

**CONFERENCE ON CATASTROPHIC RISKS
AND INSURANCE**

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**THE FRENCH EXPERIENCE IN THE MANAGEMENT
AND COMPENSATION OF LARGE SCALE DISASTERS**

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Powerpoint presentation

This document is circulated for Session 3 of the Conference on Catastrophic Risks and Insurance, to be held on 22-23 November 2004 at the OECD Headquarters, 2 rue André Pascal, 75016 Paris, starting at 9:00 a.m.

For further information on this conference, please contact Cécile Vignial, Financial Markets Division (Cecile.Vignial@oecd.org), or Yosuke Kawakami or Morven Alexander, Outreach Unit for Financial Sector Reform (Yosuke.Kawakami@oecd.org or Morven.Alexander@oecd.org)

The French Experience in the management and compensation of large scale disasters

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Specific systems for uninsurable risks in France

- National Fund for Agricultural Disasters (1964 law)
- GAREAT pool for terrorism risks
- Natural Catastrophe scheme (1982 law)

1982 Nat Cat Scheme (1/2)

Four factors imposed by the State

- Declaration of the state of natural disaster
- Definition of the perils covered
- Deductibles
- Price of the cover

1982 Nat Cat Scheme (2/2)

Reinsurance at CCR

- Market reinsurance offer
- CCR's reinsurer = State

State guarantee for exceptional cases (the Big One, a series of major events during one year)

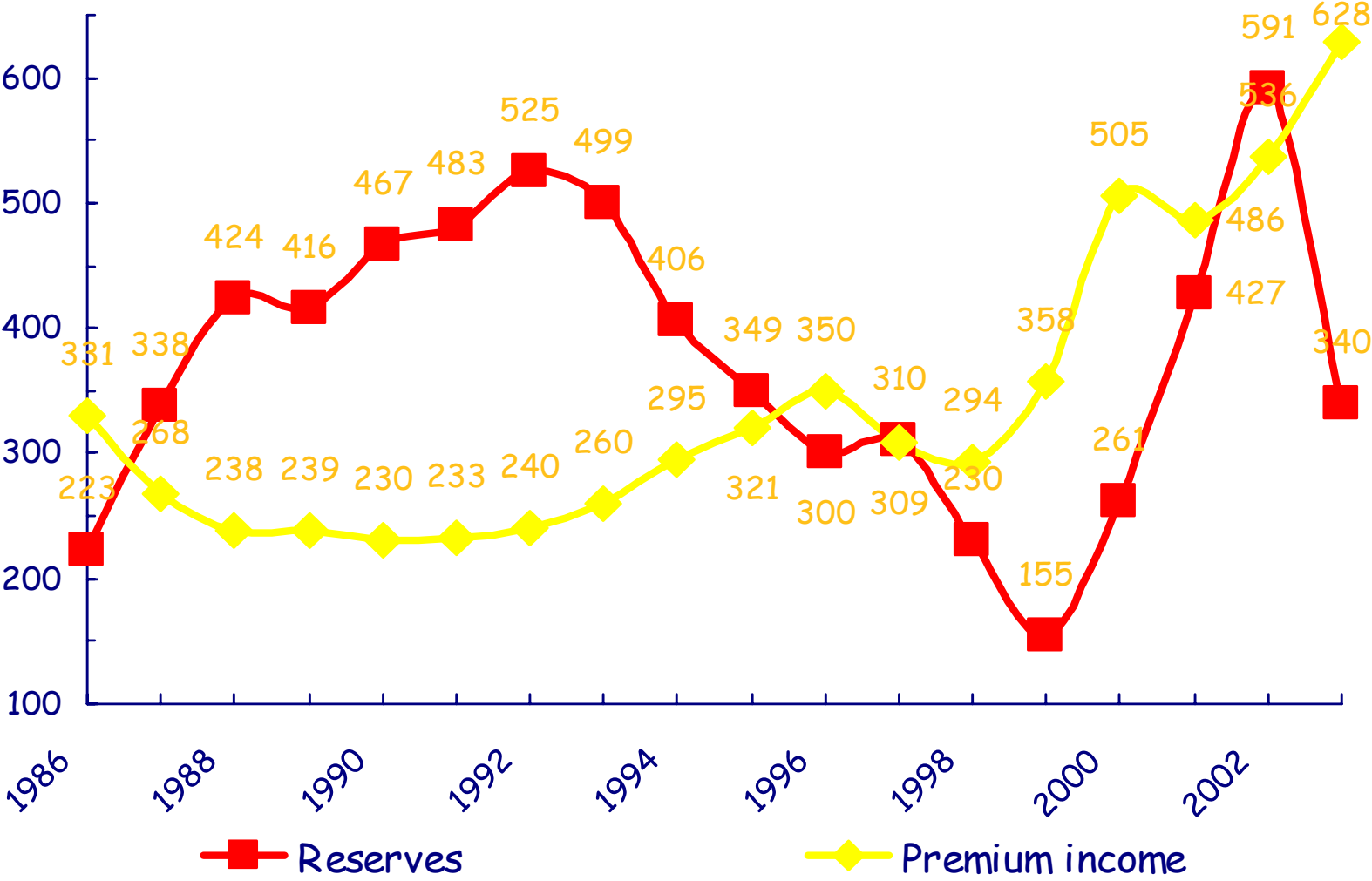
1999

In 1999, CCR called upon the State guarantee for the first time since the creation of the scheme

- Major events : Aude, Lothar et Martin
- Long tail subsidence losses since 1989

Solvability of the scheme is in question :
need to reform the scheme

Premium income and Reserves



1999 Reform (1/2)

Three main points

- Check losses to subsidence
- Insure equitable contribution of each insured
- Financial measures to replenish reserves

1999 Reform (2/2)

Three main points

- **Check losses to subsidence**
 - Criteria for declaring an event
 - Specific deductible
 - Subsidence prevention plans
- **Insure equitable contribution of each insured**
 - Deductible sliding scale
 - Treaty premium base
 - Cyclone coverage dans les DOM
- **Financial measures to replenish reserves**
 - Rate raised from 9% to 12%
 - Reinsurance conditions

Conclusions

- A system in equilibrium
- Sustainability through reform and prevention
- State guarantee insures solvency