Y 2019 Earnings Call

Company Participants

- Denis Jean-Marie Kessler, Chairman & Chief Executive Officer
- Frieder Knupling, Group Chief Risk Officer
- Ian Kelly, Head of IR
- Jean-Paul Conoscente, Chief Executive Officer of SCOR Global P&C
- Laurent Rousseau, Deputy Chief Executive Officer of SCOR Global P&C and Chief Executive Officer of the Specialty Insurance Unit
- Mark Kociancic, Group Chief Financial Officer
- Unidentified Speaker

Other Participants

- Andrew James Ritchie
- Kamran Hossain
- Michael Hermann Haid
- Paris Hadjiantonis
- Thomas Fossard
- Vikram Gandhi

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the SCOR Group 2019 Full Year Results Conference Call. (Operator Instructions)

At this time, I would like to hand the call over to Mr.Ian Kelly, Head of Investor Relations. Please go ahead, sir.

Ian Kelly {BIO 19976646 <GO>}

Good morning, everybody and welcome to the SCOR Group 2019 full year results call. Before we start, I ask you to please consider the disclaimer on Page 2 of the presentation, which indicates that the financial results for the full year 2019 included in this presentation have been audited and that the Group solvency final results are to be filed with the supervisory authorities by May 2020, and that these may differ from the estimates expressed or implied within this report.

I'm joined on the call by Denis Kessler, Chairman of the Board of Directors and Chief Executive Officer; Mark Kociancic, Chief Financial Officer; and Connect members, Jean-Paul Conoscente, Laurent Rousseau, Frieder Knpling, Francois de Varenne. Romain Launay. Paolo and Brona are unable to make it today, but we are joined by Redmond Murphy, Head of Business Performance for the Life division.

With that, I would like to hand the floor to Mark Kociancic, Group CFO.

Mark Kociancic {BIO 17852409 <GO>}

Thank you, Ian, and good morning, everyone. In 2019, the third consecutive year marked by a high level of natural catastrophes and man-made claims, as well as the persistence of a low interest rate environment, SCOR demonstrated once again its capacity to absorb shocks.

The dividend delivered -- the group delivered a solid performance in 2019 and performed well against both the profitability target and the solvency target of its new strategic plan Quantum Leap. We've demonstrated good value creation capability by successfully reporting sustainable and profitable growth and increase in profitability and a further strengthening of solvency.

SCOR wrote over EUR16 billion of gross written premium during the year, representing an increase in excess of EUR1 billion, being 7.1% increase over 2018 at current exchange rates or 4.1% at constant exchange rates. Overall, SCOR's net income for 2019 stands at EUR422 million, up 31% compared to 2018.

This translates into a return on equity of 7%. Normalizing for the natural catastrophes and reserve release, the return on equity stands at 9% above our Quantum Leap profitability target of 800 basis points and above the five year risk-free rates.

The solvency position of the Group stands at 226% at the end of the year, above the upper-end of the optimal range of our solvency scale. This elevated solvency level is driven by strong capital generation of EUR1 billion, accounting for positive 31 basis points of solvency alone, as well as by efficient capital management, which are partially offset by the negative impact of interest rate movements.

Turning to Slide 5, let's look at the business units in more detail. SCOR Global P&C grew strongly at 12.7% at constant exchange rates. The business unit continues to expand its franchise in the US, where we're uniquely positioned to gain market share. Meanwhile, and despite the high level of natural catastrophes and man-made claims notably in the third and fourth quarters, SCOR Global P&C recorded an underwriting profit for the year with a net combined ratio of 99%. Combined ratio benefits from EUR110 million of reserve release and includes a nat cat ratio of 11.6%, above our budget of 7%.

SCOR Global Life continued to successfully expand its franchise and delivered a strong level of technical profitability in 2019. SCOR Global Life gross written premiums were slightly down at 1.8% with constant exchange rates and up 1.2% at current exchange rates, and this is due to the renewal of certain financial solution deals as fee income under deposit accounting.

