personal answer. If you look at the past 20 years I've been in the industry, this is very much a future of soft cycle when insurers believe that reinsurance is actually not very different from what they do and reciprocally. And this convergence that you mentioned, to some extent, is the future of soft market where people get confused in what is their DNA. If you look at us, I don't think here -- in the first page, please, SCOR Business Solutions has been running for over 30 years at SCOR. So this is -- this large commercial lines insurance and fact business actually -- even though it is structured as insurance, it's done with a reinsurance DNA. We do big-ticket risk. We do infrastructure. We do energy. We do construction. We don't do household or standardized business. And that to me, the debate between insurance and reinsurance, to some extent, is exaggerated. The question is what is your DNA. And if you approach insurance as a reinsurer with a reinsurers risk appetite, which we do, is very different than if you approach insurance with an insurance DNA. And I think if you look at some of our competitors on the reinsurance side, when you go with master policies, when you go with building a network, this is insurance DNA. This is retail. This is not what we do, nor what we are. And that's where I get myself a bit nervous sometimes. Some stories are very convincing about insurance and reinsurance conversions, some others, a bit less so.

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A - Ian Kelly {BIO 19976646 <GO>}

Okay. Thank you very much, Laurent. So the next topic I have is geographical expansion. The SCOR Group operates in 5 continents and we underwrite risks in 160 countries. And as a result, Paolo and Victor are our most frequent flyers. So I'd like to invite them to talk around this topic. Perhaps, Victor, you can start with the expansion in the U.S. Then Paolo will move on to the Asian expansion for life. Victor?

A - Victor Yves Peignet {BIO 6287211 <GO>}

Morning. Well I think the expansion of our business has got a lot of focus on U.S., as I did for the past few years. This is showing you the progression of our U.S. reinsurance, treaty and specialty lines. While you can see that it's a pretty consistent portfolio mix over the years. So it's really an expansion. Expansion around about 250, 260 clients. I think we've got established relationships now with the portfolio of clients we will find a fit with in the U.S.

So basically what we've been doing. And we continue successfully is to deepen the relationships with a group of clients that know us, we know them and we have been able over the last 2, three years to prove to them that we had value. I think we have other slides regarding expectations from clients from their lead insurers. And there has been a change over the last year that plays in our favor, that plays in favor of global reinsurers. It is the expectation of clients to get added value. To get added value around their KPIs: growth, profitability, solvency. We are solution providers to those clients and not a lot of companies in the world can be solution providers, can assist clients in their thinking process around those 3 KPIs. And that's the value we bring in the U.S. That's the value our teams are bringing when they do portfolio reviews for these clients. You've got to prove yourself.

And from that perspective, in a way, I find the U.S. market a bit more attractive for companies like ourselves who are really underwriters. I mean, it has taken years for this to be accepted in Europe. Europe, you are talking to clients 10 years ago and you were mentioning not audit, of course, just portfolio review. Well immediately, that was a row. What are you expecting? What do you want to do? In the U.S., portfolio review is part of the activity of leader insurers. The insurers are expecting you to come with dedicated teams, competent people, do serious reviews, access the underwriting teams, share with them and bring value, bring recommendation, helped them to grow profitably, help them to solve their problems.

And that is -- for us, that is an advantage because we know how to do that. And this is showing you where we are in terms of portfolio mix. There is no secret in that. Well as Denis was saying, we've rebuild this company since 2002. In 2002, our U.S. business was almost nil. What we have been able to salvage after the debacle was basically a regional basis. Well we are still very strong. That was the only part of the U.S. business that was not rating sensitive. So we salvaged that in '03 '04.

Then we regain our A rating that was back in 2005, well, '06, '07, '08, we finished the cleanup of the house in the U.S. Basically, with Denis, I would say 2006, '07, started to really to redevelop on '08. And actually the redevelopment, naturally we did it with global clients, clients with whom we had relationships. While in Europe, in Japan. And those clients were open to work with us in the U.S. So actually, we rebuild the U.S. portfolio from the bottom, well, in terms of size of companies with regional and super regional and from the top, the multinational groups. And at the moment, what we've been able to achieve is a position whereby we are there.

We are very strong on national -- on regional, super regional. We are very strong on ENS companies. We are strong on multinational. We are slightly weaker on large national. Large national has been, while the most rating sensitive, this is where we lost everything. And we are rebuilding at a good pace. But it takes time. And I think every time a large national groups will expand into most specialty business, this is an opportunity for us to demonstrate that we can bring them something. And if you look at the consolidation that is happening in the U.S., large national groups in the U.S. are expanding currently into specialty lines. And this is pushing basically our return in that segment.

Well you can imagine what Tier 1, Tier 2, Tier 3, Tier 4, Tier 5. We have an image, at the very end on the right, which gives you all the segmentation of the market across the 10 tiers that we have in the U.S. So it's a good image. I don't think it's exactly the image of the market in segmentation for reinsurers. But it's a good image, a very good proxy of the market. So you could see that well, it confirms what I'm saying. We are very aligned, very strong everywhere but in the national groups and that's where we really are pushing our commercial and underwriting efforts.

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A - Ian Kelly {BIO 19976646 <GO>}

Have we got specific questions for Victor?

Q - Frank Kopfinger {BIO 16342277 <GO>}

It's Frank Kopfinger from Deutsche Bank. In your further parts to expand on this. Could M&A also play a role to really accelerate your target?

A - Victor Yves Peignet {BIO 6287211 <GO>}

I think it did play a role for life. And Paolo will be certainly happy to comment about that. It could play a role for us. The question is where is the fit? With whom will there be a fit that would complement basically where we are today? I think that our only -- our issue today to accelerate the growth well is basically the natural inertia of reinsurance. I mean, if you've not been in a program unless while the client has got a problem with some of the incumbent market unless there is a shock in the program and there is a need to change the panel, unless the client wants to restructure, it's delicate for a client to make space for newcomers. So I think the -- I feel myself totally confident that over time, of course -- and we are not in a rush. It's a very, very solid regaining profitable market share. If we could accelerate it, that would be fine. But we don't need to accelerate it. We can continue our image. Our reputation is growing in that market. The (attractivity) of SCOR for the client is increasing. It works. Of course, I mean the teams are spending a lot of time to gain market share step-by-step. It's very heavy work and in some cases, it doesn't pay off immediately. It may mean that -- but this is also an advantage that we have in this U.S. market. We are attractive player. I think we have demonstrated the value of the teams, our rating is one of the best rating in the market. The receivables of many clients in the U.S. we SCOR is relatively low compared to its peers. So there is a natural attraction and openness of clients to talk with us. We are invited by clients to do a number of portfolio reviews when we are not participating on the program. Well what does it mean? It means that we spend time, resources and as a result money, to build the relationship. But what it means also is that for a number of clients, we are among the very first in the waiting list. Every time while they need to restructure. Every time they want to change a bit the program, well, we are there. We will be the first to be approached. So I think M&A, yes. But without it, it's going to work. It works and is going to continue to work.

A - Ian Kelly {BIO 19976646 <GO>}

Thanks, Frank. Thank you, Victor. Paolo?

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A - Paolo De Martin {BIO 15930577 <GO>}

I'm Paolo De Martin. I have the privilege of serving as the leader of SCOR Global Life. And sitting here, I really represent about 1,000 people that we have across the world. So I thought I would spend few words before talking about expansion about what the Life division is right now. So again, we have about 1,000 people â€" a bit over 1,000 people across the world. We serve about clients in 80 countries, across about 29 offices. You can see that a big bulk of what we do, we call it protection solutions. That goes far beyond just a simple risk transfer. We provide effectively client support across the entire life cycle from product development to the way claims are managed. And you can see our split geographically.

Now what I would like to do in the expansion is this is really critical division in action, is say a few words on our Asia-Pacific footprint expansion in our protection solution business. It has been a wonderful journey for us in Asia-Pacific. We started back in, I guess, around 2010. We had very little at that point. In 2014, we have started our growth in the protection business. We are now going to be at the end of the year very short of a EUR 1 billion in premiums across the region. We have a wonderful management team in Asia, led by Craig Ford with a regional CEO. And we have a super talented pool of country managers.

If you pick just few countries, China, I will say few words in few minutes. It has been a very strong growth, strong supported by strong fundamentals in China. We've been growing very strongly. If you can go back one slide. Can you go back one slide? We've been very strong -- growing very strongly in South Korea. Growth led by product development, particularly on health products and has been establishing a strong footprint in Australia and New Zealand. We became the market leader in the reinsurance for the -- for new business in Australia last year. We kept that leadership this year. And we are supporting the market leader in New Zealand since its inception. Again, that represent about 70% of our Asia presence.

A few words on China. The China growth has been very strong. We're close to EUR 400 million in premiums by the end of this year. It has been a phenomenal growth. It is supported by very strong fundamentals, both in terms of what is happening with the demographic evolution and the economic evolution. And the strong emergence of the middle class and it has required for us to build a team that we didn't have in China. And we're very likely to have a very strong country leader Chloe. She has built a phenomenal team in Beijing. We've been able to support clients on high-end medical products and critical illness.

I wanted to just say one last word on Asia-Pacific. For us, growth -- if you can go back, go back one slide. Yes, growth is not just about premiums. If you look at our bottom line, our technical result is growing faster than our premiums at this point as the platform has established itself. We're actually able to support clients and add a strong values to our client base. That is translating into very healthy profits. And for the first time this year, we're actually #1 in terms of client perception across all our target markets. So again, not just volume. But we're there for the long run. We want the business to be profitable. And we want to be meaningful for the clients we do business with.

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A - Ian Kelly {BIO 19976646 <GO>}

Thank you very much, Paolo. Do we have any questions? Andrew?

Q - Andrew James Ritchie {BIO 18731996 <GO>}

Sorry, it's me again. Paolo, it was the margin you were reporting there, 8% I guess roughly, is higher than the book as a whole. Is that what you were expecting in Asia? Is it a higher margin market from a technical margin point of view? Also of the protection solutions, I'm guessing, is it more than half mobility type business in Asia? And just remind us what the critical product lines are, I guess I'm thinking CI versus MedEx. And what the mix is?

A - Paolo De Martin {BIO 15930577 <GO>}

Yes. I would say on that last question is more than 50% morbidity. In the Asian markets, you will find critical illness as the key product probably across the region. With the exception of Australia, which is a big disability market, you will find some mortality business in Japan, which we just established ourselves. So I would say, of the EUR 975 million off the top of my head, I would say well 80% north of that would be morbidity. Yes.

We would expect the business to be higher technical margin given, one, the type of products we do; two, the type of services we're able to provide our clients. I think most of our clients are very sophisticated players. Margins are a function of how much value we bring to them. And this is a region where at this point we can bring a lot of value from product development to all the analytics and data that we have as the protection market is effectively developing in the region.

A - Ian Kelly {BIO 19976646 <GO>}

Will?

Q - William Hawkins {BIO 1822411 <GO>}

William Hawkins from KBW. Slightly following up on that. I get the good business case. But I'm wondering how you specifically allow for trend risk in the healthcare and morbidity products when you're selling them? Because what seems to be in evidence from a lot of products in Europe and America is that as the cohort of clients gets older and as technology and services get better and more expensive, the trend risk can be huge. So I'm just wondering, I mean, are you allowing for that by being really conservative in your reserving? Or are the margins massive so that you've allowed for something here? Or are you just sort of saying, well, at the moment the business is so small that even if we've got a problem in 10 years' time that will be dwarfed by all the other stuff we're doing. So the trend risk, how do you think about that?

A - Paolo De Martin {BIO 15930577 <GO>}

Yes. I think the last point is -- holds true. The business is still very small in terms of how much business we're accumulating. The second point is a lot of this business is short term in nature. So it doesn't carry a lot of that trend. And where it does carry the trend, like the CI products, particularly in China, we've been extremely careful and playing at the edges of the market. And have effectively deployed extensive R&D capabilities. As a matter of fact, we have moved our R&D center for Critical Illness from Europe to Singapore, in order to be able to recruit Asian skill set in that R&D center. So we are deploying all of our R&D capabilities. The 2 key trend risks that I see are CI in China and still visibility in Australia, it is still tricky. We are extremely careful on the big group market in Australia at this point. We're more bullish on the individual life. We've been pulling back, I would say, from the group market as that it still shows behaviors that we don't like, especially in terms of features and the products.

A - Ian Kelly {BIO 19976646 <GO>}

Vinit?

