

SUMMARY OF THE AGREEMENT GOVERNING THE MISSIONS ENTRUSTED TO CCR BY THE FRENCH STATE

An agreement was signed on February 27, 2017 between the State (the Minister of the Economy and Finance) and the *Caisse Centrale de Réassurance - CCR* - (the Chairman and the Chief Executive Officer). The purpose of this new agreement, which took effect on January 1, 2017 and which replaced the agreement concluded in January 1993, is to specify:

- the general interest missions entrusted to *CCR* by the State and the principles for the operation of these missions,
- the terms and procedures of the commitment and of the payment of guarantees granted by the State for certain reinsurance operations.
- and, the procedures for recording separate accounts opened in the books of *CCR* for operations conducted with the backing of the State guarantee.

This agreement also underscores, in its preamble, the role delegated to *CCR* by the State concerning the sound understanding and management of risks and by way of which new missions may be granted in the future, as well as the fact that the market may not always be able to provide compensation to the victims of exceptional or catastrophic events that complies with the conditions of national solidarity expressed by the State.

1. General interest missions

a. State-guaranteed reinsurance operations

The agreement emphasizes the reinsurance missions entrusted to *CCR* with the guarantee of the State covering:

- natural disaster risks as referred to in article L 431-9 of the French Insurance Code;
- risk of attacks and acts of terrorism as referred to in article L 431-10 of the Insurance Code;
- nuclear risks as referred to in article L 431-5 of the Insurance Code;
- exceptional risks relating to marine activities as referred to in article L 431-4 of the Insurance Code;

In terms of natural disaster risk, the agreement establishes the fact that the mission entrusted to *CCR* within this framework and the guarantee that it is granted by the State to this end are an integral part of the compensation scheme for victims of natural disasters arising in France. It also emphasizes *CCR's* obligation to carry out this mission in compliance with the principle of national solidarity stated in paragraph twelve of the preamble to the French Constitution of October 27, 1946 which constitutes the basis of the scheme.

b. Data collection and requests made by the State to CCR

The agreement establishes that *CCR* is charged with collecting data relevant to the claims and the risks reinsured in the framework of its State-guaranteed reinsurance operations and that *CCR* includes a clause allowing for the collection and delivery of insurance-related data on risks and claims in the reinsurance treaties it provides to insurance companies covering natural disaster risks and risks of attacks and acts of terrorism.

The agreement also prescribes that the State may call upon *CCR* to:

- carry out work enabling the enhancement of risk knowledge, of existing prevention measures and of risk resilience;
- contribute to on-going discussions concerning the possible adaptation of any compensation mechanisms in which *CCR* participates;
- conduct technical studies and all work relating particularly to new forms of coverage and new compensation mechanisms.

c. Management of public compensation funds and secretary role of the Natural Disasters Commission

The agreement establishes that the financial and accounting management of certain French public funds, i.e. the *FNGRA*, *FCAC*, *FPRNM*, and *FGRE*, as well as the administrative management of the *FAPDS* are also a part of the general interest missions entrusted to *CCR*.

Furthermore, it sets forth that *CCR* is charged with providing all required logistical support to the Inter-ministerial Commission responsible for examining the requests formulated by the municipalities for recognition of a natural disaster and also fulfills the role of secretary of this commission.

2. Operating principles of the general interest missions

The agreement outlines the operating principles governing the conduct of the reinsurance missions entrusted to *CCR* by ensuring that:

- for reinsurance operations conducted with the State guarantee, the special conditions for reinsurance treaties are set by *CCR* in accordance with actuarial methods and with techniques that are generally applicable to reinsurance and insurance in compliance with the fundamental principles governing the reinsurance missions entrusted to *CCR*. In particular, concerning natural disasters reinsurance, *CCR* takes into account the principle of national solidarity on which the scheme is based;
- the reinsurance covers provided by *CCR* are in consonance with the ultimate aim of the corresponding reinsurance mission;
- *CCR* conducts its general interest missions in compliance with the directives defined in the periodic mission statement that it receives from the Minister of Finance, while monitoring incurred expenses.

3. Request and payment procedures for the State guarantee covering reinsurance operations

In accordance with article R 431-16-2 of the Insurance Code, the agreement outlines the terms and conditions of the commitment and of the payment of the State guarantee relevant to State-guaranteed reinsurance operations. In particular, it ensures that:

- the State guarantee is invoked when, for a covered reinsurance activity, the amount of indemnity for retained by *CCR* accumulated since the start of the accounting period, after deduction of compensation effectively paid by the retrocessionaires surpasses 90% of the total amount (i) of the equalization reserve booked for this risk and (ii) of the special reserve recorded at the close of the previous year of account.
- the State guarantee is invoked in the amount of this excess and is adjusted at the close of the year of account. The funds corresponding to the amount of the State guarantee are made available to *CCR* within a time frame enabling the company to meet its obligations.

With regard to the payment of the State guarantee granted in respect of these operations, the annual fee is equivalent to

- 10.8% of the total amount of previous year written premiums for natural disaster risks, less, if applicable, the retrocession cost or any other risk mitigation technique, and limited, if applicable, to 2.4% of the total amount of previous year written premiums;
- 5% of the total amount of previous year earned premiums for exceptional and nuclear risks;
- 0.5% of the total amount of previous year earned premiums for risks relating to attacks and acts of terrorism.

4. Recording and presentation of separate accounts

In accordance with article R 431-16-3 of the Insurance Code, State-guaranteed reinsurance operations are recorded in separate accounts in *CCR*'s books. The agreement stipulates the operation of these accounts pursuant to the same article.

It states in particular that the allocation of results to general law different legal and regulatory reserves but also to accounts for special reserves, as well as the prior distribution of dividends, are decided by the General Meeting on the basis of a proposal of the Board of Directors.

This document is a summary the aim of which is to inform the public on the agreement. Its provisions cannot be enforced against CCR or the State.