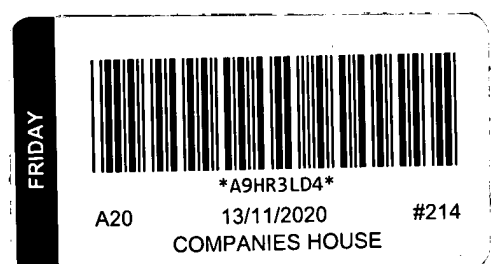


SCOR Underwriting Limited

Registered Number 4296463

Financial Statements for the year ended

31 December 2019



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Company information

Directors and Officers

M Newman	Executive Director
J Bayfield	Executive Director
C Bartlett	Executive Director
C Delannes	Non-Executive Director (Resigned 07/02/2020)
S Van Viet	Non-Executive Director

Company Secretary

C Bartlett

Registered Office

10 Lime Street
London EC3M 7AA

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Strategic report for the year ended 31 December 2019

The Directors present their strategic report for SCOR Underwriting Limited (the Company) for the year ended 31 December 2019.

Strategy

The Company has a twin track approach when deciding which syndicates to support. The Company seeks long term business relationships with syndicates where there is a specialisation that is complementary with the core skills and knowledge of the SCOR Group, supplementing this with a more opportunistic shorter term support for syndicates where there is a favourable development in the underwriting cycle. The Company's success is dependent upon the proper pricing and ongoing management of the risks in the business written by the syndicates and its future development is in part dependent upon maintaining good relationships with its partners.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval but are developed in conjunction with the SCOR Group policies, procedures and controls.

Reviews, in the form of Underwriting / Actuarial pricing and Catastrophe Modelling are undertaken periodically by SCOR Global P&C and the last one in September 2016 had a positive outcome and no major control issues were identified.

Compliance with regulation, legal and ethical standards is a high priority for the Company and the Directors and the company secretary take on an important oversight role in this regard.

The principal risks from our participations arise from inaccurate pricing; fluctuations in the timing, frequency and severity of claims compared with expectations; inadequate or failed reinsurance protection; and inadequate reserving.

Key performance indicators

The Company monitors its business activity by means of a number of key performance indicators (KPI's) designed to track the profitability of the business written before the effect of the retrocession to Group companies, accordingly all KPI's below are pre-quota share. These are reported to and discussed by the Board on a regular basis:

Incurred loss ratio – net of reinsurance

This is the ratio of claims incurred to earned premium after the deduction of reinsurance purchased by the syndicates. The ratio is monitored by year of account for each syndicate and in the aggregate. For 2019 the aggregate net loss ratio was 63.3% (2018 – 63.5%).

(ii) Development of premium

The Company monitors the gross written premium per syndicate per underwriting year and compares it to the syndicate's business plan and its own estimations on a quarterly basis. Significant variances are investigated and future budgets and forecasts adjusted accordingly. Additionally, the Company compares the current year to the prior year in the aggregate. For 2019 the gross written premium received was £513,209K (2018 - £580,637K) (see note 5 to the financial statements).

(iii) Syndicate gross cost ratio

This is the total of acquisition costs and syndicate administrative expenses incurred (before exchange gains and losses) of £190,254K (2018 - £195,684K) (as detailed in note 9 to the financial statements), divided by the gross premium earned excluding RITC received (as detailed in note 5 to the financial statements). For 2019 this was 36.20% (2018 – 33.70%).

(iv) Company management expenses

The Company has a service level agreement ("SLA") and group divisional recharges ("GDR") with fellow group companies. Costs arising under these agreements are monitored against a budget and against the previous year. For 2019 the SLA charge was £1,643K (2018 - £2,149K) and the GDR charge was £140K (2018 - £162K). Overheads incurred by the fellow group companies are recharged to all the UK based operating companies using an allocation key.

Strategic report for the year ended 31 December 2019 (continued)

(v) Solvency position – Funds at Lloyd's

The Company is required to maintain funds at Lloyd's at least equal to the solvency requirement which is calculated by Lloyd's based on the syndicates supported by the Company. Lloyd's issues a formal assessment twice a year, the first determines whether surplus assets may be distributed on the close of an underwriting year and is normally issued in May. The second is known as the coming into line which takes place in December and is based on the syndicates to be supported in the forthcoming underwriting year as well as any remaining open underwriting years. The Company paid £37M as cash injections to funds at Lloyd's during 2019 (2018 - £59M).

(vi) COVID-19 Pandemic

The developments from the outbreak of the COVID-19 pandemic since early 2020 are closely monitored by management who are in close communication with the Lloyd's syndicates the Company supports. At the time of writing, gross claims paid and incurred for the latest reporting period (syndicates' Q2 returns to Lloyd's) are at £2.1M and £9.5M respectively. Syndicates have prepared a range of exposure estimates, which take into account not only the more immediate and direct impacts of the crisis (principally on classes such as event cancellation and property/business interruption) but also its potential secondary (recessionary) impacts, whose development and emergence will be much longer-tail in nature. We consider such exposure estimates to be subject to a very high level of uncertainty but note that we would expect any material gross exposure to be extensively mitigated by the syndicates' reinsurance protections, meaning that net losses would be significantly lower. We would also note that, in an extreme scenario, the Company's exposure would be further mitigated by its Aggregate Stop Loss arrangement with its immediate parent company.

In all instances the Company's immediate parent company SCOR Switzerland commits, under a formalised agreement, to meet 100% of all of the Company's capital obligations towards Lloyd's, known as Funds at Lloyd's (FAL). The FAL position at year end 2019 comprised of Tier 1 assets of £212.9m and Tier 2 assets of £191.3m. Following the 2020 mid-year coming into line, the FAL position has reduced to Tier 1 assets £147.5m and Tier 2 assets of £155m (see also note 25 – Events Subsequent to 31 December 2019).

SCOR Group and the Company will continue to regularly assess the COVID-19 impact on its business (see also note 25 - Events Subsequent to 31 December 2019).

As regards operational risks, the Company operates as an integrated part of the overall SCOR Group, benefiting from a global network of offices and IT infrastructure. SCOR Group is doing its utmost to help stop the spread of the COVID-19 virus, starting within the company. Actively protecting the health of our employees and their loved ones is our top priority. This is why we adopted early and strict prevention measures, before fully activating our Business Continuity Plan and switching to working from home in all Group offices, a move that came before lockdown and social distancing measures were even implemented in most countries. The resilience of SCOR's operational capability, supported by high-performance IT systems and applications, means that the Group can continue to serve its clients in this period of crisis and respond effectively to their reinsurance needs.

(vii) Business Model Changes in 2020

Following a review of the business model of the Company in 2019, by a specialised team of SCOR experts drawn from across the P&C Business Unit, it was determined that a more appropriate business model for aligning the economic interest of SCOR Switzerland in the Group's participation in the relevant Lloyd's syndicates was for the Company to cease ceding 100% of the performance of the Syndicates to SCOR Switzerland, instead becoming a wholly owned subsidiary of SCOR Switzerland.

