

MARKET BULLETIN

REF: Y4305

Title	GAREAT - FRENCH TERRORISM REINSURANCE POOL
Purpose	To inform syndicates of the changes in the GAREAT risk categories for future returns
Type	Update
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Date	14/08/09
Deadline	Q3-2009 GAREAT return
Related links	

Change in risk categories

GAREAT released an amended list of risk categories to be used in all future GAREAT returns.

The risk category determines the rate to apply to calculate the GAREAT **reinsurance premium** payable to the pool by the insurer. This is different from the **terrorism premium** which is charged to the insured.

The GAREAT reinsurance premium is strictly determined by the GAREAT risk categories and rates detailed in Appendix A and is paid to GAREAT in return for the reinsurance of the terrorism cover comprised in the policies ceded to the pool.

The terrorism insurance premium is freely determined by the insurer and is charged to the insured in return for the insurance of the terrorism cover comprised in its insurance policy.

Categories D and E

Reminder: Lloyd's syndicates are responsible for their return accuracy and in particular for applying the correct GAREAT rate and risk category in their returns. If not already in place,

procedures should be set up between syndicates and their brokers to ensure the syndicate always knows when a risk should be declared under a D or E category.

- If a syndicate writes 100% of the risk: the syndicate is responsible for contacting the Lloyd's Paris office when a risk should be rated and/or agreed separately by GAREAT. This process can also be done by the syndicate's broker, but in such case, the syndicate is responsible for obtaining the applicable GAREAT rate and category from the Broker
- In the case of co-insurance: the previous rule applies to the Lloyd's lead. Lloyd's followers are responsible for obtaining the applicable GAREAT rate and category from the broker.

Errors & omissions

Any error or omission in your return must be amended as soon as it is discovered. Please contact the Lloyd's French office to report any error or omission.

Syndicates should ensure the above requirements are applied by their Lloyd's Brokers and Coverholders in the next GAREAT return, i.e. Q3-2009.

Further information

Further information regarding GAREAT can be obtained as follows:

In France, from Lloyd's Paris office:

Cécile Peyrade

Tel: +33 1 42 60 43 43

Email: cecile.peyrade@lloyds.com

In London,

Lloyd's International Trading Advice - LITA

Tel: 020 7327 6677

Email: LITA@lloyds.com

Appendix A

Risk category	Criteria	GAREAT rate	Status	Comments
O	Sum insured < €6 million	3%	New	Lloyd's Syndicates are covered by the small risks CCR reinsurance treaty – Not applicable
A	€6 million ≤ sum insured < €20 million	6%	Unchanged	
B	€20 million ≤ sum insured < €50 million	12%	Unchanged	
C	Sum insured ≥ €50 million	18%	Unchanged	
D	Risks rated specifically by GAREAT on a case by case basis, large risks	Specific GAREAT rate	Amended	<ul style="list-style-type: none"> • Previously used to declare large risks only • Risks to be submitted to GAREAT as soon as the underwriter is aware of it and in any case before the inception date/renewal to obtain formal agreement and rating from the pool.
E	Nuclear risks only	24%	Amended	<ul style="list-style-type: none"> • Previously used to declare risks with specific rating • Risks to be submitted to GAREAT as soon as the underwriter is aware of it and in any case before the inception date/renewal to obtain formal agreement from the pool