



FRENCH GAREAT INSURANCE POOL FOR TERRORIST RISKS AND CCR UNLIMITED COVER

France provides some of the broadest Non-Life insurance cover for Terrorism of any country. Cover for losses resulting from terrorist attacks and acts of terrorism have been compulsory, in Non-Life insurance policies, since 1986.

1. The GAREAT terrorism risk pool scheme and CCR Unlimited Treaty

After September 11th terrorist attacks in New York and the sinister of AZF in Toulouse (France) in unclear circumstances, most of the reinsurers excluded terrorism cover from their treaties. That's how a market solution imposed itself in France.

Established January 1st 2002, GAREAT - « *Gestion de l'Assurance et de la Réassurance des Risques Attentats et actes de Terrorisme* » - is a market structure, result of a public-private partnership, committed to managing the reinsurance of risk of terrorist attacks.

To be more specific, it's a co-reinsurance pool, mandated by its members, the French or Foreign Insurance companies authorized to operate in the French market, to provide them with co-reinsurance solutions for their **Large Risk** book of business (**Sum Insured > € 20 million**).

The GAREAT is completing the existing *Guarantee Fund for Victims of Acts of Terrorism* (FGTI).

The Guarantee Fund for Victims of Acts of Terrorism makes sure that any victim of a terrorist act in French territory, no matter its citizenship, receive a compensation for physical injuries. This affect most non-life lines of business except for marine, aviation and cyber risks and third-party liability.

It is mandatory for Insurance Companies which are members of the FFSA (French Federation of Insurance Companies) and the GEMA (Pool of Mutual Insurance Companies in France), and for Insurance companies non-members of the FFSA and non-members of the GEMA which want to benefit from the Unlimited Treaty of the CCR.

2. What is the GAREAT Large Risk scheme limit?

GAREAT's Large Risks protects its members by providing a pooled Annual Excess of Loss reinsurance scheme to the market with a limits set at €2.4 billion as of 2015 (this limit is raised annually).

Above this trigger, members can benefit from the CCR unlimited cover.

The Unlimited Treaty of CCR, to be activated is subject to the full exhaustion of the private underlying reinsurance program of GAREAT by claims relevant of the scope of the French Insurance code.

In addition to providing unlimited State-guaranteed cover, CCR also contributes to the GAREAT underlying scheme, as part of its reinsurance market business.

3. What types of claims are covered and are not covered

The Gareat Co-reinsurance provides for Property Damage.

Policies concerned are:

- Policies covering Property Fire Damage located on national territory
- Motor hull insurance policies

- Aircraft hull insurance policies (aircraft used for non-commercial or non-profit purposes, with a value of less than €1 million)
- Vessel Hull insurance policies (marine, lake and inland waterway vessels used for pleasure boating, with a value of less than €1 million)

The Compensable losses include:

- Direct Material damage.
- Financial losses resulting from Direct Material damage
- Costs related to property decontamination, excluding decontamination and debris containment
- Business interruption covered by the policy

The GAREAT pool scheme is funded by a flat rate premium applied to the premium of each concerned policy. In 2014 the GAREAT pool gathered close to € 200 million.

4. What are the GAREAT contribution limits at policy level?

At policy level, the compensation the limits and excesses stipulated in the Fire cover policy will apply, except in case of large risks (as defined in point French Insurance Code), for which different limits and excesses may be agreed, subject to certain conditions.

The combined loss total and the property decontamination costs, may not exceed the property market value or the total sum insured.

5. What about the Small and Medium Risks?

Small and medium risks are defined as those for which the sum insured is less than €20 million. Unlike large risks, no market agreement cover for these risks have been entered into.

However the GAREAT created a similar pool in 2005 - GAREAT's Small and Medium Risks, offering its members pooled, but limited cover. Insurers are free to join this scheme or retain their risks, with or without using classic reinsurance cover.

In top of it and since January 1st 2006, CCR has likewise offered insurance companies unlimited State-guaranteed cover for Small and Medium Risks falling within the scope of the compulsory cover.

6. What about Marine and Aviation Terrorist Risks cover?

In the area of Transport and Aviation insurance, cover is compulsory only for Hull insurance policies, for vehicles with a value of less than €1 million when the vehicles concerned are:

- Aircraft used for non-commercial or not-for-profit purposes;
- Marine, lake or inland waterway vessels used for pleasure boating.

For such policies, CCR offers unlimited State-guaranteed reinsurance cover.

For other Hull Property insurance needs, Marine and Transport insurers, and more recently Aviation insurers, routinely offer Terrorism cover within the framework of a "War Risks" policy, which includes loss cover resulting from *War Risks*, Civil War, Riots, Acts of Sabotage, Terrorism, Piracy...

SATEC Group based CCR brochure: "*Terrorism Risk in France: Existing Cover and CCR's Role*"



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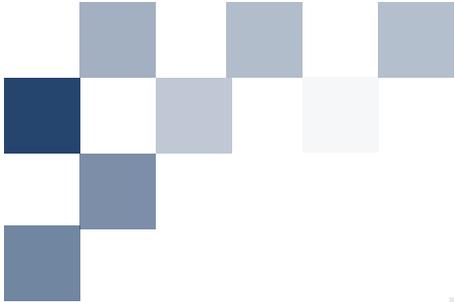


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