SCOR
Form 20-F/A
January 27, 2006

As filed with the Securities and Exchange Commission on January 27, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F/A

Amendment No. 1

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2004

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number: 001-14518

SCOR

(Exact name of registrant as specified in its charter)

N/A	**The Republic of France**
(Translation of registrant s name into English)	*(Jurisdiction of incorporation or organization)*

1, Avenue du Général de Gaulle, 92800 Puteaux, France

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares (as evidenced by American Depositary Receipts), each representing one Ordinary Share	New York Stock Exchange, Inc.
Ordinary Shares, no par value *	New York Stock Exchange, Inc.

* Listed, not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

NONE

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

NONE

Indicate the number of outstanding shares of each of the issuer s class of capital or common stock as of the close of the period covered by the annual report:

819,269,070 Ordinary Shares, including 29,615,519 American Depositary Shares (as evidenced by American Depositary Receipts), each representing one Ordinary Share.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

x YES o NO

Indicate by check mark which financial statement item the registrant has elected to follow:

o ITEM 17 x ITEM 18

EXPLANATORY NOTE

SCOR is filing this Amendment No. 1 on Form 20-F/A to its Annual Report on Form 20-F for the fiscal year ended December 31, 2004, which was originally filed with the Securities and Exchange Commission on April 29, 2005, to amend Items 4 (Information on the Company) and 5 (Operating and Financial Review and Prospects), each of which is amended by replacing such Item in its entirety.

In addition, in connection with the filing of this amended Form 20-F and pursuant to the rules of the Securities and Exchange Commission, the Company is including with this amended Form 20-F certain currently dated certifications.

This Form 20-F/A consists of a cover page, this explanatory note, Item 4 (Information on the Company), Item 5 (Operating and Financial Review and Prospects), a signature page, and the principal executive and principal financial officer certifications required to be filed as exhibits hereto.

This Form 20-F/A does not reflect events occurring after the filing of the Annual Report, and does not modify or update the disclosures therein in any way other than as required to reflect the amendments described above.

The filing of this amended Form 20-F shall not be deemed an admission that the original filing, when made, included any untrue statement of a material fact or omitted to state a material fact necessary to make a statement not misleading.

Item 4. Information on the Company

A. BUSINESS OVERVIEW

General

SCOR is a French société anonyme with its registered office at 1, avenue du Général de Gaulle, 92800 Puteaux, France. SCOR s telephone number is: +33.(0)1.46.98.70.00 and its internet address is http://www.scor.com. Information contained on SCOR s website is not part of this Annual Report. SCOR s Articles of Association are registered with the Nanterre under registry number B562033357.

SCOR provides treaty and facultative reinsurance on a worldwide basis to Property-Casualty and Life insurers. In 2004, the Group had net written premiums of EUR 2,126 million, which management believes make it one of the 15 largest European reinsurers, based on management s estimate of the 2004 net premiums written by major international reinsurers and excluding intra-group business. SCOR operates in 19 countries through its subsidiaries, branches and representative offices and provides services in more than 100 countries.

Strategy

At the end of 2002, SCOR had reassessed its strategy and launched the Back on Track strategic plan. Since the end of 2002, when it implemented its Back on Track plan, SCOR has shifted its underwriting towards:

short-tail business, which allows a clearer view of prospective business and which does not carry the same level of risk for future results and the inherent difficulties in calculating necessary reserves that are associated with long tail business as a result of the long term nature of the litigation and inflation of claims; and

non-proportional business, where SCOR underwriters and actuaries are better able to establish prices that are less susceptible to the adverse effects of the ceding companies underwriting and pricing.

The Back on Track plan had met its four major objectives in 2004, including:

strengthening the Group s reserves;

replenishing the Group s capital base through two capital increases;

right-sizing the Group by reducing premium underwriting and implementing the Group s new underwriting policy focused on short tail , non-proportional treaties and large business underwriting in Non Life, either primary or through large facultatives, when capacity and pricing are adequate; and

restructuring the Group, particularly by putting in place a new board of directors, new management and new procedures.

Consistent with the Back on Track plan, SCOR s gross written premiums declined approximately 32% in the year ended December 31, 2004 primarily due to the implementation of the Back on Track plan, which imposed more rigorous underwriting standards, as well as SCOR s lower financial strength ratings. In addition, SCOR furthered the geographic rebalancing of its Non Life business by reducing the percentage of Non Life premium income in the U.S. from approximately 37% in the year ended December 31, 2002 to approximately 16% in the year ended December 31, 2003 and approximately 9% in the year ended December 31, 2004, while increasing the percentage of Non Life premium income in Europe from approximately 42% in the year ended December 31, 2002 to approximately 53% in the year ended December 31, 2003 and approximately 60% in the year ended December 31, 2004.

In the second half of 2004, the Board of Directors adopted a new strategic plan for 2005 through 2007, entitled Moving Forward . The Moving Forward plan is a business model designed to achieve SCOR s objectives through a profitability-focused underwriting plan and an optimal allocation of the capital base throughout the different stages of the business cycle. As part of the Moving Forward plan, SCOR has also reassessed its capital allocation plan along the Group s lines of business and by market. The plan seeks to maintain SCOR s client base in Europe, Asia, North America, and emerging countries, and regain shares in treaties where premium rates, terms and conditions meet the Group s return on equity requisites. On the basis of this modeling of underwriting policy for 2005 through 2007, the Group s objective is to maintain profitability and ensure solvency.

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History of SCOR

SCOR was founded in 1970 at the initiative of the French government with the objective of creating a reinsurance company of international stature. SCOR expanded rapidly on the world s markets, building up a substantial international portfolio. SCOR s current *statuts* provide for a term that expires on June 30, 2024, unless the shareholders elect to shorten or extend the Company s term by extraordinary resolution.

At the beginning of the 1980s, the French State progressively wound down its interest in the Company s capital, held through the Caisse Centrale de Réassurance, and was replaced by insurance companies operating in the French market.

In 1989, SCOR and UAP Reassurances combined their Property-Casualty and Life reinsurance businesses as part of a restructuring of SCOR s capital, and listed the Company on the Paris stock market. Compagnie UAP, which held 41% of the capital, disposed of its shareholding in October 1996 via an international public offering timed to coincide with the listing of SCOR s shares on the New York Stock Exchange.

In July 1996, SCOR acquired the reinsurance portfolio of the American insurer Allstate Insurance Company, doubling the share of its U.S. business as a proportion of total Group revenues.

While maintaining an active local presence on the major markets and building up new units in fast-growing emerging countries, SCOR has continued in the following years to streamline its structure and rationalize its organization.

In 1999, SCOR purchased Western General Insurance s 35% stake in CRP, thus raising its interest in this subsidiary to 100%.

In 2000, SCOR acquired PartnerRe Life in the United States, thus providing it with a platform to expand its Life, Accident and Health reinsurance business in the U.S.

In 2001, SCOR acquired Sorema S.A. and Sorema N.A. in order to increase its market share and take advantage of the cyclical upturn in Property & Casualty reinsurance. That same year, SCOR and a group of private investors formed a reinsurance company in Dublin, named Irish Reinsurance Partners, with a paid up capital of EUR 300 million to strengthen the Group s overall capital base and increase its subscription capacity to take advantage of the upturn in the reinsurance cycle.

In 2002, SCOR entered into a cooperation agreement in the Life business with the Legacy Marketing Group of California for the distribution and management of annuity products. It also opened a Life office in Brussels in order to take full advantage of the growth potential in the Life reinsurance market in Belgium and Luxembourg.

Recent Developments

IRP

Pursuant to agreements dated December 28, 2001 entered into in connection with the formation of IRP Holdings Limited, or IRP Holdings, IRP Holdings minority shareholders have an agreed set of exit rights exercisable during certain defined periods. The agreements permit the minority shareholders to exit IRP Holdings during the first half of 2005 and in any event require an exit no later than May 31, 2006. SCOR may acquire the shares held by the minority shareholders either with existing or newly-issued SCOR shares, with cash, or with a combination of shares and cash. SCOR may, depending on conditions at the time of the exit, decide to acquire all or part of these shares in 2005. For more information on IRP Holdings, see Item 9.A. The Offer and Listing IRP , and for a description of the pending litigations initiated by the minority shareholders of IRP Holdings, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings .

Renewals

The January 1, 2005 renewal period involved approximately 80% of SCOR s 2004 Property & Casualty treaty portfolio, approximately 20% of SCOR s 2004 Large Corporate Accounts portfolio and approximately 95% of SCOR s 2004 Credit & Surety portfolio. Gross premiums written on Property & Casualty treaties during the January 1, 2005 renewal period were approximately EUR 802 million. SCOR increased its quota share on existing treaties and regained several lead underwriting positions in European Property & Casualty treaties, gaining or regaining 40 clients, as opposed to losing 27 clients in the prior renewal year, 14 of which SCOR decided to relinquish, 7 of which left following a decision made by the cedants due to SCOR s ratings and 6 of which left following mergers

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between cedants. In the United States, SCOR has maintained its commercial presence while pursuing a selective underwriting policy despite its current ratings. SCOR has continued to reposition itself with small and medium-sized regional cedants. In Mexico and the Caribbean, SCOR has benefited from a rate increase in high-layer natural catastrophe lines in the zones recently affected by hurricanes. In Canada, SCOR has initiated relationships with several clients and has increased its share on several existing treaties. In Asia, SCOR regained quota share on its treaties in Malaysia, Indonesia, China and Singapore and gained new clients in Malaysia, Taiwan and Hong Kong.

Renewals in the Large Corporate Accounts business are carried out throughout the year. However, of the 20% of SCOR s Large Corporate Accounts portfolio up for renewal during the January 1, 2005 renewal period, 77% of business was renewed. The trends in this sector to lower premiums and adverse exchange rate fluctuations have weighed on the value of premiums where the accounting currency is often U.S. dollars. SCOR has initiated relationships with four new clients and has increased its quota share on several existing treaties in the Credit & Surety sector.

World Trade Center Litigation

The September 11, 2001 attack on the World Trade Center resulted in the Group establishing reserves on the basis that the attack on the two towers of the World Trade Center was one single occurrence and not two occurrences under the terms of the applicable insurance coverage. On December 6, 2004, a jury determined that the attack on the World Trade Center constituted two distinct occurrences and therefore that our ceding company, which provided insurance on the World Trade Center, was liable for two events on the basis of its policy wording. The jury verdict did not determine the amount of indemnification due from insurers. A separate court-supervised appraisal procedure is underway to determine the amount of indemnification due from the insurers resulting from the destruction of the World Trade Center. Pending the final determination of the appraisal process, we felt that it would be prudent to increase our reserves based on the actual replacement value established by the ceding company's claims adjusters. The gross amount of reserves has accordingly been increased from USD 355 million as of December 31, 2003 to USD 422 million as of December 31, 2004, and net of retrocession from USD 167.5 million to USD 193.5 million. The jury verdict that the attack on the World Trade Center constituted two occurrences and not one occurrence under the terms of the ceding company's insurance policy is expected to be appealed and we have issued two letters of credit in the aggregate amount of USD 145.3 million as security required by the ceding company to guarantee our capacity to pay the ceding company if the jury verdict is not reversed by the U.S. Court of Appeals for the Second Circuit, or if an appraisal process to be conducted under court supervision in 2005 and possibly 2006 were to lead to an increased amount of liabilities to be paid in the future. See "Item 8.A. Consolidated Statements and Other Financial Information - Legal Proceedings" for a discussion of the pending World Trade Center litigation.

Claims

The storm damage of January 8 to 9, 2005 in Northern Europe is currently being assessed and could reach a relatively large sum exceeding the initial estimates made after it had occurred.

Furthermore, decisions made by the operator of Roissy airport to perform more significant reconstruction work on terminal 2 E than that declared by the client and his insurers when the claim was launched will result in a reassessment of the gross cost, the impact of which for SCOR should be significantly reduced by the involvement of retrocessionaires. The impact on the Group s accounts should be marginal.

Commutations

There were two commutations for USD 26.9 million of reserves in the Bermudan subsidiary of SCOR (CRP) since January 1, 2005, for which the discounted reserves have now been reduced to EUR 216 millions, down by 32% compared to the level as of December 31, 2003. Moreover, several negotiations started in 2004 have recently been achieved.

On February 7, 2005, SCOR and its U.S. and Bermudan subsidiaries, SCOR U.S. and Commercial Risk Companies (CRP) signed a large commutation agreement for the SCOR Group which will reduce the overall reserves of SCOR U.S. (and CRP but to a lesser extent) by approximately USD 300 million and will be accounted for in the first quarter of 2005.

These transactions reduce the Group s risk exposure and the volatility of reserves, especially for segments exposed to claims inflation.

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Run off management in the United States

SCOR U.S. has set up a run off department, which is managed separately from the Company s normal underwriting business. This department administers all claims, accounting and actuarial activities relating to market segments in which SCOR U.S. is no longer writing new business.

Retrocession

The SCOR Group continues to pursue a conservative retrocession policy based on acquiring capacity tailored to requirements and uses. SCOR has selected market models to assess its exposure and reinsurance policy in terms of catastrophic risks. The result is a program better adapted to the requirements of the Group and its customers, and a sharp reduction in retrocession expenses. SCOR continues to retain the same level of risks for catastrophic risks and individual events as in the past.

OCEANEs Issuance and Repayment

In July 2004, we issued EUR 200 million of OCEANEs, consisting of 100 million bonds having a nominal value of EUR 2 each, which are bonds convertible or exchangeable for new or existing shares. The OCEANEs bonds will be fully redeemed in 2010. We used the proceeds from the OCEANEs bond issuance, together with available cash, to repay our OCEANEs bonds originally issued in June 1999.

On January 3, 2005, SCOR repaid its OCEANEs bonds originally issued in June 1999 in the original principal amount of approximately EUR 233 million, at a price of EUR 65.28 per bond, for an aggregate amount of EUR 263 million, including repayment premium and reimbursement value of previously repurchased bonds. In 2004, we had previously repurchased 577,258 OCEANEs bonds, the reimbursement value of which corresponds to EUR 37.7 million.

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INDUSTRY OVERVIEW

Principles

Reinsurance is an arrangement in which a company, the reinsurer, agrees to indemnify an insurance company, the ceding company, against all or a portion of the primary insurance risks underwritten by the ceding company under one or more insurance contracts. Reinsurance business is similar to the insurance business. The main differences stem from a greater complexity due to a wider diversity of activities and from a more international practice. Reinsurance can provide a ceding company with several benefits, including a reduction in net liability on individual risks and catastrophe protection from large or multiple losses. Reinsurance also provides a ceding company with additional underwriting capacity by permitting it to accept larger risks and write more business than would be possible without a concomitant increase in capital and surplus. Reinsurance, however, does not discharge the ceding company from its liability to policyholders. Reinsurers themselves may feel the need to transfer some of the risks concerned to other reinsurers, in a procedure known as retrocession.

Reinsurance provides three essential functions:

First, reinsurance helps to stabilize direct insurers earnings when unusual and major events occur, by assuming the high layers of these risks or relieving them of accumulated individual exposures.

Reinsurance allows insurers to increase the maximum amount they can insure for a given loss or category of losses, by enabling them to underwrite a greater number of risks, or larger risks, without burdening their need to cover their solvency margin, and hence their capital base.

Reinsurance makes substantial quantities of liquidity available to insurers in the event of major loss events.

In addition, reinsurers also:

help ceding companies define their reinsurance needs and devise the most effective reinsurance program, to better plan for their capital adequacy and solvency margins;

supply a wide array of support services, particularly in terms of technical training, organization, accounting and information technology;

provide expertise in certain highly specialized areas such as the analysis of complex risks and risk pricing;

enable ceding companies to build up their business even if they are undercapitalized, particularly in order to launch new products requiring heavy investment.

Types of Reinsurance

Treaty and Facultative Reinsurance

The two basic types of reinsurance arrangements are treaty and facultative reinsurance. In treaty reinsurance, the ceding company is contractually bound to cede and the reinsurer is bound to assume a specified portion of a type or category of risks insured by the ceding company. Treaty reinsurers, including SCOR, do not separately evaluate each of the individual risks assumed under their treaties and, consequently, after a review of the ceding company s underwriting practices, are dependent on the original risk underwriting decisions made by the ceding company s primary policy writers. Such dependence subjects reinsurers in general, including SCOR, to the possibility that the ceding companies have not adequately evaluated the risks to be reinsured and, therefore, that the premiums ceded in connection therewith may not adequately compensate the reinsurer for the risk assumed. The reinsurer s evaluation of the ceding company s risk management and underwriting practices, as well as claims settlement practices and procedures, therefore, will usually impact the pricing of the treaty.

In facultative reinsurance, the ceding company cedes and the reinsurer assumes all or part of the risk assumed by a particular specified insurance policy. Facultative reinsurance is negotiated separately for each insurance contract that is reinsured. Facultative reinsurance normally is purchased by ceding companies for individual risks not covered by their reinsurance treaties, for amounts in excess of the

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monetary limits of their reinsurance treaties and for unusual risks. Underwriting expenses and, in particular, personnel costs, are higher relative to premiums written on facultative business because each risk is individually underwritten and administered. The ability to separately evaluate each risk reinsured, however, increases the probability that the underwriter can price the contract more accurately to reflect the risks involved.