Had this been renewed as premium, SCOR Global Life growth would have been 4.5% at constant exchange rates. The Life technical margin is strong at 7.5%, slightly above the Quantum Leap assumption and benefits from the positive impact from the financial solution deals just mentioned, renewed since the beginning of 2019 as fee business.

SCOR Global Investments pursued prudent asset management strategy and delivered a strong return on invested assets of 3% in 2019, supported by a recurring yield of 2.6% and realized gains of EUR93 million over the year.

Moving on to Slide 6, SCOR has seen a strong growth in its book value over 2019. Even taking into account, the dividend payment of EUR325 million last May, our shareholders' equity increased by 9.4%, compared to the end of the year 2018 to reach EUR6.4 billion at December 31, 2019. This significant increase of EUR546 million in the Group's book value is largely driven by the net income of EUR422 million, EUR359 million of positive impact from revaluation reserves, and EUR126 million of positive impact from currency translation adjustment due to the strengthening of the US dollar.

Overall, the book value per share stood at EUR34.06 at the end of 2019, up from EUR31.53 the previous year end. This strong increase of the book value has mechanically decreased the financial leverage by 1.1 percentage points since the beginning of 2019. The adjusted financial leverage ratio that allows for the intended call of the debt callable in October 2020 stands at just above 25%, in line with our Quantum Leap assumptions.

Moving to Page 7, SCOR generated strong operating cash flow standing at EUR841 million in 2019. SCOR Global P&C provided robust cash flows in line with expectations despite significant claim payments on the 2017 and 2018 natural catastrophe events. SCOR Global Life experienced lower cash flow as a result of the volatility on claim payments as we noted earlier in the year. Overall, the total liquidity of the Group is very strong and stood at EUR1.5 billion at the year end.

Moving to Page 12, SCOR is pursuing its strong shareholder remuneration policy in the light of the Group's high capital generation and strong solvency position. And in line with our consistent capital management process and dividend policy, a cash dividend of EUR1.8 per share for 2019, up 3% compared to last year, and totaling EUR335 million will be proposed at the Annual General Meeting. So you'll be aware that the industry is facing two hot issues now; social inflation in the reinsurance industry and the coronavirus.

Now, I'll ask Jean-Paul and Frieder to discuss these two issues. Let me hand it over to Jean-Paul first. Jean-Paul?

Jean-Paul Conoscente {BIO 20770277 <GO>}

Thank you, Mark. Let's move on to Page 19. We have recently seen an increased focus upon social inflation, notably in the US, with the recent spate of announcements from companies highlighting their concerns. SCOR's controlled risk appetite and strict underwriting discipline appropriately limits our exposure to such negative developments. And SCOR has limited exposure to social inflation.

Our overall casualty portfolio is materially lower than that of our peers, both on absolute and relative terms. Our recently built US casualty portfolio is modest representing only 12% of the Group's P&C reserves and 11% of the Group's P&C gross written premium.

Furthermore, we have limited or no appetite for those business lines most impacted by social inflation with no appetite whatsoever for workers' comp, and very limited appetite for commercial auto and medical malpractice businesses with these lines of businesses representing only 1.5% of the Group's P&C reserves.

The casualty business written by SCOR Global P&C is highly diversified across personal and professional lines and across sectors. The portfolio is largely proportional so benefits directly from primary market price increases. As far as the excess book is concerned, we're mostly focused on upper layers with higher attachment points and smaller limits than most of our peers.

In 2019 as in every year, the P&C book has been reviewed thoroughly during our annual reserving review exercise, both through internal reviews and with the help of external actuaries, whom were asked to carefully look at US casualty. The conclusion is clear, we have every confidence in our secure reserving position with the best estimated valuation that includes consideration of upward market loss trends.

I'll give the floor to Frieder to discuss the second topic.

