

# MARKET BULLETIN

<b>From</b>	Director, Worldwide Markets
<b>Date</b>	12 September 2006
<b>Reference</b>	Y3871
<b>Subject</b>	<b>FRANCE: MANDATORY WORDING FOR USE WITH FRENCH PROPERTY AND TERRORISM POLICIES</b>
<b>Subject areas</b>	
<b>Attachments</b>	Appendix 1- French version LMA 5061 fr Appendix 2- English version, LMA 5061
<b>Action points</b>	<b>Underwriters and Brokers to add new clause to relevant French policies</b>
<b>Deadlines</b>	<b>Immediate</b>

## Purpose of Bulletin

The purpose of this Bulletin is to advise of the introduction of the LMA 5061 wording, which must, with immediate effect, be attached to all French direct policies covering property and damage caused by fire to property.

## Background

On 22 December 2005 the French Senate adopted a new Terrorism Act. The Act introduced these significant changes:

It extended the French Penal Code's definition of an act of terrorism to include use of a nuclear weapon ('dirty bombs', biological and chemical weapons were already included); It amended Article 126-2 of the French Insurance Code to the effect that any direct insurance contract covering damage caused by fire to property located on French national territory was henceforth also required to cover direct material damage to that property caused by an act of terrorism.

***It inserted an additional article L126-3 into the Code requiring insurers to include a clause extending their coverage in line with the amended Article L126-2.***

## Use of LMA 5061

LMA 5061 (see Appendix 1 for the French version, and Appendix 2 for the English version) encompasses all French requirements that must be met by Lloyd's underwriters in order to demonstrate compliance with French law and the French Insurance Code. Attachment of this clause to policies mentioned above is mandatory, with immediate effect.

This bulletin has been sent to active underwriters and the Compliance Officers of Lloyd's brokers and managing agents and for information, to the LMBC and LMA.

## Further information

Further details on French terrorism and Lloyd's guidance to the market can be found in market bulletins 3716 (29.12.05), 3723 (10.01.06), 3726 (13.01.06) and 3750 (15.02.06) and on the French Worldwide markets pages at [www.lloyds.com](http://www.lloyds.com).

Further information can also be obtained as follows:

In France, from Lloyd's Paris office:

Lloyd's General Representative in France:

Anne-Gaëlle Leillard                      Tel: +33 1 42 60 43 43  
Email: [annegaelle.leillard@lloyds.fr](mailto:annegaelle.leillard@lloyds.fr)

or

Cécile Peyrade                              Tel: +33 1 42 60 43 43  
Email: [cecile.peyrade@lloyds.fr](mailto:cecile.peyrade@lloyds.fr)

or

In London

Lloyd's Worldwide Market Services  
Tel: 020 7327 6677  
Email: [market.services@lloyds.com](mailto:market.services@lloyds.com)  
Box 190b, Gallery 1

Julian James  
Director  
Worldwide Markets

**APPENDIX 1**

Assurance Terrorisme - Article L. 126-3 du code des Assurances

Conformément à l'article L. 126-3 du code des assurances, les présentes garanties sont étendues dans les conditions fixées par l'article L. 126-2 du code des assurances qui dispose que :

"Les contrats d'assurance garantissant les dommages d'incendie à des biens situés sur le territoire national, ainsi que les dommages aux corps de véhicules terrestres à moteur, ouvrent droit à la garantie de l'assuré pour les dommages matériels directs causés aux biens assurés par un attentat ou un acte de terrorisme tel que défini par les articles 421-1 et 421-2 du code pénal subis sur le territoire national.

La réparation des dommages matériels, y compris les frais de décontamination, et la réparation des dommages immatériels consécutifs à ces dommages sont couvertes dans les limites de franchise et de plafond fixées au contrat au titre de la garantie incendie.

Lorsqu'il est nécessaire de décontaminer un bien immobilier, l'indemnisation des dommages y compris les frais de décontamination ne peut excéder la valeur vénale de l'immeuble ou le montant des capitaux assurés.

En outre, si l'assuré est couvert contre les pertes d'exploitation, cette garantie est étendue aux dommages causés par les attentats et les actes de terrorisme, dans les conditions prévues au contrat.

La décontamination des déblais ainsi que leur confinement ne rentrent pas dans le champ d'application de cette garantie.

Toute clause contraire est réputée non écrite.

Un décret en Conseil d'État détermine les dérogations ou les exclusions éventuellement applicables aux contrats concernant les grands risques définis à l'article L. 111-6 au regard de l'assurabilité de ces risques.

LMA 5061 fr

4 Septembre 2006

**APPENDIX 2**

**FREE TRANSLATION – IN CASE OF DISCREPANCY, THE FRENCH TEXT WILL PREVAIL**

Insurance against acts of Terrorism - Article L.126-3 of the French Insurance Code

Pursuant to article L. 126-3 of the French Insurance Code the insurance coverage herein is extended as per the conditions set forth in article L. 126-2 of the French Insurance Code which provides that:

"Where insurance contracts insure against fire damage to property on the national territory and damage to land motor vehicles, the insured is also covered for direct material damage to insured property sustained on the national territory caused by terrorist attacks as defined in articles 421-1 and 421-2 of the French Penal Code.

Repair of material damage, including the costs of decontamination and the repair of immaterial damage caused by such damage are covered within the limits of the deductible and the limit for fire damage set by the contract.

In the event that decontamination of real estate property is necessary, indemnification of the damages, including the costs of decontamination, shall not exceed the market value of the building or the amount of the insured capital.

Moreover, if the insured is covered for business interruption, this cover is extended to the damage caused by terrorist attacks, in accordance with the terms of the corresponding contract.

This cover does not apply to the decontamination of debris and the containment of such debris.

Any clause to the contrary is deemed to be unwritten.

A decree of the "Conseil d'Etat" determines the possible dispensations or exclusions applicable to contracts covering large risks defined in article L. 111-6 with regard to the insurability of such risks."

LMA 5061

4 September 2006