Proportional and Non-Proportional Reinsurance

Both treaty and facultative reinsurance can be written on a proportional, or pro rata, basis or a non-proportional, or excess of loss or stop loss, basis. With respect to proportional, or pro rata, reinsurance, the reinsurer, in return for a predetermined portion or share of the insurance premium charged by the ceding company, indemnifies the ceding company against a predetermined portion of the losses and loss adjustment expenses, or LAE, of the ceding company under the covered insurance contract or contracts. In the case of reinsurance written on a non-proportional, or excess of loss or stop loss, basis, the reinsurer indemnifies the ceding company against all or a specified portion of losses and LAE, on a claim by claim basis or with respect to a line of business, in excess of a specified amount, known as the ceding company s retention or reinsurer s attachment point, and up to a negotiated reinsurance contract limit.

Although the frequency of losses under a pro rata reinsurance contract is usually greater than on an excess of loss contract, generally the loss experience is more predictable and the terms and conditions of a pro rata contract can be structured to limit aggregate losses from the contract. A pro rata reinsurance contract therefore does not necessarily require that a reinsurance company assume greater risk exposure than on an excess of loss contract. In addition, the predictability of the loss experience may better enable underwriters and actuaries to price such business accurately in light of the risk assumed, therefore reducing the volatility of results.

Excess of loss reinsurance is often written in layers. One or a group of reinsurers accepts the risk just above the ceding company s retention up to a specified amount, at which point another reinsurer or a group of reinsurers accepts the excess liability up to a higher specified amount or such liability reverts to the ceding company. The reinsurer taking on the risk just above the ceding company s retention layer is said to write working layer or low layer excess of loss reinsurance. A loss that reaches just beyond the ceding company s retention will create a loss for the lower layer reinsurer, but not for the reinsurers on the higher layers. Loss activity in lower layer reinsurance tends to be more predictable than that in higher layers due to a greater historical frequency, and therefore, like pro rata reinsurance, better enables underwriters and actuaries to more accurately price the underlying risks.

Premiums payable by the ceding company to a reinsurer for excess of loss reinsurance are not directly proportional to the premiums that the ceding company receives because the reinsurer does not assume a direct proportionate risk. In contrast, premiums that the ceding company pays to the reinsurer for pro rata reinsurance are proportional to the premiums that the ceding company receives, consistent with the proportional sharing of risk. In addition, in pro rata reinsurance the reinsurer generally pays the ceding company a ceding commission. The ceding commission is usually based on the ceding company s cost of acquiring the business being reinsured, including commissions, premium taxes, assessments and miscellaneous administrative expense, and also may include a profit factor for producing the business.

Retrocession

Reinsurers typically purchase reinsurance to cover their own risk exposure or to increase their capacity. Reinsurance of a reinsurer s business is called a retrocession. Reinsurance companies cede risks under retrocessional agreements to other reinsurers, known as retrocessionaires, for reasons similar to those that cause primary insurers to purchase reinsurance: to reduce net liability on individual risks, protect against catastrophic losses and obtain additional underwriting capacity.

Broker vs. Direct Reinsurance

Reinsurance can be written through professional reinsurance brokers or directly from ceding companies. From a ceding company s perspective, both the broker market and the direct market have advantages and disadvantages. A ceding company s selection of one market over the other will be influenced by its perception of such advantages and disadvantages relative to the reinsurance coverage being placed. For example, broker coverages usually involve a number of participating reinsurers that have been assembled by a broker, each assuming a specified portion of the risk being reinsured. A ceding company may find it easier to arrange such coverage in a difficult underwriting environment where risk capacity is constrained and reinsurers are seeking to limit their risk exposure. In contrast, direct coverage is usually structured by ceding companies directly with one or a limited number of reinsurers. The relative amount of brokered and direct business written by the Group s subsidiaries varies according to local market practice.

Cyclicality

The insurance and reinsurance sectors, particularly in the Non Life area, are cyclical and are characterized by periods of intense price competition due to excessive underwriting capacity and periods when shortages of underwriting capacity permit favorable premium levels. The movement in reinsurance premiums is closely linked to the yearly renewal of treaties and contracts in specialty lines. If the claims experience and the financial results of reinsurers is favorable in a given year, ceding companies will be inclined to ask for price reductions in the most profitable lines of business. At the same time, new entrants to the reinsurance market may seek to take advantage of the profitable situation of the business, thus increasing the capacity and exerting pressure on premium rates. This situation of downward trends may be offset by natural catastrophes or large claims affecting certain lines of business or certain countries. After three years of strong premium rate increases, the reinsurance industry has been experiencing a plateau in most lines of business in 2004, except general liability, and a moderate decrease in the reinsurance market is expected in 2005, notwithstanding the effects of a number of large and costly natural catastrophes in the second half of 2004 which may reduce the downward trend of the cycle in some countries.

PRODUCTS AND MARKETS

General

Our operations are organized into the following two business segments: Non Life and Life/Accident & Health. Non Life is further organized into four sub-segments: Property-Casualty Treaty; Facultatives and Large Corporate Accounts written on a facultative basis by SCOR Business Solutions, or SBS; Credit, Surety & Political Risks; and Alternative Reinsurance. The Non Life and Life segments discussed below differ from the Non Life and Life/Accident & Health segments contained in our financial statements included elsewhere herein because on a statutory basis the Accident and Health reinsurance business are classified in the Non Life category. Within each segment, we write various classes of business, as indicated below. Responsibilities and reporting within the Group are established based on this structure, and our consolidated financial statements reflect the activities of each segment.

Credit, Surety and Political Risks relates to reinsurance treaties, either proportional or non-proportional, with companies specialized in credit insurance, such as COFACE, Euler-Hermès and NCM. In 2004, SCOR merged its Credit, Surety and Political Risks business into its Non Life segment in its financial statements since it was a relatively small treaty business and, accordingly, its Credit, Surety and Political Risks business is no longer treated as a separate business segment in its financial statements. The presentation and discussion contained herein have been revised to reflect such reclassification for prior years.

SCOR s Alternative Reinsurance Treaty business, or ART, has been limited to underwriting within its Bermudan subsidiary, Commercial Risk Partners, which has been in run-off since January 2003. Therefore, in 2004, SCOR merged its ART business into its Non Life business segment in its financial statements since SCOR is no longer active in this business. The presentation and discussion contained herein have been revised to reflect such reclassification for prior years.

The following table sets forth our gross premiums written by segment and class of business:

	Year ended December 31, 2002 (Restated) EUR	%	2003 (Restated) EUR	%	2004 EUR	%
	(EUR, in millions, except percentages)					
By segment of business						
Non Life	3,696	75	2,323	70	1,365	61%
Life/Accident & Health	1,218	25	983	30	880	39%
Total	4,914	100	3,306	100	2,245	100%
By class of business						
Non Life						
Property-Casualty Treaty						
Property	1,139	52	972	58	608	57
Casualty	920	42	609	36	326	31
Marine, Aviation and Transportation	77	4	63	4	19	2
Construction	40	2	46	2	111	10
Total Property-Casualty Treaty	2,176	100	1,690	100	1,064	100
Facultatives and Large Corporate Accounts (SBS)						
Property	437	47	329	58	161	62
Casualty	278	30	85	15	30	11
Marine, Aviation and Transportation	79	8	36	6	41	16
Construction	136	15	119	21	29	11
Total Facultatives and Large Corporate Accounts	930	100	569	100	261	100
Credit, Surety & Political Risks	123		65		38	
Alternative Reinsurance	467		(1)		2	
Total Non Life	3,696		2,323		1,365	

Life/Accident & Health						
Annuity-based	182	15	198	18	33	4
Individual & group life	493	40	384	46	511	58
Accident	100	8	132	12	97	11
Disability	56	5	50	4	39	5
Health	200	16	105	9	74	8
Unemployment	14	1	28	3	28	3
Long-term care	173	14	86	8	98	11
Total Life/Accident & Health	1,218	100	983	100	880	100

Non Life

The Non Life segment is divided into four operational sub segments:

- Property-Casualty Treaty;
- Facultatives and Large Corporate Accounts.
- Credit, Surety & Political Risks; and
- Alternative Reinsurance.

Property-Casualty Treaty

The Property-Casualty Treaty sub-segment includes: the proportional and non-proportional treaty classes of property; casualty; marine, aviation and transportation; and construction reinsurance.

Property. The Group s proportional and non-proportional property treaty business provides reinsurance coverage for underlying insured property damage or business interruption losses resulting from fire or other perils in the homeowners, personal auto, industrial and general commercial property lines. In addition, SCOR s specialized excess of loss coverage also provides catastrophe loss protection to cedents.

Casualty. The Group s proportional and non-proportional casualty treaty reinsurance business includes auto liability and general third party liability coverage, as well as the liability components of both homeowners and general commercial coverage. Auto liability reinsurance covers bodily injury and third party property and other liability risks arising from both private passenger and commercial fleet auto coverage.

Marine, Aviation and Transportation. The Group s marine, aviation and transportation treaty business relates primarily to ocean and inland marine risk, as well as a limited amount of commercial aviation coverage.

Construction. The Group s construction treaty business, primarily written on a proportional basis, includes inherent defect insurance coverage, also known as decennial insurance. As required by French and Spanish law, decennial insurance covers major structural defects and collapse for ten years after completion of construction of a building.

Facultatives and Large Corporate Accounts

The second sub-segment of the Non Life segment is Facultatives and Large Corporate Accounts, which we refer to as SCOR Business Solutions, or SBS. SBS consists of six industrial sectors: energy & utilities, new technologies, including a unit dedicated to space risks, finance & services, industry, contracting & major projects and large facultatives in three geographic areas: Europe, Asia Pacific and North America. SBS consists mostly of facultative business, which is written by specialized underwriting teams. It was reorganized in 2000 to cover the activities of corporate buyers seeking global risk financing solutions that combine traditional risk coverage and alternative financing. It shares risks on a proportional or non-proportional basis with cedents for large, complex industrial or technical

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risks, such as automotive assembly lines, semiconductor manufacturing plants, oil and gas or chemical facilities, oil and gas exploration and production sites, energy facilities, and boiler and machinery installations.

The Group s large facultative business is primarily written in property, as well as, to a lesser degree, in the liability, transportation, space and construction classes of business. SBS also writes casualty facultative business, which encompasses commercial fleet auto coverage, workers compensation, fraud and commercial third party liabilities.

Space and transportation facultative coverage is written particularly in the areas of space and offshore risks, and requires the application of sophisticated, highly technical risk analysis and underwriting criteria. Offshore business relates to offshore oil and gas exploration and operations, while space business relates to satellite assembly, launch and coverage for commercial space programs.

Construction facultative coverage is typically provided against risk of loss due to physical property damage caused during the construction period as well as, in certain cases, business interruption or other financial losses incurred as a result of completion delays for large and complex construction and industrial projects. The Group has acted or is acting as lead or principal reinsurer on several world scale infrastructure projects. For these leading projects, SCOR takes an active role in all phases of the development, and works with cedents, brokers, insureds, risk managers and project sponsors in optimizing the combination of risk management techniques and insurance solutions.

Industrial clients are particularly sensitive to the ratings of the reinsurers who are covering their risks. See Item 3.D. Risk Factors Ratings are important to our business.

Credit, Surety & Political Risks

SCOR s Credit, Surety and Political Risks business is conducted by teams based primarily in Europe and to a lesser extent in the United States. In credit insurance contracts, the insurer covers risks of loss due to non-payment of debts, while in surety insurance contracts, the insurer acts as guarantor to pay, or make pay, a debt. Political risks insurance covers risks of loss as a result of measures taken by governments or governmental entities jeopardizing a sales contract or an obligation.

Alternative Reinsurance

SCOR s ART business has been limited to underwriting within its Bermudan subsidiary, Commercial Risk Partners, and has been in run-off since January 2003.

Life/Accident & Health

Life/Accident & Health reinsurance includes life reinsurance products, as well as personal casualty reinsurance, namely accident, disability, health, unemployment and long-term care.

Life. The Group s Life business, written primarily on a proportional and non-proportional treaty basis, provides life reinsurance coverage with respect to individual and group life, reinsurance of annuity-based products, and longevity reinsurance, to primary life insurers and pension funds.

Accident, disability, health, unemployment and long-term care. The segments of this business are written primarily on a proportional treaty basis.

Distribution by geographic area

In 2004, SCOR generated approximately 60% of its gross premiums written in Europe, with significant market positions in France, Germany, Spain and Italy, 19% of its gross premiums written in North America, including Bermuda and the Caribbean region and 21% of its gross premiums written in Asia and the rest of the world.

As part of its strategic reassessment in 2002, the Group has pursued and is continuing to pursue the reorientation of its Non Life business portfolio by geographic zone, particularly by a deliberate reduction of underwriting in the United States. The strategic reorientation pursued since September 2002 has allowed the Group to write better quality business. As a result of its efforts, SCOR reduced the percentage of Non Life premium income in the U.S. from approximately 37% in the year ended December 31, 2002 to approximately 16% in the year ended December 31, 2003 and approximately 9% in the year ended December 31, 2004, while increasing the percentage

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of Non Life premium income in Europe from approximately 42% in the year ended December 31, 2002 to approximately 53% in the year ended December 31, 2003 and approximately 60% in the year ended December 31, 2004. In connection with its Asian operations, SCOR has submitted a file for converting its representation bureau in Beijing into a subsidiary and on April 16, 2004 obtained a license for its Seoul bureau to be converted into a branch.

The following table shows the distribution of the Group s gross Life and Non Life premiums written by geographic area:

Gross Premiums Written by Geographic Area(1)

	Year ended December 31,					
	2002 (Restated)		2003 (Restated)		2004	
	EUR	%	EUR	%	EUR	%
	(EUR figures in millions)					
Total Europe	2,217	45%	1,925	58%	1,355	60%
France	840	17%	720	22%	480	21%
Europe (Outside of France)	1,377	28%	1,205	36%	875	39%
North America	1,934	39%	822	25%	430	19%
Asia-Pacific and Other International	763	16%	559	17%	460	21%
Total	4,914	100%	3,306	100%	2,245	100%

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(1) Premiums are allocated by geographic area based on information received by the Group from its cedents concerning the primary location of the cedents underlying insured risks.

RATINGS

Ratings are important to all reinsurance companies, including SCOR, as ceding companies will seek reinsurance from institutions with a higher quality financial standing. Our Life reinsurance business and large facultative and direct underwriting areas are particularly sensitive to the way our clients and ceding companies perceive our financial strength as well as to our credit ratings. See Item 3.D. Risk Factors Ratings are important to our business.

Our current solicited Group ratings by Standard & Poor s, A.M. Best Co. (A.M. Best) and Moody s are as follows:

	Insurer Financial Strength	Senior Debt	Subordinated Debt
Standard & Poors November 9, 2004	BBB+ (positive outlook)	BBB+ (positive outlook)	BBB (positive outlook)
AM Best December 1st, 2004	B++ (positive outlook)	bbb (positive outlook)	bbb (positive outlook)
Moody s December 7, 2004	Baa2 (positive outlook)	Baa3 (positive outlook)	Ba2 (positive outlook)

In November 2004, Standard & Poor s Rating Services revised its outlook on SCOR and guaranteed subsidiaries rating to positive from stable. At the same time, SCOR s BBB+ ratings for insurer financial strength and senior debt were affirmed.

In December 2004, A.M. Best affirmed the financial strength rating of B++ (Very Good) of SCOR (Paris) and its core subsidiaries and assigned an issuer credit rating of bbb+ to these companies. The rating on SCOR s commercial paper program has been affirmed. The outlook for all these ratings has been changed to positive from stable.

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In December 2004, Moody s Investors Service announced that it had upgraded SCOR s Insurance Financial Strength Rating to Baa2 from Baa3, Senior Debt Rating to Baa3 from Ba2, and Subordinated Debt Rating to Ba2 from Ba3. These ratings all have a positive outlook.

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UNDERWRITING, RISK MANAGEMENT AND RETROCESSION

Underwriting

Consistent with its strategy of selective market and business segment development, the Group seeks to maintain a portfolio of business risks that is strategically diversified both geographically and by line and class of business. Consistent with the Moving Forward plan, SCOR has sought to reduce its exposure to the U.S. market by declining to underwrite large national insurers. SCOR furthered the geographic rebalancing of its business in 2004 by reducing the percentage of Non Life premium income in the U.S. from approximately 37% in the year ended December 31, 2002 to approximately 16% in the year ended December 31, 2003 and approximately 9% in the year ended December 31, 2004, while increasing the percentage of Non Life premium income in Europe from approximately 42% in the year ended December 31, 2002 to approximately 53% in the year ended December 31, 2003 and approximately 60% in the year ended December 31, 2004. In addition, the Company has centrally established underwriting guidelines for its subsidiary companies to ensure the diversification and management of risk with respect to its business by line and class of business.

The Group s underwriting is conducted through Property-Casualty Treaty and Facultative and Large Corporate Accounts underwriting teams in its Non Life segment and through its Life underwriting team, with the support of technical departments such as actuarial, claims, legal, retrocession and accounting.

