REPORT ON EXAMINATION

OF

SCOR REINSURANCE COMPANY

AS OF

DECEMBER 31, 2019

| | |
|---|---|
| DATE OF REPORT | APRIL 1, 2021 |
| EXAMINER | WAYNE LONGMORE |

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April 1, 2021

Honorable Linda A. Lacewell
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32035 dated January 22, 2020, attached hereto, I have made an examination into the condition and affairs of SCOR Reinsurance Company as of December 31, 2019, and submit the following report thereon.

Wherever the designation “the Company” or “SCOR Re” appears herein without qualification, it should be understood to indicate SCOR Reinsurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted remotely due to the Governor’s Executive Order of New York State on PAUSE regarding the COVID-19 pandemic.

## 1. SCOPE OF EXAMINATION

The Department has performed an examination of SCOR Reinsurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2014. This examination covered the five-year period from January 1, 2015, through December 31, 2019. Transactions occurring subsequent to this period were reviewed when deemed appropriate by the examiner.

New York was the lead state of the SCOR Group. The examination was performed concurrently with the examinations of the following insurers: General Security National Insurance Company ("GSNIC"), and General Security Indemnity Company of Arizona ("GSINDA"). Arizona participated in this examination.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

Company history
Management and control
Territory and plan of operation
Reinsurance
Holding Company description
Financial statement presentation
Loss review and analysis
Significant subsequent events
Summary of recommendations

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

## 2. DESCRIPTION OF COMPANY

SCOR Reinsurance Company was incorporated under the laws of New York on November 8, 1984, as SCOR Reinsurance Company of New York to serve as the vehicle for the re-domestication of its operational predecessor and parent, SCOR Reinsurance Company, Irving, Texas. The precursor company was incorporated on March 22, 1974 and began business on April 16, 1974. The Company’s present name was adopted September 30, 1985.

The Company is a 100% owned subsidiary of SCOR U.S. Corporation ("SCOR U.S."). SCOR U.S., a Delaware holding company, is in turn 100% owned by a French corporation, SCOR SE.

Effective July 31, 2001, SCOR SE acquired all the stock of Sorema N.A. Holding Corporation ("Sorema N.A.”). Sorema N.A. owned Sorema North America Reinsurance Company, which in turn owned GSINDA (formerly known as Fulcrum Insurance Company). Upon the acquisition, SCOR SE contributed the stock of Sorema North America Reinsurance Company to the Company. Effective January 1, 2002, Sorema North America Reinsurance Company's changed its name to General Security National Insurance Company.

Effective December 31, 2006, GSNIC was sold by the Company to its ultimate parent, SCOR SE, and all the outstanding stock of GSINDA were transferred to the Company.

On July 1, 2012, the company transferred GSINDA's stock as a dividend stock to its immediate parent SCOR U.S.

### A. Corporate Governance

Pursuant to the Company’s charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than thirteen persons. The board meets at least four times during each calendar year. At December 31, 2019, the board of directors was comprised of the following ten members:

| Name and Residence | Principal Business Affiliation |
|---|---|
| Ingrid Carlou<br>Mexico City, Mexico | Retired |
| Pierre Andre Chiappori<br>New York, NY | Professor of Economics,<br>Columbia University |

| Name and Residence | Principal Business Affiliation |
|---|---|
| Jean-Paul Conoscente<br>White Plains, NY | Chief Executive Officer,<br>SCOR Global P&C—SCOR SE |
| John Jay Jenkins<br>Crystal Lake, IL | President and Chief Executive Officer,<br>SCOR Reinsurance Company |
| Denis Jean-Marie Kessler<br>Paris, France | Chairman and Chief Executive Officer,<br>SCOR SE |
| Mark Kociancic<br>Summit, NJ | Chief Financial Officer,<br>SCOR SE<br>Executive Vice President,<br>SCOR Reinsurance Company |
| Kathleen Theresa McGahran<br>Palm Beach Shores, FL | Chief Executive Officer and Owner,<br>Pelham Associates |
| Kory Beth Sorenson<br>Paris, France | Retired |
| Jerry Michael de St. Paer<br>Ponte Vedra, FL | Executive Chairman,<br>Group of North American Insurance Enterprises |
| Edward Nathan Wolff<br>New York, NY | Professor of Economics,<br>New York University |