Frieder Knupling {BIO 17247809 <GO>}

Thank you, Jean-Paul. Let's move to Slide 20. The coronavirus is obviously on everybody's minds. Based on current available information coming from public sources and from our clients and partners about the spread of the virus and the fatality rate, we do not foresee this epidemic as having a material impact on our book. We are monitoring the situation closely and, if there are any changes to this assessment, we will update the market in subsequent disclosures.

On the Life side, exposure could arise from mortality and medical expense business. There is a strong focus on containment, on clear communication and on self-protection measures by the Chinese and now also by global authorities.

With the information that is known at present, we are in a situation that has nothing to do with the one in 200 year extreme stress scenario that we disclosed. China represents only a minor amount of this scenario. SGL writes about EUR9 billion of total gross written premiums per year, of which just over EUR1 billion comes from Asia. Of that EUR1 billion, around EUR400 million comes from China, where we mostly write critical illness and medical expense business with limited mortality exposure.

Total death to date from COVID-19 are less than 3,000. Put this into context, our 1-in-200 extreme stress endemic scenario allows for in excess of 10 million deaths in the general population.

It is also worth noting that the WHO estimates that global deaths arising from seasonal influenza epidemics are between 290,000 and 650,000 per annum, which is between 100 and 200 times more than the current COVID-19 estimated total deaths. We would also note that, impacts upon insured and general uninsured populations do differ as a result of different levels of access to medical care and other factors.

On the non-life side, exposures could arise from non-proportional property contracts for commercial and industrial risks. At the moment, we do not see any impact on property contracts for commercial risks such as hotels or commercial buildings. For Industrial risks, infectious disease is usually excluded.

SCOR's investment for the portfolio has limited overall equity exposure at 2% of total invested assets, mostly through convertible bonds that is subject to any broader macro-economic effects. Further, SCOR has limited credit exposure to the retail, leisure, hotel and airlines sectors, the sectors most likely to be affected.

In summary and to reiterate with the information that we have at present, the Group believes exposures are currently limited and we do not foresee this epidemic as having a material impact on our book.

Let me now hand back to Mark.

Mark Kociancic {BIO 17852409 <GO>}

Thanks Frieder. So we'll move to Page 21. Another key differentiating factor of the SCOR Group is its balanced business model between Life and P&C reinsurance, which provides an optimal diversification across underwriting risks by both geographies and lines of business. The significant size of SCOR's Life portfolio also means that SCOR holds significant economic value in the form of future profits embedded in the book that is not fully recognized under the current IFRS four framework and which can therefore be unlocked in the future.

The IFRS 17 accounting framework should better reflect this large unrecognized asset in SCOR's balance sheet of today. The Solvency II framework already provides a better view of the economic value of the SCOR Group. Solvency II adjustments translate into more than EUR3.1 billion unrecognized assets under IFRS.

This adjustment remains conservative for two reasons: First, the Solvency II methodology includes some regulatory conservatism and cannot be considered to be a true economic measurement. It notably relies on a prudent risk margin approach with two conservative features. It is not diversified between legal entities, and additionally, it relies on a high cost of capital rate.

Second, the Solvency II framework only captures the in-force portfolio. This means that the Solvency II net asset value does not reflect the franchise value of the Group i.e., the value of all the future new business that will be generated.

SCOR's diversified business model and four cornerstones are proven creators of superior value. With our very strong operating capital generation of EUR1 billion, we are very well positioned on a Solvency II ROE basis with a high return on economic capital of 14.8% in 2019. Ian?

Ian Kelly {BIO 19976646 <GO>}

Thank you very much, Mark. On Page 25, you will find the forthcoming scheduled events, starting on April 19 with the SCOR Q1 2020 results, followed by our Investor Day in Paris now scheduled for July 7 and also the other conferences that we plan to attend across the first half of the year.

With that, we can now begin the Q&A session. And can I please remind you to limit yourselves to two questions each? Thank you very much.

Questions And Answers

Operator

(Question And Answer)

Thank you, sir. (Operator Instructions). We will now take our first question from Kamran Hossain from RBC. Please go ahead.