Underwriting, actuarial, accounting and other support staff are located in the Group s Paris headquarters as well as in local subsidiaries and branches. While underwriting is carried out at decentralized subsidiary or division level, the Group s overall exposure to particular risks and in particular geographic zones is centrally monitored from Paris.

Property-Casualty Treaty underwriters manage client relationships and offer reinsurance support after a careful review and assessment of the cedents underwriting policy, portfolio profile, exposures and management procedures. They are responsible for writing treaty business as well as small facultative risks in their respective territories within the limits of their delegated underwriting authority and the scope of underwriting guidelines approved by the Group general management.

The underwriting teams are supported by a technical underwriting unit based in the Group head office. The technical underwriting unit provides worldwide treaty and small facultative underwriting guidelines, the delegation of capacity, underwriting support to specific classes or individual risks when required, ceding company portfolio analyses and risk surveys.

The underwriting teams are also supported by a Group actuarial unit responsible for pricing and reserving methods and tools to be applied by the actuarial units based in the treaty operating units. The Group audit department conducts frequent underwriting audits in the operating units.

Most facultative underwriters belong to the Group s SCOR Business Solutions integrated division, which operates on a worldwide basis, from four underwriting centers in Paris, London, New York and Singapore and with underwriting entities located in certain of the Group s subsidiaries and branches. This division is dedicated to large corporate business and is geared to provide its clients with solutions for conventional risks. Small Property and Casualty facultative underwriting is handled by the Property-Casualty Treaty underwriting team.

Life underwriting within the Group is under the worldwide responsibility of SCOR VIE. Our Life clients are life or accident and health insurance companies worldwide. They are served by specialized Life underwriters familiar with the specific features of each of the markets in which they operate, including mortality tables, morbidity risks, disability and pension coverage, product development, financing and specific market coverage and policy conditions. Life underwriting consists of the consideration of many factors, including the type of risks to be covered, ceding company retention levels, product and pricing assumptions and the ceding company s underwriting standards and financial strength.

Life underwriters worldwide are supported by the Life Underwriting Department, or LUD, which coordinates underwriting activities at the Group level and conducts underwriting audits in the operating units, and by the Technical and Development Department, or TDD, responsible for pricing tools, reserving rules, product development and retrocession. These two departments set the underwriting guidelines, which are approved by the Underwriting Innovation Committee, comprising SCOR Vie General Management, and the heads of underwriting units LUD and TDD. This Committee periodically reviews and updates the four levels of underwriting authority delegated to each underwriter.

Catastrophe Risk and Exposure Controls

Like other reinsurance companies, SCOR is exposed to multiple insured losses arising out of a single occurrence, whether a natural event such as a hurricane, windstorm, flood, hail or severe winter weather storm or an earthquake, or a man-made catastrophe such as an explosion or fire at a major industrial facility or an act of terrorism. Any such catastrophic event could generate insured losses in one or many of SCOR s lines of business.

In 2004, SCOR, like most other reinsurers, was adversely affected by the unusually high frequency of natural catastrophes around the world, including four hurricanes in the United States and the Caribbean and a number of typhoons in Asia. Hurricanes Ivan, Charley, Frances and Jeanne produced an estimated aggregate pre-tax catastrophic loss for the Group, gross of retrocession, of EUR 34 million by the year end. Similarly, Typhoon Songda produced an estimated pre-tax catastrophic loss for the Group, gross of retrocession, of EUR 30 million, while Typhoons Rananim and Chaba, as well as the tsunami in December 2004 had an estimated aggregate pretax catastrophic loss for the Group, gross of retrocession, of approximately EUR 12 million. The aggregate catastrophic loss for these events for the year ended December 31, 2004 is estimated by the Group, before tax and retrocession, at EUR 76 million.

In 2003, SCOR experienced no major natural catastrophic losses, the largest one being the storms in the Midwest of the U.S. for a cost of approximately EUR 20 million as of December 31, 2004, net of retrocession, down from the EUR 30 million reported in 2003.

During the summer of 2002, the catastrophic floods in Central Europe affecting the Czech Republic, Germany and Austria produced a pre-tax catastrophe loss for the Group, net of retrocession, of EUR 95 million for 2002. These events did not produce additional loss for the Group in 2004. Typhoon Rusa in Korea in August 2002, the flooding in the southeast of France in September 2002 and the windstorm Jeannet in Northern Europe in October 2002 did not have any new material impact on SCOR in the year ended December 31, 2004.

SCOR carefully evaluates its potential natural event and other risk accumulation for its entire property business at the head office level, including exposures underwritten by its subsidiaries worldwide. Pursuant to overall guidelines and procedures established from the Paris headquarters, each subsidiary monitors its own accumulation for the relevant country or region, and the Accumulation Department based in Paris centrally consolidates the results for the Group.

SCOR employs various techniques, depending upon the region and peril, to assess and manage its accumulated exposure to property natural catastrophe losses in any one region of the world and quantifies that exposure in terms of its potential maximum loss. SCOR defines this as its anticipated maximum loss, taking into account contract limits, caused by a single catastrophe affecting a broad contiguous geographic area, such as that caused by a windstorm, a hurricane or an earthquake, occurring within a given return period. SCOR estimates that its current Group-wide potential maximum loss from natural catastrophe events, before retrocessional reinsurance, is related primarily to earthquake risks in Japan, Italy, Taiwan, Chile, Israel, Turkey and Portugal and wind and other weather-related risks concentrated primarily in North America, Europe and Asia.

The following table summarizes the main projected natural catastrophe exposures of the Group by geographic area:

Range of Potential Catastrophe Exposure(1)	**Subject countries as of December 2004** **(EUR, in millions)**
100 to 200	Canada, Colombia, Greece, Peru, United States, Mexico
200 to 300	Chile, Israel, Italy, Portugal, Taiwan, Turkey
300 and over	Japan, Europe

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(1) Calculated on a potential maximum loss basis for a given return period before retrocession.

For more than 15 years, SCOR has been using its own internally-developed and regularly updated software program for evaluating earthquake potential maximum losses for 20 countries. SCOR currently utilizes SERN for the simulation of events and of their consequential damages. SERN (*Système d Evaluation des Risques Naturels* or Natural Risks Evaluation System) is an enhancement of existing models initiated in 1997 by SCOR and partners from prominent research institutes and recognized private IT companies. This software program is linked directly to our worldwide database and available to all of SCOR s subsidiaries and operating units. As of December 31, 2004, SERN was operational for earthquake exposure in Australia, Algeria, Canada, Chile, Colombia, Greece, Indonesia, Israel, Jordan, Italy, Japan, Mexico, New Zealand, Peru, Philippines, Portugal, Taiwan, Turkey, the United States and Venezuela. For

countries such as Japan and the United States, SCOR s analyses are compared with other calculations performed using programs developed by specialized independent consultants.

The potential accumulation for hurricanes in the United States is analyzed in a similar fashion, using third-party software and simulation tools. The potential accumulation for typhoons in Japan is analyzed using maximum liability for non-proportional treaties and scenarios based on Mireille, a major typhoon in Japan in 1991, for pro rata treaties. European windstorm accumulation in the treaty portfolio is also assessed by SERN, which has been adapted to analyze windstorm events and is now operational in eight European countries, reproducing past events. SCOR continues to refine its loss estimation methodologies internally with the assistance of outside consultants.

The following table sets forth certain data regarding the Group s catastrophe loss experience in each of the three years ended December 31, 2004:

	Year ended December 31,		
	2002	**2003**	**2004**
	(EUR, in millions)		
Number of catastrophes(1)	1	4	2
Incurred losses and LAE from catastrophes, gross	95(2)	78(3)	40(4)
Incurred losses and LAE from catastrophes, net of retrocession	94(2)	72(3)	40(4)
Group loss ratio(5)	97%	99%	69%
Group loss ratio excluding catastrophes	94%	96%	67%

(1) A catastrophe is defined by SCOR as an event involving multiple insured risks causing pre-tax losses, net of retrocession, of EUR 10 million or more.

(2) Catastrophic floods in Central Europe.

(3) Floods in Italy and Southwestern France, storms in the Midwestern United States and Typhoon Maemi in South Korea.

(4) Typhoon Songda plus Hurricane Ivan.

(5) Loss incurred prior to discount on workers compensation reserves on North American operations expressed as a percentage of premiums earned.

As previously reported, incurred losses and LAE from catastrophes were EUR 670 million on a gross basis and EUR 215 million net of retrocession for the year ended December 31, 2001. Such amounts reflected the impact of the September 11 attack on the World Trade Center.

Claims

SCOR s Group Claims Division, created in April 2003, is tasked with implementing the general claims handling policy for the Group, implementing worldwide control and reporting procedures and managing commutation of claim portfolios.

The claims handling function is performed by the subsidiary Claims Departments, which initially process and monitor reported claims. The Group Claims Division supports and controls their general activity and takes over the direct management of large, litigious, serial and latent claims. Additionally, periodic audits are conducted on specific claims and lines of business and claims processing and procedures are examined at the ceding companies offices with the aim of evaluating their claims adjusting process, valuation of reserves and overall performance. Technical and legal assistance is provided to underwriters before and after accepting certain risks. When needed, recommendations are given to underwriters, local claims adjusters and management.

The main objectives of the Group Large Claims Committee, chaired by the Group Chief Operating Officer, are to review the consolidated impact of large and strategic claims and to monitor the management of such claims across lines of business and countries. It reviews on a monthly basis all reported new large and strategic claims and follows the development of all such claims.

Retrocessional Reinsurance

The Group retrocedes a portion of the risks it underwrites in order to control its exposures and losses, and pays premiums based upon the risks and exposures of its facultative and treaty acceptance, subject to such retrocession reinsurance. The Group generally limits retrocession to catastrophe and property large risks. Retrocession reinsurance is subject to collectibility in all cases where the original business accepted by the

Group suffers from a loss. The Group remains primarily liable to the direct insurer on all risks reinsured although the retrocessionaire is liable to the Group to the extent of the reinsurance limits purchased. The Group then monitors the financial condition of retrocessionaires on an ongoing basis. In recent years, the Group has not experienced any material difficulties in collecting recoverable amounts from its retrocessional reinsurers. The Group reviews its retrocession arrangements periodically, to ensure that they fit closely to the development of its business.

Retrocession procedures are centralized in the retrocession department of the non life sector. The Group utilizes a variety of retrocession agreements with non-affiliated retrocessionaires to control its exposures to large property losses. In particular, the Group has implemented an overall program set in place on an annual basis that provides partial coverage for up to three major catastrophic events within one occurrence year. A major event is likely to be a natural catastrophe such as an earthquake, a windstorm, a hurricane or a typhoon in a region where the Group has major aggregate exposures stemming from the business written.

IRP Holdings was established in December 2001 to reinsure (as a retrocessionaire) certain of SCOR s Non Life reinsurance business on a quota share basis from 2002 forward. The purpose of the vehicle was to expand capacity in order to underwrite business at a time when premium levels were considered to be attractive. The retrocession rate in 2004 was 25%. The relevant quota share agreements were terminated with effect from January 1, 2005, and IRP Holdings minority shareholders must exit IRP not later than May 31, 2006. SCOR s initial ownership interest in IRP Holdings was 41.70%, and increased to 53.35% as of June 30, 2003. IRP Holdings has been fully consolidated with SCOR since fiscal year 2001. For more information on IRP Holdings, see Item 9.A. The Offer and Listing IRP and Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings.

On December 28, 2001, the Group purchased a USD 150 million multi-year reinsurance cover, to provide coverage against the occurrence of an earthquake in California or in Japan, or a severe windstorm in Northern Europe, subject to a limit of USD 100 million per occurrence. The contract, provided by Atlas Reinsurance II p.l.c., a public limited company incorporated under the laws of Ireland, protected SCOR s property and construction business for a period of three years from January 1, 2002 to December 31, 2004. Atlas Reinsurance II p.l.c. issued two classes of notes for a total of USD 150 million with principal reduction contingent on the parametric model designed by Risk Management Solutions (RMS) based on SCOR s exposure. This coverage expired on December 31, 2004, and the notes were redeemed pursuant to the agreement on the scheduled redemption date on January 7, 2005. Atlas II is in the course of being liquidated.

RESERVES

Significant periods of time may elapse between the occurrence of an insured loss, the reporting of the loss to the ceding company and the reinsurer and the ceding company s payment of that loss and subsequent payments to the ceding company by the reinsurer. To recognize liabilities for unpaid losses, LAE and future policy benefits, insurers and reinsurers establish reserves, which are balance sheet liabilities representing estimates of future amounts needed to be paid in respect of not yet reported (IBNYR) and not enough reserved (IBNER) claims that are incurred but not yet reported, which are referred to as IBNR, and related expenses.

The Group maintains reserves to cover its estimated ultimate liability for losses and LAE with respect to reported and not yet reported claims. Because reserves are estimates of ultimate losses and LAE, management monitors reserve adequacy over time, evaluating new information as it becomes known and adjusting reserves, as necessary. Management considers many factors when setting reserves, including the following:

- information from ceding companies;
- historical trends, such as reserving patterns, loss payments, pending levels of unpaid claims and product mix;
- internal methodologies that analyze the Group s experience with similar cases;
- current legal interpretations of coverage and liability; and
- economic conditions.

Based on these considerations, management believes that adequate provision has been made for the Group s Life and Non Life loss and LAE reserves as of December 31, 2004. In the Life business the reserves totaled EUR 2,635 million (net of retrocession) as of December 31, 2004 and the Non Life loss and LAE reserves totaled EUR 5,583 million as of December 31, 2004. Actual loss and LAE paid may deviate, perhaps significantly, from such reserves. To the extent reserves prove to be insufficient to cover actual losses and LAE after taking into account available retrocessional coverage, the Group would have to augment such reserves and incur a charge to earnings which could have a material adverse effect on the Group s consolidated financial condition and results of operations. See Item 3.D. Risk Factors If our reserves prove to be inadequate, our net income, results of operations and financial condition may be adversely affected.

The Group Chief Risk Officer conducted an appraisal of the technical reserves as at December 31, 2004, based on reports by internal and external actuaries.

General

Non Life business

As part of the reserving process, insurers and reinsurers review historical data and anticipate the impact of various factors such as legislative enactments and judicial decisions that may tend to affect potential losses from casualty claims, changes in social and political attitudes that may increase exposure to losses, mortality and morbidity trends and trends in general economic conditions. This process assumes that past experience, adjusted for the effects of current developments, is an appropriate basis for anticipating future events. The reserving process implicitly recognizes the impact of inflation and other factors affecting losses by taking into account changes in historical claim patterns and perceived trends. There is no precise method, however, for subsequently evaluating the impact of any specific item on the adequacy of reserves, because the eventual deficiency or redundancy of reserves is affected by many factors.

The Group periodically reviews and updates its methods of determining the IBNR reserves. Estimation of loss reserves is a difficult process, however, especially in view of changes in the legal and tort environment that may impact the development of loss reserves. While the reserving process is difficult and subjective for ceding companies, the inherent uncertainties of estimating such reserves are even greater for reinsurers, due primarily to the longer time between the date of an occurrence and the reporting of any attendant claims to the reinsurer, the diversity of development patterns among different types of reinsurance treaties or facultative contracts, the necessary reliance on the ceding companies for information regarding reported claims and differing reserving practices among ceding companies. In addition, trends that have affected development of liabilities in the past may not necessarily occur or affect liability development to

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the same degree in the future. Thus, actual losses, LAE and future policy benefits may deviate, perhaps significantly, from estimates of reserves reflected in the Group s consolidated financial statements.

When a claim is reported to the ceding company, its claims personnel establish a case reserve for the estimated amount of the ultimate settlement, if any, with respect to such claim. The estimate reflects the judgment of the ceding company s claims personnel, based on its reserving practices. The ceding company reports the claim to the Group entity from which it obtained the reinsurance, together with the ceding company s suggested estimate of the claim s cost. The Group records the ceding company s suggested reserve and may establish additional reserves based on review by the Group s claims department and internal actuaries. Such additional reserves are based upon the consideration of many factors, including coverage, liability, severity and the Group s assessment of the ceding company s ability to evaluate and handle the claim.

In accordance with industry practice, the Group maintains IBNR reserves. IBNR reserves are actuarially determined and reflect the ultimate loss amount which may have to be paid by the Group on claims for events and circumstances which have occurred but which have not yet been reported either to the ceding company or to the Group, and the expected change in the value of those claims, which have already been reported to the Group.

In its actuarial determination of IBNR reserves, the Group uses generally accepted actuarial reserving techniques that take into account quantitative loss experience data, together with, where appropriate, qualitative factors. IBNR reserves are also adjusted to reflect changes in the volume of business written, reinsurance contract terms and conditions, the mix of business and claims processing that can be expected to affect the Group s liability for losses over time. The Group does not discount Non Life reserves, except for most of CRP s reserves and certain reserves associated with workers compensation that are discounted pursuant to applicable U.S. and Bermudian regulation.