Q - Vinit Malhotra {BIO 16184491 <GO>}

Vinit from Mediobanca. Probably 2 questions, please. One is last year or even in previous years, we've talked about the cultural aspect that in many Asian markets people don't want to think about insurance. And your growth on this chart probably comes from the fact that you are underweight in Korea, as you mentioned. So is this growth now peaking out? Or is it something that will continue at some kind of a higher rate than has been seen? So what do you think of where you are versus the penetration, the cultural headwind and those things? And the second question was that, in the last years you've also talked about the run-off nature of the profits in the sense that -- or rather in force of nature of the profit that many profits come from, maybe it was 80% come from past. As this kind of business comes in, is that still a similar kind of very high ratio? Or is there something different about these products for your in-force profit?

A - Paolo De Martin {BIO 15930577 <GO>}

Yes. There is a higher portion of short-term products in Asia compared to other markets. So all the MedEx products that we write will be 1; to 3-year renewable business. And there is a bigger portion of group business that you will find in other parts of our portfolio. So you would have a less of a service commission of in-force that you will find in our U.S. business, which is all like very long-term life business. I think in terms of growth, it has the potential to continue. I think as we will walk into the next strategic plan, we will reassess at that point what is our appetite to continue the growth. In my opinion, spending a lot of time in the region, it has the potential to keep growing. There is a phenomenal shift in the middle class and the demographics and economics of the population in many of these countries. There are people that are out there traveling. China is one example. But when you're in Malaysia, you have the same feeling. Thailand, you have the same feeling. And places like Korea will keep being very promising markets for us. We're still relatively small compared to the overall size of the market and the potential. And the second point -- the last point that Brona will talk on later on is just technology. Technology is becoming a phenomenal enabler in this region, much faster than everywhere else in the world. So that will provide -- give us new and interesting other path of growth.

Q - Edward Morris {BIO 16274236 <GO>}

Edward Morris, JPMorgan. Can you help us to think about how we should consider this business from a capital and cash perspective? So is there any rule of thumb we can think about in terms of marginal capital requirements for the group? And also is there a payback period on cash? Just any help on those 2 metrics will be helpful.

A - Paolo De Martin {BIO 15930577 <GO>}

Yes. I could. But I'm not one to adventure. It is a bit competitively sensitive to break those informations down at the region, especially in a region where we do have a high concentration of countries in that countries of key accounts. So and given the competitive nature here, again, I don't want to adventure into that. My sincere apologies.

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A - Ian Kelly {BIO 19976646 <GO>}

Okay. Thank you very much, Paolo. Perhaps we'll move on to the next topic. Just to maybe give Paolo and Victor a rest, I'll move down the list slightly and perhaps pick up on -- maybe we could pick up on longevity and I can ask David O'Brien, our head of Financial Solutions and Longevity for the Life division, to speak.

A - David O'Brien

Thank you. So as an introduction to our longevity business, it's been growing significantly over the last couple of years. It's a major plank within vision and action for our life business to grow longevity. You'll see from the financials, we expect to book around EUR 850 million in gross written premium for the current financial year, which represents a healthy 13% growth in constant currency relative to prior year.

Maybe just to step back a little bit and explain what longevity is, just as a reminder. There's a significant amount of longevity risk that employers and life insurers currently bear based on promises they've made in the past to pay pensions for life to their employees, which then have been assumed into the life insurance market. Overall, longevity has been going in the right direction. People are living longer really on a global basis. That's very positive for societies, brings some challenges also. One of the challenges for employers and for life insurers is bearing that financial uncertainty because they are not natural long-term holders of longevity risk. In fact, reinsurers who have a significant mortality position are the natural holders of longevity risk. So we now see a decade-long trend for pension funds and life insurers to progressively transfer some of their longevity risk over to the reinsurers. A further element to remember is that longevity swaps, which is the business that SCOR is in, are asset light. So the business is a biometric risk business, which is entirely in line with our strategic focus, not to build very large asset positions, we seek to build a biometric risk profile. And longevity is a very good fit for us in that regard.

In terms of the kind of longevity risk that SCOR is writing, we chose as part of our entry strategy to really focus on the U.K. market for a number of reasons. The first is that there is a very substantial basis of data in which to price longevity reliably. And that's really important for us. We want to underwrite risk that we can price and understand. Also within the market, there's a very good flow of transactions. So at this stage, there's a pretty good overlap between the price at which current holders of longevity are willing to transfer the risk and the price that works for us reinsurers relative to the capital we're putting at risk and the underlying volatility potential of the risk. And that's because there is high transparency on data throughout the market. Both buyers and sellers of longevity risk have good insights to the true underlying risk. For us, because it's a relatively new product line, we've been looking to stay at the less risky end of the spectrum. So we focused on pensions and payment. So in other words, we're not taking on risk for those who are yet to retire where the potential longevity improvement has a much wider area of uncertainty. So we're focusing on pensions and payment, typically age of 65 plus, where the level of potential longevity volatility in the future is more controllable.

We see longevity as a very good fit within Solvency II capital. We get good diversification or offset against our global mortality position. We look to grow our business beyond the U.K. We see potentially some opportunities outside the U.K. It can be the case that the U.K. market is very large. We have an important footprint. We have a dedicated team in London working on the longevity opportunities, backed up by our global R&D center for longevity.

At this stage, we have a strong pipeline. We typically look to write about GBP 2 billion a year in terms of lifetime present value of claims. The transactions are lumpy. We see good prospects to continue to write business on terms that work for our clients and work for us in terms of profitability, satisfying the risk of the underlying business. And we would look for the next 12 to 24 months to continue our run rate.

As a final commentary on the business, we do bulk annuity business. That's longevity swaps. We also have entered the small scheme arrangement with a number of 1 or 2 life insurers where they're looking to get guaranteed capacity. It's more of a flow business where we agree an underwriting approach. And for us, that's an important further segment to expand to. As well as the enhanced annuity market, which is also flow business based on individual underwriting expertise. So for us, longevity is a U.K. play for now primarily. We are well positioned to expand further as it make sense over time. And we have a very good pipeline in place for the near term. I'd be happy to take your questions.

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A - Ian Kelly {BIO 19976646 <GO>}

Sami? Just a couple of rows up, raise your hand, Sami.

Q - Sami Taipalus {BIO 17452234 <GO>}

Sami Taipalus from Goldman Sachs. Could you just give a little bit of color on the market dynamics in the U.K. longevity market, what you're seeing on pricing there? Then the second thing is, could you just give outline a little bit the profit footprint of these policies and the free cash flow through it.

A - David O'Brien

Sure. So I would say that over the last 12 months, the spread between the cheapest price for longevity and the most expensive has widened significantly as the most recent experience at the population level for mortality improvement has come through. So reinsurers have reacted at a different pace. So I would say that persists today. The spread between cheapest and most expensive has widened. However, at the clearing level, the spread remains relatively narrow. So if we talk in terms of lifetime present value of claims as the currency of pricing, the spread is typically of the order of 50 to 100 basis points against that lifetime PV at the clearing level for transactions. That varies of course from opportunity to opportunity. I would say that the relative consensus has now settled for reinsurers, including SCOR, that are in the marketplace, what -- we're roughly in the same spot. Our views on longevity vary according to demographic profiles. We don't have a one price fits all, each price is heavily customized to fit the demographic profile of what we see in each transaction. So there is some variation from in our position from opportunity to opportunity. And we also see that beyond the technical fundamentals, occasionally, we'll see some transactions placed at very, very good terms for the pension funds where we choose not to play. So I'd say the market has become a little bit more volatile. But still there is substantial discipline. I would say the bulk of competition we see is absolutely technically driven and respecting the fundamentals of the risk. And the transactions are still clearing. So there is -- there continues to be a good overlap between the price of risk that longevity writers are willing to write the business at and would still make some financial sense for pension funds and life insurers. The strong equity market, I think, has helped pension funds in terms of the affordability of their derisking agenda. In terms of financial footprint, a longevity swap really doesn't have a significant cash flow profile for SCOR, unlike some of our other businesses which have a financing component where it's a substantial cash outflow at the beginning, followed by a backend of cash margins coming in. The longevity business is much more net settlement fee business. So we structured to make sure that the premiums we're receiving are closely matching our expected claims over time. And so therefore, all else being equal, we'd expect, if the â€" if experience models our pricing to earn the margin broadly over the life of the longevity swap. As the longevity swap is structured, such that you have -- you start with maybe EUR 100 of claims in the first year, moving down over time. Our margin profile would broadly fit that similar amortization shape. So it's a constant -- broadly constant margin on IFRS basis through time. And so not really generating any material cash strain. In terms of the capital, on a stand-alone basis, absolutely, there is a capital strain underwriting this business. However, it diversifies very effectively against our very large in-force mortality position. So on a Solvency II capital basis, modeling the growth of the business we see that we achieve a good optimization in terms of capital impact of the product line on our overall Solvency II balance sheet development. Does that address your question? Okay.

+++presentation

A - Ian Kelly {BIO 19976646 <GO>}

Thanks. Thanks very much, David. So I'm just conscious of time. And you would note in the agenda that we're due for coffee. There's a few topics that we do want to pick up on in this first session ourselves. So we'll pick up on those now. And we'll catch up the time a little bit later on.

So perhaps the next topic, if we can move to the strong in-force management of the group. And I'll invite firstly Laurent and Victor to talk about the P&C side. Then we'll move to Brock Robbins, who is the Deputy CEO of the Americas, to speak on behalf of the Life division.

Laurent?

A - Laurent Rousseau {BIO 5131107 <GO>}

Thank you. Core to the portfolio development is the tooling. The tooling of the P&C business has been a critical factor over the past 6, seven years and which has led to this overview, which I'm going to take you through briefly, which I think is a key differentiator. And we believe no one has that kind of platform. The first point I would make is the various tools are, for most of them if not all of them, in-house-built tools. So we have invested significant amount of money on each of these individual modules, whether they are the single-risk underwriting platform, ForeWriter, which we have presented in one of these instances before; whether it is the new MGA Alpha tool, which has been operating now for over a year. All of them have been the focus of heavy investments. And what we view as core, as strategic, has be done -- has to be done in-house.

On the Cat platform, which, again, we have presented to you in the past, we have founded initially with RMS, we've partnered with a broader range of stakeholders. But as we go, we very much internalized those 2. So I think what is very important here is that we're building state-of-the-art, extremely technical models and way before big data and AI were fashionable.

The second point is how those modules interact in a platform in a flexible way. It's very important in those technology developments to have a very clear idea as to what is the backbone, what is the central system and what are, if you wish, the APIs, what are the modules that go around it. And having this very clear idea of what should be our IT architecture is quite a differentiator as well. And by combining the state-of-the-art modules individually with a flexible nimble platform are 2 key points.

My last comments will be the way we run this. I mean, this is -- this looks good. This is huge investment from an IT point of view, from a technology point of view and mindset and culture. How does that translate in day to day? And that's why, again, when I speak to my competitors, when I speak to some clients, I realize that actually no one has this ability in the running of the business during the renewals period to monitor the performance, the exposures on a daily basis. So I can tell you, when we go through renewals seasons and we meet every day as a management team, we can at very much fingertip get exposures by barrels day to day, the performance, whether we stand on the renewals. And have a consistent view of the overall business performance. And that goes, of course, beyond the renewal's time and with all the exposure management and so on. And this technology is core in the way we operate and the way we steer the business and the portfolios as we underwrite the business.

A - Ian Kelly {BIO 19976646 <GO>}

Okay. And Victor, yes?

A - Victor Yves Peignet {BIO 6287211 <GO>}

Thank you. Laurent has been talking about the monitoring of the assumed business upfront. And I mean, this slide shows the monitoring downstream through the retrocession that we buy to optimize the net versus the growth and to protect the capital of the group. While this one, the main point to get from this one is the importance of ILS market. We've been one of the very first adopters of alternative capital in the retrocession of the group, placed our first cat bond in 2001. Have been users of ILS relationships for many years now. And this shows you that basically our retrocession, excluding the cat bond -- that's important, which is footnoted here. Our retrocession today for cat business is about -- well, of -- between traditional markets and ILS markets.

And if you go next page, while -- the consequences of what Laurent explained to you, which is this integrated system that allows us to monitor the business, whereby while all the different systems from the pricing exposure management up to the internal model is fully integrated, it allows us to model, basically, the behavior of the portfolio gross to net. And as we design and engineer our retrocession year-on-year, while we extensively use the internal model to, basically, project the -- how the net versus the gross would be while depending on various retrocession solutions.