As of December 31, 2019, the principal officers of the Company were as follows:

| Name | Title |
|---|---|
| John Jay Jenkins | President and Chief Executive Officer |
| Maxine Hilary Verne | Senior Vice President, General Counsel and Corporate Secretary |
| Paul Matthew Christoff | Executive Vice President,<br>Chief Financial Officer and Treasurer |

## B. Territory and Plan of Operation

As of December 31, 2019, the Company reports being licensed in 30 states and the District of Columbia and is qualified or accredited in 20 states, Guam, and Puerto Rico. The Company is a professional reinsurer of property and casualty business and has no direct writings.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

| Paragraph | Line of Business |
|---|---|
| 3 | Accident & health |
| 4 | Fire |
| 5 | Miscellaneous property |
| 6 | Water damage |
| 7 | Burglary and theft |
| 8 | Glass |
| 9 | Boiler and machinery |
| 10 | Elevator |
| 11 | Animal |
| 12 | Collision |
| 13 | Personal injury liability |
| 14 | Property damage liability |
| 15 | Workers' compensation and employers' liability |
| 16 | Fidelity and surety |
| 17 | Credit |
| 19 | Motor vehicle and aircraft physical damage |
| 20 | Marine and inland marine |
| 21 | Marine protection and indemnity |

The Company is also empowered to transact such workers' compensation insurance as may be incident to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended).

As of the examination date, the Company is also licensed to write special risk insurance pursuant to Article 63 of the New York Insurance Law. Additionally, the Company is authorized by Section 4102(c) to insure property or risks of every kind or description outside of the United States and reinsurance of every kind or description.

Based upon the lines of business for which the Company is licensed, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $35,000,000. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, to be licensed to write special risks, the Company is required to maintain surplus as regards policyholders of at least 200% of its authorized control level risk-based capital; therefore, the Company was required to maintain a minimum surplus to policyholders in the amount of $605,230,808 as of December 31, 2019.

The following schedule shows the total gross premiums written by the Company for the period under examination:

| Calendar Year | Total Gross Premiums |
|---|---|
| 2015 | $1,029,573,862 |
| 2016 | $1,314,193,917 |
| 2017 | $1,543,706,124 |
| 2018 | $1,731,556,462 |
| 2019 | $2,197,994,595 |

The Company operates primarily in the property and casualty reinsurance segment and specializes in underwriting treaties covering commercial and technical risks as well as providing property/casualty and special risk facultative coverage. The Company assumed premiums from U.S. domestic, Latin America, and other ceding companies generally through reinsurance brokers.

The Company utilizes an intermediary distribution model and does not have an internal sales staff. Commercial efforts and relationships reside with underwriters and program managers. The U.S. MGA business is distributed through the managing general agent, who in turn, generates business through their own networks of agents and wholesalers.

The Company's predominant lines of assumed business are other liability - occurrence, commercial multiple peril, and fire, which accounted for 25%, 16% and 15%, respectively of 2019 assumed premiums. Other liability lines include umbrella and errors and omissions covers.

The corporate headquarters is in New York City with regional offices in Houston, Texas; Chicago, Illinois and Miami, Florida.

SCOR Re's assumed reinsurance program consists mainly of property/casualty coverage assumed on both a quota-share and/or excess of loss basis, written on a facultative and treaty basis with both authorized and unauthorized ceding insurers/reinsurers.

As of December 31, 2019, SCOR Re assumed approximately $2.2 billion in premiums. Of the total premium assumed, $331.8 million was assumed from affiliates with approximately $302.5 million being assumed from GSINDA. Approximately $1.4 billion in premium was assumed from various unaffiliated

U.S. insurers with $402.6 million assumed from various unaffiliated non-U.S. insurers. The remaining $15.8 million was assumed from pools, associations or other similar facilities.

The table below summarizes SCOR Re assumed premium distribution as of December 31, 2019 (in $000's):

| Type: | Affiliated (U.S. Only) | Unaffiliated | Pools, Associations, or Similar | Other Non-U.S. | Total Assumed |
|---|---|---|---|---|---|
| Amount: | $326,797 | $1,447,754 | $15,765 | $402,596 | $2,197,995 |

In addition, SCOR Re reported approximately $84.7 million in funds held by or deposited with reinsured companies as of December 31, 2019 as shown in the table below. Approximately $21.9 million was carried by affiliate GSINDA with the remaining $62.8 million held by various reinsureds (in $000's):

| Type: | Affiliated | Unaffiliated | Pools, Associations or Similar | Other Non-U.S. | Total Funds Held by or Deposited with Reinsured |
|---|---|---|---|---|---|
| Amount: | $22,913 | $36,760 | $2,384 | $22,653 | $84,709 |