Life business

In the Life area, reserves for future policy benefits and claims are established based upon the Group s best estimates of mortality, morbidity, persistency and investment income, with provision for adverse deviation. The liabilities for future policy benefits established by the Group with respect to individual risks or classes of business may be greater or less than those established by ceding companies due to the use of different mortality and other assumptions. Reserves for policy claims and benefits include both mortality and morbidity claims in the process of settlement and claims that have been incurred but not yet reported. Actual experience in a particular period may be worse than assumed experience and, consequently, may adversely affect the Group s operating results for such period.

Catastrophe Equalization Reserves

In addition to loss, LAE, future policy benefits and IBNR reserves, under French GAAP and pursuant to applicable French insurance regulations, and in the case of certain non-French subsidiaries pursuant to applicable local regulations, SCOR is required to establish certain equalization reserves for future catastrophes and other losses. These reserves are generally established by setting aside in each year a specified portion of underwriting gains, if any, for such year, subject to specified aggregate limits based on premium volumes in lines of business affected by catastrophes or other events. These reserves are not recorded as liabilities in the financial statements prepared in accordance with U.S. GAAP. The U.S. GAAP financial statements do, however, include an allocation of retained earnings to a catastrophe reserve recorded as an account in shareholders equity. Retained earnings allocated to the catastrophe reserve represent amounts expensed as catastrophe coverage premium expense under French GAAP but not under U.S. GAAP. Because such amounts have been expensed for French accounting purposes, these amounts are not distributable as dividends and consequently have been shown as an allocation of retained earnings in the U.S. GAAP financial statements.

Changes in Historical Reserves

The table below shows changes in historical loss reserves, on a U.S. GAAP basis, for the Group s Property-Casualty operations for 1995 and subsequent years, net of retrocessional reinsurance. The Group s reinsurance contracts are generally written on an underwriting year basis and the Group maintains its records on this same basis. As compared to loss development tables presented on an accident year basis by U.S. registrants, presentation on an underwriting year basis accelerates the timing of the presentation of loss reserve development by moving development of losses that actually occur in an accident year subsequent to the end of the applicable underwriting year back into such underwriting year. As discussed in the third paragraph below, the Company s underwriting year loss development data is, as a result, not fully comparable with accident year data presented by U.S. registrants.

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The top line of the table shows the initial estimated gross reserves for unpaid losses and LAE recorded at each year-end date, as well as the amount of such initial reserve. The upper (paid) portion of the table presents the cumulative amounts paid through each subsequent year on those claims for which reserves were carried as of each specific year-end. The lower (liability re-estimated) portion shows the re-estimated amount of the previously recorded reserves, net of retrocession, based on experience as of the end of each succeeding year. The estimate changes as more information becomes known about the actual claims for which the initial reserves were created. The cumulative redundancy/deficiency line represents the cumulative change in estimates since the initial reserve was established. It is equal to the latest liability re-estimated amount less the initial reserve.

An underwriting year reinsurance contract reinsures losses incurred on underlying insurance policies that begin at any time during the reinsurance contract term. This means that, if both the underlying insurance contracts and the reinsurance contract have twelve-month terms, the reinsurance contract will cover underlying losses occurring over a twenty-four month period. For example, if an underwriting year reinsurance contract term was from January 1 to December 31, 2004, it would cover underlying policies with terms beginning on both January 1, 2004 and December 31, 2004. Losses incurred on underlying policies beginning on January 1, 2004 could occur as early as January 1, 2004 while losses incurred on underlying policies beginning on December 31, 2004 could occur as late as December 30, 2005.

For purposes of the loss reserve development table, the Group has assigned all losses incurred under reinsurance contracts written in a particular year to that year, even though some of those losses may not have been incurred until twelve months after the end of the year. Since losses have been so assigned, the reserve re-estimated x years later set forth in the table includes all those losses incurred during the x years following the reference year, but related to an underwriting year prior to and including the reference year. As a result, the amounts on the line labeled cumulative redundancy/ (deficiency) before premium development in the loss development tables are not a precise indication of the adequacy of the initial reserves that appear on the first and third lines of the tables.

This has been partially corrected by inclusion in the line labeled premium development of all the premiums attributable to the underwriting year and which are earned in subsequent years. Such earned premiums are comprised primarily of amounts included in the unearned premium reserves at the end of a given reference year and which are progressively earned during the years following such reference year, but also include experience rated premiums received under certain reinsurance contracts written in such underwriting year. The Group does not specifically segregate experience rated premiums in its accounting systems, but management does not believe such amounts are material. This presentation permits a comparison of the reserves for claims and claims expenses as initially established with the re-estimated reserves for claims and claims expenses, which have been adjusted for the effect of claims and claims expenses incurred subsequent to the reference year-end. While the resulting adjusted cumulative redundancy/deficiency is not a precise measurement and is not fully comparable to the amounts that would be determined using accident year data, management believes it to be a reasonable indication of the adequacy of the Group s loss and LAE reserves as recorded in its consolidated financial statements as of the referenced year ends.

The following tables present ten-year loss development on a U.S. GAAP basis and a three-year reconciliation of beginning and ending reserve balances on a U.S. GAAP basis. The U.S. GAAP loss development data is presented on an underwriting year basis, while the reserve reconciliation data represents the Company s allocation of incurred and paid losses and LAE between current and prior years on a calendar year basis. See also Note 18 to the consolidated financial statements.

Ten-Year Loss Development Table Presented Net of

Reinsurance with Supplemental Gross Data (U.S. GAAP)(1)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Initial gross reserves for unpaid loss and LAE	2,760	2,600	3,361	3,723	3,942	4,774	5,575	8,365	7,966	7,004	6,119
Initial retroceded reserves	351	234	316	306	337	421	507	1,448	1,033	673	536
Initial net reserves	2,409	2,366	3,045	3,417	3,605	4,353	5,068	6,917	6,933	6,331	5,583
Paid (Cumulative) as of: (2)											
One year later	354	420	654	874	1,040	1,399	1,807	2,514	2,627	1,426	
Two years later	717	901	1,136	1,440	1,570	2,294	3,163	3,614	3,736		
Three years later	1,054	1,188	1,405	1,778	1,946	3,046	4,390	3,575			
Four years later	1,292	1,368	1,599	2,015	2,356	3,606	5,027				
Five years later	1,431	1,505	1,731	2,306	2,626	4,028					
Six years later	1,542	1,590	1,953	2,488	2,874						
Seven years later	1,613	1,779	2,073	2,646							
Eight years later	1,777	1,871	2,176								

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Nine years later	1,853	1,948								
Ten years later	1,923									
Eleven years later										
Reserve re-estimated as of:(3)										
One year later	2,595	2,630	3,458	3,690	4,057	4,996	5,938	8,030	8,344	6,466
Two years later	2,665	2,733	3,411	3,772	4,082	5,278	6,358	8,699	7,984	
Three years later	2,767	2,702	3,401	3,810	4,117	5,446	7,385	8,794		
Four years later	2,758	2,692	3,404	3,807	4,209	5,952	7,412			
Five years later	2,748	2,675	3,379	3,887	4,479	5,962				
Six years later	2,722	2,653	3,429	4,002	4,454					
Seven years later	2,711	2,711	3,522	3,990						
Eight years later	2,777	2,792	3,507							
Nine years later	2,834	2,780								
Ten years later	2,823									
Eleven years later										
Cumulative redundancy/(deficiency) before premium development	(414)	(414)	(462)	(573)	(849)	(1,609)	(2,344)	(1,877)	(1,052)	(136)
% before premium development	(17)%	(18)%	(15)%	(17)%	(24)%	(37)%	(46)%	(27)%	(15)%	(2)%
Premium development	245	229	361	343	390	487	942	1,215	676	339
Cumulative redundancy/(deficiency) after premiums development	(169)	(185)	(101)	(230)	(459)	(1,122)	(1,402)	(662)	(376)	203
Percentage	(7)%	(8)%	(3)%	(7)%	(13)%	(26)%	(28)%	(10)%	(5)%	3%
Gross re-estimated liability at December 31, 2004	3,328	3,134	4,020	4,700	5,181	7,113	8,639	12,841	9,702	7,532
Re-estimated receivable at December 31, 2004	505	354	513	710	727	1,151	1,227	4,047	1,718	1,066
Net re-estimated liability at December 31, 2004	2,823	2,780	3,507	3,990	4,454	5,962	7,412	8,794	7,984	6,466
Gross cumulative redundancy/(deficiency) before premium development	(568)	(534)	(659)	(977)	(1,239)	(2,339)	(3,064)	(4,476)	(1,736)	(529)
Gross premium adjustments	288	281	332	366	360	459	784	1,154	735	495
Gross Cumulative redundancy/(deficiency) after premiums development	(280)	(253)	(327)	(611)	(879)	(1,880)	(2,280)	(3,322)	(1,001)	(34)
Percentage	-10.15%	-9.74%	-9.74%	-16.41%	-22.31%	-39.38%	-40.90%	-39.71%	-13%	-0.49%

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(1) Initial gross, initial retroceded and initial net reserves are shown on a U.S. GAAP basis. Paid (cumulative) amounts and reserves re-estimated amounts are shown on an underwriting year basis, consistent with the reporting practices of the Company and its cedents, particularly in the European market.

(2) Cash commutation payments (i) received in 1993 of EUR 60 million and in 1994 of EUR 129 million and (ii) paid in 1994 of EUR 48 million have been excluded from the paid (cumulative) amounts presented.

The EUR 260 million North American portfolio acquired in 1996 has been excluded from the paid (cumulative) amount presented for the years concerned.

(3)

Re-estimated gross claims reserves for a given underwriting year are reduced by the amount of any premiums earned subsequent, but related, to that underwriting year, including experience-rated premiums received and accrued from the ceding insurers as assumed losses were incurred.

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Reconciliation of Reserves for Losses and LAE (U.S. GAAP)

	Year ended December 31,		
	2002 (Restated)	**2003 (Restated)**	**2004**
	(EUR, in millions)		
Reserves for losses and LAE at beginning of year, net	6,917	6,933	6,331
Effect of changes in foreign currency exchange rates	(745)	(656)	(203)
Effect of claims portfolio transfer and other reclassifications	107	31	9
Incurred related to:			
Current year	2,802	1,661	1,002
Prior years	660	1,078	174
Total incurred losses and LAE(1)	3,462	2,739	1,176
Paid related to:			
Current year	450	316	116
Prior years	2,358	2,400	1,614
Total paid losses and LAE(1)	2,808	2,716	1,730
Reserves for losses and loss expenses at end of year net	6,933	6,331	5,583
Reinsurance recoverable on unpaid losses	1,033	673	536
Reserves for losses and loss expenses at end of year gross	7,966	7,004	6,119

(1) Initial gross, initial retroceded and initial net reserves are shown on a U.S. GAAP basis. Paid (cumulative) amounts and reserve re-estimated amounts are shown on a calendar year basis.

Commutations

In 2003, CRP s reserves were reduced on the balance sheet by approximately EUR 577 million, due to two significant commutations. These commutations in 2003 reduced the Group results of operations for the year ended December 31, 2003 by approximately EUR 26 million, before taxes.

In 2004, the reduction in reserves on the balance sheet due to significant commutations amounted to approximately EUR 26 million at CRP, and approximately EUR 60 million at SCOR U.S. The commutations in 2004 did not have a material effect on the Group results of operations for the year ended December 31, 2004.

Asbestos and environmental

The Group s reserves for losses and LAE include an estimate of its ultimate liability for asbestos and environmental claims for which an ultimate value cannot be estimated using traditional reserving techniques and for which there are significant uncertainties in estimating the amount of the Group s potential losses. SCOR and its subsidiaries have received and continue to receive notices of potential reinsurance claims from ceding insurance companies which have in turn received claims asserting environmental and asbestos losses under primary insurance policies, in part reinsured by Group companies. Such claims notices are frequently merely precautionary in nature and generally are unspecific, and the primary insurers often do not attempt to quantify the amount, timing or nature of the exposure. Due to the imprecise nature of these claims, the uncertainty surrounding the extent of coverage under insurance policies and whether or not particular claims are subject to an aggregate limit, the number of occurrences involved in particular claims and new theories of insured and insurer liability, we can, like other reinsurers, only give a very approximate estimate of our potential exposures to environmental and asbestos claims that may or may not have been reported. Nonetheless, due to the changing legal and regulatory environment, including changes in tort law, the final cost of our exposure to asbestos-related and environmental claims may be increasing in undefined proportions. Diverse factors could increase our exposure to the consequences of asbestos-related risks, such as an increase in the number of claims filed or in the number of persons likely to be covered by these claims. These uncertainties inherent to environmental and asbestos claims are unlikely to be resolved in the near future, despite several aborted regulatory attempts in the U.S. for containing the overall costs related to asbestos. Evaluation of these risks is all the more difficult given that claims related to asbestos

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and environmental pollution are often subject to payments over long periods of time. In these circumstances, it is difficult for us to estimate the reserves that should be recorded for these risks and to guarantee that the amount reserved will be sufficient.

Case reserves have been established when sufficient information has been developed to indicate the involvement of a specific reinsurance contract. In addition, incurred but not reported reserves have been established to provide for additional exposure on both known and unasserted claims. These reserves are reviewed and updated continually. In establishing liabilities for asbestos and environmental claims, management considers facts currently known and the current legal and tort environment. The Group may be required to increase the reserves in future periods if evidence becomes available to support that the latent claims will develop above the recorded amounts. As a result of all these uncertainties, it cannot be excluded that the final settlement of these claims may have a material effect on the Group s results of operations and financial condition.

See Item 3.D. Risk Factors We could be subject to losses as a result of our exposure to environmental and asbestos-related risks .

The following table shows information related to the Group s asbestos and environmental gross claims reserves and LAE paid:

	Year ended December 31,					
	Asbestos(1)			Environmental(1)		
	2002	2003	2004	2002	2003	2004
	(EUR, in millions)					
Gross Non Life claims reserves, including IBNR reserves	157	109	98	88	59	54
% of total loss and LAE reserves	2%	1.5%	1.6%	1.1%	0.8%	0.9%
Non Life claims and LAE paid	7	15	15	71	13	5
% of the Group s total net property-casualty claims and LAE paid	0.3%	0.6%	0.9%	2.5%	0.5%	0.3%

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(1) Asbestos and environmental (A&E) reserve data includes SCOR s estimated A&E exposures in respect of its participation in the Anglo French Reinsurance Pool, for which A&E exposures for the years shown were as follows:

The 2002 reserves were EUR 30 million and EUR 28 million for asbestos and environmental, respectively. The 2002 paid claims and LAE were EUR 0.8 million and EUR 0.7 million for asbestos and environmental, respectively.

The 2003 reserves were EUR 19 million and EUR 18 million for asbestos and environmental, respectively. The 2003 paid claims and LAE were EUR 0.6 million and EUR 0.9 million for asbestos and environmental, respectively.

The 2004 reserves were EUR 18 million and EUR 16 million for asbestos and environmental, respectively. The 2004 paid claims and LAE were EUR 0.3 million and EUR 0.3 million for asbestos and environmental, respectively.

More generally, SCOR has developed a policy of buying back its longstanding liabilities on asbestos and environmental exposures whenever the possibility exists to do so on a commercially reasonable basis, whenever SCOR determines, based on its assessment of the potential exposure of the Group based on actuarial techniques and market practices, that the terms of the final negotiated settlement are attractive in light of the possible development of future liabilities. Preference is given to selected treaties with regard to specific circumstances such as the maturity of claims, the level of claims information available, the status of cedents and market settlements. SCOR s exposure to asbestos was reduced in 2004 by EUR 9.3 million compared to 2003, due to commutations. Environmental exposure also decreased by EUR 2.5 million over the same period for the same reason. It is the intention of management that this commutation policy be further pursued and developed in 2005 and in subsequent years. It is anticipated that the policy will affect settlement patterns to a limited degree in future years. Although the changes in settlement patterns may improve predictability and reduce potential volatility in the reserves, they may also have an adverse effect on the Group s cash flows linked to these reserves.

SCOR s exposure to asbestos and environmental liabilities stems from its participation in both proportional and non-proportional treaties and in facultative contracts which have generally been in run-off for many years.

Proportional treaties typically provide claims information on a global treaty basis, and as a result specific claims data is rarely available. With respect to non-proportional treaties and facultative contracts, normal market practice is to provide a specific proof of loss for each individual claim, making it possible to record total claims notified for such contracts. With respect to environmental exposures, most of SCOR s identified claims stem from its U.S. subsidiary operations, with less significant amounts recorded by its European subsidiaries.

When applicable, LAE are part of the claims submitted by cedents and as such are included in the figures above for both asbestos and environmental exposures.

	Year ended December 31, 2004	
	Asbestos	**Environmental**
Number of claims notifications with respect to non-proportional treaties and facultative contracts	7,725	7,116
Average cost per claim(1)	EUR 13,298	EUR 4,556

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(1) Not including claims that were settled at no cost, and claims of a precautionary nature not quantified in amount.