To successfully implement this Business Unit level reorganisation, at the request of its ultimate shareholder, the Company commuted the in-force quota share contracts with SCOR Switzerland effective on 1 January 2020 and effective on the same date SCOR SE sold 100% of its ownership interest to SCOR Switzerland. As concurrent elements of this reorganisation plan the Company also entered into a FAL support agreement, to guarantee 100% of its capital commitment towards Lloyd's, and a stop loss arrangement with its new immediate parent company. (see also note 25 - Events Subsequent to 31 December 2019).

Strategic report for the year ended 31 December 2019 (continued)

(viii) Section 172(1) Statement

From 2019 financial year onwards all entities above certain thresholds are required to disclose their compliance with Section 172(1) of the 2006 Companies Act. It requires the following:

A Director of a company must act in a way he/she considered, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to –

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees (if any)
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for the high standards of business conduct, and
- f) the need to act fairly as between members of the company.

As an integral part of the SCOR Group the Company operates in a framework of systems, processes and policies that aim, at all times, to conduct business with integrity in dealings with all stakeholders and all personnel operating on behalf of the Company must agree to comply with the Group's Code of Conduct which reinforces ethical principles and requirements as regards preventing conflicts of interest. The Code of Conduct is supplemented by a policy defining the alert procedures ("whistleblowing") available for all staff.

The directors of the Company must act in accordance with a general set of duties. These duties are detailed in the UK's Companies Act and include a duty to promote the success of the Company.

The directors fulfil their duties through a governance framework that delegates day-to-day decision-making to appropriate teams within the SCOR P&C Business Unit. The following paragraphs summarise how the Directors fulfil their duties.

Long-Term Decision Making

The Board is updated on developments within the portfolio of Lloyd's syndicates periodically and annually the updated business plan, based on the relevant Syndicate Business Forecasts as submitted to Lloyd's, is submitted to the Board for approval. Once approved by the Board, the plan and strategy form the basis for financial budgets, resource plans and performance reviews. In making decisions concerning the business plan and future strategy, the Board has regard to a variety of matters including the interest of various stakeholders, the consequences of its decisions in the long term and its long-term reputation.

Key Stakeholders

As a wholly owned subsidiary of the SCOR Group the interests of our shareholder and other subsidiaries within the group are taken into account by the Board but the Board also considers the following stakeholders to be key for the Company and has engaged with them in the following ways, over the course of 2019:

Customers

Lloyd's of London Syndicates which the Company participates in form the largest customer segment for which there is regular and active interaction between the Company, led by underwriting teams, and these clients. These relationships are key for the future of the Company and as such the Board receives regular updates on market developments, underwriting performance or specific topics, as necessary, either direct from the managing director or from the relevant specialists

teams within the SCOR P&C Business Unit. The Board seeks regular briefings on the performance of these syndicates and the various lines of business they write.

Employees

The Company has no direct employees (see note 10 – staff costs) with all its employees being provided by fellow Group undertakings.

Strategic report for the year ended 31 December 2019 (continued)

Society/Environment

The Company operates within the Corporate Social Responsibility framework and strategy of its parent group, as set out in SCOR SE's annual Activity & CSR Report.

Regulators

Whilst the Company is not directly regulated, the Syndicates in which it participates are directly regulated by the Society of Lloyd's of London and indirectly by the Prudential Regulation Authority. The Company engages with Lloyd's of London on an ongoing basis and the directors consider it a key stakeholder because of the oversight provided over operations of the various Syndicates the Company participates in.

By order of the Board



C Bartlett
Secretary
20 October 2020

Directors' report for the year ended 31 December 2019

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Principal activities

The principal activity of the Company consists of participating in the Lloyd's insurance market as a corporate underwriting member on a limited liability basis.

Review of business and future developments

The Company commenced business with the Lloyd's 2002 year of account. The Company currently underwrites on the 2017 and subsequent years of account on various syndicates at Lloyd's. Under the terms of quota share reinsurance arrangements, 100% of the Company's underwriting participations are ceded to a fellow group undertaking in return for profit commission such that the Company retains no underwriting risk. This arrangement is expected to end on 1 January 2020 (see note 25). The Company's participations are as follows:

	2019 Allocated Capacity		2018 Allocated Capacity	
	Total £'000	Company's Participation £'000	Total £'000	Company's Participation £'000
Syndicate 3268	107,700	11,000	90,000	18,000
Syndicate 4444	1,048,125	58,207	1,048,125	58,207
Syndicate 4242	165,000	13,200	110,399	13,200
Syndicate 2525	69,875	10,742	65,000	9,993
Syndicate 1910	206,200	10,310	181,767	9,088
Syndicate 2015	205,000	205,000	225,000	225,000
Syndicate 1897	-	-	65,000	21,667
Syndicate 1200	450,000	31,765	450,000	31,765
Syndicate 510	1,137,275	34,979	1,137,788	34,979
Syndicate 1991	126,750	12,675	126,750	24,178
Syndicate 2988	98,000	8,547	-	-
Syndicate 6123	35,000	3,500	-	-
		399,925		446,077

Result and dividends

In accordance with the 2019 Quota Share Agreement the Company has charged the Reinsurer a ceding commission based on stamp capacity for the 2019 Underwriting Year. The Company made a loss after taxation for the year ended 31 December 2019 of -£3.8M (2018 was a profit of £3.3M). The Company has paid dividends in 2019 of £2.5M (2018 - £3.0M).

Directors and Directors' interests in shares

The Directors who held office during the year and subsequent changes are listed below:

M Newman
J Bayfield
C Delannes (Resigned 07/02/2020)
S Van Viet
C Bartlett

None of the Directors have interests in shares of the Company (2018 – Nil).

Directors' report for the year ended 31 December 2019 (continued)

Financial instruments

The financial risk management objectives of the Company in relation to financial instruments are set by the Board of Directors with a view to maintaining low volatility in investment performance. The financial instruments held by the Company are short cash deposits, which are not considered subject to material credit risk, liquidity risk or cash flow risk.

Statement of disclosure of information to auditors

Each of the persons who is a Director at the date of this report confirms that:

- 1) so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2019 of which the auditors are unaware, and
- 2) the Director has taken all steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going Concern

The Directors have reviewed management's going concern assessment of the Company and consider that there are no material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Please refer to note 2 – Accounting Principles and Methods – Basis of Preparation.

