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FROM: Manager - International Tax, Taxation Department
LOCATION: TAX/86/444
EXTENSION: 6860
DATE: 23 May 1995
REFERENCE: TAX/MCM/hrc/X795
SUBJECT: NATURAL CATASTROPHELEVY.

ACTION POINTS: Underwriters and Brokers to read and note.

DEADLINE: Effective immediately.

1. Background

1.1 All property insurances in France written under French control regulations (including motor, physical damage and loss of profits) must include cover for damage resulting from natural disasters whether it is specifically mentioned in the policy or not.

1.2 Insurers are, however, able to buildup reserves to meet claims by charging an additional premium, which is currently 9%0, for natural catastrophe cover.

2. Changes which apply.

2.1 Following severe flooding at the end of 1994 and early 1995, the French Government voted on 2nd February to create a fund for the 'Mitigation of Major Natural Disasters', which is to be financed by a special levy of 2.5%0 on the additional premium for natural catastrophe cover.

2.2 The Government believe that insurers should bear the cost of setting up the fund as they anticipate that it will reduce the cost of claims resulting from natural disasters.

3. **The Impact on Lloyd's.**

- 3.1 The levy is a new expense for Underwriters equating to **.225% (2.5% x 9%)** of the premium, and it applies to all policies **incepting** on or **after** 18 March 1995.
- 3.2 The Association of French Insurers is discussing the introduction of the levy, and in particular the best way to collect and pay it, with the French authorities. Further information will be given when these discussions are concluded. In the meantime, there is nothing for Underwriters to do although they should note that the new levy represents an additional expense on French business.

This bulletin is being sent to all Underwriting Agents, Underwriters, Lloyd's Brokers and recognised auditors. If you have any queries, will you please contact me on extension 6860.

Maureen McLeod

Maureen McLeod
Taxation Department