Well this is the latest results of the model. Basically, what is interesting is it shows what the retrocession provides. Retrocession provides not really a vast improvement of the net versus the gross. This is not the objective. Our gross has got to be good and is good. So the net is a bit better than the gross. But this is not the play. What is really the effect of the retrocession is to stabilize the earning. And you see that the distribution is much more stable on the net than it was on the gross. Standard deviation is much lower. So basically, we improve a bit the earning. But more importantly, we stabilize it. And that's what is shown on this slide.

And we would run that year-on-year. And we would compare, basically, year-on-year how this fits with the reality at the end of the year. And I can tell you that we have a very good correlation between the model and the reality. We can really walk from the model to the reality on an annual basis and explain why we see the differences. We are comfortable with the modeling because we have this very good correlation because this has been operational in the division, I would say, I think, Christian, five years, six years? Five years? Five years in a row. So for five years in a row, we have produced that on an industrial basis. And it's totally reliable. And it gives us a very good track of our real portfolio as compared to the model results. I think it's a very powerful tool, in my opinion, to monitor our business.

A - Ian Kelly {BIO 19976646 <GO>}

Thank you very much. And perhaps, Brock, you can come on stage and speak from a Life perspective.

A - Brock Robbins {BIO 6042694 <GO>}

Great. Thank you, Ian. Now if we start with our Life business, I'd like to start with the In-Force portfolio. And it's a very strong In-Force portfolio, where we've got very healthy In-Force. And really, having a strong In-Force is the basis for successful growth of our business going forward. So it's very important as well. If you look at our In-Force business, the natural runoff is around 2% per annum. So if you kind of look at things, if we stop writing new business now, we would still project to produce about EUR 6.5 billion of premium in 2020 on an estimated basis. So again, it's a very sustainable block of business. And again, with this healthy In-Force, it's really enabled us to both self-fund our growth and then as well give us constant upstreaming of cash to the group in order to support things at that level as well.

And if you look at the last three years, effectively, we've had -- we produced positive technical cash of about EUR 600 million each year, which is a very -- on a very steady pace. So again, that just continues to show how healthy the In-Force is.

If you go to the next slide. Now if we move just to the U.S. piece, again, the U.S. portfolio is a very big portfolio with about 23 million reinsure policies. So again, it's very significant. And also, it happens to be very a well-diversified portfolio in the sense that we have got good diversification both across a large number of clients, a large number of attained ages within our book of business and as well a large diversification based on issue year of when the underlying reinsurance treaties were written. So again, it's a very broad and diverse portfolio.

Also, too, if you look, this is our 5th consecutive year as being #1 in recurring new business volume in the U.S. marketplace. So again, with the 21% market share this year. So again, as -- given that the U.S. In-Force is such a significant portion of our business, with -- it's something that is constantly reviewed, analyzed, monitored. And in particular, our R&D area is very closely looking at mortality performance of the underlying business and really trying to understand the key drivers of our mortality on a very constant basis. And the way this analysis works, we do the traditional analysis looking at actual to expected performance on an underlying experience study. But then as well to more and more, we're actually moving towards utilizing additional tools, such as machine learning where, effectively, we're able to look at the large amount of In-Force data that we have and are able to do a better job of identifying underlying trends, underlying cohort effects, which we might miss if we didn't have those great tools. So really, the key takeaway on this is that for a U.S. In-Force business, we have just a massive amount of data. And again, we're constantly learning, analyzing in order to really consistently improve our understanding and management of our U.S. In-Force business.

Now SCOR did have adverse mortality during -- for deaths occurring in the first half of 2017. And when we took a real big look at the underlying data behind that performance, what we identified was that the adverse experience that we saw was really limited to older ages. In this case, this would be attained ages 80 and above. When we looked at things further as well, kind of beyond the numbers, we were able to identify that this was focused on a few key client cohorts and then as well, too, kind of looking even further beyond that, is that it was really driven, in large part, by larger average claim sizes within these -- this particular segment than we traditionally see. So there was absolutely a volatility competent that drove some of what we saw in the first half of 2017.

So again, when we move to the second half of 2017, the older age experience really reverted back to expected corridor. So that was really good to see. Now if you look at older age, it really takes a significant amount of data to be able to understand and fully understand how experience is going to develop. And again, in this segment, data is still somewhat limited, not only with ourselves but also, really, throughout the industry. So there was significant judgment that's involved. That being said, when we get new data, we are really continually enhancing the credibility that we have in this particular sector. And with that, we have kind of recently, in Q4 2017, updated our assumptions on older ages to really reflect this comprehensive analysis that we've done in this particular segment of experience.

As well, too, when you look at our older age business, the vast majority of that business is actually covered under reinsurance agreements where we have the ability to be able to adjust the premium rates. As well to the business, we're also able to, typically, participate in any cost of insurance increases or other repricings that our actual clients do on the underlying policies. As well, too. And one other way that we manage volatility within our Life business is that we have a retention, a per-Life retention, of only 8 million per Life. And the rest is retroceded out. So again, that helps effectively manage some of the volatility that we see -- that we could see in the book of business.

One last thing, I guess, to talk about, too, is, if you look at the -- our reinsured population that we have at SCOR, it really has different characteristics than the general population in the U.S. In particular, with respect to the socioeconomic composition of our -- the business that we're reinsuring versus the general population. So what this ends up happening is that our reinsured business has very much a different risk profile than the U.S. general population. And these adverse -- so if you look then at the adverse developments that we saw in the first half of 2017, it really was not linked at all to any observed slowdowns that we had or upticks were -- that we had in the general population mortality in the U.S. for things like opioid use, et cetera.

So that's, I guess, the end of these slides. With that, I'd just say that we -- it's -- with our U.S. business, we are consistently learning, consistently looking at the data and really very, very actively managing it as we get new information. Thank you.

A - Ian Kelly {BIO 19976646 <GO>}

Thank you very much, Brock. There's one other topic that I do want to hit before we go to the break. I don't know if there's a quick question for Brock or whether we move on to our next topic. Okay, let's move on. Thanks. Thank you very much.

I do want to touch on insurance market expansion. This -- we've got some very interesting points to make here. Vincent Foucart will pick up on the P&C side in respect of the alternative solutions.

A - Vincent Foucart {BIO 7004097 <GO>}

Well in that case, I can focus on both aspect. One of them being the protection gap, the insurance protection gap, that is, I think, a well-known topic by all of you. This is fundamentally a space where SCOR Global P&C is investing a lot of efforts to bring our contribution to this fundamental equation of the, let's say, the value of the insurance industry.

Historically, already for a few years, we're supporting platform efforts on the modeling and the developing of the tool of the industry, invest some effort in supporting the development of parametric insurance and reinsurance. And we have, over the last two years, we have reinforced our presence in a certain number of bodies, I would say, which generally assemble private industry representative and public authorities, namely the Insurance Development Forum, InsuResilience initiatives. And we are as well very active with the World Bank Group transactions and the World Food Programme. So this is, I think, going forward, going to be one of the more and more visible part of our, let's say, support to this fundamental efforts of the insurance industry to breach the protection gap cover.

You have this traditionally interesting in graph that shows, really the level of let's say, penetration of the insurance or the bridge between economical season insured losses by peril and geographical area that clearly shows how much typically emerging Asia and Latin America are the most concerned by this issue.

A - Ian Kelly {BIO 19976646 <GO>}

Thank you very much, Vincent. And now I'd like to invite Paolo to talk to insurance market expansion from a Life perspective.

A - Paolo De Martin {BIO 15930577 <GO>}

I thought we would have one example of what we do in the Life division and how this connects to actually expanding insurability. Just an example, our Spanish team, led by Luis Calvo, has been working on with the client, Reale Seguros. The client brought us a challenge, they wanted to expand coverage to the entire family and asked us to see what kind of ideas we could bring that we had globally seen or globally experienced. We brought up the, usually, family coverage that we have and we brought up very strongly idea of Juvenile CI. Juvenile CI is a CI that covers children. And the client said, "Well that's a great idea. What about if you were able to cover congenital diseases?" So that was a completely new area for us: how do we expand insurability to a child that is not even born? And it was a phenomenal challenge for us. We had a lot of research and development work done and came back with some ideas to the client. And working very closely with the client, we developed this product.

This really has the best of what we do in the Life division, working very closely with our clients, developing all our global skill set and be able exactly to work on the client for the client to be able to support his own clients and consumers. And beyond any words, I would like to show how the final product look like.

(presentation)

A - Ian Kelly {BIO 19976646 <GO>}

Thank you very much, Paolo. I always find that, as a father, an extremely powerful representation of what the Life division does, actually. So thanks.

Okay, I know we haven't hit on every topic. We will, hopefully, be able to catch up a bit more time as we go through and deal with some of these later at the -- towards the end of the day. But if we can now take 15 minutes for coffee. And we'll see you back here shortly. Thanks.

(Break)

Okay. So welcome back, everybody. Thanks for coming back. It looks like we've got about the same number of people. So that's good. Okay. So let's move on to the second theme of the day, operational optimization, a very important topic for us. And we have a very good opportunity to show you now how we -- how SCOR is powering ahead. So if you'd like to, once again, vote on the topics. And we'll see where we come out. Thanks.

(Voting)

So I'm just trying to do mine. I'm an accountant. I'd like to understand IFRS 17. Okay. All right. Ah, it is up there. Okay. So let's close the vote there and make a start on the second session. So IFRS 17. As if by magic. Mark, anyway, if you'd like to talk to that topic for us. Thanks.

A - Mark Kociancic {BIO 17852409 <GO>}

Sure. This is a bit of a surprise. I did not expect this one to come up, despite its -- but all kidding aside, it's actually a very serious objective for the group. It's something that I'm spearheading personally as a Comex sponsor within SCOR. And it has very far-reaching implications for both business lines in our group, for Life and for P&C and the organization as a whole. And specifically, I think, in our industry, we'll be challenged to find comparability and a common set of metrics on how to measure business performance for both P&C and for Life and also to explain it to investors and to analysts. It entails a significant amount of effort easily in the resource range of what we had for Solvency II, except that we have less time to do it. And it is quite demanding in terms of the systems requirements given the necessity of getting all of the historical data, particularly on the Life side, organized in such a fashion so that you can utilize it within IFRS 17.

So internally, we've started significant progress last year. And it's occupying a fair amount of time within our organization, both at the Comex level and at the divisional level. And it's something that, I think, over the next two years, we will spend a great deal of time internally to understand what metrics we will use to run the business, price the business and then measure the business and communicate that to the marketplace.

In addition to that, there has been discussion at the CFO Forum and in smaller working groups to try to design more comparable types of metrics that can be utilized consistently amongst our peer companies. So if there is some sense of comparability in the industry. Just from a cost perspective, I would not understate the level of effort, resources and treasure that will go in financing the IFRS 17 development. This will be easily equivalent if not greater than the Solvency II commitments that we finished a few years ago.

+++qanda

A - Ian Kelly {BIO 19976646 <GO>}

Okay. So if we go to questions. I think, Andrew, if you start.

Q - Andrew James Ritchie {BIO 18731996 <GO>}

It's Andrew from Autonomous. Two questions, I think. One is, are there any product design implications? I appreciate the ultimate profit doesn't change. It's just how it's presented and timing. But are there any product design implications for the reinsurance business, particularly given no recognition of day-1 profits, et cetera. The second question, are you going to help us bridge 2021 as a cliff moment when your profits will suddenly change? The way to help us bridge that is a clearer disclosure of some kind of Solvency II economic earnings metric which won't change. Are you going to help us with that?

