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**The French  
Nat-Cat regime**

-

**Legislative and  
regulatory  
framework**



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*Paris 1910 - Chambre des Députés*



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# French Nat-Cat regime: main principles (1)

## ► An insurance scheme...

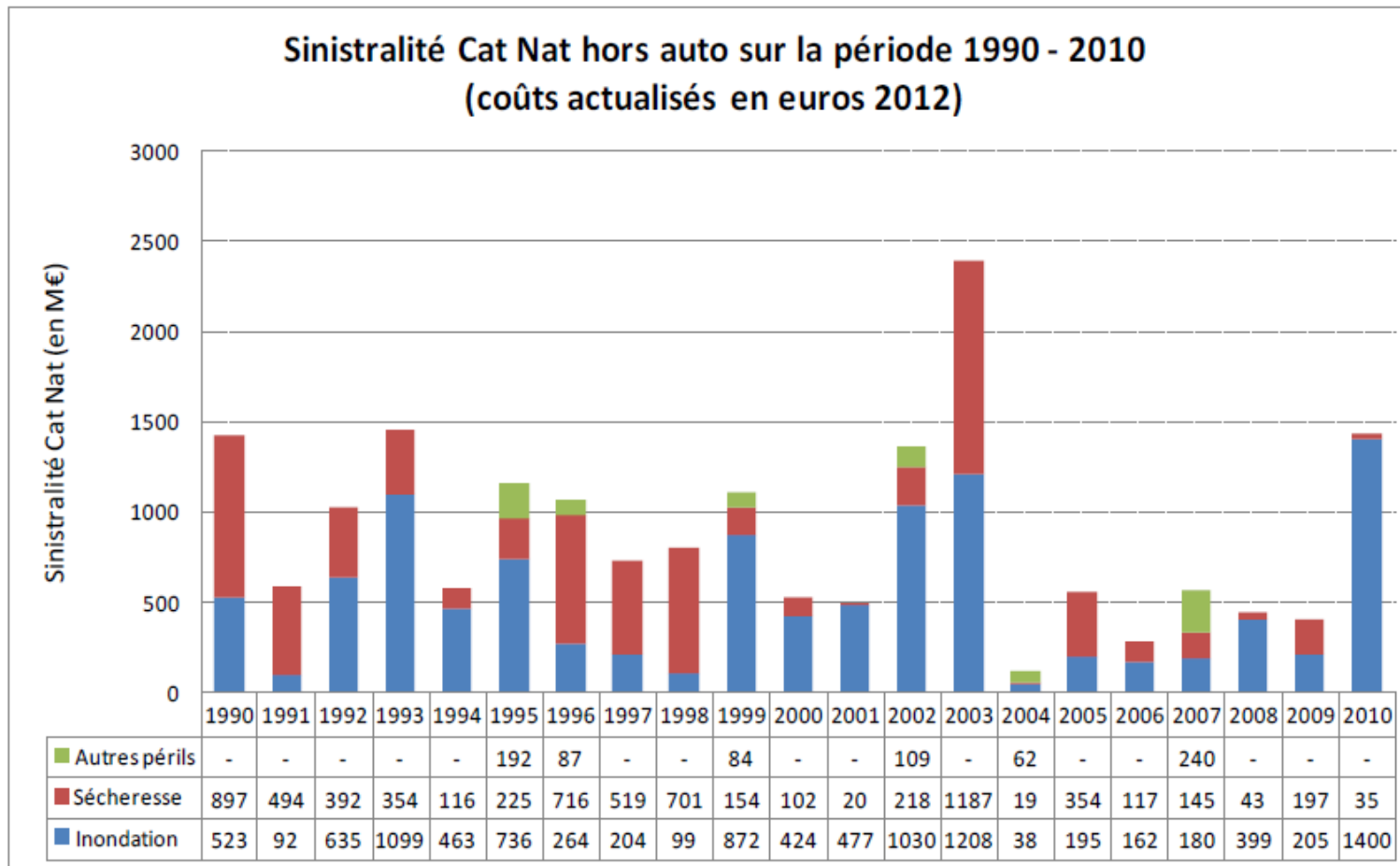
- ◆ An insurance guarantee, not a public fund: all insurance contracts providing coverage against fire or any other type of damages to goods must include an insurance guarantee against Nat Cat risks (floods, droughts, earthquakes, landslides, etc.)
  - ➡ a very high penetration rate (e.g. about 98% of households in metropolitan France)
- ◆ Insurers are in charge of handling the compensation: they are better informed and react faster than the government, especially when thousands of properties are damaged.
  - ➡ a user-friendly and transparent procedure for the insured, who only have to file a usual claim

# French Nat-Cat regime: main principles (2)

- ▶ ... working hand in hand with the government
- ◆ Compensation is granted if the “state of natural disaster” has been declared by interministerial decree
  - ➡ neighbors are treated the same way, regardless of their insurance company
- ◆ Premiums and deductibles are set up by the Government
  - ➡ a flat pricing based on the premium of the basic insurance policy ensures affordability
- ◆ By granting its sovereign guarantee to the Nat-Cat regime, the government provides to insurance companies the certainty of a maximum potential cost they are exposed to
  - ➡ a solvency guarantee for insurers, who face manageable costs

