Q3 2020 Earnings Call

Company Participants

- Denis Kessler, Chairman of the Board of Directors and Chief Executive Officer
- Francois de Varenne, Chief Executive Officer of SCOR Global Investments
- Frieder Knupling, Chief Risk Officer
- Ian Kelly, Chief Financial Officer
- Jean-Paul Conoscente, Chief Executive Officer of SCOR Global P&C
- Olivier Armengaud, Investor Relations Senior Manager
- Paolo De Martin, Chief Executive Officer of SCOR Global Life

Other Participants

- Andrew Ritchie, Analyst
- James Shuck, Analyst
- Kamran Hossain, Analyst
- Michael Haid, Analyst
- Paris Hadjiantonis, Analyst
- Thomas Fossard, Analyst
- Vikram Gandhi, Analyst
- Vinit Malhotra, Analyst

Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to the SCOR Group Third Quarter 2020 Results Conference Call. Today's call is being recorded. There will be an opportunity to ask questions after the presentation. In order to give all participants a chance to ask questions, we kindly ask you to limit the number of your questions to two.

At this time, I would now like to hand the call to Mr. Olivier Armengaud. Please go ahead, sir.

Olivier Armengaud {BIO 20892984 <GO>}

Good afternoon, everybody. And welcome to SCOR Q3 2020 Results Call. My name is Olivier Armengaud, Senior Manager in the Investor Relations team, and I'm joined on the call today by Denis Kessler, Chairman and CEO of SCOR Group, and the entire Executive Committee.

May I please ask you to consider the disclaimer on page 2 of the presentation, which indicates that the financial results for Q3 2020 are unaudited. I would also ask you to note the statement in respect of COVID-19 which indicates that the potential impacts of the COVID-19 crisis cannot be accurately assessed at this stage, given the uncertainty related to the magnitude and duration of the pandemic, and the possible effects of future governmental action and/or legal developments.

Before starting our Q&A session, I would like to hand over to Ian Kelly, Chief Financial Officer of the SCOR Group, to talk through the key financials of the quarter.

Ian, over to you.

Ian Kelly {BIO 19976646 <GO>}

Thank you, Olivier. And welcome everybody. Let's start on slide 4. In the first nine months of 2020, SCOR continues to demonstrate the relevance of its strategy and the resilience of its business model. The Group delivered solid results, despite the major shocks that the industry has had to face since the beginning of the year, which include the COVID-19 pandemic as well as a series of natural catastrophes and large scale man-made events.

SCOR continues to expand its franchise, writing EUR12.3 billion of gross written premium year-to-date, representing an increase of 2.3% at constant exchange rates compared with the first nine months of 2019.

The Group net income for the first nine months 2020 stands at EUR135 million. This translates into a return on equity of 2.9%.

Normalizing for the COVID-19 and natural catastrophes, return on equity would stand at 10.6%, a 1,004 basis points above the five-year risk free rates and exceeding the Quantum Leap profitability target of 800 basis points above risk free.

Finally, the Group's solvency ratio is very strong, standing at 215% at the end of the third quarter, in the upper part of the optimal solvency range of 185% to 220% as defined in our Quantum Leap plan. The 10-point increase in solvency compared to June 30th is driven by efficient capital management and the strong operating performance in the quarter.

Group's very strong capital position as recently recognized by all four major rating agencies -- AM Best, Fitch, Moody's and Standard & Poor's -- who have all confirmed SCOR's AA- financial strength credit rating. This demonstrates the Group's ability to offer its clients an optimum level of security, particularly in the current pandemic crisis.

Let's move to slide 5. Described at the presentation of the Group's H1 results in July and then again at the recent Investor Day that the COVID-19 pandemic is a manageable earnings (Technical Difficulty). We've undertaken an in depth review of all of our exposures and we confirm this assessment.

On the P&C side, the COVID-19 claims are developing as expected. There has been no material change in the assessment of P&C exposures to the pandemic since the H1 2020 results presentation, which confirmed SCOR's prudent booking approach. The estimated cost of the COVID-19 pandemic booked in Q3 2020 year-to-date stands at EUR256 million on the P&C side.

As of September 30th, 2020, the actual claims received related to the pandemic stands at a total of EUR92 million, with only EUR8 million paid at that date. On the Life side, the COVID-19 related claims totaled EUR251 million, an increase of EUR57 million compared to (Technical Difficulty) EUR233 million related to the US, with the balance of EUR18 million coming from the markets. We continue to see a strong difference in the impact of COVID-19 between our book and the general population, particularly in the US. (technical difficulty) claims in the US continue pretty much as expected with a total amount of (technical difficulty) September 30th, translating into an actual over expected ratio of 67% as at the end of the third quarter.