Q - Kamran Hossain {BIO 17666412 <GO>}

Hi. Three questions. The first one is just on the, I guess, the Q4 reserve release. I know that you addressed kind of uncertainty in social inflation. It's very clear that where you think the effected part of reserves might be is very small in relation to the rest of the book. But why release that now? You've got EUR50 million, there is probably not much pressure on you to do it. Why do that now and not just wait for six months, 12 months and get that out aat later date? So that's the first question.

And the second question is just on the dividend. I'm kind of looking at the message that you're sending. One is that the capital position of the company is strong, I understand that. Solvency ratio is above the top of your range. Dividend growth is a bit light. And I understand that cat losses have been high three years in a row. But if I look at one of your peers that reported last week, they grew the dividend a bit faster on the basis that they have very strong capital position. Could you maybe talk about some of the factors driving the decision making there? And any progress or update on, I guess, the building up hard capital for your S&P rating again would be very useful. Thank you.

A - Mark Kociancic {BIO 17852409 <GO>}

Okay. Thanks Kamran. I'll address both pieces or both questions. So for the Q4 reserve release, we felt -- two parts to it. First of all, we felt very secure with our reserving position overall. We're trying to make that clear today both with the disclosures and the messaging, especially with regards to the social inflation issues, which are around us. And I think to the reserve release itself, we felt there was adequate margin that was built up that could be released, and so it was taken into the P&L. That's something that we use from time-to-time, particularly when we have significant volatility from nat cats. So that should be a reassuring message.

I think on the second piece on the dividend, first of all, we do start with a very strong solvency position. We're at 226%. 223% when you take away the callable debt that we anticipate calling in October. We do have a very strong S&P capital position, several hundreds of millions above the AAA threshold, in our view. So we're primed and ready to execute our Quantum Leap plan for 2020. We're well positioned for growth.

On the dividend itself, we felt that the earnings and the dividend question were really commensurate and so we increased it by EUR0.05, our ROE was 7%. We had EUR422 million of net income. Payout ratio of 80%, we felt good about that. There was some discussion of potentially going higher, but I think when we looked at all of the factors, we felt comfortable with the EUR0.05 increase.

Q - Kamran Hossain {BIO 17666412 <GO>}

Please, just -- sorry, I'll come back later. Nice.

A - Ian Kelly {BIO 19976646 <GO>}

Thanks very much, Kamran. Let's go to the next question.

Operator

Next question is from Vikram Gandhi from Societe Generale. Your line is open. Please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hello. Good morning, everyone. It's Vik from SocGen. Just a couple of questions. Firstly, I remember the comment made at the January renewals presentation that the P&C results are on a best estimate basis, which is also flagged on Slide 19 today. I just wonder why you say that, since in the past, the message was always that it's best estimate plus a margin, but just that you didn't disclose what the margin was. So that's question one.

Second, I'd like to go back to the cash flows on Slide 7. The presentation says that the FY '18 figures for the Life business are a bit inflated due to a large one-off transaction. But I remember they were also negatively impacted by the US tax reform. So just a bit of help in terms of looking at the FY '18 and '19 numbers kind of like-for-like comparison, that'll be really appreciated. Thank you very much.

A - Frieder Knupling {BIO 17247809 <GO>}

There's no specific change to our reserving policy. So our reserving position is following our reserving policy, which is unchanged compared with the past.

A - Mark Kociancic {BIO 17852409 <GO>}

Just on the second point with the cash flows. We did -- we were impacted on the operating cash flow in 2019 from significant US BEAT related tax payments, not necessarily BEAT directly, but income taxes resulting from the BEAT restructuring solution that we put in place. Technical cash flows were pretty much in line for both P&C and for Life with our plan for 2019. So the main drag from the prior year comparison would have been the tax payments regarding the BEAT solution. Overall, the EUR841 million was strong, in line with what we expected.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Thank you.