INVESTMENTS

General

SCOR s overall investment strategy is to achieve satisfactory returns on managed assets with minimal exposure to risk. This investment strategy also reflects the structure of SCOR s liability profile, and the duration of the assets of each subsidiary is generally established based upon the expected duration of liabilities. At December 31, 2004, the weighted average duration of the Group s fixed maturity portfolio was approximately 6.2 years. See Changes in Historical Reserves for a discussion of the expected duration of the Group s reinsurance liabilities, and the tabular summary of the Group s fixed maturities by remaining contract maturity, set forth in Note 4 to the consolidated financial statements, for information concerning the duration of the Group s assets. As a general practice, the Group does not invest in derivative securities for the purpose of managing the relative duration of its assets and liabilities. Similarly, assets are generally invested in currencies corresponding to those in which the related liabilities are denominated in order to minimize exposure to currency fluctuations. The Group does use currency spot and forward contracts, as well as swap and other derivative contracts, to a limited extent, to manage its foreign currency exposure.

SCOR s investment policy is largely centralized. Investment guidelines are established annually and regularly reviewed and updated by the Investment Committee, subject to supervision by the Company s Board of Directors. Regular meetings of the Investment Committee are held to review portfolio performance and monitor market and portfolio developments.

The Group s portfolio consists primarily of government and government-guaranteed bonds with medium term maturities. The remainder of the portfolio is divided among equity securities, real estate and liquid and short-term assets. The Company manages its investment portfolio to maximize income and generally does not manage such portfolio for the purpose of generating capital gains, but seeks to realize capital gains or losses when and as they become available as a result of its normal investing activities.

The following table summarizes net investment income of the SCOR Group s portfolio for 2002, 2003 and 2004. See also Note 4 to the consolidated financial statements.

Consolidated Net Investment Income

	Year ended December 31, 2002 (Restated)			2003 (Restated)			2004 (Restated)		
	Income	Pre-tax Yield(1)	Realized Gains (Losses)	Income	Pre-tax Yield(1)	Realized Gains (Losses)	Income	Pre-tax Yield(1)	Realized Gains (Losses)
	(EUR in millions)								
Fixed maturity securities	318	5.6%	72	265	4.8%	93	244	4.4%	27
Equity securities	6	4.0%	(123)	3	1.1%	14	6	1.4%	17
Trading equity securities	39			47			3		
Short term and other (2)	105	2.6%	93	100	4.7%	10	112	4.4%	(2)
Less investment expense									
Swap interest	(17)			(8)			(7)		
Administration expense	(16)			(29)			(33)		
Other	(68)			(52)			(43)		
Total	367			326			282		

(1) Pre-tax yield is calculated as investment income (including dividends in the case of equities) divided by the average of the beginning and end of year investment balances. Investment balances were at fair value, except for equities for which cost was used. To the applicable, investment balances were converted into euro from local currencies at year-end exchange rates.

(2) Includes swap income of EUR 10 million in 2002, EUR 3 million in 2003 and EUR 8 million in 2004. Other swap-related net income is included in realized and unrealized capital gains (and losses).

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Portfolios

The following table details the distribution by category of investment of the Group s insurance investment portfolio by net carrying value:

Consolidated Investment Position

	Net carrying value as of December 31,					
	2002 (Restated) (EUR in millions)		**2003 (Restated)**		**2004**	
Fixed maturities available for sale, at fair value	5,805	63%	5,130	64%	5,272	63%
Equity securities, available for sale	440	5%	109	1%	265	3%
Trading Investments	433	5%	740	9%	778	9%
Short term investments	198	2%				
Other long-term investments	434	5%	316	4%	322	4%
Cash and cash equivalents	1,788	20%	1,824	22%	1,798	21%
Total	9,098	100%	8,119	100%	8,435	100%

See Note 4 to the consolidated financial statements for a breakdown of amortized costs and estimated fair values of fixed maturity investments by major type of security, including fixed maturities held to maturity and available for sale as of December 31, 2002, 2003 and 2004.

The following table presents the Group s fixed maturities by counterparty credit quality, including fixed-maturities classified as trading, as of December 31, 2004:

	As of December 31, 2004	
Rating	**Net carrying value (EUR, in millions)**	**% of total net book value**
Guaranteed by the French or European government or its agencies, or the European Union(1)	273	5%
AAA	4,040	70%
AA	396	7%
A	608	10%
BBB	347	6%
Below BBB	4	0%
Unrated	125	2%
Total	5,793	100%

(1) Debt securities issued or guaranteed by the French government, by another European government or by the European Union, none of which are rated.

See Note 4 to the consolidated financial statements for a breakdown of fixed maturities included in the Group s portfolio by remaining maturity as of December 31, 2004.

INFORMATION TECHNOLOGY

SCOR has a uniform global Information System used in all locations worldwide, with the exception of CRP.

Its core reinsurance back-office system is a custom application, called Omega. Omega is designed to allow for Group-wide relationship, follow up with clients and insureds, worldwide online facultative clearance, analysis of the technical profitability of contracts, and quarterly closing based on ultimate result estimates.

In addition to the reinsurance administration system, SCOR has implemented the PeopleSoft software package solutions for human resources and finance. SCOR is promoting a paperless environment. Internally, imaging solutions have been implemented worldwide for document sharing within the Group. With business partners, SCOR is able to receive and process automatically electronic reinsurance accounts, formatted in the ACORD standard, without any re-keying. New exchanges have been launched in 2004 with large international brokers.

The SCOR technical environment is based on an international secured network. Corporate technical standards have been implemented in all locations, either on personal computers or servers. The Group has implemented an ambitious security plan, with a strong focus on internet and disaster recovery in 2004.

The Group has defined a strategic plan called the IS2005 strategy , which sets out the evolutions of the information system based on the SCOR business strategy. The IS2005 strategy is the first component of the Group s information system governance, which is now largely set up, and provides scorecards and a standard way to evaluate value created by systems.

Most of SCOR s efforts in 2004 have been dedicated to front-office applications for an improved risk selection, anticipation and reactivity on markets and products. A management system has also been developed to provide decision makers with information on business lines and market development. From the underwriting plan, an accounting forecast is built, and comparative analyses are performed through standard adequate reports. Finally, a strong emphasis is put on the reinforcement of risk control where important projects are underway, integrating SCOR standard pricing models, profitability rules, and catastrophe simulation facilities information.

The portal has been designated as the central repository for sharing all information, internal or collected from outside sources.

REGULATION OF THE REINSURANCE INDUSTRY

French corporations exclusively engaged in the reinsurance business are subject to reporting requirements and are controlled by the French Insurance Control Commission (*Commission de Contrôle des Assurances, des Mutuelles et des Institutions de Prévoyance or C.C.A.M.I.P.*) in application of the French Law dated August 8, 1994 (Law no. 94-679). This regime has been modified significantly by the May 15, 2001 New Economic Regulation Act (Law no. 2001-420), which institutes a system of prior authorization. This regime applies equally to companies already engaged in the reinsurance business at the time of entry into force. However, pending publication of the enabling decrees, this new regime has not come into effect.

Under the new regime, reinsurance companies will be required to file an application with the C.C.A.M.I.P., which will have authority to issue and revoke operating licenses. Within the framework of its supervisory mission, which has been enhanced by the New Economic Regulation Act, the C.C.A.M.I.P. will in particular have the power to conduct onsite inspections, to place reinsurers whose solvency is impaired or is liable to be impaired under special surveillance, and to impose sanctions on reinsurers found to be in breach of the regulations applicable to them. The New Economic Regulation Act has broadened the range of sanctions, which now include revocation of a company s license to engage in reinsurance operations.

There is no European regulatory framework, at present, harmonizing the supervision of reinsurance across Europe. The European Commission has been working closely with the member states of the European Union since 2001 on a draft directive aimed at instituting solvency ratios and mutual recognition of reinsurance companies in the EU member states. It is expected that this directive will be adopted in 2005.

In the United States, the Group s reinsurance and insurance subsidiaries are regulated primarily by the insurance regulators in the State in which they are domiciled, but they are also subject to regulation in each State in which they are licensed or authorized. SCOR Reinsurance Company, the Group s principal Non Life subsidiary in the United States, is domiciled in New York State and SCOR Life U.S. Re Insurance Company, the principal Life subsidiary in the United States, is domiciled in Texas. The Group s other subsidiaries in

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the United States are domiciled in Arizona, Delaware, Texas and Vermont, and one subsidiary is also commercially domiciled in California.

Solvency margin

In the reinsurance industry, the solvency margin is defined as the ratio between 100% of shareholders equity to net premiums, and serves to indicate the amount of capital base required to write reinsurance contracts.

The book solvency margin is defined as the ratio to book shareholders equity, while the economic solvency margin also comprises certain components of long-term borrowing that qualify for inclusion in equity.

Even though there is no regulatory solvency margin defined in the reinsurance sector in the European Union, (except in the United Kingdom), European reinsurers consider economic solvency margins of between 40% and 50% of net written premium appropriate. This ratio is between 80% and 100% for American reinsurers. In light of the loss accounted for in 2003, the Group s solvency margin has been reduced. But, following the completion of the capital increase in January 2004 and the reduction of the gross premiums written in 2004, the Group s solvency margin improved in 2004.

B. ORGANIZATIONAL STRUCTURE

OPERATIONS

General

The Group s Non Life reinsurance operations are conducted primarily through the Property-Casualty Treaty reinsurance, Facultatives and Large Corporate Accounts operating divisions of SCOR, respectively known as Division SCOR Non-Vie and Division SCOR Business Solutions, as well as through ten European, North American and Asian subsidiaries, each of which operates primarily in its regional market. The life, accident, disability, health, unemployment and long-term care operations of the Group are conducted mainly through SCOR Vie, which was made a subsidiary on December 1, 2003. SCOR Vie operates mainly through its branches in Italy, Germany and Canada as well as through SCOR Life Re U.S. Commercial Risk Partners (CRP) Bermuda is an ART specialized subsidiary which has been placed in run-off since January 2003. The following sets forth the Group s primary reinsurance subsidiaries as of December 31, 2004, their respective country of incorporation, and between parentheses, the main markets served by each entity:

(ORGANIZATIONAL STRUCTURE CHART)

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(1) SCOR has currently submitted a file for converting its representation bureau in Beijing into a subsidiary, and obtained on April 16, 2004, a licence for its Seoul Bureau to be converted into a branch. The Honk Kong office is linked to the Singapore office.

The current Group structure has been developed to facilitate access to domestic markets through local subsidiaries and branch offices, to provide for clearly identified profit centers in each major primary reinsurance market, and to develop local management and underwriting expertise in order to better attract, service and maintain relationships with local cedents and better understand the unique nature of local risks.

The Group s headquarters in Paris provides underwriting policy and risk accumulation direction and control claims, actuarial, accounting, legal, administrative, systems, internal audit, investment, human resources and other support to the Group s subsidiaries. The Group s worldwide offices are connected through a backbone network and application, data and exchange systems, allowing local access to centralized risk analysis, underwriting or pricing databases, while at the same time allowing information on local market conditions to be shared among the Group s offices worldwide. In addition, through regular exchanges of personnel between Group headquarters in Paris and its non-French subsidiaries and branch offices, the Group encourages professional development and training across its various geographic markets and business lines.

C. PROPERTY, PLANTS AND EQUIPMENT

In 2003, SCOR sold the Group s headquarters, consisting of 30,000 square meters of offices located in the business district of Paris La Défense. The Group remains a tenant of these offices. Under U.S. GAAP, SCOR is still considered for financial reporting purposes as the owner of the building.

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The Group also rents space separate from its home office for the purpose of safeguarding its data handling capability in case of emergency. The Group also owns properties in Hanover (Germany), Milan (Italy) and Singapore, where its local subsidiaries have their home offices, and rents space for other subsidiaries. SCOR U.S. s headquarters, located at the World Trade Center in New York, were destroyed in the attack of September 11, 2001 and have since been relocated to other facilities in Lower Manhattan. SCOR believes that the Group s facilities are adequate for its present needs in all material respects. SCOR also holds other investment properties in connection with its reinsurance operations.

Item 5. Operating and Financial Review and Prospects

A. OPERATING RESULTS

You should read the following discussion together with the consolidated financial statements of SCOR and the notes thereto included elsewhere in this annual report. The consolidated financial statements of SCOR included herein and the financial information discussed below have been prepared in accordance with U.S. GAAP. SCOR also publishes consolidated financial statements, not included herein, prepared in accordance with French GAAP, which differ in certain respects from U.S. GAAP.

Restatement

In the course of implementing International Financial Reporting Standards, or IFRS, which the Group will be required to follow in France as of January 1, 2005 for purposes of satisfying French regulatory requirements, the Group identified a number of errors in its financial statements for 2003 and 2002 that had been prepared in accordance with U.S. GAAP, including the 2002 opening balance sheet. As a result, the Group determined that it was necessary to restate its previously issued U.S. GAAP consolidated financial statements.

The restatement principally relates to:

consolidation: capital leases and mutual fund;

accounting for taxation: deferred taxes on the reserve de capitalisation and valuation allowance;

accounting for foreign currency: foreign currency transaction and financial statement, translation of goodwill and impact of currency fluctuations on available for sale debt securities held in currencies other than the functional currency;

accounting for post-retirement benefits; and

accounting for other issues: impairment of securities, derivative contracts, several minor unadjusted difference items for the periods concerned and costs incurred in connection with the creation of the SCOR Vie subsidiary.

The impacts of the restatements on net loss and shareholders equity are detailed in the following table (summary table). All items are present net of tax.

	In millions of Euros			
		Shareholders		**Shareholders**
	Net loss	**equity**	**Net loss**	**equity**
	2002	**2002**	**2003**	**2003**
Previously Reported	**(561)**	**1,145**	**(577)**	**428**
Consolidation	**45**		**12**	
Capital lease			(1)	
Consolidation of mutual funds	45		13	
Taxation	**(7)**	**(29)**	**28**	**(1)**
Deferred taxes on Réserve de capitalisation	(7)	6.60		

5.78

December 31, 2006

6.84

4.20

September 30, 2006

6.58

4.56

June 30, 2006

8.07

5.81

March 31, 2006

6.62

2.70

December 31, 2005

7.50

6.25

September 30, 2005

8.75

6.50

June 30, 2005

9.00

7.01

March 31, 2005

10.00

6.75

The prices presented are bid prices, which reflect inter-dealer transactions and do not include retail markups and markdowns or any commission to the parties involved. As such, the prices may not reflect prices in actual transactions.

The Company declared no common stock or cash dividends in 2006 or 2005 and there are no dividends in arrears. At present, management anticipates that no dividends will be declared or paid with respect to the Company's common stock during 2007 or in the foreseeable future.

Information Regarding Directors and Executive Officers. Brief statements setting forth the business experience during the past five years of each of the Company's directors and executive officers appear below.

John D. Cornett: Mr. Cornett has served as Executive Vice President and Chief Operating Officer of the Company and President and Chief Operating Officer of each of the Company's insurance subsidiaries since joining the Company in January 2007. He was previously employed as Executive Vice President, Treasurer, and Assistant Secretary of Acap Corporation, whose principal business is life and health insurance, and also served as a director and executive officer of its life insurance subsidiaries. Mr. Cornett was employed with Acap Corporation and its subsidiaries from November 1984 to December 2006. Mr. Cornett's business address is Citizens Financial Corporation, Attention: John Cornett, 12910 Shelbyville Road, Suite 300, Louisville, Kentucky 40243.

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John H. Harralson, Jr: Mr. Harralson. has served as a Director of the Company since 1990 and of each of the Company's insurance subsidiaries since their acquisition by the Company and, in the case of one of the insurance subsidiaries, many years before. He has been the editor of The Voice Tribune, a suburban weekly newspaper in Louisville, Kentucky, for more than five years. Mr. Harralson's business address is The Voice Tribune, Attn: John Harralson, 3818 Shelbyville Road, Louisville, Kentucky 40207.

James T. Helton III: Mr. Helton has served as Executive Vice President, Group Products of the Company and of the Company's life insurance subsidiaries since joining the Company in September 2006. From 2000 through 2006, he was employed as a consulting actuary for Covenant Insurance Consulting Services, a consulting firm specializing in insurance. Mr. Helton's business address is Citizens Financial Corporation, Attention: James Helton, 12910 Shelbyville Road, Suite 300, Louisville, Kentucky 40243.

Len E. Schweitzer: Mr. Schweitzer has served as Vice President, Accounting, of the Company since 1996, as Secretary of the Company since 1991, as Treasurer of the Company since March 2004, and as Chief Financial Officer of the Company and of each of its insurance subsidiaries since August 2005. He has served as Secretary of one of the Company's life insurance subsidiaries, Citizens Security Life Insurance Company since 1989, Vice President, Accounting, of that subsidiary since 1996 and as Vice President, Accounting, and Secretary of another of the Company's life insurance subsidiaries, United Liberty Life Insurance Company since 1998, as Secretary of the Company's property and casualty insurance subsidiary, Citizens Insurance Company, since 1999 and as Treasurer of that subsidiary since February 2004. Mr. Schweitzer's business address is Citizens Financial Corporation, Attention: Len Schweitzer, 12910 Shelbyville Road, Suite 300, Louisville, Kentucky 40243.

George A. Turk: Mr. Turk has served as a Director of the Company and of each of the Company's insurance subsidiaries since June 2004. He has served as a Financial Analyst and Special Projects Manager for the National Underground Railroad Freedom Center, a non-profit corporation located in Cincinnati, Ohio, since 2002. Prior to his service for the Freedom Center, he worked for thirty years at Arthur Andersen LLP. During his tenure with Arthur Andersen, he served as Partner in Charge of Financial Services Practice for Kentucky and Ohio. He retired from Arthur Andersen in 2001. Mr. Turk's business address is National Underground Railroad Freedom Center, Attention: George Turk, 50 East Freedom Way, Cincinnati, Ohio 45202.