So, overall, for the group, as you can see, we are on track. This is really in line with what we said previously and we are where we should be. Let's jump forward a few slides to slide 8 and look in more detail on how that translates into the performance of the business engines.

SCOR Global P&C grew strongly at 2.9% at constant exchange rates or 1.9% at current exchange rates. And if we exclude the reduction of premium related to COVID-19, the growth stands at 5.7% year-to-date. The combined ratio stands at 100.7% for the first nine months, incorporating the impact of COVID-19 at 5.5 percentage points and a nat cat ratio below budget at 6.5%. Furthermore, the Beirut port explosion estimated at EUR44 million net of retrocession and pretax is accounted for in the quarter. Normalized for nat cat and for COVID-19 impact, the combined ratio would stand at 95.7% year-to-date, in line with Quantum Leap assumptions.

SCOR Global Life continues to successfully expand its franchise and delivered a positive set of results for Q3 2020 year-to-date. The Life business unit gross written premiums were up 1.9% at both constant and current exchange rates. When we consider the business exits executed as part of our Quantum Leap strategy, the underlying growth rate is at 4.6% at constant exchange rates compared to the same period of last year.

This is a very positive result considering the disruption caused by the pandemic and recognizes the strength of our franchise. On the profitability side, including COVID-19 related claims, the net technical margin for the first nine months stands at 5.8%. This is in line with our expectations of between 5.5% and 6.0% for the full year 2020 I shared with you at the recent IR day.

Our overall technical profitability continues to benefit from a strong underlying business performance, active portfolio management and a strong reserving position.

SCOR Global Investments delivered a solid return on invested assets of 2.6% since the beginning of the year. It benefits from real estate capital gains generated in the first quarter just before the start of the pandemic. It is also supported by capital gains generated from our fixed income portfolio amounting to EUR49 million in the third quarter. This is explained by the active portfolio management strategy that we have reinitiated since June in a context of improved fixed-income valuations, with EUR533 million of unrealized gains as at the end of Q3 2020, up by EUR233 million since the beginning of the year.

And the current market conditions, we expect that our return on invested assets should reach 2.3% for the full year 2020. This expectation reflects this quarter's portfolio performance and includes allowance for impairments.

Let's move to slide 9. The balance sheet is a source of strength for the group, with shareholders' equity standing strong at EUR6.2 billion in Q3 2020 and reflects the ability of the group to absorb shocks. This results in a strong book value of EUR33.51 per share. The financial leverage reflects the recent debt issuance and stands at 29% as at September 30th, but adjusted for the CHF125 million debt called in October stands at 28%.

Moving on to slide 10. SCOR generated strong operating cash flows in the first nine months, standing at EUR661 million, with strong contribution in particular from the P&C business unit. Overall, the total liquidity of the group is very strong and stood at EUR2.4 billion at the end of the quarter.

So, that's a summary of the Q3 results, I do want to talk a little upon the outlook for the market. So, let's come back to slide 6 of the presentation. Looking ahead, SCOR is very positive on the new market conditions and is expecting stronger growth with positive pricing dynamics. Firstly, the COVID-19 pandemic is contributing to higher demand for risk covers globally and is accelerating growth for the reinsurance industry as a whole on both the Life side and the P&C side.

Secondly, COVID-19 and the persisting low yield environment are themselves acting as additional catalysts to an already hardening market on the P&C side. SCOR is uniquely positioned to accelerate its profitable growth in such a supportive market environment.

First, SCOR has absorbed the impact of the COVID-19 shock and continues to enjoy a very strong capital position. The group benefits from a top tier AA- credit rating and an optimal solvency position, as I've described before.

Second, we leverage a Tier 1 global franchise and a scalable underwriting and operating platform with an active go-to-business approach and strong proximity to our clients throughout the world.

So, the Group enters the P&C renewal season in a very strong position to reap the benefits of the hardening pricing environment and the improvement of terms and conditions in the P&C market. Our updated assumptions for P&C are to grow gross written premium by 11% at constant exchange rates in 2021 with a combined ratio trending down to 95% and below.

On the Life side, the US COVID-19 mortality impact is projected to reduce significantly over 2021 as vaccine is anticipated to become available and our assumption is that the technical margin will return to the Quantum Leap assumption range in the second half of 2021. (Technical Difficulty) the assumption range 2.4% to 2.9% set out across Quantum Leap for the return on invested assets.

With that, we can end the introduction to the Q3 results. I will hand back to Olivier. Thank you.