A - Ian Kelly {BIO 19976646 <GO>}

Thanks very much. Let's take the next question.

Operator

Our next question is from Michael Haid from Commerzbank. Please go ahead.

A - Frieder Knupling {BIO 17247809 <GO>}

Thank you very much. Good morning. Two questions, both on the capital position. First of all, can you provide us a walk through from the Solvency II ratio at the end of the third quarter to the end of the fourth quarter? And the second question also related to that, you spoke about portfolio optimization. Can you tell us of what measures you have taken, what management actions to improve the Solvency II ratio?

A - Mark Kociancic {BIO 17852409 <GO>}

Okay. So there were some economic movements between Q3 and Q4, but the main impact as you alluded to was portfolio management. We disclosed during the renewals call that, we've taken some strong portfolio action at the one/one renewals. And we also have a clear plan for the renewals for later this year, which are improving composition of the book, reducing overall underwriting risk capital requirements compared to what we had in the model last year. Generally, they are somewhat reducing the impact of peak risks in the SCR, which are very much driving overall capital requirements. And the improved balance between peak risks on the P&C side is having this effect of reducing capital requirements.

And we have a similar effect on the Life side, where we're expecting an improved balance of the portfolio, in particular, between mortality and longevity business, resulting from the business, which is in the books and which we plan to write in the coming quarters. And all of this flows into the SCR calculation, which includes the plan new business for the coming year. And the combination of those portfolio improvements and management actions on the portfolio have reduced the SCR. You see this in the operating step, the SCR has gone down by about EUR130 million compared to the position at the beginning of the year and, compared to Q3, the decrease was even a bit stronger and that explains largely the strong increase in solvency position from Q3 to Q4.

Q - Michael Hermann Haid {BIO 1971310 <GO>}

Okay. Thank you very much.

A - Ian Kelly {BIO 19976646 <GO>}

Thank you Michael. Let's go to the next question.

Operator

From Andrew Ritchie from Autonomous. Your line is open. Please go ahead.

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

Hi, there. Two questions. First of all, could you update us on what the profitability was on the primary P&C business over the year on SCOR Specialty Insurance. I mean, it has been a drag. I appreciate you're getting higher rate increases on that book. I just wanted to know how much higher the combined ratio was on that book versus the P&C reinsurance book for the full year. Secondly, on the EIOPA solvency II review, what are your kind of leatest thoughts on that? I guess you're flagging the risk margin effect. Are you more hopeful there could be some change on that front? And have you changed your attitude to potentially hedging the effect of the risk margin vis-a-vis interest rate sensitivity? Thanks.

A - Laurent Rousseau {BIO 19524847 <GO>}

So hi, Andrew. It's Laurent. Answer is very short on specialty insurance that the underwriting ratio is the same, actually, for the full year 2019 between specialty insurance and reinsurance. So not worse.

A - Frieder Knupling {BIO 17247809 <GO>}

On your second question, yes, it seems as if EIOPA is now a bit more open with respect to addressing some of the issues, which the current risk margin methodology on the Solvency II has. That wasn't apparent when the consultation came out in October, but what we're hearing now sounds a bit more flexible. We'll know more in next week, when the specifications for the holistic impact assessment are expected to come out.

Does it have an impact on our ALM and hedging strategy? I don't think so. We currently hedge the risk margin partially. We recognize that there needs to be some form of conservative margin on top of best estimates and, in principle, the cost of capital methodology can capture this. We just think that the current Solvency II methodology is inappropriate, because the cost of capital rate is too high and it doesn't reflect diversification.

So we expect that maybe this is bringing the Solvency II methodology closely in line with our economic view, which we use for our ALM economic management metrics anyway. Generally, I think that is very good news. It could be very good news for SCOR, because it would bring a close alignment between Solvency II and our house view on the risk margin and economic valuation.

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

Okay. Thanks.

A - Ian Kelly {BIO 19976646 <GO>}

Thank you so much, Andrew. Let's go to the next question, please.