A - Mark Kociancic {BIO 17852409 <GO>}

Well we're definitely going to try to help as much as we can. I think there will be a transition period which will be difficult for everybody involved because it is really very much in its infancy. I do think there will be a stronger focus on Solvency II. We saw that appear last year when we started with the basic operating experience or net income in the Solvency II regime concept, where there was definitely a desire from the investor and analyst community for a greater understanding of the granular development of the 2 businesses, in our case, plus the investment piece. And then the capital intensity. So I think that will continue to grow in importance and granularity in terms of the type of information we give. IFRS 17 will obviously be a core metric in the investor community. But it's not clear yet which type of target companies will select to measure their business or target for strategic plan purposes. IFRS 17 is more of a balance sheet approach than a P&L approach. So it really requires quite a bit of thinking. And there's many stakeholders in this type of decision. It's not just an internal question. You've got rating in agencies, investors, analysts, banks. You've got to consider your debt covenants, banking relationships. So it's quite complex. To your earlier -- your first question, I think the decisions -- there's a lot of optionality in IFRS 17. And the question of unit of account onerous contracts is going to be fundamental in terms of how those are grouped and utilized internally when we start considering how earnings generation can happen or even the pricing of the products. I would say we're very aware of those issues right now. But in 2018, it's too soon to make a comment. We never want to lose the ultimate economics of the business. So we have many ways of measuring, even beyond IFRS 17, when it comes to things like profitability capital intensity. You've got rating agency models, you've got our internal model, you've got an IFRS 4 framework right now and Solvency II. This adds another dimension which makes it a little more complicated. But as a general principle, you always want to find a way to make the economics of a risk supersede the possibilities from the accounting side.

A - Ian Kelly {BIO 19976646 <GO>}

We've got Frank.

Q - Frank Kopfinger {BIO 16342277 <GO>}

And I have 2 questions. My first question is, how should we think about the reserving buffer on the P&C side and also on the Life side going into IFRS 17? So is there a need that in this transition period, you might release some more of it? And the other question is whether -- as we are now approaching an economic world where we have also -- where we will discount reserves going forward, will this even more trigger the shift towards long-tail business, be it in the P&C world or in the Life side?

A - Mark Kociancic {BIO 17852409 <GO>}

So on the first question with the transition period that you've correctly identified, I recognize there's great discretion in terms of how you set up your opening balance sheet, recognize P&L in 2020 or in this period before January 2021. Those are options that we'll have to take a look at. I think from our standpoint right now, we're still in a implementation type of phase where there's going to be a significant amount of iterative modeling of perspective financials for the group and trying to understand as well how our financials will look in the future, which type of metrics we will be focusing on. So the transition period, I'm sure we will tackle it. But it's not really top of my mind today to commit to something in 2020. In terms of the appetite for long-tail business, whether it's in Life or in P&C, you will start with, obviously, the business proposition, the economic attractiveness of those types of risks. And then you take into account, obviously, our internal model, simulations, risk factors and so on. So IFRS 17 will play a role in this decision-making process. But it's one of many factors that gets taken into account. And it starts with the business side.

A - Ian Kelly {BIO 19976646 <GO>}

Thanks, Frank. Any further questions? We've got one from Denis. You look surprised, Mark.

A - Denis Jean-Marie Kessler {BIO 1498477 <GO>}

Mister moderator, can I ask a question to Mr. Kociancic?

A - Ian Kelly {BIO 19976646 <GO>}

You can.

A - Denis Jean-Marie Kessler {BIO 1498477 <GO>}

I present myself. I'm a minority shareholder of SCOR. Mark, everything being equal -- I don't know if this question pops up in your mind. But under IFRS 17, everything being equal, being closer to, let's say, a balance sheet approach, an equity value approach, in euro terms, the values are completely should be much more higher under IFRS, am I right?

A - Mark Kociancic {BIO 17852409 <GO>}

Yes, sir. Thank you very much for that poignant question. I couldn't agree more. The value of the company will be significantly higher in an IFRS 17 approach. One -- in all seriousness, one, I think this is -- IFRS 17 is like a step in an evolution of financial reporting, which will ultimately trend closer towards what I would call an economic value management type system. And Solvency II gets us a piece of the way there. And I think that the combination of the 2 is what I would call just a transition step as to ultimately where we will be maybe in the next 10 years. Vinit?

Q - Vinit Malhotra {BIO 16184491 <GO>}

Sorry, just a late question for me. From your point of view, you want the business side to be more important than just the accounting side. But from your clients' point of view, isn't it true that many reinsurance products today offer sort of accounting stability? And is there a risk that, that need from the clients tends to go down with IFRS 17? Is that something that you've discussed or thought about?

A - Mark Kociancic {BIO 17852409 <GO>}

Not necessarily. I would separate a couple of things. So you have the natural containment of volatility of earnings, of surplus, et cetera. But IFRS 17 will be applied to many of our clients on a global basis. And therefore, we will be serving clients on the basis of solutions within an IFRS 17 environment. So this is more than just, what I would call a compliance exercise for implementing IFRS 17. I think there has to be an evolutionary aspect to the implementation of IFRS 17 because it is so tied to the business side in terms of pricing and how you market yourself to the clientele on both sides, P&C and Life. Now remember, IFRS 17 is fairly global. This will impact quite a large chunk of the world.

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A - Ian Kelly {BIO 19976646 <GO>}

Okay. Thanks very much. Although, I would stay there, Mark, because the next topic is...

A - Mark Kociancic {BIO 17852409 <GO>}

(I thought there was at least) accounting in IFRS 16.

A - Ian Kelly {BIO 19976646 <GO>}

No. We'll let you off that one. It's capital management optimization under Solvency II. So I know you are -- many of you will be aware of the reorganization of the 3 SEs at the head of the group. So perhaps, Mark, you can give us a status update.

A - Mark Kociancic {BIO 17852409 <GO>}

Sure. So we unveiled this at our earlier IRD, I think, last year. And we're very much on track. I think I just mentioned last night in some of the dinner conversation that this is a very feasible process. We're on track. But it's very heavy. There is a significant amount of legal work and systems work, in particular, to get us approved and licensed and able to service our clients, not to mention the internal operational aspects. So we are on target for a Q1 completion. We have a governance process that's been set up internally for the formalities, or the approvals, I should say, regulatory approvals and board approvals in the First Quarter. I expect that to be completed before March 31 with a retroactive effect to Jan 1. And I also confirm our estimate of up to EUR 200 million of risk margin release that we foresee for this merger.

There are significant efficiencies, organizational efficiencies as well that, I think, come out of it. Obviously, going from 3 companies to 1 reduces the need for many things, whether it's from an operational or time point of view. And to a lesser degree, there will be some anticipated expense savings. So for the long run, this is a no-brainer. It's something that we really need to do because of the efficiency that it brings us, not to mention the capital relief. And we'll be, I think, in a very optimal type of corporate structure moving forward.

+++qanda

A - Ian Kelly {BIO 19976646 <GO>}

Any questions? Andrew?

Q - Andrew James Ritchie {BIO 18731996 <GO>}

Not necessarily related to Solvency II. Can you just remind us on what capital shifts you had to make post U.S. tax reform in terms of, I think, capital coming out of Ireland into

Bermuda, or where are we on settling that?

A - Mark Kociancic {BIO 17852409 <GO>}

Yes. We're still in the process of finalizing the solution. It's really subject just to regulatory approval at this standpoint. I don't expect the capital shifts to be that dramatic. We didn't give a lot of detail because we consider the solution to be proprietary, something that will give us competitive advantage on a going-forward basis. It's not a traditional Bermuda solution like many others have done in the industry. We're trying to optimize more value -- variables than simply the BIT or the tax aspect from the U.S. We're trying to also capture solvency optimization, cash collateral, capital, et cetera. And Solvency II impact. So for us, there's some changes we have to do internally. But it's not really going to increase capital requirements. It'll be quite neutral.

Q - Andrew James Ritchie {BIO 18731996 <GO>}

Does it materially impact fungibility within the group because you have to keep more capital outside an S2 entity?

A - Mark Kociancic {BIO 17852409 <GO>}

So to my earlier comments, we are trying to make optimize several variables. And that's one of them right there, really trying to maintain the efficiency of the structure we previously had. And I think we found a very good way of doing that. Vinit? We should give you a permanent microphone.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Sorry. As you are in this stage of visibility on this project, is there any change to your -- or we talked about a EUR 200 million capital relief last time when we discussed this. And is there any change to change your view that, that EUR 200 million can be repatriated to shareholders in some time?

A - Mark Kociancic {BIO 17852409 <GO>}

Well okay. So I think the figure is constant. We really have not changed our estimates since the initial discussion at the earlier IR Day. The question of what we do with it is something that we deal with in 2019. So definitely, we have all options on the table. It's really a question for our board to finalize. I would not dismiss share buybacks, special dividend, using it within the business. The timing is uncertain right now in terms of when we would communicate it. I would expect probably after the execution of the transaction, which would likely be a Q1. But I can't commit to that today.

A - Unidentified Speaker

(inaudible)

A - Mark Kociancic {BIO 17852409 <GO>}

Yes. It's also an option, as I said, for share buyback purposes. If we were to release it, that would certainly be one of the options on the table.

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A - Ian Kelly {BIO 19976646 <GO>}

Okay. Thanks very much. And I'd just stay there for the next one, Mark, which is investor remuneration. So perhaps, you can remind us of the capital management policy of the group and what we can expect going forward.

A - Mark Kociancic {BIO 17852409 <GO>}

Okay, very much unchanged. We're quite transparent with this policy. And we're very proud of it. I think it's very clear that we have a 4-step process on capital management. So securing the solvency and the financial strength of the group is first priority, making sure that our clients and other stakeholders have the necessary level of security from SCOR in order to feel confident in us. Then we have the question of sustaining the business, making sure that we're providing adequate levels of capital to reach our targets, ensuring accretive growth and then having a sustainable dividend. That's been an important part of our remuneration policy. And we've had a stable or increasing dividend since we initiated the dividend back in 2005. So only Munich Re and ourselves can say that.

And the question of excess capital, something that started popping up last year, is the fourth step. And so what do we do with it? Do we consider share buybacks? Do we consider specials? Can we deploy the capital effectively? I think those are nice problems to have and something that we're capable of managing. We would take more of a longer-term view on how we would use the capital in that decision tree. It's not necessarily something that's focused on a quarterly basis but not rather how we can deploy effectively any excess capital on the company over the medium to longer term.

In terms of the remuneration itself, this is one of the slides that we introduced a couple of years ago. And it really goes to the heart of the strategy because the results that we've shown over the last 10 years, I think, are very good for SCOR. You're seeing here a fairly low volatile ROE, a consistently good ROE of 9% to 10% over that period of time. The dividend yield, attractive as well, around the 5% mark. All of this while supplying a AA; S&P rating, a solvency ratio in the optimal range of our solvency scale, or even slightly above. And this is more of what you can expect from SCOR in the future.

+++qanda

A - Ian Kelly {BIO 19976646 <GO>}

Any questions? Frank?

Q - Frank Kopfinger {BIO 16342277 <GO>}

Coming back on the buyback. You just recently accelerated again the speed of the buyback program in the last 2 to three months. So far, you stick to your time frame for the 24 months until mid-2019. But given the speed that you currently have, you could terminate also earlier. Maybe you can comment on where you think where you're heading to. Then also, on the currently higher share price, does this higher share price will impact anyhow the current buyback program?

A - Mark Kociancic {BIO 17852409 <GO>}

I think we're in a unique set of circumstances. So first, on the buyback, we're roughly 50% complete as of today. So roughly, out of the EUR 200 million mandate, approximately EUR 100 million has been completed as of today. So we're halfway through the mandate. Now in terms of the 24-month mandate, we do have 24 months at our discretion. That could clearly be accelerated beyond finishing next July. There's nothing that would preclude that. We're also in a situation now with the recent events of yesterday that creates a pause, natural pause, given the sensitivity of the market information.

+++presentation

A - Ian Kelly {BIO 19976646 <GO>}

Okay. Thanks very much. I did want to say you can sit down now, Mark. But it's often one should say that to your boss. But anyway. No, you can sit down.

Okay. So the next up topic is interest rates increase. But actually, before we would do that, it makes sense to speak about the investment policy first.

So I'd like to invite FranÃ§ois de Varenne, CEO of SCOR Global Investments, to run through. FranÃ§ois?

A - FranÃ§ois de Varenne

So thank you very much, Ian. So let's indeed speak a little bit about the investment policy before to see the effect on the financial contribution and to see how the portfolio is ideally positioned today.

So you know that in Vision in Action, 3 objective has been assigned to SCOR Global Investment to manage the investment portfolio in order to increase the financial contribution. So the first objective was to reduce the liquidity down to 5%. And we were starting at 14 points during the summer 2016. Second, you remember, we have positioned, a few years ago, the portfolio in terms of duration relatively short and the idea is to close the duration gap between the assets and the liabilities during Vision in Action by increasing the duration of the investment portfolio. And third, more capital, a little bit of more risk appetite has been assigned to the investment portfolio. So which means we have more freedom -- degrees of freedoms -- to rebalance the portfolio with a new strategic asset allocation and most of risk appetite was dedicated to credit and corporate bond.