Olivier Armengaud {BIO 20892984 <GO>}

Thank you very much, Ian. (inaudible) you will find the forthcoming scheduled events. And with that, we can move to the Q&A session. And can I remind you to please limit yourself to two questions each. Thank you.

Questions And Answers

Operator

(Operator Instructions)

Our first question is coming from Vikram Gandhi from Societe Generale. Please go ahead. Your line is open.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hi. Good evening, everybody. Vik from (Technical Difficulty). Just a couple of quick questions. One on Life, the other on P&C. Firstly, I noticed the life and health claims are still running significantly behind your expectations of 67% at September end. Let's say, 62% at August end. Can you give us a sense of where the number would be at the end of October since your assumptions seem to be running quite a bit ahead of your actual experience?

Secondly, on P&C, I appreciate the second wave and the resulting lockdown should not have any material impact on your contingency book since the exposure is rather small. I'm just interested in what the second wave implies for the potential BI claims? So, those would be my two questions. Thank you.

A - Olivier Armengaud {BIO 20892984 <GO>}

Maybe Paolo on the life claims?

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

Yes. Mid of October, we were still running at the same level. You can assume that pretty much we are running more or less at the same levels.

A - Olivier Armengaud {BIO 20892984 <GO>}

Thank you. Jean-Paul, on the second wave?

A - Jean-Paul Conoscente {BIO 20770277 <GO>}

Yes. Thank you, Vik, for the question. On the BI side, there's still a lot of uncertainty as to what the effect will be. Going forward, starting at 1/1, we expect most of the treaties to have contagious disease exclusions. So, it really relates to any additional claims that will come through during the remaining months until the end of the year.

However, the key question on the reinsurance side for BI, especially where there's affirmative cover, is how the claims flow into the reinsurance contract and what is the event potentially triggering the contracts. And there, because of this, we don't expect there to be (inaudible) the issuer increase from a reinsurance point of view.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay, very clear. Thank you.

A - Olivier Armengaud {BIO 20892984 <GO>}

Next question please.

Operator

Our next question is coming from Kamran Hossain from RBC. Please go ahead. Your line is open.

Q - Kamran Hossain {BIO 17666412 <GO>}

Afternoon, everyone. The first question is just around, I guess, capital and dividends. Your capital position is really strong, towards the top of your range. Obviously, the dividend last year, you could have paid it -- you didn't pay it. Should we expect a resumption at the year-end? So that's the first question.

And the second question is just on -- I guess looking at 95% or better for next year's combined ratio, given Q3 performance on an underlying basis, does that give you a little bit more comfort? Or is there something else kind of going on in the numbers that meant it came in kind of a little bit better than maybe you had hoped before? Thank you.

A - Olivier Armengaud {BIO 20892984 <GO>}

Ian, on capital.

A - Ian Kelly {BIO 19976646 <GO>}

It's Ian here. (Technical Difficulty) On the dividend, the ACPR position on dividend distribution concerns the period up to December 31st, 2020. So, as we get into 2021, the Board will assess the appropriateness of any capital actions in February. And that's just is part of the normal process for the fiscal year 2020 (technical difficulty). So, we're accruing on a quarterly basis the dividend payment and our solvency ratio, which now stands at a strong level, but the dividend policy for the group is unchanged.

And we start with the first step of ensuring that the solvency position is in the optimal range (technical difficulty) in a strong place. We seek to estimate how much capital we need to allocate to the future (technical difficulty) growth. And in particular, we know the P&C market is entering a very attractive phase at the moment. And certainly, we think about the sustainable regular dividend. So, that capital management policy remains unchanged and the Board will look at that in light of those factors. And (technical difficulty).

A - Olivier Armengaud {BIO 20892984 <GO>}

Thank you, Ian. Jean-Paul on combined ratio.

A - Jean-Paul Conoscente {BIO 20770277 <GO>}

Yes. Kamran, on your question on combined ratio, indeed, the third quarter, we start to see what we believe are the benefits of our management actions implemented in 2019 and 2020, with a net combined ratio of 95% for the quarter. Keeping in mind that it did benefit from a decrease of management expenses as well. Management expenses is due to partially sort of the measures we've implemented following the pandemic, but also an increase of the net earned premium because of reduction of a proportional retrocession program in 2020. So, we expect the management expenses for the rest of the year to remain close to where it is today, around 6%. And the performance of the underlying portfolio, we have to wait a few more quarters to see if it's confirmed, but now it falls in line with what we expected from the pricing environment.

Q - Kamran Hossain {BIO 17666412 <GO>}

(inaudible).

A - Olivier Armengaud {BIO 20892984 <GO>}

Next question please.