Operator

From Thomas Fossard from HSBC. Please go ahead.

Q - Thomas Fossard {BIO 1941215 <GO>}

Yes. Good morning, everyone. Just two question. The first one would be related to Slide 14 -- sorry, 15. Just to better understand your EUR1 billion economic capital generation in 2019. Actually, the expected in-force contribution increased by 50% year-on-year. So could you maybe explain what has been the main driver behind this EUR220 million higher contribution, and also is the EUR1 billion is now a normalized -- is the normalized number going forward? And the second question will be related to maybe the initial discussions you may have with your Japanese clients. Actually, we've seen that the accumulation of losses in the '19 results are pretty high. So can you shed some light on what -- how your expectations regarding the April 1 renewal. Thank you.

A - Frieder Knupling {BIO 17247809 <GO>}

On your first question, Tom, the change in the expected in-force contribution was mainly driven by two factors. Compared to the situation as of 1st of January 2018, interest rates on 1st of January 2019 were somewhat higher and credit spreads had been wider. So both of this leads to a higher expected investment income for the year compared to the full year 2018. So this is quite mechanical and it's largely explaining the difference between those two numbers. And as interest rates move and credit spreads move, you will see this moving up and down. But that's really the mechanic.

Q - Thomas Fossard {BIO 1941215 <GO>}

So the normalized number would be below EUR1 billion at least then today?

A - Mark Kociancic {BIO 17852409 <GO>}

Well, I'm not guessing what the normalized level of interest rates and credit spreads is. I'm just saying this number will move up and down with rates and spreads. There are other factors, which have contributed to this -- the total operating impact being above that of previous years. We've seen on the Solvency II basis positive variances. We've also had this occasion in the past. But on a longer-term basis of our models, correct, you would this more -- expect this more to average out to zero. But then of course, you have other factors. We're planning to grow our new business substantially, and we've achieved this compared to the past. So there are also other driving factors.

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

On your second question, this is Jean-Paul, related to the Japanese renewals, yes, we started to engage in discussions with our Japanese clients for the last month. In 2019, the payback was mainly on the loss affected programs. After cat years in '18, '19, this is clearly no longer sufficient. And discussions we started to have with them is the payback across the whole portfolio. We've been in Japan for the last 50 years. We have very strong position. We're the third largest reinsurer in Japan today, and we plan to use our deep client relationships to come to a landing with them on the overall portfolio payback that's relatively rapid.

A - Ian Kelly {BIO 19976646 <GO>}

Thank you. And thanks, Tom. Let's go to the next question, please.

Operator

Thank you. (Operator Instructions) We will now take our next question from Vikram Gandhi from Societe Generale. Please go ahead.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Hello. Hi. Thank you for the opportunity. Just a couple of quick follow-ups. The first one is on the cash flow upstream from the Life and Health business. That's a number that you usually publish during the Investor Day presentations, which I think was missing the last time around. So can you share what the number was for FY '19 compared to around EUR20 million to EUR30 million average over the past few years?

And secondly, just going back to the strong Solvency II ratio, strong capital generation. I appreciate you've already touched upon what led to a strong in-force contribution, but the assumption changes and experience or answers as seen as positive. It's a bit puzzling to me at first glance since you refined your view of the P&C risks, there were some elevated claims on Life and Health year-on-year. So just maybe some explanation on what led to the assumption change and experiences or answers being positive will be helpful. Thank you.

A - Mark Kociancic {BIO 17852409 <GO>}

Vikram, just on the cash flow I reference you to Slide 7. We're showing the operating cash flows from SCOR Global Life and P&C separately. So SCOR Global Life had a very strong technical cash flow, and then obviously a positive contribution on the operating as you can see, the EUR101 million. I'm not sure what other level of detail you're after. Maybe that's something we can take offline, but this disclosure has been consistent.

