

MARKET BULLETIN

From	Julian James
Date	29 December 2005
Reference	Y3716
Subject	NEW FRENCH TERRORISM ACT
Subject areas	To inform syndicates of the changes in the French Terrorism Act
Attachments	None
Action points	Managing Agents and Underwriters to note and action: <ul style="list-style-type: none">- insertion of a new clause in their contracts- opt-out Gareat procedure if required
Deadlines	

1. New Terrorism Act

On 22 December 2005 the French Government adopted as an emergency procedure a new Terrorism Act clarifying the scope of terrorism coverage provided by insurers in France.

This Act modifies Article L.126-2 and inserts an additional Article L.126-3 in the French Code of Insurance.

The basic principle of coverage remains unchanged: insurers cannot exclude terrorism coverage from Property Damage contracts. Any clause to the contrary will be considered null and void.

The additional elements of the new Act are as follows:

- **Article L.126-2:**

- This article now clarifies that insurers must cover any acts of terrorism committed by any means, including through the use of biological, chemical or radioactive materials ***and nuclear weapons***. In other words, insurers are obliged to cover the use not only of a 'dirty bomb', but also a nuclear bomb.

- Insurers must cover direct material damages (including decontamination costs and cleaning-up of pollution costs), indirect material damages and business interruption losses arising from an act of terrorism sustained by all insureds holding a Property Damage policy or policy covering motor vehicles.
- Insurers must cover losses arising from an Act of Terrorism that are '**sustained**' on French soil, irrespective of where the act is committed. In other words, even if the terrorist act is committed outside France, if losses are sustained in France, they must be covered by the insurer/s.

- **Article L.126-3:**

- Insurers must include a clause extending their coverage to these damages in the above mentioned contracts

2. Consequences for the Gareat pool:

- Under the new French Terrorism Act, insurers, whether or not members of Gareat, cannot exclude from their contracts of insurance any acts of terrorism committed with a nuclear bomb/device/weapon.
- ***Gareat will not reinsure losses arising from terrorist acts involving the use of nuclear weapons. Insurers must therefore retain the nuclear risk themselves.***
- Please note, however, that Gareat will continue to cover losses arising from the use of dirty bombs in an act of terrorism.

3. Timetable:

- The new Article L.126-2 (extension of coverage) will be applicable after its publication in the French Official Bulletin. We have received no indication as to when this might be, but given the emergency procedure followed in adopting the new Act, publication should be in the coming days or weeks.
- The Article L. 126-3 (insertion of the clause) will apply to contracts written six months after the publication of the present Act and for existing contracts at the date of the first endorsement issued after the same six months.

4. Further information

Further information regarding GAREAT can be obtained as follows:

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