Operator

Certainly. The next question is coming from Andrew Ritchie from Autonomous. Please go ahead. Your line is open.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi there. Two questions on the Life business. Apologies if this is a bit of a simple question. The longer time goes by and your paid claims are less than expected, what does that mean? Does that mean that the reserve you put becomes redundant or in effect it's there and the amount of lives you could -- excess debt you could cover is slowly building as long as the [ph]paid to expect is lower. I hope you understand the gist of my question. I'm not sure I put it very eloquently.

The second question, what was going on excluding COVID with the Life business in Q3. It was a very strong result. Because I just wanted some reassurance that -- and that happened in the first half of the year as well. But just wanted some reassurance that there's still plenty of optionality left in your life book. As we emerge post-COVID, there's still going to be blips for things happening that you've still got optionality to manage in force and it hasn't all been used up as it were to support the results this year?

A - Olivier Armengaud {BIO 20892984 <GO>}

Paolo for the first one.

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

Yes. Hi, Andrew. Yes, I can say, if I understood your question -- the first question right, I think you put it up right. The COVID-19 claims that we booked Q3 year-to-date (inaudible) phase in Q2 and now as a burning cost as we go through the active phase, will go into the reserving process that we have. So, it takes about six months for each quarter of debt to mature and it will go into our total reserve calculation.

In terms of excess debt, it will take us some time to figure out, do we have excess debt on top of reported COVID-19 debt and what does that mean to the total book. So, I think the way you describe it, I would say, come in line with that.

Q - Andrew Ritchie {BIO 18731996 <GO>}

So, as long as the paid to actual is below, then effectively that's building a sort of buffer?

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

Yes.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Yes, okay.

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

Which would cover both excessive...

Q - Andrew Ritchie {BIO 18731996 <GO>}

Yes.

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

No, but also in terms of COVID, it would cover both excessive debt and also a certain amount of volatility that remains in the book given the widespread of face amounts that we had in the book.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Right.

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

In terms of your second question, first of all, our business technical profitability continues to benefit from strong underlying business performance from our global book of business, particularly the growth in Asia is providing a strong profitability. Second, as you said, over the years, we've been very active in managing our in force. So, this is giving us, over time, some margin of flexibility in managing shocks. And this has been very helpful in the situation and will offer us some further flexibility going forward.

And in addition to this, under IFRS 4, we are benefiting from a strong reserving position built from the acquisition on throughout the years. So, I think we're very confident where we are. And we are right now -- if you go back to the IR day, we gave both some assumptions -- or revised assumptions for 2020 and we also gave revised assumption in function of vaccine introduction for 2021. So we are where we were at the IR day in terms of looking forward.

Q - Andrew Ritchie {BIO 18731996 <GO>}

Great, thank you.

A - Olivier Armengaud {BIO 20892984 <GO>}

Next question please.

Operator

The next question is coming from Vinit Malhotra from Mediobanca. Please go ahead. Your line is open.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Thanks so much. My questions have been addressed, but if I could just clarify with Paolo, please. So, yes, your comment is well received, Paolo, that mid-October was fine. And I appreciate there's limitation to how much updated somebody can be on data. But we've seen quite a lot of pickup after mid-October in at least the headline debts, which have been pending questions to address from the market.

So, are you in touch with your companies a bit more? Or are you able to say that the trends -- at least from a population versus portfolio or the paid claims is -- are you seeing much risk from the last two weeks? Or should I just assume, as you just said, that we are at the same level as we were end of September? Is that comment applying also to, as far as you know, the latest information (inaudible)? Thank you.

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

We are following the situation very closely. We're modeling. We have regular epidemiological model updates.

At the Investor Day, we were looking at Q4 at about 60,000 reported US COVID-19. That number now looks more somewhere in the 80,000 to 90,000 range. So, we are expecting more of that in Q4 than we were expecting at the IR day. Although, said that, while the Q2 year-to-date that we were seeing about -- a bit over EUR11 million per 100,000 deaths in terms of impact. If you look at the Q3 number, we're more in the range of EUR6 million to EUR7 million per 10,000 deaths. And that is probably a good range as we go into Q4, given the geographical spread of the infection at this point.

I don't know if that answers your question, Vinit.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes. So, you're still comfortable with the overall EUR198 million assumption over 12 months?

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

Yes. we're overall comfortable with the -- we're overall comfortable with the range of 5.5% to 6% for the full year that we gave you at the IR day.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay. Thanks very much, Paolo.

A - Olivier Armengaud {BIO 20892984 <GO>}

Thank you. Next question, please.

Operator

(Operator Instructions)

Our next question is coming from Thomas Fossard from HSBC. Please go ahead. Your line is open.