Auditors

The Company held an audit tender process during the year and the decision has been taken not to reappoint Ernst & Young LLP as auditor for the subsequent year end. The Company intends to appoint Mazars LLP as audit for the subsequent year end.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'the financial reporting standard applicable in the UK and Republic of Ireland' and FRS 103 'insurance contracts'. Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Chen Ruit

C Bartlett
Secretary
20 October 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOR UNDERWRITING LIMITED

Opinion

We have audited the financial statements of SCOR Underwriting Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Shareholders' Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 25 (i) of the financial statements, which describes the economic disruption the company is facing as a result of COVID-19 which may materially impact the valuation of the company's performance. Our opinion is not modified in respect of this matter.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOR UNDERWRITING LIMITED
(continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

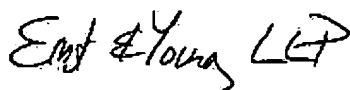
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOR UNDERWRITING LIMITED
(continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Stuart Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

23 October 2020

Company Registration Number 4296463

Income Statement – general business
Year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
EARNED PREMIUMS, NET OF REINSURANCE			
Gross premiums written	5	513,209	580,637
Outward reinsurance premiums		(513,209)	(580,637)
Net premiums written		-	-
Change in the gross provision for unearned premiums		16,589	(53,269)
Change in the provision for unearned premiums, reinsurers' share		(16,589)	53,269
		-	-
Earned premiums, net of reinsurance		-	-
Allocated investment return transferred from the non-technical account	8	10,814	3,953
CLAIMS INCURRED, NET OF REINSURANCE			
Claims paid			
Gross amount		(406,421)	(371,786)
Reinsurers' share	6	406,421	371,786
		-	-
Change in the provision for claims			
Gross amount		67,088	(58,475)
Reinsurers' share	6	(67,088)	58,475
		-	-
Claims incurred, net of reinsurance		-	-
Other technical income			
Gross amount		-	-
Reinsurers' share		-	-
Net operating expenses	9	(6,423)	968
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS	6	4,391	4,921

Company Registration Number 4296463

Income Statement non-technical account
Year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		4,391	4,921
Investment income	8	10,814	3,953
Allocated investment return transferred to the general business technical account		(10,814)	(3,953)
Interest receivable		7	8
Total		7	8
Other non-technical charges		(1,734)	(2,389)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		2,664	2,540
Tax (loss)/credit on profit on ordinary activities	14	(6,505)	759
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(3,841)	3,299

All operations of the Company are continuing.

The Company had no other gains or losses in the year other than those reflected in the profit and loss account above, and therefore no separate statement of comprehensive income has been presented.

Company Registration Number 4296463

Statement of Financial Position - Assets
At 31 December 2019


	Note	Syndicate Participations £'000	Corporate Undertaking £'000	2019 Total £'000	Syndicate Participations £'000	Corporate Undertaking £'000	2019 Total £'000
INVESTMENTS							
Other financial investments	16	300,349	-	300,349	323,501	-	323,501
Deposits with ceding undertakings		46	-	46	748	-	748
		<u>300,395</u>	<u>-</u>	<u>300,395</u>	<u>324,249</u>	<u>-</u>	<u>324,249</u>
REINSURERS' SHARE OF TECHNICAL PROVISIONS							
Provision for unearned premium	19	60,743	255,500	316,243	69,442	272,829	342,271
Unexpired risk reserve		-	80	80	26	83	109
Claims outstanding	19	188,902	449,261	638,163	258,213	500,376	758,589
		<u>249,645</u>	<u>704,841</u>	<u>954,486</u>	<u>327,681</u>	<u>773,288</u>	<u>1,100,969</u>
DEBTORS							
Debtors arising out of direct insurance operations:							
- Intermediaries		117,232	-	117,232	157,064	-	157,064
Debtors arising out of reinsurance operations		90,135	143,368	233,503	74,797	135,910	210,707
Other debtors	17	30,643	3,533	34,176	19,648	3,494	23,142
		<u>238,010</u>	<u>146,901</u>	<u>384,911</u>	<u>251,509</u>	<u>139,404</u>	<u>390,013</u>
OTHER ASSETS							
Cash and short term deposits		87,551	360	87,911	93,654	247	93,901
		<u>87,551</u>	<u>360</u>	<u>87,911</u>	<u>93,654</u>	<u>247</u>	<u>93,901</u>
PREPAYMENTS AND ACCRUED INCOME							
Deferred acquisition costs		100,344	-	100,344	102,554	-	102,554
Other prepayments and accrued income		5,464	3	5,467	5,575	3	5,578
		<u>105,808</u>	<u>3</u>	<u>105,811</u>	<u>108,129</u>	<u>3</u>	<u>108,132</u>
TOTAL ASSETS				<u><u>1,833,514</u></u>	<u><u>2,018,164</u></u>		

Company Registration Number 4296463


Statement of Financial Position - Liabilities
At 31 December 2019

	Note	Syndicate Participations £'000	Corporate Undertaking £'000	2019 Total £'000	Syndicate Participations £'000	Corporate Undertaking £'000	2019 Total £'000
CAPITAL AND RESERVES							
Called up share capital	20	-	-	-	-	-	-
Profit and loss account		-	(2,788)	(2,788)	-	3,553	3,553
Total shareholder's funds		-	(2,788)	(2,788)	-	3,553	3,553
TECHNICAL PROVISIONS							
Provision for unearned premium	19	316,243	-	316,243	342,271	-	342,271
Unexpired risk reserve		80	-	80	109	-	109
Claims outstanding	19	638,163	-	638,163	758,589	-	758,589
		954,486	-	954,486	1,100,969	-	1,100,969
DEPOSITS RECEIVED FROM REINSURERS							
		1,383	-	1,383	1,335	-	1,335
		1,383	-	1,383	1,335	-	1,335
CREDITORS							
Creditors arising out of direct insurance operations		17,365	-	17,365	14,062	-	14,062
Creditors arising out of reinsurance operations		105,417	731,764	837,181	105,180	777,543	882,723
Other creditors	18	11,205	6,718	17,923	7,521	-	7,521
		133,987	738,482	872,469	126,763	777,543	904,306
ACCRUALS AND DEFERRED INCOME							
		7,998	(34)	7,964	7,812	189	8,001
		7,998	(34)	7,964	7,812	189	8,001
TOTAL LIABILITIES				<u>1,833,514</u>			<u>2,018,166</u>

The financial statements on pages 12-35 were approved by the Board of Directors on the 20th of October 2020 and signed on its behalf by:



Charles Bartlett
Managing Director



James Bayfield
Director

Statement of Changes in Shareholders' Equity
For the year ended 31 December 2019

	2019	2018
	£'000	£'000
At 1 January	3,553	3,254
(Loss)/Profit for the year	(3,841)	3,299
Dividends paid	<u>(2,500)</u>	<u>(3,000)</u>
At 31 December	<u>(2,788)</u>	<u>3,553</u>

Notes to the Financial Statements for the year ended 31 December 2019

Accounting Principles and Methods

1. Authorisation of financial statements and statement of compliance with FRS 102 and FRS 103

The financial statements of SCOR Underwriting Limited (the "Company") for the year ended 31 December 2019 were authorised for issue by the board of Directors on 20 October 2020 and the statement of financial position was signed on the board's behalf by James Bayfield and Charles Bartlett. The Company is a private company limited by shares incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103") and the Companies Act 2006.