Thomas G. Ward: Mr. Ward has served as a Director of the Company since 1990 and of each of the Company's insurance subsidiaries since their acquisition by the Company and, in the case of one of the subsidiaries, many years before. He has been President of Third Kentucky Cellular Corp., a cellular telephone company, in Lexington, Kentucky for more than five years. Mr. Ward's business address is Third Kentucky Cellular Corp., Attn: Thomas Ward, 447 Springhill Drive, Lexington, Kentucky 40503.

Darrell R. Wells: Mr. Wells has served as President and Chief Executive Officer of the Company since 1995. He has served as a Director and as Chairman of the Board of the Company since 1990 and as a Director, Chairman of the Board, and Chief Executive Officer of the Company's insurance subsidiaries since February 2004. His principal occupation for more than five years has been as the General Partner of Security Management Company, a financial management company in Louisville, Kentucky. He serves on the Board of Directors of Churchill Downs Incorporated. He is married to Margaret A. Wells. Mr. Wells' business address is Security Management Company, Attention: Darrell Wells, 4350 Brownsboro Road, Suite 310, Louisville, Kentucky 40207

Gerald A. Wells: Gerald Wells became a Director of the Company on August 9, 2007. Gerald Wells did not participate in the meetings or votes related to the Reverse Stock Split. Gerald Wells is not related to either Darrell R. Wells or Margaret A. Wells. For more than five years Gerald Wells has been a partner of Alexander Investment Services, a securities firm. Gerald Wells' business address is Alexander Investment Services, Attention: Gerald Wells, 12700 Shelbyville Road, Suite 303, Louisville, Kentucky 40243.

Margaret A. Wells: Mrs. Wells has served as a Director of the Company since 1993 and of each of the Company's insurance subsidiaries since February 2004. For more than five years she has served as a civic volunteer in Louisville, Kentucky. She is married to Darrell R. Wells. Mrs. Wells' business address is Security Management Company, Attention: Margaret Wells, 4350 Brownsboro Road, Suite 310, Louisville, Kentucky 40207

Michael S. Williams: Mr. Williams has served as Vice President of Marketing for Life and Health Products of the Company and Senior Vice President of Marketing for Life and Health Products of each of the Company's insurance subsidiaries since joining the Company in May 2005. From 1998 through 2003, he was a Regional Vice President of Fortis Family (now Assurant Preneed), whose principal business is life insurance, and immediately prior to joining the Company, he was an independent agent with Assurant Preneed. Mr. Williams's business address is Citizens Financial Corporation, Attention: Michael Williams, 12910 Shelbyville Road, Suite 300, Louisville, Kentucky 40243.

None of the above-listed directors and officers has been convicted in a criminal proceeding during the past five years (excluding traffic violations or similar misdemeanors). None of the above-listed directors and officers was a party to any judicial or administrative proceeding during the past five years that resulted in a judgment, decree, or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws. All of the above-listed directors and officers are citizens of the United States of America.

Interest in Securities of the Company. Set forth below is information with respect to shares of Company Common Stock, the only class of voting equity security of the Company, beneficially owned by the directors and executive officers of the Company as of August 24, 2007. Darrell R. Wells and Margaret A. Wells are the only persons, entity, or group known to have been the beneficial owner of more than 5% of the Company's Common Stock as of August 24, 2007. The Company believes that each person named or included below has the sole voting and investment power with respect to the amount of Common Stock listed, with the exceptions noted.

			Pro Forma – Post Reverse Stock Split	
Shareholder	**Shares**	**Percent of Class**	**Shares**	**Percent of Class**
Darrell R. Wells[(1)]	980,997[(2)]	61.8%	3,923	69.3%
Margaret A. Wells[(1)]	980,997[(2)]	61.8%	3,923	69.3%
John H. Harralson, Jr.	12,468	*	49	*
George A. Turk	0	-	0	-
Thomas G. Ward	24,169	1.5%	96	1.7%
Gerald A. Wells	65,000	4.1%	260	4.6%
Len E. Schweitzer	1,000	*	4	*
James T. Helton, III	0	-	0	-
Michael S. Williams	0	-	0	-
John D. Cornett	4,100	*	16	*
9 Directors and Executive Officers as a Group	1,087,734	68.6%	4,348	76.8%

* Less than 1%.

(1) Margaret A. Wells, a director, is the wife of Darrell R. Wells. Under the federal securities laws, a person is presumed to be the beneficial owner of securities held by members of the person's immediate family sharing the same household. Accordingly, the shares reported as beneficially owned by Mr. Wells and Mrs. Wells are the same shares.

(2) Includes 250,830 shares held directly by Mr. Wells, 24,303 shares held directly by Ms. Wells, 66,573 shares held by SMC Retirement Trust for the benefit of Mrs. Wells, 315,359 shares held by Security Trend Partners, 115,617 shares held by Exbury Partners, 8,000 shares held by SMC Advisors, Inc., 44,000 shares held in an irrevocable trust by Commonwealth Bank & Trust as trustee for the benefit of Darrell R. Wells, 89,000 shares held by the Darrell R. Wells money purchase pension plan, and 67,315 shares held by

Commonwealth Bancshares, Inc.

Each of the above directors and executive officers owning Common Stock has indicated that (s)he intends to vote such Common Stock in favor of the Reverse Stock Split. To the extent that any of the holdings of Common Stock by the above directors and executive officers is not evenly divisible by 250, such director or executive officer is subject to receiving cash in lieu of fractional shares pursuant to the Reverse Stock Split. See "– Interests of Certain Parties in the Reverse Stock Split."

Purchases of Common Stock. The table below summarizes the Company's purchases of Common Stock during 2006 and 2007. The Company made no purchases of Common Stock during 2005.

Quarter Ending	Shares Purchased	Price Range	Weighted Average Price
June 30, 2007	1,900	$6.25 - $6.45	$6.36
March 31, 2007	0	n/a	n/a
December 31, 2006	45,356	$5.01 - $6.55	$6.06
September 30, 2006	25,104	$5.56 - $6.50	$6.13
June 30, 2006	6,000	$6.54	$6.54
March 31, 2006	7,157	$6.51 - $6.67	$6.62

The only purchases of Common Stock by Mr. or Mrs. Wells during 2005, 2006, or 2007 are as detailed in the table below.

The table below describes the purchases of Common Stock by the Company, its executive officers, and its directors during 2007.

Purchaser	Transaction Date	# of Shares	Price Per Share	Manner of Purchase
The Company	June 15	400	$6.45	Open market
The Company	June 7	600	$6.45	Open market
John D. Cornett	May 29	500	$6.00	Privately negotiated
Margaret A. Wells	May 25	18,000	$6.50	Privately negotiated
The Company	May 22	900	$6.25	Open market
John D. Cornett	May 17	3,061	$6.00	Open market
John D. Cornett	May 17	75	$5.99	Open market
John D. Cornett	May 16	64	$5.85	Open market

Interests of Certain Parties in the Reverse Stock Split. Beginning in December 2002, Mr. Wells has made loans to the Company to increase the capital and surplus of one of the Company's life insurance subsidiaries and to provide for working capital, including bank debt service. On June 29, 2007, such loans were consolidated under a Discretionary Revolving Line of Credit Note ("Line of Credit") that enables the Company to borrow up to $7.5 million from Mr. Wells. As of that date, the outstanding principal balance of amounts borrowed from Mr. Wells totaled $5,760,000. The amounts borrowed pursuant to the Line of Credit are unsecured and bear interest payable quarterly at the greater of six percent (6%) per annum or one percent (1%) over the prime rate charged by an unaffiliated commercial bank (8.25% at June 29, 2007), reset on the first day of each calendar quarter. By its terms, the outstanding principal under the Line of Credit is repayable on 90 days' notice by Mr. Wells or on June 30, 2008. The Company anticipates that Mr. Wells will extend the maturity of the loan each year until the loan is repaid, although such extensions are not guaranteed. No principal payments have been paid to Mr. Wells in 2005, 2006, or 2007. Interest payments to Mr. Wells totaled $230,000 in 2005, $417,500 in 2006, and $257,217 during the six months ended June 30, 2007.

The Company intends to finance the Reverse Stock Split and expenses associated with the Reverse Stock Split by drawing upon the Line of Credit. The cost of purchasing fractional shares and expenses associated with the Reverse Stock Split are expected to be approximately $1,324,900, resulting in total borrowings against the Line of Credit of $7,084,900, with annual interest payments of $655,353, based on this principal balance and the interest rate at June 29, 2007 discussed above.

The Company anticipates making future payments on the loan, both as to the portion of the principal attributable to the Reverse Stock Split and associated expenses as well as the portion of the principal balance outstanding prior to the Reverse Stock Split, from savings generated from the Reverse Stock Split. It is anticipated that ongoing savings generated by the Reverse Stock Split will assist the Company in meeting its repayment obligations under the loan agreement, and to that extent, the Reverse Stock Split is expected to provide an ongoing benefit to Mr. Wells. See “OTHER INFORMATION – Source and Amount of Funds.”

Some of our directors and executive officers will receive cash in lieu of fractional shares in the Reverse Stock Split, in each case on the same terms as will apply to unaffiliated shareholders. Based on their beneficial ownership of our Common Stock as of August 24, 2007, Darrell and Margaret Wells are subject to receiving cash in lieu of fractional shares of $1,790.75, Mr. Harralson $1,580.50, Mr. Ward $1,225.00, and Mr. Cornett $725.00, with the cash in lieu of fractional shares for all officers and directors totaling $5,321.25. Additionally, Mr. and Mrs. Wells will beneficially own more than two-thirds of the New Common Stock after the Reverse Stock Split, with their ownership increasing from 62% to 69% as a result of the transaction.

Certain Related Party Transactions. Insurance regulatory statutes require the Insurance Subsidiaries to deposit portions of their assets in bank custodial accounts for the protection of policyholders. The Company utilizes Commonwealth Bank and Trust Company, which is controlled by Mr. Wells, as the principal custodian for the Company’s statutory deposits and other assets. The fees paid by the Company to the bank are based on the amount of assets held. For the fiscal years ended December 31, 2005 and December 31, 2006 and for the six months ended June 30, 2007, respectively, the Company paid $45,000, $35,609, and $23,008 in fees to the bank (0.032%, 0.032% and .002%, respectively, of the Company’s average deposits and other assets held by the bank over those periods). Mrs. Wells is also a director of the bank.

The Company has also agreed to reimburse Mr. Wells for fees he has incurred since March 2003 to maintain a $5,000,000 bank line of credit he obtained to fund loans to the Company. The fee is equal to one-fourth of one percent (0.25%) of the undrawn amount of the line of credit, presently $1,500,000. The total amount paid or accrued to Mr. Wells for interest on the amounts the Company has borrowed and fee reimbursements with respect to these obligations was approximately $230,000 in 2005, $417,500 in 2006, and $257,217 in the first six months of 2007. All such fees were paid within the corresponding periods with no amounts accrued at the end of such periods.

In April 2004, in connection with the sale of its 1/16th interest in a shared ownership program for an airplane to SMC Advisors, Incorporated, the Company entered into a two-year arrangement to reimburse SMC Advisors, which is controlled by Mr. Wells, for 30% of the monthly turnkey management fees and any other maintenance fees charged by the program sponsor, plus 30% of SMC Advisors’ costs of financing the purchase, in exchange for the right to use the aircraft for up to 15 flight hours, which equaled 30% of the flight hours available to SMC Advisors. The Company’s total payments in respect of monthly fees and finance costs for 2005 were about $56,100. This arrangement ended April 30, 2006. Effective as of May 1, 2006, however, the parties entered into a similar arrangement for up to 10 flight hours (20% of the flight hours available to SMC Advisors) for a smaller airplane for which the monthly fees will be lower. In the new arrangement, the former 30% share of finance costs is replaced by a 20% capital charge payable quarterly at the greater of six percent (6%) per annum or one percent (1%) over the prime rate charged by an unaffiliated commercial bank, reset on the first day of each calendar quarter. The Company’s total payments in respect of monthly fees and other charges under both the 2004 and 2006 arrangements for the years ended December 31, 2005 and December 31, 2006 and for the six months ended June 30, 2007, respectively, were approximately $76,033, $44,000 and $29,047.

The Company also manages two office buildings owned by partnerships controlled by Mr. Wells. These partnerships have paid management fees to the Company based upon a percentage of rental income and leasing commissions according to a prescribed schedule, and also reimbursed certain salary expenses of the Company. Beginning in September 2005, the partnerships employed an independent agent for leasing services to replace the Company. The partnerships paid the Company $146,095 in 2005, $158,372 in 2006, and $81,355 in the first six months of 2007.

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OTHER INFORMATION

Dissenters' Rights. Under Kentucky law, a shareholder who would receive cash in lieu of fractional shares as a result of the Reverse Stock Split may dissent and demand payment of the fair value of such fractional shares in cash if the Reverse Stock Split is consummated. Generally, dissenters' rights are a shareholder's sole remedy for objecting to the Reverse Stock Split. The following summary does not constitute a complete statement or summary of each provision of the Kentucky statutes relating to the rights of dissenting shareholders and the Company qualifies this discussion in its entirety by reference to Kentucky statutes which are attached as Appendix B hereto. Accordingly, any holder of Company common stock intending to exercise dissenters' rights is urged to review Appendix B carefully and to consult legal counsel. A dissenting Company shareholder must take each step in strict compliance with the applicable provisions of the statutes in order to perfect dissenters' rights.

A Company shareholder wishing to exercise dissenters' rights must deliver to the Company, prior to the vote on the Reverse Stock Split at the Special Meeting, a written notice of intent to demand payment for that shareholder's applicable shares if the Reverse Stock Split is consummated and must refrain from voting in favor of the Reverse Stock Split.

A Company shareholder intending to exercise dissenters' rights must give the written notice of intent in addition to and separate from any vote, in person or by proxy, against approval of the Reverse Stock Split. A vote, in person or by proxy, against approval of the Reverse Stock Split will not constitute a written notice. A Company shareholder intending to exercise dissenters' rights should send the written notice of intent to Citizens Financial Corporation, 12910 Shelbyville Road, Suite 300, Louisville, Kentucky 40243, Attention: Corporate Secretary. The Company recommends that all required documents that you deliver by mail be sent registered or certified mail with return receipt requested.

COMPANY SHAREHOLDERS ELECTING TO EXERCISE THEIR DISSENTERS' RIGHTS UNDER KENTUCKY LAW MUST NOT VOTE FOR APPROVAL OF THE REVERSE STOCK SPLIT. A VOTE BY A SHAREHOLDER AGAINST APPROVAL OF THE REVERSE STOCK SPLIT IS NOT REQUIRED IN ORDER FOR THAT SHAREHOLDER TO EXERCISE DISSENTERS' RIGHTS. HOWEVER, IF A SHAREHOLDER RETURNS A SIGNED PROXY FORM BUT DOES NOT SPECIFY A VOTE AGAINST APPROVAL OF THE REVERSE STOCK SPLIT OR A DIRECTION TO ABSTAIN, THEN THE PROXY FORM, IF NOT REVOKED, WILL BE VOTED FOR APPROVAL OF THE REVERSE STOCK SPLIT, WHICH WILL HAVE THE EFFECT OF WAIVING THAT SHAREHOLDER'S DISSENTERS' RIGHTS.

If the Reverse Stock Split is approved, within ten days after the Special Meeting or any adjournment thereof, the Company will send to all shareholders exercising their dissenters' rights a dissenters' notice which:

- states where the shareholder must send a demand for payment and where and when the shareholder must deposit stock certificates;

- encloses a form for demanding payment that the dissenter must complete and return to the Company;
- informs holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;
- establishes the date by which the Company must receive the demand for payment from the shareholder; and
- encloses a copy of the relevant Kentucky statutes.

After a shareholder receives the dissenters' notice, the dissenter must deliver the demand for payment to the Company and deposit the dissenters' shares in accordance with the dissenters' notice.

Upon its receipt of the demand for payment, the Company will send to each dissenting shareholder a statement containing an estimate by the Company of the fair value of the dissenter's shares as of the day before the date of the Special Meeting, excluding any appreciation or depreciation in anticipation of the Reverse Stock Split unless exclusion would be inequitable, and payment based on that estimate plus accrued interest. The Company will include with the payment an explanation of how the Company calculated interest along with the balance sheet of the Company as of the end of the most recent fiscal year, an income statement, a statement of changes in shareholders' equity, and the latest available interim financial statement. In addition, the Company will inform the dissenter of the right to demand payment according to the dissenters' own estimate of the fair value.

Kentucky law does not require the Company to send payment with the statement of its estimate of fair value to a dissenter who was not a beneficial owner of the shares at the time of the first public announcement of the Reverse Stock Split, but rather may offer to purchase the shares based on the estimate. The shareholder must either accept that amount in full satisfaction or proceed with the exercise of dissenters' rights.