Q - Thomas Fossard {BIO 1941215 <GO>}

Yes. Good afternoon, everyone. First question would be back to see your Solvency II ratio at 215% at the end of Q3. Just wanted to better understand what was the driving force behind the strong capital generation in Q3. Any specific item that you would like to highlight?

And the second point as well related to Solvency II is, I think at the Investor Day, you pointed to a roughly 10% growth in P&C premium next year. So, I guess that the 215% is already taking into account the execution of your underwriting plan aligned with the guidance. So, the 215% is already taking into account 10% PC premium growth, just to get confirmation of this.

And the second question would be around governance. I think that several times you indicated that you should have been in the situation to announce the elected CEO (inaudible) pushed forward. Where do we stand on the process? And should we get some clarification on the change of governance before the end of the year? Thank you.

A - Olivier Armengaud {BIO 20892984 <GO>}

Thank you. Frieder, on the first question, solvency.

A - Frieder Knupling {BIO 17247809 <GO>}

Thank you. So, Thomas, maybe I'll start with the second half of your question. Yes, our solvency position reflects the 12-month forward-looking view on our capital requirements. That includes the growth assumptions for life and -- specifically for our P&C business for next year. We still have one quarter of 2020 in this 12-month forward-looking view, but the growth which then is expected to pick up in particular in Q1 next year is reflected.

Having said this, premium growth business always translates into the same level of growth in capital requirements. This is really also dependent on the distribution of business, the type of risks we are taking, types of covers, capacity provided and then, importantly, on the structure and capacity of our retrocession programs and capital tier mechanisms. So, we can manage this. It doesn't have to be a dollar for dollar --- the same growth rate to our capital requirements.

And then, on your general question on solvency movements in Q3, as Ian said, this is mainly due to capital management and strong operating capital generation, issuance of hybrid debt, plus the dividend accrual added just below 5 percentage points of solvency ratio during the quarter. Market movements in Q3 have been relatively small in relation to our solvency positions. So, the other big driver was really operating capital generation (Technical Difficulty) strong new business from both life and P&C and a very good in force performance, in particular from the Life side, and small positive impact from some minor model and assumption changes. And overall, a very strong operating capital generation.

Q - Thomas Fossard {BIO 1941215 <GO>}

Thank you, Frieder. Denis on the governance question?

A - Denis Kessler {BIO 1498477 <GO>}

It seems, Thomas, that you are very impatient to see me leaving the company. But in a company which is respecting corporate governance, we have a Nomination Committees. The Nomination Committee, composed mainly of independent board members, do have to make a proposal to the Board and the Board will have either to approve it or disapprove it. And then it will be announced. So, where we are right now, the work of the Nomination Committee has been a little bit -- has been difficult just because we are -- and it's a breaking news -- in a world marked by a huge pandemic, which limits the number of travels, no physical meeting, and that has been ongoing for quite a few weeks and even months. And therefore, it's certainly created some problems for the nomination committee to be able to carry all the duties, just to meet people and have them physically to come in some time. So, work in progress. Again, we are six months ahead of the general assembly. Usually, we publish resolutions in February. Let's say, three months, four months before. And you would be informed as soon as the Board has made the choice on the basis of the proposal of the Nomination Committee. So, you have to be patient and be sure that we allocate the right time and resources to find a successor.

Having said that, less easy than you can think because of this extraordinary period that we know and that we go through right now. So, there is no specific issue, but to be sure that the nomination committee has the right time to assess the situation, meet the people and make their choice. So, nothing to worry about. And you as a market will be informed in due time.

Q - Thomas Fossard {BIO 1941215 <GO>}

Thank you. Next question please.

Operator

The next question is coming from Paris Hadjiantonis, Exane BNP Paribas. Please go ahead. Your line is open.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Yes, hi. It's Paris from Exane. A couple of questions from my side as well. Firstly, on your guidance about the return on invested assets for this year, you are at 2.6 at the nine months and you're guiding for 2.3. So, the implied Q4 seems quite low. Can you give us an idea of why that's the case? Are there any impairments that you're actually going to take in Q4 based on your impairment policy that we should be expecting or is there -- are there any other effects that we should be accounting?

And secondly, on dividends. So, I understand that you're currently complying with what the regulator has set. At the same time, you are accruing for a dividend in your Solvency II model. So, I'm just wondering whether you had any initial discussions with the regulators about how they're thinking about dividends going forward. It seems at least for a lot of investors, based in at the pan-European space that the French regulator has been a bit more harsh than other European regulators on dividends. So, if you can give us an update on that front, it would be good. Thank you.

A - Olivier Armengaud {BIO 20892984 <GO>}

Francois, on the first question.