The principal accounting policies adopted by the Company are set out in note 4.

2. Basis of preparation

These accounts have been prepared under the historical cost convention, modified to include the valuation of investments at fair value or at amortised cost, and in accordance with FRS 102 and FRS 103.

Under FRS 103, the Company has applied existing accounting policies for insurance contracts.

These accounts have been prepared on a going concern basis and in accordance with the Companies Act 2006 and the Regulation 6 (1) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations").

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

The Company has taken advantage of the following exemption:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows includes the Company's cash flows.
- ii) From disclosing inter-group transactions as the Company is a wholly-owned subsidiary of SCOR Switzerland AG. The Company is included within the consolidated financial statements of the ultimate parent entity, SCOR SE. Copies of these financial statements are available from the registered office of the ultimate parent entity at 5 Avenue Kléber, 75795 Paris, France. The Directors are satisfied that there are no other material related party transactions requiring disclosure under section 33 of FRS 102.

From 2005 the Lloyd's member services unit ("MSU") has supplied consolidated Schedule 3 accounts to all Lloyd's participants, including the Company, and this data forms the basis for the Company's accounts. In preparing the accounts from which this Schedule 3 data is derived, the individual syndicates' respective managing agents make judgements and estimations based on the data available to them. However, it should be noted that these judgements and estimations may be different from one managing agent to another and may differ to those the Company would have made.

The managing agents are understood to have prepared the syndicates' financial statements in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. The managing agents are further understood to have prepared the syndicates' financial statements under the historical cost convention except for certain financial instruments which are measured at fair value.

2. Basis of preparation (continued)

In light of the foregoing, it will be understood that there are two distinct elements to the Company's accounts:

- i) Syndicate Participations for which the syndicates' Schedule 3 data is used.
- ii) Other corporate activities and interests, including the development of the post-reinsurance to close swing premium arrangement described elsewhere in these notes and the Company's quota share arrangement with SCOR Switzerland AG.

Going Concern

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The FAL agreement with SSAG also allows the Company to fund losses despite the negative shareholder funds (note 25). The Company therefore continues to adopt the going concern basis in preparing its financial statements.

We are tracking the development of COVID-19 exposures through our continued monitoring of the syndicates' quarterly returns and discussions with managing agents. These developments are closely monitored by SCOR Group management and appropriate actions will be taken as necessary. The Company operates within the SCOR Group Capital Management framework, the main principle of which is to ensure that SCOR's entities receive the necessary support to continue to meet their respective regulatory capital requirements enabling SCOR to run its business properly and to support business development as planned in the strategic plan. The Company has received assurances from its parent and capital provider, SCOR Switzerland AG, that this framework will continue to be operated in the next 12 months reinforcing the relevance of the going concern assumption under which these financial statements are based.

The financial statements are presented in pounds sterling (GBP), which is the Company's presentational and functional currency. All values are rounded to the nearest thousand pounds except when otherwise indicated.

3. Use of Estimates

i) In respect of Syndicate Participations

In preparing the syndicates' financial statements, the Directors of their respective managing agents have made judgements, estimates and assumptions. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are those listed below, with the corresponding accounting policies applicable to each described elsewhere in these notes:

- Premiums written
- Earned premiums
- Claims provisions and related recoveries
- Net operating expenses (including acquisition costs)
- Investments

ii) In respect of other corporate activities and interests

In the specific case of the swing premium element relating to a reinsurance to close transaction described elsewhere in these notes, the Directors have made judgements and assumptions in relation to the measurement of the provision for certain claims outstanding based on current available data. These claims are on-going and the development of such claims will determine to what extent, if any, the Company is due a return of premium from the reinsurer. In common with all such provisioning, in particular where it relates to longer-tail classes of business, this is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement

3. Use of Estimates (continued)

is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported to the (re)insurer.

4. Significant Accounting Policies

i) In respect of Syndicate Participations

Preparing financial statements in accordance with Section 255 of the Companies Act 2006 and Schedule 3 to the Regulations has required the Company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the Syndicates") during the calendar year. Similarly, its proportion of the syndicates' assets and liabilities has been reflected in its balance sheet. The proportion referred to above is calculated by reference to the Company's participation as a percentage of the syndicates' total capacity.

The Directors of the Company understand that the managing agents have applied accounting policies as follows in preparing the syndicates' financial statements, consistent with current Regulations and accounting standards. The Schedule 3 data, from which the Company's accounts in respect of its syndicate participations are derived, relates to these financial statements and thus reflects these accounting practices. Specific considerations in respect of reinsurance to close are also noted below.

Inwards and outwards premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums on a risk by risk basis, representing the difference between the written and signed premium, which is held on the balance sheet as an asset.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured. Reinstatement premiums arise when a loss has been incurred on a policy and there is a clause which allows the reinstatement of the policy with the payment of a further premium by the policyholder. Reinstatement premiums payable or recoverable in the event of a claim being made are charged to the same year of account as that to which the underlying loss is allocated.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Claims provisions and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. An estimate of the future cost of indirect claims handling is calculated as a percentage of the claims reserves held at the balance sheet date.

The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods. These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and where material, reported as an asset.

4. Significant Accounting Policies (continued)

The reinsurers' share is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions regarding claims estimates are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The managing agents' directors are required to satisfy themselves that the provisions for gross claims and related reinsurance recoveries in respect of the syndicates under their management are fairly stated on the basis of the information currently available. However, ultimate liability can be varied by further information and events and this may result in significant adjustments to the provisions. Modifications to claims provisions established in prior years are shown in the financial statements for the period in which the adjustments are made. Provisions are not discounted for investment earnings that may arise on funds retained to meet future liabilities. The methods used, and the estimates made, are required to be reviewed regularly.

Net operating expenses (including acquisition costs)

Net operating expenses include acquisition costs, profit and loss on exchange, and amounts charged to members through the syndicate. Where expenses are incurred by or on behalf of the managing agent for the administration of the managed syndicate, they are apportioned using methods considered appropriate to the type of expense.

Expenses which are incurred jointly for the managing agent and managed syndicate are apportioned between the managing agent and syndicate on bases dependant on the amount of work performed, resources used and the volume of business transacted.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are recognised by reference to premium written. They are deferred to the extent that they are attributable to and recoverable against premiums unearned at the balance sheet date. All other operating expenses are accounted for on an accruals basis.