Within 30 days after the Company has delivered its estimate of fair value, a dissenting shareholder may notify the Company of the dissenting shareholder's estimate of the fair value of the shares and demand payment of the balance due under the estimate. If the Company and the shareholder do not agree as to the fair value of the shares, then within 60 days after receiving the dissenter's payment demand, the Company must file a petition in the appropriate Kentucky county circuit court requesting the court to determine the fair value of the shares and the accrued interest.

If the Company fails to institute this proceeding, Kentucky law requires the Company to pay each dissenter whose demand remains unsettled the amount demanded. Each dissenting Company shareholder who is a party to the proceeding is entitled to the amount, if any, by which the court finds the fair value of the dissenting shareholder's shares, plus interest, exceeds the amount paid by the Company. In an appraisal proceeding, the county circuit court will determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court will assess costs against the Company, except that the court may assess costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment. The court may also assess the fees and expenses of counsel and experts for the parties, in amounts the court finds equitable as follows:

- against the Company and in favor of dissenters, if the court finds the Company did not substantially comply with the Kentucky statutory requirements for dissenters' rights; or

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- against either the Company or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to dissenters' rights provided by Kentucky law.

If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the Company, the court may award to counsel reasonable fees that the dissenters who benefited must pay from the amounts awarded.

If the Company does not consummate the Reverse Stock Split within 60 days after the deadline for demanding payment and depositing certificates, it must return all deposited shares and release any transfer restrictions imposed on uncertificated shares. If the Company fails to do so, the dissenter may nevertheless proceed with the exercise of dissenters' rights, and the Company will have no further right to terminate the dissenters' rights by returning deposited shares.

A Company shareholder of record may dissent as to less than all of the stock registered in the shareholder's name only if the shareholder dissents with respect to all of the shares beneficially owned by any one (1) person. The shareholder of record must notify the Company in writing of the name and address of each person on whose behalf the shareholder is asserting dissenters' rights. In that event, the dissenters' rights shall be determined as if the shares as to which the shareholder has dissented and the shareholder's other shares were registered in the names of different shareholders. A beneficial shareholder may assert dissenters' rights as to shares held on that shareholder's behalf only if the shareholder submits to the Company the record shareholder's written consent to the dissent no later than the time the beneficial shareholder asserts dissenters' rights, and dissents as to all shares of which the shareholder is the beneficial owner or over which the shareholder has the power to direct the vote.

COMPANY SHAREHOLDERS SHOULD BE AWARE THAT FAILURE TO PROCEED IN ACCORDANCE WITH THE PROVISIONS OF KENTUCKY LAW FOR DISSENTERS' RIGHTS MAY RESULT IN A LOSS OF ALL DISSENTERS' RIGHTS AND RESULT IN THEIR BEING BOUND BY THE TERMS OF THE REVERSE STOCK SPLIT.

Source and Amount of Funds. The total amount of funds required by the Company to fund cash payments for fractional shares is estimated to be approximately $1,234,900. In addition, the Company will pay all expenses in connection with the Reverse Stock Split, most, if not all, of which will have been paid prior to the Effective Date. The following table sets forth the approximate amount of such expenses expected to be incurred in connection with the Reverse Stock Split.

Independent financial advisor fees and expenses	$	20,000
Legal fees and expenses		50,000
Printing, solicitation, and mailing costs		15,000
Miscellaneous expenses		5,000
Total estimated expenses	$	90,000

The Company plans to borrow the funds related to the Reverse Stock Split, estimated to total $1,324,900, from Mr. Wells. The amounts borrowed will expand an existing loan agreement between the Company and Mr. Wells. The outstanding principal under that loan agreement ($5,760,000 at June 29, 2007) is callable upon 90 days notice and is otherwise due on June 30, 2008. Interest is payable quarterly at an annual rate equal to the greater of 6% or the prime lending rate plus 1%. The Company anticipates making payments on the loan from savings generated from the Reverse Stock Split. The Company anticipates that Mr. Wells will extend the maturity of the loan each year until the loan is repaid, although such extensions are not guaranteed. The Company has not arranged an alternative source for financing the Reverse Stock Split in the event Mr. Wells fails to loan the Company the funds as indicated.

Financial Information.

Summary Historical Financial Information

The following summary consolidated financial information was derived from and should be read in conjunction with the Company's audited consolidated financial statements presented in the Company's Annual Report on Form 10-K as of December 31, 2006, as restated in the Company's Current Report, as amended, on Form 8-K/A, as filed April 17, 2007, and from the Company's unaudited consolidated financial statements presented in the Company's Quarterly Report on Form 10-Q as of June 30, 2007, all of which are incorporated herein by reference.

	Six Months Ended 6/30/07	Year Ended 12/31/06	Year Ended 12/31/05
RESULTS OF OPERATIONS			
Premiums and other considerations	$ 11,369,505	22,372,967	25,548,188
Net investment income	3,279,214	6,675,220	6,905,947
Net realized investment gains	1,118,749	4,041	780,265
Other income	230,633	223,276	188,507
Total revenues	15,998,101	29,275,504	33,422,907
Policy benefits and reserve change	9,061,142	17,296,838	20,851,098
General expenses	4,024,100	6,910,230	6,646,721
Interest expense	262,539	486,645	379,519
Other expenses	2,436,361	5,063,763	5,413,804
Total benefits and expenses	15,784,142	29,757,476	33,291,142
Pre-tax income (loss)	213,959	(481,972)	131,765
Income tax expense (benefit)	0	353,932	0
Net income (loss)	$ 213,959	(835,904)	131,765
Net income (loss) per share	$ 0.13	(0.51)	0.08
Ratio of earnings to fixed charges	1.8150	0.0096	1.3472
Dollar amount of deficiency	0	481,972	0
FINANCIAL POSITION			
Cash and invested assets	$ 123,286,481	125,971,398	132,627,161
Other assets	22,092,216	21,308,151	20,597,636
Total assets	$ 145,378,697	147,279,549	153,224,797
Policy liabilities	$ 124,969,082	125,671,107	128,469,852
Notes payable	5,760,000	5,538,337	5,375,003
Other liabilities	2,104,783	1,954,060	2,135,938
Total liabilities	132,833,865	133,163,504	135,980,793
Common stock	1,586,111	1,588,011	1,671,628
Additional paid-in capital	6,639,927	6,650,197	7,081,921
Accumulated other comprehensive income (loss)	(2,817,905)	(1,056,024)	720,690
Retained earnings	7,136,699	6,933,861	7,769,765
Total shareholders' equity	12,544,832	14,116,045	17,244,004
Total liabilities and shareholders' equity	$ 145,378,697	147,279,549	153,224,797

Book value per common share	$	7.91	8.54	10.32

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Pro Forma Financial Information

The following pro forma financial information has been prepared based upon the assumption that the Reverse Stock Split was completed effective the first day of the period presented for the income statement and as of the date of the balance sheet. This pro forma consolidated financial information is not necessarily indicative of the results that would have occurred had the Reverse Stock Split actually taken place at the respective time periods specified nor do they purport to project the results of operations for any future date or period.

Six Months Ended 6/30/07		As Reported	Pro Forma Adjustments	Pro Forma
RESULTS OF OPERATIONS				
Premiums and other considerations	$	11,369,505		11,369,505
Net investment income		3,279,214		3,279,214
Net realized investment gains		1,118,749		1,118,749
Other income		230,633		230,633
Total revenues		15,998,101		15,998,101
Policy benefits and reserve change		9,061,142		9,061,142
General expenses		4,024,100	90,0001	4,114,100
Interest expense		262,539	61,2772	323,816
Other expenses		2,436,361		2,436,361
Total benefits and expenses		15,784,142		15,935,419
Pre-tax income (loss)		213,959		62,682
Income tax expense (benefit)		0		0
Net income (loss)	$	213,959		62,682
Net income (loss) per share	$	0.13	5	11.07
Ratio of earnings to fixed charges		1.8150		2.228
Dollar amount of deficiency		0		0
FINANCIAL POSITION				
Cash and invested assets	$	123,286,481		123,225,205
Other assets		22,092,216		22,092,216
Total assets	$	145,378,697		145,317,421
Policy liabilities	$	124,969,082		124,969,082
Notes payable		5,760,000	1,324,9003	7,084,900
Other liabilities		2,104,783		2,104,783
Total liabilities		132,833,865		134,158,765
Common stock		1,586,111	(170,331)4	1,415,780
Additional paid-in capital		6,639,927	(1,064,568)4	5,575,359
Accumulated other comprehensive income (loss)		(2,817,905)		(2,817,905)
Retained earnings		7,136,699		6,985,422
Total shareholders' equity		12,544,832		11,158,656
Total liabilities and shareholders' equity	$	145,378,697		145,317,421
Book value per common share	$	7.91	5	1,970.45

(1) Reflects the estimated one-time expenses associated with the Reverse Stock Split.

(2) Reflects the estimated interest on amount borrowed to finance the Reverse Stock Split based on an amount borrowed of $1,324,900 and an interest rate of 9.25%.

(3) Reflects the estimated amount borrowed to finance the Reverse Stock Split. The amount borrowed is based on the purchase of 170,331 pre-split shares purchased as fractional shares at $7.25 per share and one-time expenses associated with the Reverse Stock Split of $90,000.

(4) Reflects the retirement of fractional shares purchased in connection with the Reverse Stock Split, 170,331 pre-split shares purchased at $7.25 per share.

(5) Per share amounts are based on an estimated 5,663 shares outstanding following the Reverse Stock Split.

Year Ended 12/31/06	As Reported	Pro Forma Adjustments		Pro Forma
RESULTS OF OPERATIONS				
Premiums and other considerations	22,372,967			22,372,967
Net investment income	6,675,220			6,675,220
Net realized investment gains	4,041			4,041
Other income	223,276			223,276
Total revenues	29,275,504			29,275,504
Policy benefits and reserve change	17,296,838			17,296,838
General expenses	6,910,230	90,000	1	7,000,230
Interest expense	486,645	122,553	2	609,198
Other expenses	5,063,763			5,063,763
Total benefits and expenses	29,757,476			29,970,029
Pre-tax income (loss)	(481,972)			(694,525)
Income tax expense (benefit)	353,932			353,932
Net income (loss)	(835,904)			(1,048,457)
Net income (loss) per share	(0.51)		5	(185.14)
Ratio of earnings to fixed charges	0.0096			0.1401
Dollar amount of deficiency	481,972			694,525
FINANCIAL POSITION				
Cash and invested assets	125,971,398			125,848,846
Other assets	21,308,151			21,308,151
Total assets	147,279,549			147,156,997
Policy liabilities	125,671,107			125,671,107
Notes payable	5,538,337	1,324,900	3	6,863,237
Other liabilities	1,954,060			1,954,060
Total liabilities	133,163,504			133,163,504
Common stock	1,588,011	(170,331)	4	1,417,680
Additional paid-in capital	6,650,197	(1,064,568)	4	5,585,629
Accumulated other comprehensive income (loss)	(1,056,024)			(1,056,024)
Retained earnings	6,933,861			6,721,308
Total shareholders' equity	14,116,045			12,668,593
Total liabilities and shareholders' equity	147,279,549			147,156,997
Book value per common share	8.54		5	2,237.08

(1) Reflects the estimated one-time expenses associated with the Reverse Stock Split.

(2) Reflects the estimated interest on amount borrowed to finance the Reverse Stock Split based on an amount borrowed of $1,324,900 and an interest rate of 9.25%.

(3) Reflects the estimated amount borrowed to finance the Reverse Stock Split. The amount borrowed is based on the purchase of 170,331 pre-split shares purchased as fractional shares at $7.25 per share and one-time expenses associated with the Reverse Stock Split of $90,000.

(4) Reflects the retirement of fractional shares purchased in connection with the Reverse Stock Split, 170,331 pre-split shares purchased at $7.25 per share.

(5) Per share amounts are based on an estimated 5,663 shares outstanding following the Reverse Stock Split.

Shareholder Proposals for the 2008 Annual Meeting. Shareholders are entitled to present proposals for action at a forthcoming meeting if they comply with applicable rules of the Securities and Exchange Commission and the Company's bylaws. If you would like for the Company to consider including a proposal in the Board of Directors' proxy statement and form of proxy for presentation at the 2008 Annual Meeting of Shareholders, you must provide your notice to that effect, received in the Company's offices not later than January 14, 2008. If you intend to submit a proposal at the 2008 Annual Meeting of Shareholders but do not intend to include it in the Board of Directors' proxy statement and form of proxy for that meeting, you must also provide notice to the Company, also received not later than January 14, 2008. The notice in either case should include information regarding the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, your identity and share ownership (both direct and beneficial), and any interest you have in the proposal, as well as any additional information required by applicable laws. You should send your notice described above, or a request for a copy of the relevant bylaws, to the Secretary of the Company at 12910 Shelbyville Road, Suite 300, Louisville, Kentucky 40243.

Available Information. The Company is currently required to file reports and other information with the SEC under the Exchange Act. Copies of these reports and other information are available at the SEC's public reference facilities at 100 F Street, N.W., Washington, D.C. 20549. Copies of such materials can also be obtained at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.W., Washington, D.C. 20549. These filings can also be viewed at the SEC's website at http://www.sec.gov.

Incorporation of Certain Documents by Reference. The SEC allows the Company to "incorporate by reference" the information it files with the SEC into this Proxy Statement. This permits the Company to disclose important information to you by referring to these filed documents. The information incorporated by reference is an important part of this Proxy Statement. The following documents that the Company has filed with the SEC are incorporated by reference in this Proxy Statement:

- its Annual Report on Form 10-K for the year ended December 31, 2006;
- its Current Report on Form 8-K, as filed March 30, 2007;
- its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007;
- its Current Report on Form 8-K, as filed April 2, 2007;
- its Current Report, as amended, on Form 8-K/A, as filed April 17, 2007;
- its Current Report on Form 8-K, as filed June 29, 2007;
- its Current Report on Form 8-K, as filed July 7, 2007;

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Proxy Statement to the extent that a statement contained herein or in any other subsequently filed document that is also or is deemed to be incorporated by reference herein modifies or supersedes such statement.

If you are a beneficial owner of the Company's Common Stock and would like a copy of any of the information incorporated by reference in this Proxy Statement (other than exhibits to such information, unless such exhibits are specifically incorporated by reference into such information), the Company will provide it to you without charge.

If you would like to receive any of this information, please call or write the Company at:

Citizens Financial Corporation
Attn: Chief Financial Officer
12910 Shelbyville Road, Suite 300
Louisville, KY 40243
Telephone: (502) 244-2420

You should make your request before________, 2007 to receive the information prior to the meeting.

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Appendix A

ARTICLES OF AMENDMENT
TO THE ARTICLES OF INCORPORATION OF
CITIZENS FINANCIAL CORPORATION

I. Name. The name of the corporation is Citizens Financial Corporation.

II. Text of Amendment. Section B of Article VI of the corporation's Articles of Incorporation shall be amended by adding the following as a new subsection [3]:

Each share of Class A stock issued and outstanding immediately prior to the time this amendment becomes effective (the "Effective Time") shall be and is hereby automatically reclassified and changed (without any further act) into one-250th (1/250) of a fully paid and nonassessable share of Class A stock, provided that no fractional shares shall be issued. Fractions of shares will be immediately cancelled and exchanged for cash in lieu thereof in an amount equal to $7.25 for each share held immediately prior to the Effective Time comprising the fraction.

III. Adoption and Date of Adoption. The foregoing amendment was approved by the board of directors of the corporation on June 29, 2007 and recommended and submitted to the holders of the Class A stock of the corporation, the only class of capital stock outstanding, at a special meeting of shareholders called and held in accordance with the Kentucky Revised Statutes on ____________. As of the record date of that meeting, __________ shares of the corporation's Class A stock were issued and outstanding and entitled to vote. At that meeting, __________ undisputed shares were voted in favor of the amendment, __________ shares abstained, and __________ shares were voted against the amendment. This represented approval by _____% of the total shares of Class A stock issued and outstanding and was sufficient for approval by the corporation's shareholders.

IV. Effective Time. These Articles of Amendment shall become effective at 6:00 p.m., Eastern Time, on ____________.

____________, 2007

CITIZENS FINANCIAL
CORPORATION

By:

Name:

Title:

Appendix B

KENTUCKY REVISED STATUTES

CHAPTER 271B

BUSINESS CORPORATIONS

SUBTITLE 13. DISSENTERS' RIGHTS

RIGHT TO DISSENT AND OBTAIN PAYMENT FOR SHARES

271B.13-010 Definitions for subtitle.

As used in this subtitle:

(1) "Corporation" means the issuer of the shares held by a dissenter, except that in the case of a merger where the issuing corporation is not the surviving corporation, then, after consummation of the merger, "corporation" shall mean the surviving corporation.

(2) "Dissenter" means a shareholder who is entitled to dissent from corporate action under KRS 271B.13-020 and who exercises that right when and in the manner required by KRS 271B.13-200 to 271B.13-280.

(3) "Fair value," with respect to a dissenter's shares, means the value of the shares immediately before the effectuation of the corporate action to which the dissenter objects, excluding any appreciation or depreciation in anticipation of the corporate action unless exclusion would be inequitable. In any transaction subject to the requirements of KRS 271B.12-210 or exempted by KRS 271B.12-220(2), "fair value" shall be at least an amount required to be paid under KRS 271B.12-220(2) in order to be exempt from the requirements of KRS 271B.12-210.