The $331.8 million of business assumed by SCOR Re from its U.S. affiliated companies, GSINDA and GSNIC, and the business assumed from non-U.S. affiliated companies are represented by the following treaties:

i. Effective January 1, 2018, the Company entered into a variable quota share agreement with GSNIC and GSINDA whereby the SCOR Re assumes 80% - 95% of business excluding aviation, space, business classified as facultative casualty or facultative workers compensation and any business assumed from SCOR Re.

ii. Effective January 1, 2018, the Company entered into a facultative and direct casualty quota share agreement with GSNIC and GSINDA whereby SCOR Re assumes 95% of business. The agreement excludes property, credit and surety, aviation, auto physical damage, nuclear, war or similar hostile acts, insolvency fund, and seepage or pollution.

iii. Effective January 1, 2019, the Company entered into a property and casualty per risk and per event excess of loss agreement with GSNIC and GSINDA with limits of $50,000,000 ultimate net loss in excess of $250,000 for each loss any one acceptance and a maximum aggregate limit of $100,000,000.

iv. Effective August 31, 2014, the Company assumed business from its affiliate SCOR Brasil Resseguros SA ("SCOR Brazil"). This is a quota share agreement where the Company assumes 95% all credit and surety and agro business written by SCOR Brazil.

v. Effective January 1, 2014, the Company entered into a stop loss agreement with GSINDA. This agreement protects GSINDA's 15% to 40% retention in the Starr specialty lines insurance business by providing loss protection between 80% and 130%.

vi. Effective January 1, 2012, the Company entered into a stop loss agreement with GSNIC. The Stop Loss agreement protects against adverse loss development on GSNIC's runoff and in-force insurance business by providing loss protection between 80% and 110%.

C. Reinsurance Ceded

SCOR Re writes both treaty and facultative reinsurance on all property and casualty lines of business in the United States, Central America, South America, the Caribbean, as well as incidental exposures worldwide. In the past, SCOR Re purchased most of its reinsurance coverage from SCOR Global P&C in Paris. Since 2018, much of the reinsurance purchased is directly with external reinsurers.

SCOR Re's ceded reinsurance program as of December 31, 2019 included the following key balances as noted in the table below (in $000's):

| Line | Reinsurance Premium Ceded | Known Case Plus LAE Reserves | IBNR Loss Reserves | Unearned Premium | Funds Held Payables and Collateral |
|---|---|---|---|---|---|
| Authorized excluding affiliates | $ 72,205 | $ 41,874 | $ 14,503 | $ 27,473 | $ 37,433 |
| Authorized Affiliated (GSNIC) | 103,432 | 49,862 | 72,800 | 40,974 | 59,700 |
| Unauthorized – Affiliated (SCOR SE) | 49,002 | 263,923 | 46,143 | 1,085 | 396,559 |
| Unauthorized – U.S. unaffiliated | 228 | 102 | 559 | 0 | 0 |
| Unauthorized – Other Non-U.S. | 236,902 | 52,486 | 42,272 | 43,408 | 141,941 |
| Certified – Other Non-U.S. | 23,711 | 2,960 | 2,473 | 2,463 | 5,203 |
| Total | $485,481 | $411,208 | $178,796 | $115,403 | $640,834 |

From the table above, as of December 31, 2019, SCOR Re retroceded approximately $485.5 million in premium. Of the total premium retroceded to authorized reinsurers, $103.4 million was retroceded to GSNIC, an authorized affiliate. For the amounts retroceded to authorized non-affiliates, the largest amount was retroceded to National Indemnity Company ("National"), which totaled $28.3 million.

SCOR Re retroceded approximately $286.1 million to various unauthorized reinsurers with $49.0 million retroceded to SCOR SE, an affiliated non-U.S. reinsurer. The remaining $237.1 million was retroceded to various unauthorized non-U.S. reinsurers with the most material retroceded balances with Artex SAC of $39.1 million and Bernina Re Ltd of $37.3 million.