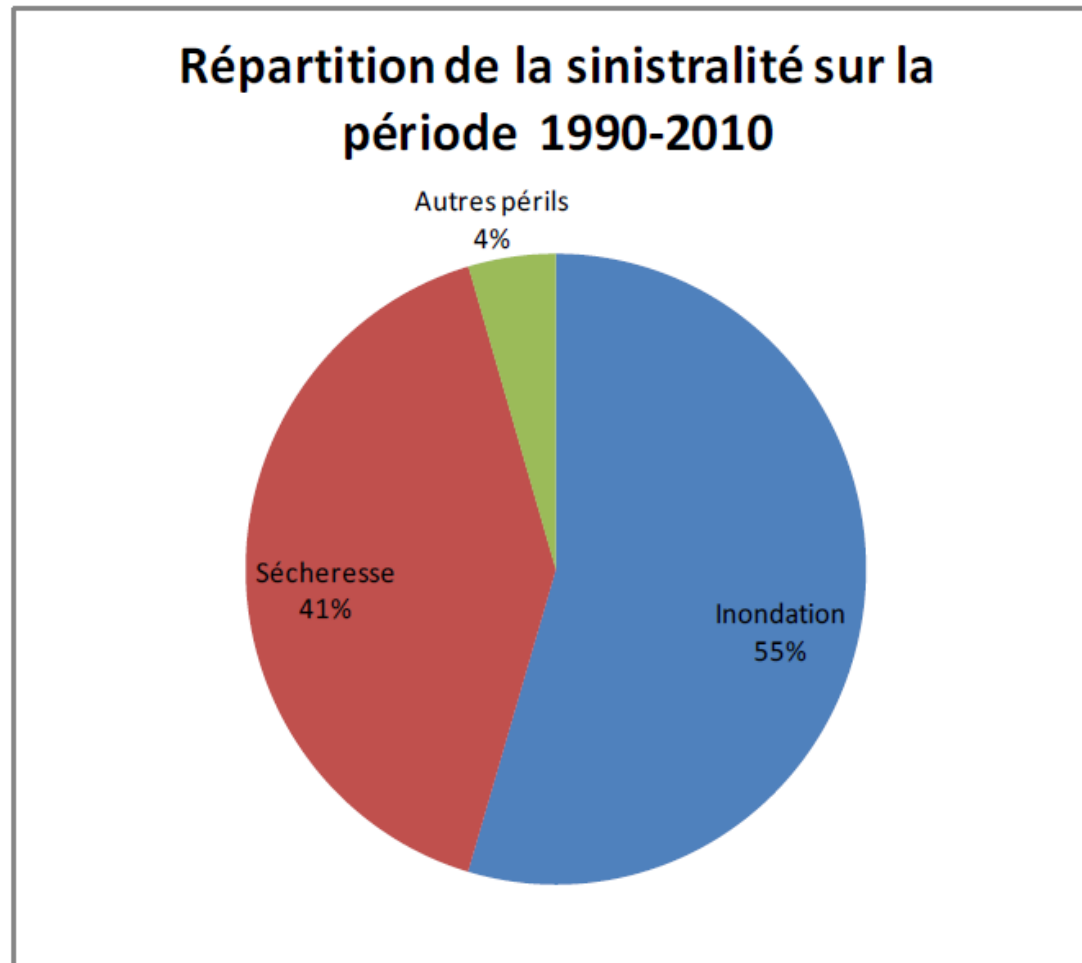
# French Nat-Cat regime: main figures (1)

- Premiums: € 1,3 billion in 2012
- Claims (2012 €): a high variability



# French Nat-Cat regime: main figures (2)

- Floods (55% of the amount of claims) and subsidence due to drought (41%) are the main Nat Cat perils in France



# French Nat-Cat regime: a planned reform (1)

- ▶ A reform based on a shared vision
  - ◆ On spring 2012, a draft bill aimed at strengthening the Nat-Cat regime over the long run was tabled at the French Senate
    - ➡ Bill built on large consultations of all stakeholders during more than one year
  - ◆ Two main goals:
    1. Clarifying the legal scope of the regime so as to improve transparency and fairness (risk list, methodology for recognition...)
    2. Strengthening incentives for risk prevention
- ➡ broad consensus among all stakeholders - the draft bill has benefited from their inputs ... and from nearly 30 years of practice.

# French Nat-Cat regime: a planned reform (2)

- ▶ **Building incentives for risk prevention**
  - ◆ **Option for a risk-based pricing or insurance premia for large businesses and local authorities**
    - ➔ **those able to implement risk prevention works are incentivized to do so**
  - ◆ **Exclusion from the benefits of the Nat-Cat compensation for property built in breach of the law**
    - ➔ **solidarity should not bear the costs induced by irresponsible behaviors**
  - ◆ **Introduction of construction standards for new buildings to prevent damage from subsidence in clay soils**
    - ➔ **everyone is better off by paying a little more at the beginning (soil study) than risking to lose everything at the end**

# French Nat-Cat regime: some conclusions

- ▶ A regime which has demonstrated its effectiveness and efficiency for the insured, the insurers and the government :
  - ◆ Ensuring a swift delivery of compensation, even with thousands of claims
  - ◆ Preserving the integrity of the relationship between insured and insurers: insurers do what they are meant to do, i.e. to insure
  - ◆ When well designed, a regime protective of public monies – building financial reserves is a precaution as essential as risk prevention
    - ➡ Very high penetration rate of coverage, without subsidies to premiums
    - ➡ Public financial intervention contained to a few very serious catastrophes (e.g. a flood that would occur every 100 years in the Paris area)





*Var floods, 2011*



*Xynthia, marine flooding, 2010*



*Avalanche, 2011*

# Dziękuję za uwagę



*Subsidence on clay soils, 2011*



*Earthquake, Guadeloupe, 2004*



*Landslides, 2012*