A - Unidentified Speaker

Mark, maybe just to add briefly to that. The operating cash flow was down slightly from last year, but it's in line with expectations. That's relating from some volatility in the claims payments, which Mark you described already, and also some volatility from timing of claims settlement. Also in 2018, we had an exceptional impact from a one-off financial solutions transaction. So I think, again, in line with your comments, the overall liquidity of the group is very strong at EUR1.5 billion.

A - Frieder Knupling {BIO 17247809 <GO>}

On your second question, the variances are affected by a wide range of items. Claims are one of them, but we also have movement in economic reserves of different types portfolio management, changes to assumptions and so forth. It's a wide range of factors, including the performance of the book outside of the cat affected areas. So overall, they've contributed to a slightly positive outcome. And it's not straightforward to reconcile this to the IFRS results.

Q - Vikram Gandhi {BIO 18019785 <GO>}

Okay. Thank you.

A - Ian Kelly {BIO 19976646 <GO>}

Thank you, Vik. Let go to next question, please.

Operator

The next question from Paris Hadjiantonis from BNP Paribas. Please go ahead.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Yes. Hi, and good morning from my side as well. The first question will be on your combined ratio, looking at the normalized level and as we were discussing, but in the January renewals, you are around the 96% level. During the January renewals conference call, you were discussing that certain claims trends have been a bit concerning to you. I think most of the stuff that you're saying today have to do with man-made losses. So the question would be should we be taking that level as what you consider to be the two normalized? Or is it actually impacted by a level of man-made, which you think might be a bit too high for these combined ratio?

The second question will be on life insurance and given the technical margin in Q4 has been probably a bit higher on what we are used to or what you're usually guiding to, could you give us maybe the quarter specific benefit from the fee business from the financial solutions transactions and whether or not there any other one-offs in the quarter benefiting the technical margin? Thank you.

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

Okay. I'll take the first question on the normalized combined ratio. Yes, the guidance for the normalized combined ratio remains between EUR 95 million and EUR 96 million. For 2019, we had 96.1%, so slightly above that range. And the driver is mainly due to, let's say, abnormal frequency of man-made losses. We do expect the man-made losses in fire and large, let's say, explosions, things of that nature. But this year, there was a lot of also aviation, space, credit and surety losses in addition to the Ogden rate decision early in the year. So all those contributed to a slightly higher normal attritional loss ratio than we had initially projected. But our guidance going forward for 2020 and '21 remains 95%, 96% combined ratio.

A - Unidentified Speaker

Okay, and to take the second question. Excluding the 40 basis points impact from the renewal of certain financial solutions deals to the fee business, the year-to-date technical margin is consistent with the levels recorded in previous years. So 7% in 2018 and 7.1% in 2017. The net technical margin is driven by the performance of our different business lines and reflects the overall positive performance from the protection business, building off our active portfolio management and strong reserving positions in several markets.

I think it's actually probably most relevant to focus on the full year technical margin rather than the specific Q4 quarter. Overall, our objective remains the technical margin in the range between 7.2% and 7.4% as defined during Quantum Leap.

A - Ian Kelly {BIO 19976646 <GO>}

Thank you very much, Paris. Do we have any more questions?

Operator

As there are no further questions in the queue at this time, I would like to hand the call back to our speakers for any additional or closing remarks. Thank you.

A - Ian Kelly {BIO 19976646 <GO>}

Okay. Thank you very much for attending this conference call. And please don't hesitate to give us a call should you require any further information as usual. And also, a quick reminder that we have a sell-side analyst round table held in our Paris, London, and Zurich offices at evening at 5 P.M. UK time; 6 P.M. European time. And I hope to see you there.

I will now hand back to Denis for closing remarks.

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

Thank you, Ian. And just a word. This is a special year for SCOR because we're going to celebrate the 50th anniversary of SCOR. We're created back in 1970. So the good news is that we already ordered a few bottles of champagne to celebrate throughout the year. But we stay focused, of course, on the mission and we'll pursue the Quantum Leap plan with a high degree of determination and resolution. I'd like to wish you today a very good day. Thank you.

Operator

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