Investments

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value (bid value) and deposits with credit institutions and overseas deposits are stated at cost or market value as notified by Lloyd's.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Taxation

Under Schedule 19 of the Finance Act 1993 the syndicates do not pay UK taxation, their profits being allocated and assessed to tax on their members in direct proportion to their capacity. The syndicates pay

4. Significant Accounting Policies (continued)

various overseas direct and premium based taxes, the majority of which are allocable to their members in direct proportion to their capacity and which can be claimed by members either as double tax relief or as an expense against tax liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the syndicates in the management of its short-term commitments.

Reinsurance to close

At the end of its third year, an underwriting year of account is normally closed by reinsurance into the following year of account of the same syndicate. The amount of the reinsurance to close premium payable is determined by the managing agent, normally in the same manner as the provision for claims referred to above.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicates. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicates. The excess representing the increase or reduction in percentage participation is shown in the technical account as gross premiums written or reinsurance premiums payable as appropriate and is represented in the balance sheet by the related share of assets and liabilities transferred between the two Lloyd's years of account of the managed syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account. The Company adjusts its provision for outstanding claims at 36 months for a year of account to equal its share of the syndicate reinsurance to close, and no further provision is made for any potential variation in the ultimate liability of that year of account. The actual portfolio premium payable or receivable is accounted for in the year when the reinsurance is effected, normally during the fourth year of an underwriting year.

There is currently one specific circumstance in which the potential return of premium to the Company post-reinsurance to close is provided for under the terms of the reinsurance to close transaction in question, subject to the future development of certain loss reserves. Since data relating to the development of these reserves will be provided to the Company directly by the reinsurer, not in the Schedule 3 data furnished by Lloyd's MSU, provision for this swing premium arrangement is made outside of the syndicate participations figures and is therefore discussed in the notes in respect of other corporate activities and interests.

Run off year and estimated liabilities

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities for that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

ii) In respect of other corporate activities and interests

4. Significant Accounting Policies (continued)

Swing premium development

As part of the external reinsurance to close of one of the Company's legacy participations in 2016, a swing premium arrangement was entered into with the assuming reinsurer in respect of certain specific long-tail exposures within the year of account in question. As well as fully transferring all the syndicate's capital providers' liabilities for this year of account (as is normal for any reinsurance to close transaction), the reinsurance to close, through this swing premium element, provides for the return of premium to members, subject to the development over the coming years of the specific exposures covered by the swing premium arrangement. Provisions for such future return of premium has been made in the Company's balance sheet (Debtors/Creditors arising out of reinsurance operations) based on the Company's own actuarial analysis of the exposure in question. The Company will therefore continue to monitor the development of these exposures until at least 2022, in collaboration with the reinsurer, booking reserve adjustments (in USD) over that period as appropriate.

Current and deferred taxation

As noted above, syndicates do not pay UK taxation on behalf of their members: profits (or losses) are distributed to (or collected from) members by Lloyd's in respect of the member's syndicate participations, with no deduction of tax on such profits at or before the point of distribution. Current tax for which the Company is liable, including United Kingdom Corporation Tax and Base Erosion and Anti-abuse Tax (BEAT) from the United States of America, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The taxation expense represents the sum of the tax currently payable and deferred tax.

United Kingdom taxation charged in the non-technical account is based on profits and income including realised gains and losses on all investments for the year as determined in accordance with the relevant tax legislation, together with adjustments in respect of earlier years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in the future have occurred at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5. Segmental analysis

The business noted below has all been underwritten in the Lloyd's insurance market or in the United Kingdom, which has been treated as one geographical segment and class of business.

Segmental information in the format required by the Companies Act 2006 is as follows:

Year ended 31 December 2019	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Direct insurance:					
Accident & Health	10,953	13,361	(9,745)	(5,307)	(50)
Motor (TPL)	2,553	2,475	(1,819)	(865)	
Motor (Other classes)	8,342	8,899	(4,486)	(3,697)	(245)
Marine, Aviation & Transport	20,508	34,957	(23,139)	(12,413)	(6,605)
Fire and other damage to property	193,561	209,787	(131,168)	(75,761)	(7,191)
Third Party Liability	108,889	124,344	(92,122)	(49,349)	42
Credit & Surety	34,655	20,411	(2,424)	(5,091)	(6,966)
Legal Expenses	441	324	(145)	(177)	4
Other	-	-	-	-	-
Subtotal	379,902	414,558	(265,048)	(152,660)	(21,087)
Reinsurance	129,082	111,015	(70,060)	(32,086)	(16,856)
RITC Received	4,225	4,225	(4,225)	-	-
Total	513,209	529,798	(339,333)	(184,746)	(37,943)

Year ended 31 December 2018	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Direct insurance:					
Accident and Health	14,469	15,507	(9,647)	(6,821)	(1,141)
Motor (TPL)	2,315	2,339	(1,594)	(914)	(118)
Motor (Other classes)	9,109	8,161	(4,409)	(3,572)	(192)
Marine, Aviation and Transport	48,094	51,781	(48,994)	(21,015)	6,55
Fire and other damage to property	219,999	204,449	(179,157)	(79,189)	12,65
Third party liability	145,113	126,995	(102,855)	(54,905)	8,78
Credit and Surety	39,612	23,389	(12,288)	(7,616)	(2,178)
Legal Expenses	273	284	(113)	(208)	-
Other	-	-	250	-	-
Subtotal	478,984	432,905	(358,807)	(174,240)	24,36
Reinsurance	101,589	94,399	(71,390)	(28,962)	(4,908)
RITC received	64	64	(64)	-	-
Total	580,637	527,368	(430,261)	(203,202)	19,46

The reinsurance balance shown above does not include reinsurance amounts £25,801K (2018 - £88,909K) arising from the quota share arrangement referred to in note 6.

6. Effect of quota share reinsurance

The Company has entered into a quota share reinsurance agreement with a fellow Group undertaking. Under the terms of this agreement, 100% of the Company's underwriting amounts are ceded and profit and ceding commissions are receivable by the Company.

The effect of the quota share reinsurance is shown below:

	Pre Quota Share £'000	Quota Share Reinsurance £'000	2019 Total £'000	Pre Quota Share £'000	Quota Share Reinsurance £'000	2018 Total £'000
Gross written premiums	513,209	-	513,209	580,637	-	580,637
Outward reinsurance premiums	(129,891)	(383,318)	(513,209)	(238,607)	(342,030)	(580,637)
	383,318	(383,318)	-	342,030	(342,030)	-
Change in gross provision for unearned premiums	16,589	-	16,589	(53,269)	-	(53,269)
Change in provision for unearned premiums, reinsurers' share	(6,607)	(9,982)	(16,589)	8,649	44,620	53,269
Earned Premiums, net of reinsurance	393,300	(393,300)	-	297,410	(297,410)	-
Claims paid						
- gross amount	(406,421)	-	(406,421)	(371,786)	-	(371,786)
- reinsurers' share	129,994	276,427	406,421	134,228	237,558	371,786
Change in provision for claims						
- gross amount	67,088	-	67,088	(58,475)	-	(58,475)
- reinsurers' share	(39,445)	(27,643)	(67,088)	107,106	(48,631)	58,475
	(248,784)	248,784	-	(188,927)	188,927	-
Investment income	10,814	-	10,814	3,953	-	3,953
Gross operating expenses	(184,746)	-	(184,746)	(203,202)	-	(203,202)
Reinsurance commission	8,008	165,924	173,932	6,778	192,471	199,249
Profit and ceding commission	-	4,391	4,391	-	4,921	4,921
Net operating expenses	(176,738)	170,315	(6,423)	(196,424)	197,392	968
Balance on Technical Account for general business	(21,410)	25,801	4,391	(83,988)	88,909	4,921