I'm proud to say today that this rebalancing strategy has been fully executed and is completed. It has been done in several ways since the launch of the plan and the last one has been completed at the beginning of this year. So again, the rebalancing is done today and we enter a phase today where we manage the portfolio on a pure tactical basis. I just draw your attention on the fact that all the key parameter in terms of risk appetite have been strictly maintained in terms of capital intensity. And of course, we maintain the high quality of the fixed income portfolio with an average rating of A+.

On the next slide, very quickly, that's an illustration of the fantastic job that has been done on the portfolio. So you see the massive decrease since the launch of the plan of the liquidity. You see the rebalancing of the portfolio throughout mostly the corporate bond space. We are at 49% with an upper limit of 50%. So I would say that's done on the credit side. And you see also the duration of the fixed income portfolio has been increased quarter after quarter and the duration gap is almost closed today.

So if we move now to the question of the financial contribution and the impact of the interest rate increase, we can move now to our assessment of the current economic and financial environment, which is much better than the one we anticipated during the summer of 2016. So when we launch Vision in Action, remember it was just a few weeks after the Brexit vote. So probably at the lowest level in terms of interest rate curves everywhere in the world. So the situation has significantly improved since and the current rising interest rate cycle, especially in the U.S., is very good news for the portfolio and is very good news in terms of financial contribution.

As you see on this slide, I would like to underline the fact that 30% of the portfolio today will -- or is benefiting directly from an increase of interest rate or an increase of inflation. On top of this, as you know, our portfolio is relatively liquid. So which means that EUR 5.1 billion of financial cash flows are expected to emerge from this portfolio over the next 24 months. So it means we have to reinvest almost 30% of the portfolio around the next two years. So which means that we have a significant capacity to capture markets opportunities and to capture higher interest rate in each currency in the portfolio. Combined with this relatively shorter duration, even if we are matched today. But our target duration is relatively shorter compared to peers. The positioning of the portfolio today allow us an earlier and stronger pickup of the income yield of our portfolio as illustrated since the beginning of the strategic plan.

If we move on the next slide, we'd like to provide more perspective on the development of the income or the recurring yield of the portfolio. Thanks to the positioning of the portfolio and the strategic choice we made a few years ago and the rebalancing strategy that we implemented over the last two years and thanks also to the favorable development of the financial market and the interest rate market over the last two years, our reinvestment yield has progressively increased quarter after quarter. This translates into, I think, a unique situation in the industry if you compare us to peers with the continuing increase of the income yield over the last two years. The inflection point, as you see on the screen, was reached in 2016 while many player still today are still experiencing declining yields in their portfolio.

If I look a little bit ahead, we should deliver on average an income yield or a recurring yield this year around 2.3%. You should expect this income or recurring yield to increase next year and to accelerate quarter after quarter based on current market condition, we expect the income yield to be in the region of 2.3%, 2.5% in 2019. So next year, which is further supporting of past investment choices.

It means what? It means that in practice, we launch 2, three years ago a rocket with 2 stages. The first stage, which means the USD denominated portfolio is delivering today high yield financial contribution. This is illustrated on this slide. I think the ECB is very credible. So which means they're going to stop their purchase on the market by the end of this year. And they're going to start to increase their rates next year. Then the second stage of the rocket will start to be visible next year with an increase of the financial contribution coming also, which is not yet the case, coming also from the euro-denominated portfolio. Today, we are still reinvesting in euro at the lower rate than the booking of this portfolio. This will change with a high probability next year. And that's not yet embedded in the figure you see on this screen.

So you should expect continuing increase of the portfolio. So that's why I'm very confident on the fact that, if I come back to the initial assumption of Vision in Action to deliver our financial contribution for the total portfolio between 2.5% and 3.2% over the plan, we should be really this year and for the entire plan in the upper part of this initial assumption made, again, a few weeks after the Brexit vote during the summer 2016. I don't know If you have any questions.

+++qanda

A - Ian Kelly {BIO 19976646 <GO>}

Vikram?

Q - Vikram Gandhi {BIO 18019785 <GO>}

Yes, Vikram from SocGen. Can you just shed some light on your thinking behind re-risking the investment side on the corporate bonds in a rising interest rate scenario, because you could have gotten higher interest rates with the government bonds as well. So why to take the extra bit of risk. I appreciate you had some flexibility around the Solvency II ratios. So that allowed you to do that. But without an increased risk profile, you could have anyway had a better (real pickup) with the risk-free rates. So just some thoughts around that?

A - FranÃ§ois de Varenne

Yes. So that's a good question. That's something we mentioned. And we stick to this policy today. When we prepared Vision in Action two years ago, we said that the risk return in a Solvency II environment so, which means the expected return, given the capital charge of the asset classes, was optimal on the corporate bond space, also in a few of the asset classes such as loan that we implemented as well in the portfolio. If you look at -- and you have a slide in the large deck of the positioning of the USD denominated portfolio and the euro-denominated portfolio, of course, given the absolute level of interest rates in the U.S, we are more exposed to corporate loan in the U.S. compared to the Eurozone. But now if you look at the credit cycle in the U.S., which is particularly long compared to historical basis. I'm still very confident on this positive cycle. If you look at very simple KPIs, the number of upgrades of companies in the U.S. compared to the number of downgrade is still above. So we're still a positive credit cycle. If you look at statistics published by Moody's, different rates are still stable or decreasing. So the credit cycle will stay for a certain period of -- in the future so that's why we are still relatively exposed to this market. At the same time, this is very French to say this, at the same time, what we did over the last few quarters, given the fact that the U.S. yield curve has significantly flattened. And we can come back on this, I don't think it's a signal of recession. But it's just a signal of the high credit ability of the Fed or the high credibility of the Fed over the next few years. With the yield curve relatively flattened today, we used a few quarter ago to rebalance the portfolio and to reinvest around the maturity of 10 years. Today, we invest at the maturity close to 5, six years. So which start to -- was the same absolute yield ultimately. So which start to be in a way from -- a light form of derisking of the corporate bond portfolio. So that's not yet the case in the euro-denominated portfolio. We still have a positioning in terms of risk appetite that is a little bit below what we could do. So we're waiting for the, let's say, our pricing of the interest -- yield curve in the euro to rebalance more the portfolio on the corporate bond space as well.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Just another one, if I can. That's on the real estate portfolio. And you have described it several times in the past, how you acquire a real estate asset and then develop it and then eventually lease it out and then sell it to extract value. Is there anything that you can say to provide some comfort around the cycle time of acquiring an asset and disposing it off to realize it -- a chunky gain on that? And what if the real estate market kind of goes through a downturn or, say if there is -- I'm not suggesting a real estate market freeze. But if it goes through a downturn and how do you plan to tackle that, if that ever happens?

A - FranÃ§ois de Varenne

So that's a good comment. Maybe, as a preliminary comment on the real estate portfolio, our DNA within the real estate portfolio is to buy an asset, mostly a building, then to fully restructure the building, then to lend it again. And then to sell it. And the only way to recognize the value that we create over this entire process is to sell the building. There is no other solution. That's what we did. If you look at the accounts, that's what we did in Q1 2016. We sold a building in Paris. That's what we did also in Q4 last year with a significant contribution in Q4 last year. We have building that are in the same process, you should not expect major contribution from the real estate portfolio this year. But more our mature assets in 2019 and in 2020. And we are going to probably externalize significant gains on this portfolio within the next 2, three years. Having said this, I agree with your comment, the real estate market, especially in the U.S. and also in Continental Europe start to be relatively expensive. So today, we are finalizing the investment program and what we decided to do on a few asset. But we are more in a sell mode than in a buying mode. And we are switching a little bit or rotating a little bit what we are doing inside the real estate portfolio with progressively more exposure to loans, in particular to senior loans and to junior (remains) in debt where we think there is more value and there will be more value in the near future or the next 2, three years.

Q - Panagiotis Koffas {BIO 19828986 <GO>}

It's Panagiotis Koffas from Kepler Cheuvreux. Could you give us some information regarding the spread duration of your corporate bond portfolio and how this develop over last two years?

A - FranÃ§ois de Varenne

On the spread of the corporate bond portfolio, it's a difficult to give just one figure, given the fact that the corporate bond portfolio is invested in many currencies. What we saw is a small tightening of spread during the first part of this year but the portfolio is very robust. Just to give you an illustration of the program that we bought over the last 2, three months, on average, on the U.S. market, we bought with an average rating of A at an absolute yield of 3.8% which is very nice. And we have today within the fixed income portfolio, we have no exposure to the public debt issued by Italy. We had relatively small exposure at the beginning of the year. And we sold it in the first few weeks of this year, given the uncertainty on the outcome of the new government in Italy.

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A - Ian Kelly {BIO 19976646 <GO>}

Okay. Thank you very much, FranÃ§ois. So the next topic I have is Cat exposures that you've selected. So at this point, I'd like to invite Frieder KnÃ¼pling, the Chief Risk Officer of the group to talk to how we monitor the exposures and the current level.

A - Frieder KnÃ¼pling

Thanks very much. Welcome also from my side. As you know, we have a clearly articulated risk appetite, most of which is also public. The core element of this Risk Appetite Framework is our system of exposure monitoring and limits which we've set against those exposures. They are set at the beginning of each strategic plan for the duration of the strategic plan in which you don't change the limit system but really stick very -- in a very disciplined way to our risk appetite.

We publish our key exposures on a regular basis. Internally, we track them continuously and the board would review a wide set of risk exposures against to the appropriate limits at every board meeting. What you see here is an overview of our key single Nat Cat risk exposures and the corresponding limit, very much in line with what you would have seen in past years. So if you compare it -- so first of all, all exposures are safely below the limits. As you can see, there's a sufficient buffer, as always, a little bit of volatility caused by currency movements and other short-term changes. But we can confidently steer our exposure safely below our limits and there's no risk of any limit breach.

If you compare this to last year, you'll note that our most significant change is a reduction in our exposure to North Atlantic hurricane events, we use a very broad definition for this. So this covers all kinds of hurricane loss scenarios affecting the Caribbean, the whole East Coast, the Gulf of Mexico. And that's probably a little bit wider than what some of our competitors would disclose under this term. And it is our 1-in-200 year scenarios, which we use on a very consistent basis. So this has come down somewhat compared to last year and a key factor in this was the issuance of the new cat bond, which we brought out in early June, which gives us an extra cushion and some further potential for growing that business, if and when pricing is appropriate. Otherwise, the other single risk exposures have changed now only to a very small degree and have generally grown small single-digit percentages in line with the overall growth of our portfolio and in line with Vision in Action.

+++qanda

A - Ian Kelly {BIO 19976646 <GO>}

Andrew?

Q - Andrew James Ritchie {BIO 18731996 <GO>}

Sorry, just to clarify, presumably the lower return into (full) exposures haven't gone down as much for North Atlantic hurricane because the cat bond is fairly far out the money I think, isn't it?

A - Frieder KnÃ¼pling

Yes. We -- the reduction is most pronounced at the high return periods. But also the lower return period have benefited from the renewal of our retrocession program which was providing appropriate coverage across all return periods.

Q - Andrew James Ritchie {BIO 18731996 <GO>}

And maybe just on the retro program, are there any new aggregate features of your retro program?

A - Frieder KnÃ¼pling

No significant changes. The structure is very similar to what we have issued in the past years.

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A - Ian Kelly {BIO 19976646 <GO>}

Okay, okay. If there's no further question there. Thanks, Frieder. The title of this theme is Operational Optimization. And so it would be good to pick up on IT as a key enabler in the transformation of our franchise. So I'll turn to Romain Launay, Chief Operating Officer of the group to speak from the group perspective and then Corinne Trocellier, COO of the Life division to speak from the Life perspective. Romain?

A - Romain Launay {BIO 18747770 <GO>}

Thanks, Ian. Yes, regarding IT, we really believe that together with human capital, it's one of the 2 major factors that govern our long-term success. But in this respect, I think we have strong competitive advantages. First, if you look at our IT infrastructure, we made a decision that was eight years ago to transfer all our systems to the cloud. And at the time, I think we are really pioneering this and now we are reaping the benefits of that because it offers us the possibility to really deploy our IT systems in a way that is extremely efficient.

The other strong competitive advantage that we have was touched upon by the Laurent earlier today, that's the fact that we have a backbone of proprietary systems around which our entire IT architecture revolves. And so we have done additional modules that allow us to serve specific needs but that fit into this consistent picture where the backbone systems feed them. And they feed the backbone.