(4) "Interest" means interest from the effective date of the corporate action until the date of payment, at the average rate currently paid by the corporation on its principal bank loans or, if none, at a rate that is fair and equitable under all the circumstances.

(5) "Record shareholder" means the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation.

(6) "Beneficial shareholder" means the person who is a beneficial owner of shares held in a voting trust or by a nominee as the record shareholder.

(7) "Shareholder" means the record shareholder or the beneficial shareholder.

271B.13-020 Right to dissent.

(1) A shareholder shall be entitled to dissent from, and obtain payment of the fair value of his shares in the event of, any of the following corporate actions:

(a) Consummation of a plan of merger to which the corporation is a party:

1. If shareholder approval is required for the merger by KRS 271B.11-030 or the articles of incorporation and the shareholder is entitled to vote on the merger; or

2. If the corporation is a subsidiary that is merged with its parent under KRS 271B.11-040;

(b) Consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be acquired, if the shareholder is entitled to vote on the plan;

(c) Consummation of a sale or exchange of all, or substantially all, of the property of the corporation other than in the usual and regular course of business, if the shareholder is entitled to vote on the sale or exchange, including a sale in dissolution, but not including a sale pursuant to court order or a sale for cash pursuant to a plan by which all or substantially all of the net proceeds of the sale will be distributed to the shareholders within one (1) year after the date of sale;

(d) An amendment of the articles of incorporation that materially and adversely affects rights in respect of a dissenter's shares because it:

1. Alters or abolishes a preferential right of the shares to a distribution or in dissolution;
2. Creates, alters, or abolishes a right in respect of redemption, including a provision respecting a sinking fund for the redemption or repurchase, of the shares;
3. Excludes or limits the right of the shares to vote on any matter other than a limitation by dilution through issuance of shares or other securities with similar voting rights; or
4. Reduces the number of shares owned by the shareholder to a fraction of a share if the fractional share so created is to be acquired for cash under KRS 271B.6-040;

(e) Any transaction subject to the requirements of KRS 271B.12-210 or exempted by KRS 271B.12-220(2); or

(f) Any corporate action taken pursuant to a shareholder vote to the extent the articles of incorporation, bylaws, or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares.

(2) A shareholder entitled to dissent and obtain payment for his shares under this chapter shall not challenge the corporate action creating his entitlement unless the action is unlawful or fraudulent with respect to the shareholder or the corporation.

271B.13-030 Dissent by nominees and beneficial owners.

(1) A record shareholder may assert dissenters' rights as to fewer than all the shares registered in his name only if he shall dissent with respect to all shares beneficially owned by any one (1) person and notify the corporation in writing of the name and address of each person on whose behalf he asserts dissenters' rights. The rights of a partial dissenter under this subsection shall be determined as if the shares as to which he dissents and his other shares were registered in the names of different shareholders.

(2) A beneficial shareholder may assert dissenters' rights as to shares held on his behalf only if:

(a) He submits to the corporation the record shareholder's written consent to the dissent not later than the time the beneficial shareholder asserts dissenters' rights; and

(b) He does so with respect to all shares of which he is the beneficial shareholder or over which he has power to direct the vote.

271B.13-200 Notice of dissenters' rights.

(1) If proposed corporate action creating dissenters' rights under KRS 271B.13-020 is submitted to a vote at a shareholders' meeting, the meeting notice must state that shareholders are or may be entitled to assert dissenters' rights under this subtitle and the corporation shall undertake to provide a copy of this subtitle to any shareholder entitled to vote at the shareholders' meeting upon request of that shareholder.

(2) If corporate action creating dissenters' rights under KRS 271B.13-020 is taken without a vote of shareholders, the corporation shall notify in writing all shareholders entitled to assert dissenters' rights that the action was taken and send them the dissenters' notice described in KRS 271B.13-220.

271B.13-210 Notice of intent to demand payment.

(1) If proposed corporate action creating dissenters' rights under KRS 271B.13-020 is submitted to a vote at a shareholders' meeting, a shareholder who wishes to assert dissenters' rights:

(a) Shall deliver to the corporation before the vote is taken written notice of his intent to demand payment for his shares if the proposed action is effectuated; and

(b) Shall not vote his shares in favor of the proposed action.

(2) A shareholder who does not satisfy the requirements of subsection (1) of this section shall not be entitled to payment for his shares under this chapter.

271B.13-220 Dissenters' notice.

(1) If proposed corporate action creating dissenters' rights under KRS 271B.13-020 is authorized at a shareholders' meeting, the corporation shall deliver a written dissenters' notice to all shareholders who satisfied the requirements of KRS 271B.13-210.

(2) The dissenters' notice shall be sent no later than ten (10) days after the date the proposed corporate action was authorized by the shareholders, or, if no shareholder authorization was obtained, by the board of directors, and shall:

(a) State where the payment demand must be sent and where and when certificates for certificated shares must be deposited;

(b) Inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;

(c) Supply a form for demanding payment that includes the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action and requires that the person asserting dissenters' rights certify whether or not he acquired beneficial ownership of the shares before that date;

(d) Set a date by which the corporation must receive the payment demand, which date may not be fewer than thirty (30), nor more than sixty (60) days after the date the notice provided in subsection (1) of this section is delivered; and

(e) Be accompanied by a copy of this subtitle.

271B.13-230 Duty to demand payment.

(1) A shareholder who is sent a dissenters' notice described in KRS 271B.13-220 shall demand payment, certify whether he acquired beneficial ownership of the shares before the date required to be set forth in the dissenters' notice pursuant to subsection (2)(c) of KRS 271B.13-220, and deposit his certificates in accordance with the terms of the notice.

(2) The shareholder who demands payment and deposits his share certificates under subsection (1) of this section shall retain all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action.

(3) A shareholder who does not demand payment or deposit his share certificates where required, each by the date set in the dissenters' notice, shall not be entitled to payment for his shares under this subtitle.

271B.13-240 Share restrictions.

(1) The corporation may restrict the transfer of uncertificated shares from the date the demand for their payment is received until the proposed corporate action is taken or the restrictions released under KRS 271B.13-260.

(2) The person for whom dissenters' rights are asserted as to uncertificated shares shall retain all other rights of a shareholder until these rights are canceled or modified by the taking of the proposed corporate action.

271B.13-250 Payment.

(1) Except as provided in KRS 271B.13-270, as soon as the proposed corporate action is taken, or upon receipt of a payment demand, the corporation shall pay each dissenter who complied with KRS 271B.13-230 the amount the corporation estimates to be the fair value of his shares, plus accrued interest.

(2) The payment shall be accompanied by:

(a)

The corporation's balance sheet as of the end of a fiscal year ending not more than sixteen (16) months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;

(b) A statement of the corporation's estimate of the fair value of the shares;

(c) An explanation of how the interest was calculated; and

(d) A statement of the dissenter's right to demand payment under KRS 271B.13-280.

271B.13-260 Failure to take action.

(1) If the corporation does not take the proposed action within sixty (60) days after the date set for demanding payment and depositing share certificates, the corporation shall return the deposited certificates and release the transfer restrictions imposed on uncertificated shares.
(2) If after returning deposited certificates and releasing transfer restrictions, the corporation takes the proposed action, it shall send a new dissenters' notice under KRS 271B.13-220 and repeat the payment demand procedure.

271B.13-270 After-acquired shares.

(1) A corporation may elect to withhold payment required by KRS 271B.13-250 from a dissenter unless he was the beneficial owner of the shares before the date set forth in the dissenters' notice as the date of the first announcement to news media or to shareholders of the terms of the proposed corporate action.
(2) To the extent the corporation elects to withhold payment under subsection (1) of this section, after taking the proposed corporate action, it shall estimate the fair value of the shares, plus accrued interest, and shall pay this amount to each dissenter who agrees to accept it in full satisfaction of his demand. The corporation shall send with its offer a statement of its estimate of the fair value of the shares, an explanation of how the interest was calculated, and a statement of the dissenter's right to demand payment under KRS 271B.13-280.

271B.13-280 Procedure if shareholder dissatisfied with payment or offer.

(1) A dissenter may notify the corporation in writing of his own estimate of the fair value of his shares and amount of interest due, and demand payment of his estimate (less any payment under KRS 271B.13-250), or reject the corporation's offer under KRS 271B.13-270 and demand payment of the fair value of his shares and interest due, if:
(a) The dissenter believes that the amount paid under KRS 271B.13-250 or offered under KRS 271B.13-270 is less than the fair value of his shares or that the interest due is incorrectly calculated;
(b) The corporation fails to make payment under KRS 271B.13-250 within sixty (60) days after the date set for demanding payment; or
(c) The corporation, having failed to take the proposed action, does not return the deposited certificates or release the transfer restrictions imposed on uncertificated shares within sixty (60) days after the date set for demanding payment.
(2) A dissenter waives his right to demand payment under this section unless he shall notify the corporation of his demand in writing under subsection (1) of this section within thirty (30) days after the corporation made or offered payment for his shares.

271B.13-300 Court action.

(1) If a demand for payment under KRS 271B.13-280 remains unsettled, the corporation shall commence a proceeding within sixty (60) days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the sixty (60) day period, it shall pay each dissenter whose demand remains unsettled the amount demanded.

(2) The corporation shall commence the proceeding in the Circuit Court of the county where a corporation's principal office (or, if none in this state, its registered office) is located. If the corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the registered office of the domestic corporation merged with or whose shares were acquired by the foreign corporation was located.

(3) The corporation shall make all dissenters (whether or not residents of this state) whose demands remain unsettled parties to the proceeding as in an action against their shares and all parties shall be served with a copy of the petition. Nonresidents may be served by registered or certified mail or by publication as provided by law.

(4) The jurisdiction of the court in which the proceeding is commenced under subsection (2) of this section shall be plenary and exclusive. The court may appoint one (1) or more persons as appraisers to receive evidence and recommend decision on the question of fair value. The appraisers have the powers described in the order appointing them, or in any amendment to it. The dissenters shall be entitled to the same discovery rights as parties in other civil proceedings.

(5) Each dissenter made a party to the proceeding shall be entitled to judgment:

(a) For the amount, if any, by which the court finds the fair value of his shares, plus interest, exceeds the amount paid by the corporation; or

(b) For the fair value, plus accrued interest, of his after-acquired shares for which the corporation elected to withhold payment under KRS 271B.13-270.

271B.13-310 Court costs and counsel fees.

(1) The court in an appraisal proceeding commenced under KRS 271B.13-300 shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation, except that the court may assess costs against all or some of the dissenters, in amounts the court finds equitable, to the extent the court finds the dissenters acted arbitrarily, vexatiously, or not in good faith in demanding payment under KRS 271B.13-280.

(2) The court may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable:

(a) Against the corporation and in favor of any or all dissenters, if the court finds the corporation did not substantially comply with the requirements of KRS 271B.13-200 to 271B.13-280; or

(b) Against either the corporation or a dissenter, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by this subtitle.

(3) If the court finds that the services of counsel for any dissenter were of substantial benefit to other dissenters similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to these counsel reasonable fees to be paid out of the amounts awarded the dissenters who were benefited.

Appendix C

June 29, 2007

Board of Directors
Citizens Financial Corporation
The Marketplace, Suite 300 12910 Shelbyville Road
Louisville, KY 40243

Members of the Board of Directors:

Citizens Financial Corporation ("the Company") has engaged Burke Capital Group ("BCG") to offer our estimate of the fair market value of the common stock of Citizens Financial Corporation in conjunction with the Company's Plan of Reorganization (the "Plan") in which the Company proposes to cash-out current shareholders with fewer than 250 shares at $7.25 per share through a reverse stock split. All other shares will remain outstanding and be unaffected by the plan. You have requested our opinion as to the fairness, from a financial point of view, of the consideration being paid to the shareholders who will be cashed-out as well as the effect of the plan on the shareholders who will not be cashed-out.

Burke Capital Group, L.L.C. ("Burke Capital") is an investment banking firm which specializes in financial institutions, including insurance companies, in the United States. Citizens Financial Corporation has retained us to render our opinion to its Board of Directors.

In connection with this opinion, we have reviewed, among other things:

(i) certain publicly available financial statements and other historical financial information of Citizens Financial that we deemed relevant;

(ii) 2007 projected earnings, budgets and estimates for Citizens Financial prepared by management of Citizens Financial;

(iii) the outlook with regard to the insurance industry, both locally and on a national scale;

(iv) a comparison of certain financial information for Citizens Financial with similar publicly available information for certain other life insurance companies;

(v) the current market environment generally and the insurance environment in particular;

(vi) such other information, financial studies, analyses and investigations, and financial, economic and market criteria as we considered relevant;

(vii) the nature and terms of certain other "going private" transactions that it believed to be relevant;

(viii) the valuation of the voting shares of common stock Citizens Financial prepared by Burke Capital; and

(ix) recent trading activity of Citizens Financial

In performing our review, we have relied upon the accuracy and completeness of the financial and other information that was available to us from public sources, that Citizens Financial or their respective representatives provided to us or that was otherwise reviewed. We have further relied on the assurances of management of Citizens Financial that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. We have not been asked to and have not undertaken an independent verification of any of such information and we do not assume any responsibility or liability for the accuracy or completeness thereof. We did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Citizens Financial or any of its subsidiaries, or the collectibility of any such assets, nor have we been furnished with any such evaluations or appraisals. We did not make an independent evaluation of the adequacy of the policy reserves of Citizens Financial, nor have we reviewed any individual insurance policies relating to Citizens Financial. With respect to the 2007 earnings and balance sheet estimates for Citizens Financial, we assumed, with your consent, that they reflected the best currently available estimates and judgments of the respective future financial performances of Citizens Financial and that such performances will be achieved. We express no opinion as to such earnings estimates or financial projections or the assumptions on which they are based. We have also assumed that there has been no material change in Citizens Financial's assets, financial condition, and results of operations, business or prospects since the date of the most recent financial statements made available to us, which is March 31, 2007. We have assumed in all respects material to our analysis that Citizens Financial will remain as a going concern for all periods relevant to our analyses.

Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof could materially affect this opinion. We have not undertaken to update, revise, reaffirm or withdraw this opinion or otherwise comment upon events occurring after the date hereof. We are expressing no opinion herein as to what the price at which Citizens Financial's common stock may trade at any time.

We will receive a fee for our services as financial advisor to Citizens Financial and for rendering this opinion.

This opinion is directed to the Board of Directors of Citizens Financial and may not be reproduced, summarized, described or referred to or given to any other person without our prior consent.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, that the consideration being paid to the shareholders who will be cashed out is fair from a financial point of view. Furthermore, it is our opinion that the effect of the plan on the shareholders who will remain intact is fair from a financial point of view.

Very Truly Yours,

/s/ Burke Capital Group, L.L.C.

Preliminary Draft

PROXY

CITIZENS FINANCIAL CORPORATION
PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON _________, 2007

The undersigned hereby appoints Len E. Schweitzer and John D. Cornett, or each or either of them, with full power of substitution, as true and lawful agents and proxies, to vote all shares of no par value Class A common stock of Citizens Financial Corporation that the undersigned is entitled to vote at the Special Meeting of Shareholders to be held at the office of the Company, 12910 Shelbyville Road, Suite 300, Louisville, Kentucky on _______, 2007, at ____.m. Eastern Time, and any adjournments thereof.

THE PROXIES WILL VOTE ON THE PROPOSAL SET FORTH IN THE NOTICE OF SPECIAL MEETING AND PROXY STATEMENT, RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, AS SPECIFIED IN THIS PROXY AND ARE AUTHORIZED TO VOTE AT THEIR DISCRETION AS TO ANY OTHER BUSINESS WHICH MAY COME PROPERLY BEFORE THE MEETING AND AS TO WHICH MANAGEMENT DOES NOT HAVE REASONABLE NOTICE PRIOR TO THE MEETING. IF A VOTE IS NOT SPECIFIED, THE PROXIES WILL VOTE **FOR** APPROVAL OF THE PROPOSAL.

The Board of Directors recommends a vote **"FOR"** the following proposal:

1. REVERSE STOCK SPLIT

A proposal to approve an amendment to Citizens Financial Corporation's Articles of Incorporation to effect a 1-for-250 reverse stock split and the repurchase of all resulting fractional shares of common stock as more fully described in the accompanying Notice of Special Meeting and Proxy Statement.

q FOR q AGAINST q ABSTAIN

THIS PROXY IS SOLICITED BY THE COMPANY'S BOARD OF DIRECTORS AND MAY BE REVOKED PRIOR TO ITS EXERCISE.
PLEASE DATE AND SIGN ON THE REVERSE SIDE

Preliminary Draft

Date

PLEASE SIGN EXACTLY AS NAME APPEARS BELOW

Signature

Signature

When shares are held by joint tenants both should sign. When signing as attorney, administrator, trustee, or guardian please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

PLEASE DATE, SIGN, AND RETURN THIS PROXY IN THE ENCLOSED ENVELOPE PROMPTLY. NO POSTAGE IS NECESSARY IF MAILED IN THE UNITED STATES.