The largest reinsurance recoverables at December 31, 2019, were due from SCOR SE, GSNIC and National, which totaled $397.5 million, $190.1 million and $49.5 million, respectively. Both SCOR SE and National have a reinsurer designation equivalent of 2, which corresponds to the second strongest financial strength rating assigned by the NAIC. GSNIC, an authorized insurer, was examined concurrently with the Company and there were no examination changes that were made to GSNIC's balance sheet or income statement.

As shown in the table below at December 31, 2019, the Company had the following ceded reinsurance program in place with SCOR SE:

| Type of Contract | Cession |
|---|---|
| Treaty – SCOR SE | |
| Property Catastrophe Excess of Loss<br>3 layers | First Layer: $175,000,000 in excess of $25,000,000 ultimate net loss, each and every loss occurrence, with an annual aggregate deductible of $25,000,000 and a maximum aggregate limit of $700,000,000.<br>Layers 2-3: $925,000,000 in excess of $225,000,000. |
| Whole Account Per Risk and Per Event | $400,000,000 in excess of $7,500,000<br>ultimate net loss, each and every loss occurrence, each and every event, with an annual aggregate deductible of $40,000,000 and subject to an annual aggregate limit of $400,000,000.<br><br>The agreement covers all business written by Reinsured's underwriting department. The agreement |

| | |
|---|---|
| | excludes loss from nuclear activity, loss from war or related hostile activities and business defined as Agro. |
| <u>Facultative – SCOR SE</u> | |
| Property Quota Share | 20% - 25% quota share of the reinsured gross Liability with retention of 75% - 80%. |
| Direct Casualty Quota Share | 95% quota share of the reinsured gross liability with 5% retention. |

In addition, the Company has a 5% quota share agreement with GSNIC, wherein the Company cedes 5% of its reinsured gross liability, allocated loss adjustment expenses, and extra contractual obligations and losses in excess of policy limits. This agreement was effective January 1, 2018 and was amended on January 1, 2019 and again on January 1, 2020. The contract covers the United States, South America, Central America, and Caribbean treaty, facultative, and direct business written in accordance with the reinsured's internal underwriting delegations, general operating rules and procedures.

Most of the Company's ceded business was to authorized reinsurers and the amount in cessions to authorized companies has increased since the last exam.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review of the Schedule F data, reported by the Company in its filed annual statement, was found to accurately reflect its material reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62R. Representations were supported by an attestation from the Company's President and Chief Financial Officer. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements.  All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

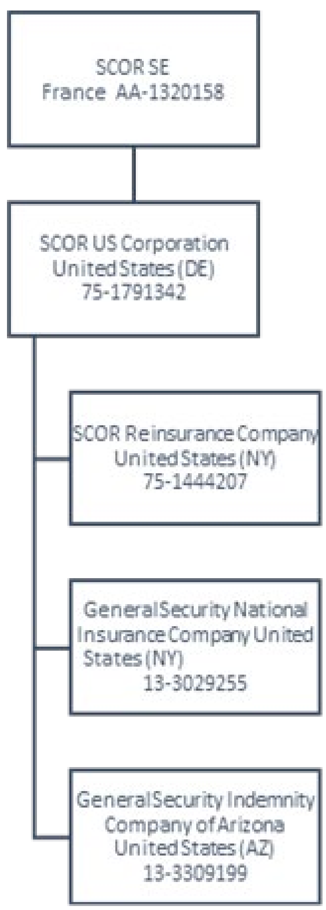
D. Holding Company

The Company is a member of the SCOR Group. The Company is a wholly owned subsidiary of SCOR U.S. Corporation, a Delaware corporation, which is ultimately controlled by SCOR SE, a publicly owned French holding company of a global reinsurance group.

SCOR SE and its consolidated subsidiaries form one of the world's largest reinsurers. The Group is organized in three divisions, SCOR Global P&C, SCOR Global Life and SCOR Global Investments, and three regional management platforms or "Hubs": the EMEA Hub, the Americas Hub and the Asia-Pacific Hub. The EMEA Hub consists of European countries including Russia, Middle East, and Africa.

SCOR Re writes both treaty and facultative reinsurance on all property and casualty lines of business in the United States, Central America, South America, the Caribbean and incidental exposures worldwide, and participates in some managing general agent business.

