GAREAT
Gestion de l'Assurance et de la Réassurance
des risques Attentats et actes de Terrorisme

TERRORISM AND OPERATING LOSS ACROSS BORDERS: Interdependencies , suppliers default

For information purposes only

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ECONOMIC CHAIN INTERRUPTION BY A TERRORIST ATTACK

Worldwide consequences of terrorist attack due to:

- Worldwide economic globalisation
- Default by suppliers external to the insured
- Interdependencies (supplier owned by the insured)
- Ever increasing outsourcing of activities within a country and /or abroad

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EXAMPLES AND CONSEQUENCES

Terrorist attack which would :

- Affect plants of major motor equipment suppliers could slow down or even paralysed significant part of the worldwide motor production

- Destruct a major exporting power station might have an impact on the distribution lines outside the country

- Destruct pharmaceuticals laboratories which produce and export molecules to other countries might hinder drug production and cause health issues in various part of the world

SUPPLIERS EXTENSION COVERAGE IN GENERAL

When a supplier’s extension coverage is granted, generally the coverage is limited:

- Depending on the business interruption coverage.
- To the primary suppliers

And exludes the suppliers at the end of the chain

FRANCE SUPPLIERS TERRORISM COVERAGE

In France terrorism coverage sustained by suppliers is granted by means of reinsurance by GAREAT up to:

- 2,3 billion euros for the large risks (sum insured > 20 million euros)
- 340 million euros for the small and medium-sized risks

Interdependency, the supplier is covered abroad

Once the programme ceiling has been reached the loss is subsequently covered by and mutualized between GAREAT's members.

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SOLUTIONS TO SHORTFALLS AND INADEQUACIES

Since this major problem of terrorism and operating losses across borders is a concern for all of us it might be useful:

- To set up of a Working Group, under the authority of the OECD, in order to see how each country deals with this issue, how it assesses the risk with several points in the supply chain possibly affected in different countries

- To analyse shortfalls/inadequacies and subsequently to find cross border or regional solutions

THANK YOU FOR YOUR ATTENTION

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