Morocco

Ministry of the Economy and Finance

TREASURY AND EXTERNAL FINANCES DEPARTMENT

MOROCCAN COVERAGE REGIME FOR THE CONSEQUENCES OF NATURAL AND MAN-MADE DISASTERS

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INTRODUCTION

In Morocco there is a severe and chronic risk of natural disasters. In recent history there have been several major floods and earthquakes that have indelibly marked the country, like the Agadir Earthquake of 1960 that killed a third of the city's population.

The process of creating a coverage regime for the consequences of natural and man-made disasters was launched in 2004, just after the earthquake in Al Hoceima.

Law n°110.14 establishing a coverage regime for the consequences of natural and man-made disasters was adopted by Parliament in August 2016 and since then we have been working on implementing it.

PLAN

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1. Presentation of the coverage regime for the consequences of natural and man-made disasters
2. Presentation of the insurance section
3. Presentation of the solidarity fund for natural and man-made disasters
4. Conclusion

The coverage regime for the consequences of natural and man-made disasters

The types of disasters covered

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A disaster is defined in law as any event causing direct damage in Morocco, whether it be caused by an abnormally intense natural phenomenon or the violent action of Man.

Natural phenomenon

- Floods,
- Earthquakes,
- Tsunamis,

List established under regulations

Violent action of Man

- Terrorism
- Riots and civil movements

List established under law

Recognition of a state of disaster through a declaration from the Head of Government.

The coverage regime for the consequences of natural and man-made disasters

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The regime has two sections

Insurance section

For natural persons or legal entities holding an insurance contract (mandatory inclusion)

- Insurance contracts covering damage to goods;
- Insurance contracts covering vehicle liability insurance;
- Insurance contracts covering third party liability

Claimant section

For uninsured natural persons in order to ensure minimum compensation for bodily harm and for the loss of the main residence.

These indemnities are granted by the FSEC (solidarity fund for natural and man-made disasters).

Insurance section

Insurance section

The coverage regime against natural and man-made disasters established by law n°110-14 made **it mandatory to include insurance cover for the consequences of disasters in:**

- Insurance contracts covering damage to property (covering damage caused directly by a disaster on insured property) ;
- Insurance contracts covering third party liability due to damage caused to third parties by a land motor vehicle (1/ damaged suffered by the insured vehicle, 2/ the bodily harm suffered by the driver and all persons transported as well as their right holders in case of death 3/ the bodily harm suffered by the owner of the vehicle, their partners and dependant children as well as the harm suffered by their rights holders in the case of death ;
- Other contracts covering third party liability (covering the bodily harm suffered by those persons, other than the employees of the insured party, who find themselves on the premises covered by said contracts, as well as the harm suffered by the rights holders in the case of death).

This guarantee is subject to an additional premium expressed as a percentage of the main premium that is paid by virtue of the aforementioned contracts

Global indemnity ceilings

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So that the excessive risk does not weigh too heavily on the insurance system, the aforementioned law planned global indemnity ceilings for victims of disasters. These were organised by event and by year and have to be less than

- 2 Billion MAD (200 million USD) per event and 4 Billion MAD per year, when used for a natural disaster;
- 300 Million MAD per event and 600 Million MAD per year, when the event is caused by the violent action of Man.

Indemnity due to the victims are reduced based on the indemnity ceilings

State Guarantee

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To support the insurance mechanism, there is a State guarantee that is destined to cover the risk of default on the cover. This is achieved through reinsurance with foreign re-insurers or in the case of their failure, it is granted to insurance and reinsurance companies.

To benefit from the cover, the insurance companies must sign an agreement with the State and the FSEC which fixes the conditions and means of accessing the State guarantee. This agreement particularly focuses on those conditions related to: the tariffs that are applicable, determining the risk containment by companies, the sale of re-insurance and the prior intervention of the FSEC.

The Solidarity Fund for Natural and Man-made Disasters

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❑ FSEC Governance

The FSEC is a public entity managed by a director and administered by a Board of Directors with the Head of Government as its chair.

❑ FSEC resources

To enable to FSEC to complete its objectives, the law assigns the entity an initial budget grant from the State and the proceeds of parafiscal taxes created through regulations for its benefit.

❑ FSEC expenses

FSEC expenses are primarily made up of the indemnities paid to the victims. Funds are also used for fund management costs, as well as the operational costs of the monitoring commission, the dispute resolution commission and the committee of expertise.

Compensation granted by FSEC

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FSEC pays out:

- compensation for permanent physical disability to people having suffered bodily harm;
- compensation for the loss of resources to the rights holders of deceased or missing victims;
- compensation for the loss of a home to tenants of a main residence that has been made uninhabitable. This compensation is fixed at three times the monthly rental value ;
- compensation to the owners of a main residence made uninhabitable:
  - to help the rehabilitation of the premises, with a payout ceiling set at 250,000 MAD;
  - for the loss of a home that is fixed at 6 times the monthly rental value;

Conclusion

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In addition to a good regulatory framework, the success of a coverage regime for natural and man-made disks depends on:

- a robust model that enables losses linked to natural disasters to be accurately estimated;
- the implementation of an adequate system of disaster management;
- the implementation of a good communication strategy;
- the integration of a DRF regime as part of a global strategy to manage the risks of natural disasters.

THANK YOU FOR YOUR ATTENTION