The following is an abridged chart of the Company and its affiliated entities at December 31, 2019:



At December 31, 2019, the Company was party to the following agreements with other members of its holding company system:

Amended and Restated SCOR U.S. Expense Allocation Agreement

Effective June 30, 2018, SCOR U.S., SCOR Re, GSNIC, and affiliates entered into this agreement through which the parties exchange services among themselves. Such services include accounting, actuarial, claims, data processing, human resources, investments, legal, marketing, office space, treasury, underwriting, risk management; catastrophe modelling; IT and data processing. The parties each mutually agree to reimburse the other for the costs and expenses in providing all services rendered. The total cost and expenses for the services provided is allocated to the parties based on actual costs and utilizing applicable bases. Such costs and expenses shall be allocated on an equitable basis in conformity with customary insurance accounting practices, but in no event will such allocations exceed the costs and expenses each of the parties would have incurred in providing the services individually. This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on June 7, 2018.

During 2019, in accordance with the terms of this agreement, SCOR Re received $39,069,710, which included payments from GSNIC and GSINDA of $11,327,594 and $15,911,805, respectively.

SCOR SE Parental Guarantee (Cost Allocation Agreement)

Effective March 1, 2012, SCORE Re, GSNIC and GSINDA entered into a Parental Guarantee with SCOR SE pursuant to which SCOR SE, in order to obtain group ratings from recognized statistical rating agencies, issues to each of its operating subsidiaries a parental guarantee. The agreement is intended to constitute a cost allocation agreement, defining the appropriate charges to be paid for such Guarantee. The annual allocation of such costs is based on a formula, stated in the agreement, that involves 0.1% of the adjusted technical reserves and other liabilities. This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on May 11, 2012.

In relation to this cost allocation agreement, SCOR Re, GSNIC and GSINDA each paid $24,883,804, $822,512 and $3,336,307 to affiliates.

Share Recharge Agreement among SCOR SE and its French and Foreign Subsidiaries and Branches

Effective January 1, 2011, SCOR SE entered into a Share Recharge Agreement among its French and foreign subsidiaries and branches pursuant to which SCOR SE grants free share awards to beneficiaries who are employees and representatives of SCOR SE’s subsidiaries and branches. The subsidiaries and branches agree to reimburse SCOR SE for the cost associated with issuing SCOR SE's shares to the beneficiaries. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on November 8, 2013.

Master Service Agreement

Effective January 1, 2014, and as amended January 1, 2015, SCOR SE entered into this agreement with the Company and other named affiliates. The agreement defines the allocation of group and divisional services and functions carried out in various entities in the group for the benefit of other entities within the group. In consideration for services provided, the recipient entity agrees to pay service fees that are based on the costs incurred in providing those services. This agreement and amendment were filed with the Department pursuant to Section 1505 of the New York Insurance Law and were non-disapproved on September 7, 2016.

Tax Allocation Agreement Sixth Amendment SCOR US and affiliates

Effective December 31, 2011, SCOR US, SCOR Re, GSNIC and GSINDA entered into the sixth amendment to Tax Allocation Agreement that was originally dated May 2, 1991, in which each subsidiary agrees to provide the parent company with sufficient funds corresponding to its individual federal income tax liability. The tax charge to the subsidiary shall not be more than it would have paid on a separate return basis. Except where a refund is due, settlements under this agreement shall be made within 30 days of filing the consolidated income tax return. This amended agreement was filed with the Department and was non-disapproved on February 21, 2014.

## E. Significant Ratios

Except as noted below*, the Company's operating ratios, computed as of December 31, 2019, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

| Operating Ratios | Result | |
|---|---|---|
| Net premiums written to policyholders' surplus | 207% | |
| Adjusted liabilities to liquid assets | 93% | |
| Two-year overall operating | 106% | * |

* Catastrophe losses in 2017, 2018 and 2019 were a large influence on the Company's overall loss ratio and financial results.

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

| | Amount | Ratio |
|---|---|---|
| Losses and loss adjustment expenses incurred | $4,145,042,39 | 72.39% |
| Other underwriting expenses incurred | 2,352,446,399 | 41.08 |
| Net underwriting gain (loss) | (771,418,641) | (13.47) |
| Premiums earned | $5,726,070,153 | 100.00% |

The Company's reported risk-based capital ("RBC") score was 224% as of December 31, 2019. The RBC score is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. There was a financial adjustment in this report (refer to sections 3D, 3E, and 4) that impacted the Company's RBC score. An RBC score of 200% or below can result in regulatory action.