A - Francois de Varenne {BIO 7447858 <GO>}

Yes, on the first question, so on the guidance, the expectation for the full year return on invested assets. So, we said to you, revised upward by 10 basis points compared to what I said during Investor Day at 2.3%, the full-year expectation. That's mainly due -- or explained by the amount of capital gain we took in Q3. At this stage, our assumption for the remainder of 2020 is not based on the realization of significant shareholder capital gain. So, that's just the assumption that financial contribution will be mostly driven by the income yield. However, a number of assets are still bearing significant unrealized gain and we will look at opportunities as they arise in Q4. So, there is no assumption of shareholder capital gain in this objective. And there is, let's say, I would say, a normal allowance of impairments, in particular we don't expect at current market levels further equity impairments.

A - Olivier Armengaud {BIO 20892984 <GO>}

Thank you, Francois. Denis on the dividend.

A - Denis Kessler {BIO 1498477 <GO>}

May I say a word on dividend. What've you have said is not absolutely, I would say, correct, if I may. The decision of the ACPR was not SCOR specific. It was just statement made by ACPR. And by the way, following EIOPA statement also, strongly recommending, find the right word, insurance institutions not to pay a dividend for the first half of the year till 1 October, 2020. So that was a strong advice.

We had the intention to pay a dividend. And by the way, we published resolutions in March. And if you go back, you again see that the SCOR board had decided to pay a dividend and we had to change the date of the assembly because of the rules concerning the general assembly, the fact that we cannot have people in the same room and we had to do a virtual. Okay, we did it.

And second, ACPR, extremely strong recommendation not to pay a dividend. So, we had to change our position. And the Board has decided to postpone the general assembly, and second, to have it virtual, and third, not to pursue -- not to pay the dividend as anticipated. Not to present to the general assembly the dividend as anticipated.

So, what was more, it was quite strange that, three or four months later, there was a new recommendation of the ACPR, saying that, anyway, there was a ban on dividend for insurance companies located in France till the 2nd of January. Normally would have -- we would be free to have a capital management policy starting 2nd of October 2020, but here they decided to prolong the situation till 2nd of January.

The position of SCOR is extremely clear. We consider that companies must have the freedom to manage their capital base, either through dividend or share buyback. It's their responsibility vis-a-vis their shoulders, as long, of course, that they have the adequate level of solvency. We have more than the adequate level of solvency. We're very far from government intervention. Having a 215% solvency ratio, which means that we have ample possibility to have a high solvency and to have capital management measures, as I indicated.

So, that's the position on SCOR and we have expressed it. We're going to express it again. I really believe that the insurance companies satisfying the solvency requirements should have the possibility to repatriate capital to their shareholders because it's a condition of, I would say, good management. So, that's out opposition. I believe that it's shared by many insurance companies around Europe. I'm sure of that. And my wish is that companies should be able to adopt measures and to present to the shareholders, to the general assembly with resolutions allowing this capital management.

So, very strong position. We've expressed it. We're going to express it again. There is no reason to ban dividend today, given the solvency of the company, where we can face all our commitments without an issue. Look at the level of rating on SCOR. We have improved the solvency position since start of the year. We have been able to absorb the COVID-19 shock, and so that's a very, very strong please, as you can understand, for freedom, not only for capital repatriation, but also for freedom of dividends between the value as part of a group, fungibility is as important as capital management, and that's why we strong -- we send this message, shared by all the private insurers in Europe.

There is no reason today to ban dividend for insurance companies in Europe.

A - Olivier Armengaud {BIO 20892984 <GO>}

Thank you. Next question please.

Operator

Certainly. Our next question is coming from James Shuck from Citi. Please go ahead, your line is open.

Q - James Shuck {BIO 3680082 <GO>}

Hi. Good afternoon, everybody. So, I just wanted to return to the dividend question again. The 2019 dividend, I think, Denis, you mentioned that, at the time, it's your intention to pay it. The board signed off. The ACPR caused that to be suspended. Has that dividend definitely been canceled? I appreciate board will meet in February, you'll discuss it then, you take into account situation at that time. But if the markets and the backdrop is roughly similar to what it is now and the solvency is where it is now, is it still your intention to pay that 2019 dividend once the ACPR -- if the ACPR withdrawals that restriction?

Second question, you talked quite a lot about mortality losses to be expected on the technical margin. I'm just interested to get some insight into the morbidity and the disability claims, particularly as you go through a recession, but also given the experience through COVID with people are recovering or not recovering in time?

And then thirdly, can you just comment if the Q3 P&C combined ratio on an underlying basis, as you benefited from frequency, particularly on the proportion side, please? Thank you.