So if you want to take an example, for instance, as part of Vision in Action, one of the business initiatives that the P&C division has had was the development of our MGA activities and it very quickly surfaced that to do that, they needed to have an MGA tool allowing them to closely monitor real-time the underwriting activity of the managing agents. And so this is what we did. We developed a specific add-on that plugged nicely with the rest of our IT systems that precisely allowed our business teams to do that and then to implement their business initiative.

Currently, we have in excess of 20 projects above EUR 1 million each to strengthen our IT landscape. Overall, it's an investment that is above EUR 200 million. And so it gives you an idea of the kind of momentum that we have to create new IT functionalities. And if I look at past years, the teams have had a strong track record of delivering those projects. We haven't had any big like IT project that has failed. We've always managed to deliver that. And I think it's bodes well for future capability to develop this pipeline of -- in excess of 20 projects that we currently have.

Then, of course, there is IT. But there is the new like digital capabilities that are very much of a buzzword today, Big Data. Big Data is very important. We have a number of systems that already rely on Big Data, that's the case for instance for cat platform on the P&C side and others. Also on the Life side. And Corinne is going to talk about it, we have a massive amount of data. And we have very clear roadmap to even better exploit it going down to the policy, the individual policy level.

There is Blockchain, Denis briefly alluded to it. We are a founding member of the B3i initiative. We're strong contributors on technical side. And we truly believe that Blockchain is something that, if you think of -- it was almost created for the needs of the reinsurance industry. Why? If you look at the P&C reinsurance, it's an industry where it's very much syndicated. So you have -- you can have on a panel in excess of 10 reinsurers that all share the same data, the same contract, et cetera. So Blockchain, which allows a single source of truth, which allows to avoid duplication, et cetera, was almost made for this kind of purpose. So we think that is going to bring significant efficiencies to our business.

Artificial intelligence is also extremely interesting. There are number of reasons why. In some markets, there are still clients that receive documents that are handwritten. And so what artificial intelligence can bring you is natural language processing. So you can decipher handwritten documents and then process them efficiently. Brock was also talking about another use of artificial intelligence, which is to highlight correlations that actuaries with their models would not naturally spot. So artificial intelligence can do that and can give us new insights into our portfolio, especially the in-force portfolio.

Then if you think of artificial intelligence, it's really closely linked into our DNA because our tagline is The Art and Science of Risk. And until now, IT was helping us in the science part. But now with machine learning, IT also helps us on the art part because this is what machine learning does. And so we have already started to test very seriously with interesting results, how machine learning can take on a number of tasks of -- a number of underwriting tasks. And actually, it does work. It cannot do everything today, of course. But it can help us really facilitate underwriting, which is the core of our business in a number of cases. And we've already tested it and now will come the time of implementing it selectively on the number of topics. So that's extremely interesting.

Robotic process automatization is interesting too, we have implemented it, especially in finance. It's probably not as interesting for us as it would be for let's say a primary carrier that has massive back-office operations with hundreds of people doing repetitive tasks, that's not really the case for a reinsurer like SCOR. So okay, it's interesting for specific tasks. But it's not something that will transform us as much as Blockchain or artificial intelligence. Cloud computing, I was mentioning it. We have pioneered that eight years ago. Now what can come ahead is the move to public clouds. Today we are all very much focused on private clouds. And so willing to public clouds is something that can bring additional efficiencies and we are actively working on that.

And last but not least, operational efficiency. IT is an endless source of efficiencies for our operations. And we are continuously deploying new software that allows us to be -- to streamline our operations in all instances, all domains.

So Corinne?

+++qanda

A - Ian Kelly {BIO 19976646 <GO>}

I think Will's got a question first. Yes, go ahead, Will.

Q - William Hawkins {BIO 1822411 <GO>}

Just to clarify first, what you talked qualitatively about a number of these things. But when you were talking about your IT projects, you said there are 20 projects in which you are spending at least EUR 1 million. But I think you then said total budget is something like EUR 200 million. So the implication is there are some very big projects because otherwise 20 x 1 is just 20. So could you just be a bit clearer about which of the really big projects that you're involved in? Then more importantly, I appreciate the importance of IT technology, it's clear. But I'm not quite sure how you put a figure on return on investment of this money you're spending. It's interesting, the EUR 200 million is the same as your EUR 200 million buyback. And I know the PE multiple for that, really obviously. But I don't know how you're actually working out what return you're getting for these big investments on the IT side?

A - Romain Launay {BIO 18747770 <GO>}

I was mentioning a pipeline in excess of EUR 200 million. But I was mentioning roughly 20 projects of more than EUR 1 million. So 20 x 1 is 20. So that explains why, to your point, we have large projects. In terms of the very large projects that we have. So IFRS 17 is clearly one of them. Then we have massive projects on the Life side that Corinne is going to present to you. On the P&C side, the cat platform, for instance, that we have developed over the past years is something that we have invested a lot of money in. So that gives you an idea of what the big projects are. Can you remind me what your other question was?

Q - William Hawkins {BIO 1822411 <GO>}

(inaudible) return on investments.

A - Romain Launay {BIO 18747770 <GO>}

Well in terms of the return investment, we have a very strong governance in terms of deciding upon the projects that we launch. And you may have seen in the PR that we released earlier today that we have appointed a new head of our group project office team. And the governance around that is that each time that a team wants to propose or submit a project to the group executive committee. They need to follow a very specific way of presenting it and justifying the business case. So as part of what they need to submit, there is a business case, the payback period, the resources that they will need, the efficiencies that will be generated. And then we monitor that and we have implemented so-called post-project reviews whereby we actually check that what was promised as part of the business plan was actually delivered in reality.

A - Unidentified Speaker

(inaudible).

A - Ian Kelly {BIO 19976646 <GO>}

Thank you, Romain.

A - Romain Launay {BIO 18747770 <GO>}

Yes. And we've managed to keep the 5% cost ratio all along that period.

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A - Corinne Trocellier

So hello. As you know technology is potentially disrupting the offering of insurance and the distribution that leads to major changes in the Life ecosystem. That's why telling that. And it has been told many times before, there is a crucial outcome around data and data are key in order to be more precise, to be more efficient. And to help to define scalable risk.

We, at SCOR Global Life, we have already new tools in place. We are fully using some machine learning techniques. However, we have performing significant investment on our

IT architecture in order to continue to enhance our processes and systems. So you will see on this map a simplification of what we're doing. But just to give you some numbers, based on the previous discussion. We're investing almost EUR 80 million of budget over the next five years. We are define a clear roadmap. This roadmap will conduct us to build a target architectures, which will help us to fully unlock the potential of data. We have in our workbook almost EUR 100 million of individual policy. And to do that. And that's why the investment could seems to be expensive, we need also to comply with some regulatory constraint in all of the country where we operate. So this roadmap will touch all part of our IT architecture front and back office system. It will -- it is also good track we have delivered this year our client relationship management system. This system is in place, it's a common platform with P&C. It will allow us to really support all the market activities. And it's a key enabler of our customer-centric journey.

Any questions?

A - Ian Kelly {BIO 19976646 <GO>}

Thank you very much, Corinne. Okay. So if there are no specific questions there, I think we'll close this theme, have a short break. And if I could ask you to be back in 10 minutes, then that'll start to get us back on track with the timing. So okay. Thanks very much. And see you again shortly.

(Break)

Okay. So we now turn to the third theme of the day, Innovation and Digitization. Romain reminded us earlier that the tagline of SCOR is The Art & Science of Risk. And in this area, in particular, we get the opportunity to look at that and discuss a few topics: research and development; Blockchain; artificial intelligence in a bit more detail.

So once again, for the third and final time, if you'd like to make your votes. And we'll pick the topics, which you want to talk about.

(Voting)

Okay. Okay. So we'll stop the voting there. So perhaps, if I can turn to Brona Magee to talk about technological disruption and partnerships. Brona, as we had earlier, is our new Deputy CEO of the Life division. Brona?

A - Brona Magee {BIO 19493460 <GO>}

Thank you. So yes, I'm Brona Magee, as of this morning, Deputy CEO of SCOR Global Life. But for the last 10 months, I've been the head of Client Solutions at SCOR Global Life. So innovation is very important to us at SCOR Global Life. And what I want to do in this morning is just give you some sense of the approach we're taking to the work that we're doing in the innovation space.

I'm going to talk for a few minutes on the evolving Life insurance ecosystem and then talk about how we, at SCOR Global Life, want to position ourselves in that ecosystem. And finally, talk about some of the partnerships we're making with our clients. But also with some third parties to develop solutions for the end consumer.

So if we think about the Life insurance ecosystem, as we look around the world, at Life insurance markets today, it is clear that the ecosystem is changing. The traditional value chain, which was the consumer, the agent, the Life insurance company and the reinsurer is being replaced by new models that are very much centered on consumer demands, consumer needs and driven by consumer behavior.

So I don't -- are the slides working -- driven by consumer behavior. So the life insurance companies in this new world, really want to change their business models, they want to engage with their consumers. At the same time, Corinne talked importance of data and the availability of more and more data in the new world, means that both consumers and companies have more information than they've ever had before. In this new world, innovation is really key to enable that engagement with consumers at all the different stages of the customer journey and that customer journey is something that's changing quite a bit, particularly, in some of the markets that we see and, as Paolo mentioned, particularly in the Asian markets, But really in all the markets around the world, that consumer journey is changing quite a bit.

So at SCOR Global Life, we've been asking ourselves, well, what role do we want to play in this new ecosystem? We do recognize that if we stay as a traditional risk taker, we risk becoming almost irrelevant. But at the same time, we recognize that we can't be all things to all people. And that risk knowledge and that deep understanding of the risk that we do have is incredibly valuable still to our client companies around the world.

So we believe that the future of SCOR Global Life lies very much in a collaborative approach. So we want to form partnerships with our clients but also with third-party companies to really develop solutions all together centered around the end consumer. So we have created a number of partnerships around the world to work towards this new model. And you can see on the screen here, a few examples of some of the partnerships that we have completed, focused on enhancing our value proposition at all stages of that product lifecycle and that customer journey. I want to stress that these partnerships that we've created really enhance our own value proposition and enhance the research and development that we're already doing with SCOR's in-house R&D teams, it's very important to us that our internal teams continue to innovate and continue to learn more and more about the risks that we underwrite.

So let's look at just a couple of examples of some of the recent partnerships that we forged with companies around the world. So in Hong Kong, as in many of our markets, diabetes is a big problem. 10% of the population have the disease. Now traditionally, diabetics, once diagnosed, find it hard to get insurance at reasonable rates. But actually, on diagnosis, that's exactly when somebody starts to consider often their insurance needs and starts to consider how much they need health and life insurance. At SCOR Global Life, we have a wealth of data and a wealth of knowledge on the condition of diabetes. So with that knowledge, we were able to work with one of our life insurance clients and a third-party company, Health2Sync, who had developed an app to take blood glucose readings.

So we developed a product whereby the policyholder took their blood glucose readings and uploaded those readings every day. And as long as we can see that somebody is managing their condition, we know that the mortality and morbidity impacts of that condition are going to be far less than for somebody who hasn't managed the condition and the premiums remain at a reasonable rate. So everybody benefits. The policyholder gets the insurance they need at reasonable rates and the life insurance company gets very valuable data but also get to engage with that policyholder.

At SCOR Global Life, we also feel very strongly about incentivizing health and developing products that really incentivize health and incentivize active lifestyles

(presentation)

So we partnered with Vivametrica, who are a Canadian health science company, to develop the Biological Age Model, or BAM. And basically, with the growing adoption of wearable devices and the number of people wearing wearable devices, we are able to work with Vivametrica to use that information from wearable devices to develop an algorithm to underwrite people and our research actually showed that some of the information that we can get from those wearable devices as more valuable in the underwriting process and more predictive in the underwriting process than a lot of the medical evidence that we traditionally have asked for us as part of underwriting.

So again, we can underwrite using that medical -- using that wearable device information. And we can also empower the policyholder to impact the premium rate they pay on their policy by the lifestyle choices they make and by how active their lifestyle is.

The last example I want to show is about our recent investment into iBeat. I particularly like this example myself. So we have a very large U.S. portfolio. So I wanted to show you just a little bit about this company iBeat that we invested in. So if you can launch the video.