# 3. FINANCIAL STATEMENTS

## A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2019, as reported by the Company.

Assets

| | Assets | Nonadmitted Assets | Net Admitted Assets |
|---|---|---|---|
| Bonds | $3,402,098,587 | $ 0 | $3,402,098,587 |
| Cash, cash equivalents and short-term Investments | 28,441,722 | 0 | 28,441,722 |
| Derivatives | 1,583,161 | 0 | 1,583,161 |
| Other invested assets | 50,350,862 | 0 | 50,350,862 |
| Investment income due and accrued | 24,887,401 | 0 | 24,887,401 |
| Uncollected premiums and agents' balances in the course of collection | 226,121,150 | 2,884,933 | 223,236,217 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 604,840,282 | | 604,840,282 |
| Accrued retrospective premiums | 9,845,875 | 984,588 | 8,861,287 |
| Amounts recoverable from reinsurers | 105,327,366 | 0 | 105,327,366 |
| Funds held by or deposited with reinsured Companies | 84,709,490 | 0 | 84,709,490 |
| Current federal and foreign income tax recoverable and interest thereon | 12,283,310 | 0 | 12,283,310 |
| Net deferred tax asset | 161,162,083 | 85,986,551 | 75,175,532 |
| Electronic data processing equipment and Software | 277,876 | 42,993 | 234,883 |
| Furniture and equipment, including health care delivery assets | 8,527,467 | 8,527,467 | 0 |
| Receivables from parent, subsidiaries and Affiliates | 18,733,343 | 0 | 18,733,343 |
| Other assets | 1,298,255 | 1,298,255 | 0 |
| Miscellaneous receivables | 647,732 | 282,911 | 364,821 |
| Reinsurance balances receivable | 200,950 | 200,950 | 0 |
| Admitted reinsurer representative office – Brazil | 130,889 | 130,889 | 0 |
| Total assets | $4,741,467,801 | $100,339,537 | $4,641,128,264 |

Liabilities, Surplus and Other Funds

Liabilities

| | | |
|---|---|---|
| Losses and loss adjustment expenses | | $2,295,442,254 |
| Reinsurance payable on paid losses and loss adjustment expenses | | 58,484,121 |
| Commissions payable, contingent commissions and other similar charges | | 30,244,267 |
| Other expenses (excluding taxes, licenses and fees) | | 26,989,664 |
| Taxes, licenses and fees (excluding federal and foreign income taxes) | | 1,803,549 |
| Unearned premiums | | 725,370,224 |
| Ceded reinsurance premiums payable (net of ceding commissions) | | 245,858,129 |
| Funds held by company under reinsurance treaties | | 345,459,721 |
| Remittances and items not allocated | | 62,499,646 |
| Provision for reinsurance | | 4,377,864 |
| Accrued minimum pension liability | | 9,709,829 |
| Share awards liability | | 7,723,258 |
| Total liabilities | | $3,813,962,526 |
| Surplus and Other Funds | | |
| Common capital stock | $ 5,000,000 | |
| Gross paid in and contributed surplus | 816,101,615 | |
| Unassigned funds (surplus) | 6,064,123 | |
| Surplus as regards policyholders | | 827,165,738 |
| Total liabilities, surplus and other funds | | $4,641,128,264 |

Note: The Internal Revenue Service did not audit any of the Company's federal income tax returns during the period under examination. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

## B. Statement of Income

The net loss for the examination period as reported by the Company was $242,714,805, as detailed below:

| | | |
|---|---|---|
| **Underwriting Income** | | |
| Premiums earned | | $5,726,070,153 |
| Deductions: | | |
| Losses and loss adjustment expenses incurred | $3,891,162,395 | |
| Other underwriting expenses incurred | 2,352,446,399 | |
| Total underwriting deductions | | 6,243,608,794 |
| Net underwriting gain or (loss) | | $(517,538,641) |
| **Investment Income** | | |
| Net investment income earned | $ 255,801,704 | |
| Net realized capital gain | 20,029,981 | |
| Net investment gain or (loss) | | 275,831,685 |
| **Other Income** | | |
| Net gain or (loss) from agents' or premium balances charged off | $ (368,276) | |
| Interest on funds held by or deposited with reinsurers | (11,799,647) | |
| Realized (losses)/gains on foreign exchange translation | (3,095,327) | |
| Other miscellaneous losses | (2,065,040) | |
| Total other income | | (17,328,290) |
| Net income before dividends to policyholders and before federal and foreign income taxes | | $(259,035,246) |
| Dividends to policyholders | | 0 |
| Net income after dividends to policyholders and before federal and foreign income taxes | | $ (259,035,246) |
| Federal and foreign income taxes incurred | | (16,320,441) |
| Net income (loss) | | $ (242,714,805) |