A - Denis Kessler {BIO 1498477 <GO>}

Okay. Coming back on the dividend issue and a new question, absolutely relevant, the 2019 dividend to be paid in 2020, that's over. Game over. Because you cannot pay a dividend by law after nine months. So, we could have done until 1st October, but we were forbidden to do so. We were banned to do so. Then we could have done kind of capital management, which would be a decrease of capital during the last quarter of the year. It has been also banned. So, now we start the year 2021. And the dividend policy will be based on the situation at the end of 2020 when the Board will assess the situation to decide. So, where was the dividend put? In distributable reserves. And so, we've increased the reserves in the company, distributable reserves. And so, it give us additional levers to have a dividend policy in 2020 -- in 2021 on the basis of what we had produced in 2020 and the net asset value of the group at the 31st December, 2020. So, it give us degrees of freedom, but we cannot go back. We cannot rewind history and go back to where we were. The dividend of 2019 is off forever. So, that was the decision of the ACPR.

I insist on something which is extremely important for transparency. It was not directed to SCOR. Nothing to do. It was not a SCOR specific decision because we were in trouble. It was a political decision, first and foremost, because the ECB -- in the banking sector, the decision was made by the ECB not to allow banks to have a dividend in 2020 -- paid in 2020 on the basis of 2019. And ACPR is the same regulator for banks and insurance companies and decided to have a kind of same approach for the two financial sectors, insurance and banks. And so, we're a little bit collateral victims of decisions that was made by ECB and translated into, I would say, French law or French regulator's decision.

So, we have to be careful about what is going to be decided for the banks in 2021 for the dividend on the exercise 2020. But as far as we're concerned, we are determined to really make our voice heard and to be extremely vocal about it. There is no reason to ban insurance companies satisfying solvency requirements not to have an active capital management as we have done.

Dividend policy of SCOR is absolutely intact. It has been expressed. It's on the site. Each year, we have been repeating it for years and years and years. You can go back to what we have written. The policy is absolutely unchanged. We try to remunerate to shareholders as much as we can as long as we have reached the solvency targets that we have set in the plan. So, as you can see, we are in a situation where today, after nine months, we have a solvency ratio which is (inaudible) part of the solvency range. Therefore, we satisfy this condition. And so, the Board should be able to adopt a dividend policy respecting the rules that we have set for years and years and years and we were prevented to apply those rules last year (inaudible) not to be in the same position for next year. And that's my message today.

But it's true, solvency ratio does integrate quarter-after-quarter the amount of the dividend that we could envisage. And so, the 215% solvency ratio integrates, encapsulates the dividend we could pay. So, again, it's not to be subtracted from today's solvency ratio. It's in the solvency ratio. So, it shows you that we are in a situation today where we should be able to pay a dividend, if the Board decides to propose that to the general assembly and, of course, if shareholders vote for that.

And we will not weaken the situation of the group, the situation as a group as we can demonstrate -- solvency situation of the group seems to be high and we're able to honor commitments, no issue about that. So, again, (inaudible) politics. Those are domains that I'm not familiar with.

Q - James Shuck {BIO 3680082 <GO>}

Just to be clear, so you wouldn't consider a special dividend in 2021 in respect of a catchup for 2019?

A - Denis Kessler {BIO 1498477 <GO>}

That's over. We enter year 2021 with a financial situation, with a profit, with a net asset value, with reserves, and the Board is free to decide on the basis of the financial situation of the group and the solvency position of the group what is good for the shareholders. So, I'd just say there is no policy today to say we have to catchup. We need to catchup. We've decided to catchup. I know that would be misleading. We have a blank -- we have a blank -- we have a clean slate, I would say, and taking everything into consideration. As a Board, we will make proposals to the shareholders, to the general assembly to remunerate our shareholders.

Looking at the past -- let's be frank, let's look at the past. We have a track record in terms of capital management and dividend policy which is extremely clear. We have respected it. We have always paid a dividend. We have always paid a dividend, which is either equal or increasing over time. Equal to the previous one or increases over time. When we have a situation that permits to do it -- in other words, once we have reached the solvency target, we have decided to stick to, in the plan, which is going on. So, that's the policy and we'd respect the policy.

But, for you, a precise answer to your precise question, there is no idea to say it has been set aside and now we can distribute it. We start again the exercise from where we are right now because, vice versa, that's the law. We cannot distribute a dividend after nine months after the start of calendar year. That's the law and we have to respect the law.

Q - James Shuck {BIO 3680082 <GO>}

Okay, that's clear. Thank you.

A - Olivier Armengaud {BIO 20892984 <GO>}

Paolo, on the second question on morbidity/disability.