7. Balance on Profit and Loss Technical Account

The Company's share of each syndicate's profit and loss technical account balances adjusted as necessary for any subsequent re-insurance entered into after reinsurance to close by underwriting year of account have been accounted for as follows:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 & prio £'00
Current participations						
Open Years						
2019 – 510	(2,109)					
2019 – 1200	(763)					
2019 – 1897	(986)					
2019 – 1910	(1,472)					
2019 – 1991	(17,465)					
2019 – 2015	66					
2019 – 2525	(577)					
2019 – 3268	(457)					
2019 – 4242	(478)					
2019 – 4444	1,006					
2019 – 6123	28					
2018 – 510	2,153	(3,904)				
2018 – 1200	29	(3,120)				
2018 – 1897	(2,919)	(2,960)				
2018 – 1910	489	(799)				
2018 – 1991	529	(3,214)				
2018 – 2015	(13,741)	(29,613)				
2018 – 2525	492	(479)				
2018 – 3268	1,465	(3,825)				
2018 – 4242	(739)	(4,506)				
2018 – 4444	(252)	(2,251)				
2017 – 510	4,085	798	(5,676)			
2017 – 1200	(1,215)	713	(6,308)			
2017 – 1897	(1,516)	(1,910)	(3,362)			
2017 – 1991	648	(406)	(2,659)			
2017 – 2015	12,104	(11,018)	(41,106)			
2017 – 2525	681	384	(759)			
2017 – 4242	(229)	(2,684)	(3,583)			
2017 – 4444	(58)	(2,319)	(6,011)			
2017 – 6126	(208)	(2,008)	(3,575)			

7. Balance on Profit and Loss Technical Account (continued)

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 & prior £'000
Closed Year						
2016 – 510		2,388	1,099	(2,049)		
2016 – 1200		(100)	(1,609)	(2,006)		
2016 – 1897		(2,306)	1,205	(5,080)		
2016 – 1991		798	132	(3,057)		
2016 – 2016		(13,178)	(11,985)	(22,830)		
2016 – 2468		1,504	(124)	(883)		
2016 – 2525		(423)	1,253	(687)		
2016 – 4020		(21)	(114)	174		
2016 – 4242		(361)	(2,812)	(549)		
2016 – 4444		(72)	(648)	(681)		
2014 – 2526		(38)	327	(549)	(676)	(479)
2013 – 2526		941	1,862	(3,045)	(5,334)	(616)
Historic participations						
2015 and prior – 4444			(1,174)	1,323	3,880	21,481
2015 and prior – 4242			(91)	1,851	2,561	9,191
2015 and prior – 2526						1,651
2015 and prior – 2525			968	1,263	1,355	18,651
2015 and prior – 1607						6,131
2015 and prior – 2007						20,311
2015 and prior – 980						6,411
2015 and prior – 962						2,501
2015 and prior – 807						2,621
2015 and prior – 510			1,505	5,589	3,421	26,271
2015 and prior – 318						3,301
2015 and prior – 1200			247	1,809	986	1,521
2015 and prior – 2015			6,171	2,945	(8,532)	(21,307)
2015 and prior – 1897			(927)	(1,746)	(339)	(8,497)
2015 and prior – 5820					(292)	(5,546)
2015 and prior – 1991			624	14	(3,251)	(3,175)
2015 and prior – 2468			20,564	(27,019)	(17,270)	(91,502)
2015 and prior – 4020			1,179	1,016	773	181
	(21,409)	(83,989)	(55,387)	(54,197)	(22,718)	(10,833)

8. Allocated investment return transferred from the non-technical account

	2019 £'000	2018 £'000
Syndicate investment income	8,093	6,651
Syndicate realised gains/(losses) on investments	343	(680)
Syndicate unrealised gains/(losses) on investments	2,682	(1,618)
Syndicate investment expenses and charges	(304)	(400)
	<u>10,814</u>	<u>3,953</u>

9. Net operating expenses

	2019	2018
	£'000	£'000
Acquisition costs	163,840	179,601
Change in deferred acquisition costs	(282)	(17,501)
Administrative expenses	26,695	33,858
(Profit)/Loss on exchange	(5,507)	7,517
Gross operating expenses	184,746	203,202
Syndicate reinsurance commissions and profit participations	(8,008)	(6,778)
Reinsurance commissions and profit participations arising as a result of quota share agreement	(170,315)	(197,392)
Net operating expenses	6,423	(968)

In a departure from FRS 103, management has decided that it is more beneficial to the users of the financial statements to include exchange differences within the technical result. This aligns better with the management of the Company and the reporting of the 100% quota share agreement (Note 6).

10. Staff costs

The Company did not have any employees during the year. All staff are employed by SCOR Services UK Ltd, from where they are supplied to the Company under a service level agreement.

11. Directors' emoluments

The Directors of the Company received the following aggregate remuneration included in other operating and administrative expenses:

In GBP Thousands	2019	2018
	£'000	£'000
Directors' of the Company	416	244
	<u>416</u>	<u>244</u>

In GBP Thousands	2019	2018
	£'000	£'000
Remuneration of highest paid director	354	195
	<u>354</u>	<u>195</u>

12. Staff numbers

As disclosed in Note 10 above, the Company did not have any employees during the period under review.

13. Audit Fees - Other non-technical charges

Other non-technical charges include audit fees for which the Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company

	2019 £'000	2018 £'000
Audit services:		
Fees payable to the Company's auditors for the statutory audit	37	36
The audit services have been paid by SCOR Services UK Ltd and then recharged through the service level agreement.	37	36

14. Taxation

	2019 £'000	2018 £'000
UK corporation tax at 19%		
Current tax on income for the year	-	-
Overseas tax suffered on current year	(4,479)	-
Overseas tax suffered on prior year	(2,239)	-
Tax adjustment to prior years	-	430
Deferred taxation		
Origination and reversal of timing differences	213	329
Tax on profit on ordinary activities	(6,505)	759

Factors affecting tax charge/ credit for the year

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	2,664	2,540
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%)	(506)	(483)
Foreign tax credits utilised against technical result	506	483
Current tax charge for the year	-	-
Overseas tax suffered on current year	(4,479)	-
Overseas tax suffered on prior year	(2,239)	-
Prior years current tax adjustment	-	430
Deferred tax prior year adjustments	165	337
Deferred tax rate change adjustment	48	(8)
Tax on profit on ordinary activities	(6,505)	759

The Company is using a blended deferred tax rate of 17.2% in respect of the unearned underwriting profit (UUP) as the three year period is impacted by variable tax rates.

