

MARKET BULLETIN

REF: Y4342

Title	Changes to the GAREAT scheme
Purpose	To notify Lloyd's managing agents and brokers of changes to the French GAREAT Scheme and an update on Lloyd's position on the purchase of CCR reinsurance coverage
Type	Event
From	Andrew Gurney, Senior Manager, International Licences General Counsel's Division
Date	1 December 2009
Deadline	With effect from 1 January 2010
Related links	

Summary

The Gareat is the co-reinsurance pool created for the ceding of compulsory terrorism insurance coverage provided in France under the French Terrorism Act.

At present, Lloyd's syndicates underwriting the relevant French property risks with a sum insured (or Contractual Limit of Indemnity – CLI) of €6 million and over are required to cede such risks to the Gareat pool. For the relevant French property business with a sum insured or CLI of less than €6 million Lloyd's has purchased a single stop-loss reinsurance policy for terrorism on behalf of all syndicates from the French State reinsurer Caisse Centrale de Réassurance (CCR).

Changes

With effect from 1 January 2010 the following changes will apply:

- The Gareat will only accept relevant French property risks with a sum insured or CLI of €20 million and above instead of the previous €6 million and above.

- In 2009, the GAREAT pool was structured in 8 layers, with losses up to €400 million retained by the co-reinsurance pool. Above this, six layers of €300 million each were purchased in the commercial reinsurance market protecting against losses up to €2,200 million in the aggregate. Unlimited cover via the CCR guaranteed by the French State was provided above this level. For 2010, the pool will remain unchanged with 8 layers. However, the CCR cover will start from €2,000 million.

Reinsurance of Risks between €6 and €20 million

Owing to the Gareat cession changes, the treaty purchased by Lloyd's on behalf of all syndicates has been revised by the CCR to include the additional coverage for risks with a sum insured of between €6 and €20 million.

Lloyd's Franchise Performance Directorate is currently reviewing this revised treaty and quote from the CCR and shall advise the market further in this regard shortly. It is likely that we will continue to obtain cover on behalf of the market.

Please also note that the Market Bulletin instructing syndicates when they may opt out of the Gareat for 2010 and the revised Gareat Procedure Manual will be issued shortly.

Further Information

If you have any queries relating to this bulletin please contact:

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