C. Capital and Surplus Account

Surplus as regards policyholders increased $122,903,544 during the examination period January 1, 2015 through December 31, 2019 as reported by the Company, detailed as follows:

| | Gains in Surplus | Losses in Surplus | |
|---|---|---|---|
| Surplus as regards policyholders as reported by the Company as of December 31, 2014 | | | $704,262,194 |
| Net loss | | $242,714,805 | |
| Net unrealized capital gains or (losses) | $ 714,254 | | |
| Change in net unrealized foreign exchange capital gain (loss) | | 15,747,630 | |
| Change in net deferred income tax | | 19,752,106 | |
| Change in nonadmitted assets | 10,792,324 | | |
| Change in provision for reinsurance | | 2,943,546 | |
| Cumulative effect of changes in accounting Principles | | 16,529,841 | |
| Surplus adjustments paid in | 518,672,661 | | |
| Dividends to stockholders | | 90,250,000 | |
| Change in minimum liability for pensions | 3,246,997 | | |
| Revaluation of share-based payments | | 10,792,465 | |
| Prior year surplus adjustment - federal and deferred income tax | | 2,826,969 | |
| Prior year surplus adjustment - income - stop loss correction | | 1,676,638 | |
| Prior year surplus adjustment - income - net Premiums | 5,487,170 | | |
| Deferred compensation | | 3,595,049 | |
| Prior year accounting policy change - expenses – master service agreement | 0 | 9,180,813 | |
| Total gains and losses | $538,913,406 | $416,009,862 | |
| Net increase (decrease) in surplus | | | 122,903,544 |
| Surplus as regards policyholders as reported by the Company as of December 31, 2019 | | | $827,165,738 |

Capital paid in is $5,000,000, consisting of 5,000 shares of $1,000 par value per share common stock. Gross paid in and contributed surplus was $816,101,615. Gross paid in and contributed surplus increased by $477,703,755 during the examination period, as follows:

| Year | Description | | Amount |
|---|---|---|---|
| 2015 | Beginning gross paid in and contributed surplus | | $338,397,860 |
| 2015 | Stock award deemed capital contribution adjustments | $ 5,048,086 | |
| 2016 | Stock award deemed capital contribution adjustments and cumulative effects of changes in accounting principles | (42,502,860) | |
| 2017 | Stock award deemed capital contribution adjustments | 5,403,920 | |
| 2018 | SCOR U.S. Corporation capital contribution and stock awards deemed capital contribution adjustments | 505,667,277 | |
| 2019 | Stock award deemed capital contribution adjustments | 4,087,332 | |
| | Total surplus contributions | | 477,703,755 |
| 2019 | Ending gross paid in and contributed surplus | | $816,101,615 |

D. Analysis of Changes to Surplus

| | |
|---|---|
| Surplus as regards policyholders as reported by the Company as of December 31, 2019 | $827,165,738 |
| Surplus increase (decrease) due to examination change in loss and loss adjustment expenses | (126,940,000) |
| Surplus as regards policyholders as of December 31, 2019, after examination adjustment | $700,225,738 |

E. Analysis of Changes to Income

| | |
|---|---|
| Net loss for the examination period, as reported by the Company | $(242,714,085) |
| Net increase (decrease) in income due to examination change in loss and loss adjustment expenses | (126,940,000) |
| Net gain (loss) for the examination period, after examination adjustments | $(369,654,805) |

## 4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for loss and loss adjustment expense reserves of $2,422,382,254 is $126,940,000 more than the $2,295,442,254, reported by the Company in its December 31, 2019 filed annual statement. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including SSAP No. 55.

Section 1303 of the New York Insurance Law states, in part:

> "Every insurer shall . . . maintain reserves in an amount estimated in the aggregate to provide for the payment of all losses or claims incurred on or prior to the date of statement, whether reported or unreported, which are unpaid as of such date and for which such insurer may be liable, and also reserves in an amount estimated to provide for the expenses of adjustment or settlement of such losses or claims."