The Company was notified by Lloyd's in late 2019 of tax it was liable for relating to 2018 financial year, under the "base erosion and anti-abuse tax" (BEAT), enacted as part of the US Tax Cuts and Jobs Act 2017. The Company also accrued for its estimated exposure for 2019 financial year, as appropriate.

15. Dividends

Interim dividends are recognised when paid and final dividends are booked as a liability when approved. An interim dividend of £2,500,000 was proposed and approved on the 5 December 2019 and paid on 06 December 2019. The Company had £3.5m distributable reserves at the time of the dividend pay-out. There are no final dividends proposed.

	2019 £'000	2018 £'000
Dividend paid during the year	2,500	3,000
	<u>2,500</u>	<u>3,000</u>

16. Financial investments

The Company has not traded in derivatives.

All financial investments are designated as at fair value through profit or loss.

All "Debt securities and other fixed income securities" are listed.

The Company classifies its financial investments as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Prices based on recent transactions in identical assets (either unadjusted or adjusted).

Level 3 Prices determined using a valuation technique.

The table below shows financial investments recorded at fair value for syndicate participations analysed between the three levels in the fair value hierarchy.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Other £'000	Total £'000
As at December 2019					
Shares and variable yield securities	55,796	19,317	741	-	75,854
Debt securities and other fixed income securities	52,274	157,643	-	-	209,917
Investment pools	10,145	429	-	-	10,574
Derivatives	11	893	-	-	904
Other	-	-	-	3,100	3,100
	<u>118,226</u>	<u>178,282</u>	<u>741</u>	<u>3,100</u>	<u>300,349</u>

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Other £'000	Total £'000
As at December 2018					
Shares and variable yield securities	37,897	38,977	-	-	76,874
Debt securities and other fixed income securities	80,853	144,931	-	-	225,784
Investment pools	14,445	3,746	-	-	18,191
Derivatives	27	45	-	-	72
Other	-	-	-	2,580	2,580
	<u>133,222</u>	<u>187,699</u>	<u>-</u>	<u>2,580</u>	<u>323,501</u>

17. Other debtors

	2019 Syndicate Participations £'000	2019 Corporate £'000	2019 Total £'000	2018 Syndicate Participations £'000	2018 Corporate £'000	2018 Total £'000
Amount due						
CST	-	557	557	-	731	731
Deferred						
Taxation	-	2,976	2,976	-	2,763	2,763
Other debtors	30,643	-	30,643	19,648	-	19,648
	<u>30,643</u>	<u>3,533</u>	<u>34,176</u>	<u>19,648</u>	<u>3,494</u>	<u>23,142</u>

18. Other creditors

	2019 Syndicate Participations £'000	2019 Corporate £'000	2019 Total £'000	2018 Syndicate Participations £'000	2018 Corporate £'000	2018 Total £'000
CST	-	-	-	-	-	-
Other						
creditors	11,205	6,718	17,923	7,521	-	7,521
	<u>11,205</u>	<u>6,718</u>	<u>17,923</u>	<u>7,521</u>	<u>-</u>	<u>7,521</u>

The continuous solvency transfer (CST) above relates to cash distributed from syndicates to the Company as a result of the CST process. The balance is held until the normal distribution date of the year of account to which the CST relates.

19. Technical provisions

	Gross Provision £'000	Reinsurance Assets £'000	Net £'000
Provision for claims			
At 1 January 2019	758,589	(758,589)	-
Movement per technical account	(67,088)	67,088	-
Movement in foreign exchange	(53,338)	53,338	-
At 31 December 2019	<u>638,163</u>	<u>(638,163)</u>	<u>-</u>
Unearned Premiums			
At 1 January 2019	342,271	(342,271)	-
Movement per technical account	(16,589)	16,589	-
Movement in foreign exchange	(9,439)	9,439	-
At 31 December 2019	<u>316,243</u>	<u>(316,243)</u>	<u>-</u>

19. Technical provisions (continued)

	Gross Provision £'000	Reinsurance Assets £'000	Net £'000
Provision for claims			
At 1 January 2018	798,328	(798,328)	-
Movement per technical account	58,475	(58,475)	-
Movement in foreign exchange	(98,214)	98,214	-
At 31 December 2018	758,589	(758,589)	-
Unearned Premiums			
At 1 January 2018	278,942	(278,942)	-
Movement per technical account	53,268	(53,268)	-
Movement in foreign exchange	10,061	(10,061)	-
At 31 December 2018	342,271	(342,271)	-

20. Share capital

	2019 £	2018 £
Authorised share capital		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid share capital		
2 Ordinary shares of £1 each	2	2

21. Provision for deferred tax – corporate undertaking

	2019 £'000	2018 £'000
<u>Movement in deferred taxation</u>		
Balance at 1 January	2,763	2,434
Profit and loss account (note 14)	213	329
Balance at 31 December	2,976	2,763

	Balance Sheet at 31 Dec		Deferred tax benefit on Income Statement	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deferred tax liabilities on UUP	(2,411)	(2,459)	48	(8)
Deferred tax asset on foreign tax credit	5,387	5,222	165	337
Total	2,976	2,763	213	329

21. Provision for deferred tax – corporate undertaking (continued)

UWY	2017	2018	2019	Total
Tax rate	17.5%	17%	17%	
Charge on UUP for 2019	(838)	(826)	(747)	(2,411)

UWY	2016	2017	2018	Total
Tax rate	19.0%	17.5%	17.0%	
Charge on UUP for 2018	(795)	(838)	(826)	(2,459)

22. Risk and Capital Management

The day-to-day operations of the Company are managed by a specifically dedicated team, overseen by the Company's Board, which has ultimate responsibility for the Company's risk management. By the nature of its business, the Company's performance and profitability follow the fortunes of the syndicates it supports, and management of certain risks is delegated to each syndicate's managing agent under a standard Lloyd's Managing Agency Agreement.

i) Syndicate risk

The Company assumes underwriting, reserving, operational, market, and credit risk indirectly through its syndicate participations. These risks are directly managed by the syndicates' respective managing agencies, overseen by Lloyd's and the Prudential Regulatory Authority. For this reason, no additional information is provided on the exposures to these risks. The capital to be set against these risks is determined by Lloyd's and put up on the Company's behalf by SCOR as Funds at Lloyd's (FAL), currently in a combination of cash, securities and letters of credit. The FAL set by Lloyd's represents the Company's maximum limit of liability arising from its syndicate participations. Lloyd's reassesses members' FAL requirements every six months, and may, in exceptional circumstances, require additional adjustments to members' FAL outside of this bi-annual cycle.