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

Yeah. You had quite few questions embedded in there. So, the so-called long-haulers effect or the long-term effect of COVID-19, they're extremely difficult to estimate right now. We don't have sufficient data to estimate. But one thing to say on that, we also are not making any estimations in our numbers for potential mortality displacement driven by COVID. So, that would have occurred in the next couple of years that are being accelerated by COVID-19 into 2020 and 2021. So, in the short term and medium term, probably those two effects would have some type of offsetting with each other.

In terms of morbidity and disability, disability, keep in mind, that we had relatively smaller books compared to many of our competitors. We don't write disability in the US and we have a much smaller Australian book compared to our competitors. And our Australian book kept away from the hospitality sector before.

Disability, usually secondary effect that comes not just from the morbidity effect, but also from economic downturns. We potentially see some -- potentially happening in 2021. We have embedded some numbers into our assumptions that we have given you in terms of technical results. But it will remain relatively immaterial compared to the mortality. And we have almost no impact in Q3 year-to-date. Very, very small in our numbers.

A - Olivier Armengaud {BIO 20892984 <GO>}

Thank you, Paolo. Jean-Paul, on the Q3 QTD combined ratio.

A - Jean-Paul Conoscente {BIO 20770277 <GO>}

Yeah. Thank you. So, we broadly did not benefit per se of a decrease in frequency. What we did see is a decrease of manmade losses this quarter, with the exception of the Beirut port explosion. So, I think the Beirut port explosion sort of made up for the drop in manmade losses that we would typically see in a given quarter.

At this stage, it's -- a big part of it could be related to COVID. But part of it could also be related to the pricing and underwriting actions taken to improve the portfolio. So, it's a combination and it's a bit early today to say what is the predominant effect, while we have a better idea in Q4 if we see a continuation of this trend.

Q - James Shuck {BIO 3680082 <GO>}

Okay. Thank you very much, everybody.

A - Olivier Armengaud {BIO 20892984 <GO>}

Next question please.

Operator

Our next question is coming from Michael Haid from Commerzbank. Please go ahead, your line is open.

Q - Michael Haid {BIO 1971310 <GO>}

Thank you very much. Good afternoon. Two questions on Global P&C. As COVID-19 goes on, we should probably expect additional losses in P&C for 2021. What is your view there? You have no event cancellation? BI should materially benefit from exclusions. These are mostly annual contracts. Credit and surety so far have not been a big issue, supported by the central banks. So, where do you see the risks of additional COVID-19 related losses for you for 2021?

And related to that credit and surety, as far as you understand -- as far as I understand, sorry, credit and surety so far has only led to little losses. Can you give us an idea how much reserves you have put aside in credit and surety and how you assess the possibility of releasing these reserves going forward? These are my two questions.

A - Jean-Paul Conoscente {BIO 20770277 <GO>}

Yes. So, as you saw in the presentation, our COVID-19 estimates include a substantial amount of IBNR. And the IBNR includes some of the potential losses we anticipate going forward. Looking at the underwriting year 2021, as you mentioned, the property BI should benefit from the contagious disease exclusions and the exposure -- additional exposure should be very minimal. The other lines of business that we write today continue to have minimal exposure. And credit and surety remains the largest. So, we don't give a breakdown of the individual reserving by line of business. But what we see is the government actions taken to, on one hand, restore the economy in the various countries, and the other hand, step schemes to support the trade credit in many countries have led to substantially better performance than we anticipated of the portfolio. And as you said, today, we have not received any claims on the credit and surety side or very limited. And so, the bulk of our reserves are IBNR on credit and surety for underwriting year 2020, but also what we're anticipating going forward. And as you look at the actions taken by the insurers writing credit and surety business, they are taking massive rate increases, reduced their limits dramatically and they've -- the government schemes that allow them basically nine months to potentially more headroom to do -- to take underwriting actions to set the portfolio in a good position when the schemes were announced. So, we feel pretty confident that our ultimate estimate as we stand today are valid for now and also in 2021. Unless we receive additional information that changes that -- based on the information we have to date, we believe our estimates are valid.

Q - Michael Haid {BIO 1971310 <GO>}

Okay, thank you very much.

Operator

Ladies and gentlemen, this does conclude today's question-and-answer session. At this time, I would like to hand the call back to speakers for any additional or closing remarks. Thank you.

A - Olivier Armengaud {BIO 20892984 <GO>}

Thank you very much for attending this conference call. Investor Relations team remain available to pick up on any further question you may have. Please don't hesitate to give us a call. We wish you all a good weekend. Thank you.

Operator

This does conclude today's call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.