Further, Paragraph 10 of SSAP No. 55 states, in part:

> "The liability for claim reserves and claim liabilities, unpaid losses, and loss/claim adjustment expenses shall be based upon the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience…"

It is recommended that the Company address these reserving inadequacies and increase its carried reserves to an appropriate level, pursuant to the provisions of Section 1303 of the New York Insurance Law and SSAP No. 55.

It is recommended that the Company retain documentation to describe the reason(s) for booking loss and loss adjustment expense reserves that are different from the central estimate of loss and loss adjustment expense reserves as determined by SCOR U.S. Group's Appointed Actuary.

It is recommended that in the future SCOR U.S. Group Actuarial Reports include enhanced documentation and discussion of all reconciling items between: (1) the underlying reserving data and related loss and loss adjustment expense reserve amounts from the business segments reviewed by the Appointed Actuary and (2) the reserve amounts appearing in the three entities' financial statements.

By virtue of the Company's 9-month loss and loss adjustment expense adverse runoff for accident years 2019 and prior, as reported by the Company in its filed September 30, 2020 quarterly statement, the Company has acknowledged a deficiency of $126,940,000. As this amount is equal to the projected reserve deficiency noted above, no further changes to the financial statements are required.

## 5. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus ("COVID-19") pandemic. The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review noted that there has not been a significant impact to the Company. The Department has been in communication with the Company regarding the impact of COVID-19 on the Company's operations and financial position and will take necessary action if a solvency concern arises.

On June 15, 2020, the Department non-objected to a contribution of $100 million to be made to SCOR Re's surplus. The capital contribution was determined to be in accordance with Section 1505(c) of the New York Insurance Law. The Department's understanding is that the contribution is to address the Department's inquiries concerning the Company's RBC level.

On December 9, 2020, pursuant to Section 1307 of the New York Insurance Law, the Department non-objected to a surplus loan agreement between SCOR SE, as lender, and SCOR Re, as borrower. The terms of this $75 million agreement are for ten years from December 15, 2020 to December 15, 2030. The rate of interest is not to exceed the provision noted in Section 5.501 of the General Obligations Law of the State of New York and the current interest stated in the agreement is 2.6%. Further, the agreement provides that interest will be payable on an annual basis upon the approval of the Superintendent.

On April 8, 2021, the Department non-disapproved SCOR U.S. transferring ownership through contribution of the outstanding stock of GSINDA to SCOR Re, resulting in GSINDA becoming a wholly owned, direct subsidiary of SCOR Re. The effective date of the acquisition is March 31, 2021.

## 6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained no recommendations.

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

| ITEM | | PAGE NO. |
|---|---|---|
| A. | Losses and loss adjustment expenses | |
| i. | It is recommended that SCOR Reinsurance Company address these reserving inadequacies and increase its carried reserves to an appropriate level, pursuant to the provisions of Section 1303 of the New York Insurance Law and SSAP No. 55. | 20 |
| ii. | It is recommended that the Company retain documentation to describe the reason(s) for booking loss and loss adjustment expense reserves that are different from the central estimate of loss and loss adjustment expense reserves as determined by SCOR U.S. Group's Appointed Actuary. | 20 |
| iii. | It is recommended that in the future SCOR U.S. Group Actuarial Reports include enhanced documentation and discussion of all reconciling items between: (1) the underlying reserving data and related loss and loss adjustment expense reserve amounts from the business segments reviewed by the Appointed Actuary and (2) the reserve amounts appearing in the three entities' financial statements. | 20 |

Respectfully submitted,

____________/S/__________
Wayne Longmore
Associate Insurance Examiner

STATE OF NEW YORK )
)ss:
COUNTY OF NEW YORK )

Wayne Longmore, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

___________/S/___________
Wayne Longmore

Subscribed and sworn to before me

this_________ day of __________________, 2021.

*APPOINTMENT NO. 32035*

*NEW YORK STATE*

# *DEPARTMENT OF FINANCIAL SERVICES*

*I, **Linda A. Lacewell**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

***Wayne Longmore***

*as a proper person to examine the affairs of the*

***SCOR Reinsurance Company***

*and to make a report to me in writing of the condition of said*

***COMPANY***

*with such other information as he shall deem requisite.*

*In Witness Whereof, I have hereunto subscribed by name*
*and affixed the official Seal of the Department*
*at the City of New York*

*this 22nd day of January, 2020*

*LINDA A. LACEWELL*
*Superintendent of Financial Services*

*By:* Joan P. Riddell

*Joan Riddell*
*Deputy Bureau Chief*