(presentation)

So we do have a very large U.S. portfolio. Brock spoke about that portfolio earlier. Heart attacks are a major cause of death in that portfolio. So anything that improves the rate of survival from a heart attack is, obviously, very interesting for us. And one thing that doesn't come across in the video there is iBeat have, as well as launching the device, which alerts 911 in your contacts in the event of you suffering from a heart attack, they also have an app where anybody who is registered -- has CPR training can sign up to this app. And if somebody close to them has a heart attack, they get an alert and are able to go and administer CPR. So the whole idea is to get help to somebody who's had a heart attack as soon as possible, which dramatically improves the survival rates of that individual.

So we're currently working with a number of our U.S. clients on pilots to provide these iBeat devices to their in-force portfolio. And again, everybody benefits. The policyholder gets one of these watches, which dramatically improves their chances of survival in the event of having a heart attack. The company gets to engage in the policyholder and to really show they care about the policyholder and care about their health. And again, everybody benefits from the improved mortality incomes, including SCOR. So there are just a couple of examples of the kind of partnerships we're forging and the kind of work we're doing in this space.

I've tried to illustrate different stages of the product life cycle. So you had the product development example, the underwriting example, then the in-force engagement example. But there's lots of those different examples. So there's loads and loads of those different examples. So what I hope you'll take away from the presentation is just that there is a lot of change happening in the ecosystem. But SCOR is actively playing a role and working with our clients to really develop solutions very much focused on the consumer.

Okay. I don't know if there's any questions or not.

+++qanda

A - Ian Kelly {BIO 19976646 <GO>}

Andrew?

Q - Andrew James Ritchie {BIO 18731996 <GO>}

I wonder, do you need to be a reinsurer? I mean, presumably, you can partner with non-insurers, provide your underwriting capacity and the skill and -- or is that just, you don't want to go there because you start getting into issues of conflict with your cedents?

A - Brona Magee {BIO 19493460 <GO>}

Yes. At the moment, we don't see ourselves really going into that space. Our clients are -- yes, we work with a lot of very big clients, particularly in the U.S. And we see a lot more benefit in working with them and working with their in-force policyholders, particularly on the in-force solutions, than really entering that space ourselves. The clients that we work with really see a benefit in SCOR's understanding of the risks, SCOR's global expertise. We can source solutions globally that maybe direct writers operating in a particular country wouldn't see. So we do see that there's definitely still a value in the reinsurance model.

A - Ian Kelly {BIO 19976646 <GO>}

If you can just past to Will. Yes. Thanks.

Q - William Hawkins {BIO 1822411 <GO>}

Sorry, just got a high-level question. How do you guys think about the risk of anti-selection and litigation and all this stuff, given that you're standing behind this as an underwriter?

And these are fascinating examples. But if someone does have a heart attack and claims the watch doesn't work or if someone is noticing that they're unhealthy and they decide to take their watch off, how do you manage those issues?

A - Brona Magee {BIO 19493460 <GO>}

Yes. There is -- I mean, there's obviously loads of different situations for each particular example. In the case of something like iBeat, we did look very carefully at the legal implications. Actually, in the U.S., if somebody intervenes. So if somebody registered as a -- with CPR training intervenes and isn't able to save a particular life, they are protected. So anybody, who signs up to the app certainly is protected, the companies are protected. So it's very clear that people wear this watch and at their own risk. So we do make sure we have our protection in place. In terms of anti-selection, it's hard to eliminate it completely. But we see the benefits far outweigh any risks of anti-selection. If somebody takes off the watch, we will know that. If somebody doesn't upload their blood glucose level, we will know that. Now can you stop somebody putting the watch on their dog or somebody putting -- giving their watch to their son or their daughter? We have some intelligence to detect that this is not a human heartbeat -- or the companies do. I mean, we don't have it. But the companies we partner typically have some intelligence to detect this is not a human heartbeat or this heartbeat has dramatically changed from the one that we saw for the first year of the policy. You'll never to eliminate those things completely. But we think that the upsides far outweigh any small residual risk you'll get from the anti-selection or from people acting dishonestly.

A - Ian Kelly {BIO 19976646 <GO>}

Okay.

Q - William Hawkins {BIO 1822411 <GO>}

Sorry, could I just ask a follow-up question? I mean, looking at the biological age model, I mean, it feels similar to something, I think it's Discovery Group pioneered in South Africa. And they've partnered with reinsurers. I mean, is there a lot of competition for this kind of -- is it very easy to differentiate? It feels fairly similar to a lot of other models being operated? Or am I being too simplistic?

A - Brona Magee {BIO 19493460 <GO>}

No. I mean, there is definitely innovation in this space across the board. I think we would see ourselves as one of the leaders in innovation, particularly in that underwriting space, I don't think anybody else is underwriting on the basis purely of information from wearables. I don't think -- I think we were the first to do that. But definitely, other companies and our peers are innovating across the product life cycle also. I suppose one area we see ourselves really as the leaders in is the whole area of health and incentivizing health. We're probably making more strides in that than our competitors, I would think.

+++presentation

A - Ian Kelly {BIO 19976646 <GO>}

Okay. Thanks very much, Brona. I think that's a really strong demonstration of how the world is changing and how SCOR Global Life is actively responding. So thanks very much.

I'd now like to invite Adrian Jones, Head of Strategy & Development at SCOR Global P&C, to speak from the P&C division's perspective.

A - Adrian Jones {BIO 17848073 <GO>}

Thanks, Ian. Wanted to talk a little bit about what we're doing in Ventures and put that into the broader context of how we think about new business development in the P&C division. Because I was talking about Ventures, I had intended to come today dressed in the typical Silicon Valley Ventures sort of outfit. And so I wear that to the office one day and Denis said, why are you wearing pajamas? So that was the end of that.

Anyway, what we're working on, on the P&C side, I want to put it in the broader context. You've heard a little bit about some of the internal development that we've done. When there is a system or a process that is going to drive our competitive advantage, we develop that internally. And so all of our core systems have been developed internally off of the Omega backbone.

At the far side of the slide then, there are a number of market-wide initiatives, which have also been discussed today. Where there is a big challenge and where it makes sense to do it in partnership with others across the industry such as the examples that you see there, SCOR is very supportive of that sort of effort too. So I want to talk about this middle column that you see on the slide, which is where we think about partnerships.

We have engaged over the years in a number of co-development initiatives. And we look to continue to do that with leading-edge companies in our space. We also provide reinsurance for clients across a number of different areas when they are doing something innovative. And lastly, in the P&C Ventures activity, which we started in 2017, we've done a number of things there quietly under the radar actually. But we've done 5 investment and/or capacity deals with young underwriting-oriented companies so far. Hopefully, that'll be 6 by the end of the week. And we have a very robust pipeline of additional companies in late stage.

So what are we trying to do there? Like I said, we're focused on underwriting-oriented companies. And we make investments in those companies. And we also provide them with insurance licenses or -- and/or reinsurance capacity. We focus on underwriting-oriented companies because that's what we know. We invest in what we know. We have an investment committee, which oversees this activity with Victor, Laurent and a few other senior executives of the division. And we have a number of people who are coming from both finance and underwriting backgrounds, who are responsible for helping to develop these ideas and initiatives before we actually invest.

So it's always a central partnership plus a local partnership in order to make this happen. We focus on relatively material investments. So we want to be a material part of the companies, which we're backing. We focus on long-term investments, which align incentives with the founders. And we focus on companies that are doing something that's particularly interesting in some sort of niche environment or niche capacity to avoid the competition issues that were mentioned earlier.

So we're very excited about what we've done. Not all of our investments are public. But we've done a lot. And we believe we've got a very robust pipeline to continue to learn and potentially get attractive results from both the reinsurance and the investments that we're making. So any questions? Okay.

A - Ian Kelly {BIO 19976646 <GO>}

Great. Thanks very much, Adrian. Okay. So for the next topic, I'd like to invite Bruno Latourrette to come up on stage. He's going to speak about research and development from the Life perspective.

A - Bruno Latourrette {BIO 17852918 <GO>}

Thank you, Ian. So I'm going to talk about the 8 R&D centers at SCOR Global Life has that are dedicated to the key biometric risk we're writing. All of those centers are very close to our business. CEO Paolo mentioned that the Critical Illness R&D Center is based in Asia, which is where we are writing, where Critical Illness product is a big chunk of the business. Brock mentioned the -- a lot of the R&D effort we're doing in the U.S. to understand our book. And the Mortality R&D Center is based in the U.S.

So we've been gathering over the years teams with experience with a lot of different types of skills such as medical doctors or epidemiologists. And that allow us to have a thorough understanding of the biometric risks. It's also -- and that risk knowledge is then being used in a wide variety and a wide range of activities that we are (producting) from predictive underwriting, pricing down to internal model. This is also a large part of the expertise we're bringing to our clients.

So let me illustrate this with 2 examples. The first example is recent R&D research that we've done in China on heart attack risks. Heart attack is usually part of the Critical Illness product. And should you suffer from a heart attack, you're usually getting a lump sum to cover either your health costs or your loss of income. Heart attack risk is a very complex risk with a lot of different risk factors. So we've got -- we've categorized those risk factors into 4 buckets: the behavioral one, the physiological one, the environmental one and the others.

The behavioral one is particularly interesting. And Brona mentioned the BAM product, whereby one could design specific product that we incentivize our end customer to change their behavior. And by changing their behavior, they can reduce their risks. So our study showed the various weights of those risk factors and the various interactions. It is also helping us in designing what the future of the heart attack risk will be by projecting the trends on those risk factors. So all this risk knowledge is then being used to derive a better underwriting and a better pricing of Critical Illness in China.

So if I move into the second example. So here, we've used advanced analytics techniques to be able to help our clients to improve their processes. So there is the Chinese client.

They wanted to extract automatically the cause of claims coming from medical reports. He was using a very tedious manual process. And so we looked at what we could do with text mining techniques that we then combine with machine learning to derive the solution. And the end results led to higher accuracy than what the human would do and an 80% productivity gain.

So as illustrated with those 2 examples, the R&D capacity and capabilities are helping to improve processes and risk knowledge to the benefit of SCOR and our clients. Thank you.

A - Ian Kelly {BIO 19976646 <GO>}

Thanks, Bruno. Have we got any specific questions? Okay. Okay. Thanks very much.

The next topic is Alternative Solutions and ILS. I think we did or Victor covered this earlier. We can come back to questions to Victor in just a moment, if there's additional points that you wish to ask about that. But I'll invite FranÃ§ois back on to the stage to talk about alternative capital and ILS from an investment perspective.

A - FranÃ§ois de Varenne

Thank you. Thank you, Ian. So as mentioned by Denis this morning in the introduction. So the level of the asset management company's coinvestment partners, we are managing ILS as an asset class. We do invest SCOR into this asset class. And we propose to external clients, to the professional client this asset class as an investment product or solution.

So we started to invest for SCOR in this asset class in 2011. And we created our flagship fund Atropos at the same date. Since then, we have assembled a talented team. And we are -- we have gathered a significant amount of assets under our management. As of today, we manage 2 main funds. One is invested exclusively in cat bond. And the other one, the Atropos fund, our flagship fund, is invested 1/3 in OTC collateralized reinsurance product and 2/3 in cat bonds. And we manage also some mandate for big institutional investors in Europe.

As of today, we manage $1.4 billion in this asset class. SCOR has invested for roughly a little bit more than $100 million. So it start to be a significant amount. If I come back to the total invested -- investment assets managed by SCOR investment partners on behalf of external client, we manage a total amount of EUR 3.5 billion. So of which EUR 1.2 billion on ILS.

You should look in the value -- your valuation model a little bit more closely to this activity. If I just take as a benchmark or reference, the transaction announced a few days ago by Markel Nephila, valuation is 10% of assets under management. So we manage EUR 1.4 billion. So just start to give you an idea of the value of this business that has been created. EUR 1.5 billion -- 10% times EUR 1.4 billion. So we have a strong momentum.

That's interesting to see the trend coming from our investor base. They are -- most of them, they are in Europe and a little bit in Asia Pacific. We don't sell our product, as of today, in the U.S. or in North America. The trend was very interesting after the last

September event with a massive inflow after the event in the asset class, people waiting on the fact that the performance will increase this year. As of today, we still see a significant amount of cash allocated by institutional investors more and more. So we don't sell those product to the retail markets. Some of our competitors do it. We don't do it. We think there is a risk of mis-selling and that's not the business model of the asset management company. We only -- we are a B2B company. So we only sell product to professional client. But the level of sophistication of our client is increasing a lot.