The performance and development of the Company's portfolio of syndicate participations are analysed and reviewed by the Company's management team and Board on an ongoing basis through reference to the syndicates' quarterly and annual financial returns, business plans, and other supporting documentation and data, and managed in dialogue with the syndicates' managing agents and Lloyd's. Active portfolio monitoring and management are the Company's principal internal defence against the risk of reduced profits or losses from its core underwriting activities and are reliant on the accuracy and completeness of syndicate data, and the timeliness of their provision to the Company.

ii) Financing & credit risk

The risks arising from the Company's syndicate participations are ceded to SCOR Switzerland AG (SSAG), a related company of the Company, under a 100% quota share reinsurance, which operates (in common with the Company's syndicate participations) on a funds withheld basis. Under the terms of its quota share agreement with the Company, SSAG provides 100% of the Company's required FAL. The reinsurance credit risk to the Company of this arrangement is limited, since FAL is lodged irrevocably in trust with Lloyd's: in the event of SSAG's insolvency, the Company would therefore have to fund only any additional amount of FAL which might be required by Lloyd's in the course of its usual capital setting processes. If, in this scenario, the Company were unable to fund any such increase in its FAL requirement in part or in full, the Council of Lloyd's would determine the appropriate measures to be taken, which could include the temporary or permanent suspension of the Company's underwriting membership of Lloyd's. Please see note 25 for changes subsequent to 31 December 2019.

iii) Regulatory risk

The Company is not subject to regulation by the Prudential Regulatory Authority, Financial Conduct Authority, or any other statutory regulator. As a business operating exclusively in the Lloyd's market, however, it is both subject to the byelaws, regulations, and processes set by the Corporation of Lloyd's and reliant on the Corporation's engagement with rating agencies, tax authorities, and regulators globally on behalf of the market's

23. Claims development (continued)

Net position will be nil for all underwriting years and classes due to the 100% quota share reinsurance agreement described in Note 6.

		Gross Estimated balance to pay £,000
2017	-	373,487,403
2018	-	189,105,638
2019	-	75,570,261
	-	<u>638,163,302</u>

Net estimated balance to pay will be nil for all underwriting years and classes due to quota share reinsurance agreement described in Note 6.

The Company has loss reserves for various events and for IBNR. Losses continue to develop, both positively and negatively on these open balances. Whilst the Company has a reasonable degree of confidence as to the ultimate adequacy of its reserves for all events, volatility exists around the ultimate settlement value.

24. Contingent liabilities

As security for the Company's underwriting, a fellow subsidiary undertaking has deposited with Lloyd's letters of credit from Citibank Europe plc in the amount of £131,710,487 and \$90,042,905 (2018 - £25,391,247 and \$90,042,905). The letters of credit from Bayern Landes Bank were cancelled towards the end of 2019 (2018 - £182,500,000 and \$33,281,000).

These letters of credit shall remain in force unless cancelled by either party in accordance with the provisions of the letter of credit. In the event of the Company failing to meet its obligation under policies of insurance written on its behalf, Lloyd's may draw down these letters of credit.

25. Events Subsequent to 31 December 2019

i) Covid-19

The developments from the outbreak of the COVID-19 pandemic since early 2020 are closely monitored by management who are in close communication with the Lloyd's syndicates the Company supports. At the time of writing, gross claims paid and incurred for the latest reporting period (syndicates' Q2 returns to Lloyd's) are at £2.1M and £9.5M respectively. Syndicates have prepared a range of exposure estimates, which take into account not only the more immediate and direct impacts of the crisis (principally on classes such as event cancellation and property/business interruption) but also its potential secondary (recessionary) impacts, whose development and emergence will be much longer-tail in nature. We consider such exposure estimates to be subject to a very high level of uncertainty but note that we would expect any material gross exposure to be extensively mitigated by the syndicates' reinsurance protections, meaning that net losses would be significantly lower. We would also note that, in an extreme scenario, the Company's exposure would be further mitigated by its Aggregate Stop Loss arrangement with its immediate parent company.

In all instances the Company's immediate parent company commits, under a formalised agreement, to meet 100% of all of the Company's capital obligations towards Lloyd's, known as Funds at Lloyd's (FAL).

As regards operational risks, the Company operates as an integrated part of the overall SCOR Group, benefiting from a global network of offices and IT infrastructure. SCOR Group is doing its utmost to help stop the spread of the COVID-19 virus, starting within the company. Actively protecting the health of our employees and their loved ones is our top priority. This is why we adopted early and strict prevention measures, before fully activating our Business Continuity Plan and switching to working from home in all Group offices, a move that

Events Subsequent to 31 December 2019 (continued)

came before lockdown and social distancing measures were even implemented in most countries. The resilience of SCOR's operational capability, supported by high-performance IT systems and applications, means that the Group can continue to serve its clients in this period of crisis and respond effectively to their reinsurance needs.

ii) 2020 Business Model changes

Following a review of the business model of the Company in 2019, by a specialised team of SCOR experts drawn from across the P&C Business Unit, it was determined that a more appropriate business model for aligning the economic interest of SCOR Switzerland in the Group's participation in the relevant Lloyd's syndicates was for the Company to cease ceding 100% of the performance of the Syndicates to SCOR Switzerland, instead becoming a wholly owned subsidiary of SCOR Switzerland instead.

To successfully implement this Business Unit level reorganisation, at the request of its ultimate shareholder, the Company commuted the in-force quota share contracts with SCOR Switzerland effective on 1 January 2020 and effective on the same date SCOR SE sold 100% of its ownership interest to SCOR Switzerland. As concurrent elements of this reorganisation plan the Company also entered into a FAL support agreement, to guarantee 100% of its capital commitment towards Lloyd's, and a stop loss arrangement with its new immediate parent company. The FAL position at year end 2019 comprised of Tier 1 assets of £212.9m and Tier 2 assets of £191.3m which have reduced to Tier 1 assets £147.5m and Tier 2 assets of £155m following the 2020 mid-year coming into line.

Again, management consider these organisational and reinsurance structure changes to be a non-adjusting post-balance sheet event.

iii) Tax Rate Change

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020 and received Royal Assent on 22 July 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax liability by £256,939.

26. Related party transactions

The Company has received £4.3M (2018 - £5M) from SCOR Switzerland AG in four quarterly instalments in respect of commission on the 100% quota share reinsurance agreement (Note 6).

27. Controlling party

The Directors regard SCOR SE, incorporated in France, as the ultimate Parent Company and ultimate controlling Company. The Directors regard SSAG (100% holding), a Company incorporated in Switzerland, as the immediate Parent Company. The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of SCOR SE.

Copies of the financial statements of the immediate and ultimate Parent Companies can be obtained from SCOR SE - UK Branch, 10 Lime Street, London EC3M 7AA.