So today for them, ILS is an asset class, just not an exotic instrument in their portfolio. That's really an asset class, like real estate, private equity or high-yield. So which mean the allocation to this asset classes is going to fluctuate depending to the expectation of return. But the type of question we are asked when we pitch funds or solution to those clients start to be very, very high. We have an idea of the performance. So it decreased a little bit last year, of course, with the impact of the event of September. But let's say that the flagship fund since inception has delivered a 5% return, which is interesting in this still relatively a low-yield environment.

+++qanda

Q - William Hawkins {BIO 1822411 <GO>}

Sorry, just to clarify, the funds you're offering, has SCOR got some skin in the game on traditional side as well, if you know what I mean? I mean, you're pitching it, you're sourcing risk.

A - FranÃ§ois de Varenne

So today, we manage EUR 1.4 billion. I'm restricted to invest and any risk within SCOR balance sheet are issued by SCOR. So which mean, I'm restricted to invest in any cat bond issued by SCOR and I'm restricted to invest in any OTC transaction with SCOR.

Q - William Hawkins {BIO 1822411 <GO>}

So you're restricted -- you can't -- you cannot...

A - FranÃ§ois de Varenne

Zero conflict of interest between the team what we provide to clients and what...

Q - William Hawkins {BIO 1822411 <GO>}

I was thinking it could be -- because some of your competitors offer more an alignment of interest, because they say, well, we're offering you this cat bond product, by the way, we're applying the same underwriting standards for our own balance sheet as -- do you see what I mean? Is that all...

A - FranÃ§ois de Varenne

Yes. Yes. That's not the business model we've got as of today. But we invest. But on outside, we invest. We are invested in Atropos cat bond fund and in Atropos fund for a total amount of EUR 120 million.

Q - William Hawkins {BIO 1822411 <GO>}

And the risk are taken into account that the exposure monitoring (inaudible). So we accumulate (inaudible).

A - Ian Kelly {BIO 19976646 <GO>}

Vinit?

Q - Vinit Malhotra {BIO 16184491 <GO>}

So just a question on the appetite that you see from talking to these investors. I mean, obviously, 3% is with sort of the treasury. It's higher now than in the past few years. How far are these people from thinking that, okay, I might get 4%, 4.5%. But I could lose a lot of money. But I can get 3% easily somewhere safe. Where -- how -- what's these conversations going like?

A - FranÃ§ois de Varenne

When you speak to, I would say, to sophisticated institutional investors in Europe. And for me, that's the big pension funds north of Europe, those people are looking for return in the range of 4%, 5%. They don't expect -- they don't like to reach a double digit. You may find some investor that are ready today to take higher expected loss exposure. So to expect higher performance. But I would say that's not the bulk of the client we are seeing today. Having said this, also that's part of the DNA we are selling to our client today, which is not the same as some competitors. So we are relatively conservative in the way we manage our funds today, our ILS funds. If you look at the performance of our funds last year, it was among the best one in the market. Even now, let's say, our conservative approach, especially in terms of expected results. One trend that we saw over the last two years, due to the pricing cycle observed on the ILS market, was also a declining performance. Some of our competitors have increased the underlying risk. So which mean the expected loss. And that's something that we did not. So we prefer to show. So which mean today, the performance of the fund is more in the low part of the range that we announced to our investors. But we did not compensate the decline in the performance by increasing the underlying risk, which was not the case of many competitors on the market and you saw some negative performances in the last year.

Q - Sami Taipalus {BIO 17452234 <GO>}

It's Sami from Goldman. Just what's the key constraint to growing the AUM in the fund? It sounds like there's quite a lot of client interest. But are there some other constraints that we need to think about. Then the other thing I wanted to ask about was, is there anything in terms of competitive dynamics that's a hindrance or a tailwind in terms of being established reinsurer versus, I suppose, being an independent specialized ILS manager?

A - FranÃ§ois de Varenne

Yes. So you have 2 types of constraints. The first one is the investment universe. Don't forget that we are speaking about ultimately a small investment universe. So which mean it's not an infinite capacity to be deployed on this market. On upside, if you look at evolution of the assets under management, when you enter and you propose a new asset class to client, usually you need at least 3 condition. The first one is good performances. And good performances, you need to observe them at least on a 3-year basis. And you need -- especially if you sell funds, you need a critical size or a minimum size because many investors, they have ratio, they cannot invest, for instance, more than 5% or 10% of the entire AUM of a fund. So you have also to gather quarter-after-quarter this minimum size. So that's why you see the acceleration last year in terms of AUM that I still expect also to see this year. And also -- and we started a few months ago to start to win mandates. So not only funds that we are managing. But to win mandates. And also you're not (under IR screen) the first few years, you need at least three years of (technical) and also the critical size for the asset class is around EUR 1 billion. If you want to have access to the OTC market, you cannot buy a small ticket on this market. So you need to have a critical size. And this critical size is above EUR 1 billion. So that's something we reached last year. So I expect an acceleration of the AUM over the next few quarters. So you don't have to sell today the company. Okay. Thank you very much.

+++presentation

A - Ian Kelly {BIO 19976646 <GO>}

Thank you very much, FranÃ§ois. For the next topic, I'd like to start by mentioning, if you don't know about it already, that SCOR has a YouTube channel. It's an excellent resource. There's many interesting videos up on there. The one we're about to show you is the one with the most hits, the most popular. It's about Blockchain.

(presentation)

So I would encourage you to use that resource. It's excellent. The reminder also that for those going to Monte Carlo, B3i are presenting at the SCOR lounge. And Denis will be presenting on that occasion. So if you're there, please come along.

If there are specific questions on Blockchain, we can perhaps take them. And if not, we can move on to perhaps the final topic, considering the time. Maybe we can invite Frieder back to stage to talk about artificial intelligence.

A - Frieder KnÃ¼pling

So we've -- I think, we've had a several of my colleagues speak about the potential benefits we are seeing in using artificial intelligence, machine learning and large data technologies. And we're actively exploring them and applying them in certain parts. And we see a great potential in the extended use of those technologies going forward. So we're really embracing the technologies.

But conscious of potential pitfalls and risks inherent in these algorithms. And I think a good analog is to look at AI algorithms as very complex models, which affect with certain input data and then produce certain outputs, which can be decision proposals or predictions. But you share many of the issues, which we have also experienced when developing other complex models, the internal model being a good example. But also a traditional reserving and pricing models, which we've been using and developing for a long time and which we're very familiar with.

So we think there's a lot of valuing, having a very robust framework for the use of those technologies. And we have an extended discussion and internal working groups dealing with the necessary elements for such a framework, which first of all, involves having the right balance between humans and machines. So no one would use AI predictions blindly and automatically at SCOR for the time being at least and there's a sufficient level of oversight and manual control of what algorithms are producing.

Transparency is important element, making the inherent risks -- the risk inherent in the complexity of those algorithms, the black box nature, making this clear within the company and making sure that people deal with the complexity in a responsible way, that they don't use overly complex algorithms unnecessarily that they prefer algorithms, which have a good explanatory power and which help users to understand why certain predictions and results are being produced.

Compliance with legal and regulatory requirements is an absolute must. And we'd be super-careful not to run into any issues. Then generally, having a good and robust control environment around this to specifically avoid running into any issues with accidental discrimination, for example. And we've seen issues happening in other industries where companies may have used such algorithms a little too carelessly and maybe too quickly and then having been accused of hidden bias in some of those algorithms. And once you are in such a discussion, it's very difficult for companies to defend themselves. So this is something, which we've been dealing with from day 1 for each and every example of any such complex algorithm. And in particular then, machine learning, AI type algorithms.

And I think there's a good culture, which has been developed around those potential issues. And we'll continue to strengthen our framework in order to make sure that people use those technologies in a sound and responsible way, while as I said, embracing them and making sure we reap the potential and the benefits which they are clearly providing.

A - Ian Kelly {BIO 19976646 <GO>}

Okay.

A - Frieder KnÃ¼pling

If there are no questions, I'll hand back to Ian.

A - Ian Kelly {BIO 19976646 <GO>}

Would you like to quickly pick up on the...

A - Frieder KnÃ¼pling

Yes. There was a question which came up during the break on the nat cat exposures. Just to clarify this, as I mentioned, cat bonds reduce our exposures because they attach at those return periods and those loss amounts, not the contingent capital. So the single risk exposures, if you like, the peak exposures, which I showed there, would not -- those loss amounts would not trigger the contingent capital. So there's no offset, no reduction in those numbers, which would be a result of the assumption of triggering the contingent capital.

A - Ian Kelly {BIO 19976646 <GO>}

Thanks, Frieder. Okay. Before I hand back to Denis for the closing remarks for today, I'd just like to quickly run through a few points.

I hope you enjoyed the format of the day and the style. We certainly enjoyed doing it this way. It's been good to have an interactive way of doing things. But I would ask if you can complete the question, as we'll find that very helpful to get your feedback. With the format, I know haven't been through sort of a traditional presentation where we've covered all of the slides in the deck. So obviously, if you've got further questions, then please get in touch with us. We'll answer those for you.

Next events, I mentioned that already, we will be at Monte Carlo. So we shall see you there shortly some of you. The most pressing next event is lunch. But we will restrict to, I'm afraid, the -- just the external some of the SCOR employees. We can't cope with you all in the brasserie upstairs in a few minutes' time.

So there we go. Okay. So I'd like to hand back to Denis now for closing remarks. Denis?

A - Denis Jean-Marie Kessler {BIO 1498477 <GO>}

Thank you, Ian. I see you have a career in the entertainment business now. So good luck in your new career. Thank you for joining. I mean, that's important for us to -- the occasion once a year to talk to you and present where we are, what we're doing, what we want to do, what our vision, extremely important to have a dialogue. As I said, we value the feedback and the questioning and the input you provide us.

So I think, this new format led to more questions than before. That's what we also wanted. You guys have a full deck. So I mean, you have the same information as last year. But we wanted also to give a little bit more, let's say, dynamics to the discussion between us. So look at the full deck. And if you have questions, please you can call the IR team or the Comex members to have further insights or information.

So as you know, we -- it's a DNA of the group. We provide all information. We disclose a lot. You have to make your assessment of the company. And therefore, you need, of course, reliable data. And that's what we're committed to provide.

So I would like to thank you for joining. But I would like to thank my team because it's a hell of a work to -- we do that early September. So it's part of the summer season where we prepare everything. And I would like to thank you for your contribution. The new remuneration policy now that I will shake your hands, no more shares and stock options.

And so please enjoy. And I would like you to smile to this good news, I mean, because it's â€" rhythm of change is incredible in this company. I mean, it's one day.

Forget the recent distracting events. It's over. Back to business as usual. And that's what we've done. That's what we wanted to show you today. I mean, we look forward.

You are, I hope, mostly interested by the value creation capacity of the group. And this day was devoted to the fact that we accelerate. We accelerate. I said this morning, we don't replicate, we accelerate. In other words, we believe that the group came to more at a higher speed, at a higher level. And we meet all the conditions.

Look at everything we do today. In all domains, Life, Asset Management, P&C, Operations, we invest massively in the future. We believe in the future. We have a very positive view of the industry. And we have a very positive view as a group we belong to.

So that was the idea. We accelerate. And we're extremely confident about the future of the group. I mean, we are not here complaining about the environment and the competition and so on and so on. I mean, I think we have a positive view of the world with a vision. And we will carry the vision in the years to come, as we did in the past.

We are absolutely convinced that our shareholders will massively benefit from an accelerated profitable development. We're full of hopes. And it's incredible. So morale of the company is extremely high, never been as high as today because we see that -- see some of the young. Look at the growth rate of the team, highest growth rate in the industry. And by the way, everywhere, all geographies, all lines of business. That's extremely positive when you see it, profitable development and in an incredible respect to Solvency. These are key assets of the group because it's been stressed. It means that we have a long-term view. And we share the long-term view with our clients.

So we believe environment is going to much more support us than in the past. This is very good news for us. So we roll. But we will accelerate just because headwinds or currents are now pushing a bit forward, which was not the case for at least 4, 5, six years. So which is extremely positive for the group because we have invested at the right time. And today, we are going to harvest most of what we have done once again to benefit of the shareholders.

I propose you to join us for lunch. You have to know, it is a very important statement. Please consider it. A good lunch with good food and good drinks is a key characteristic of an independent Tier 1 company. Thank you very much.