EUROPEAN COMMISSION

Brussels, 12.4.2020
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In the published version of this decision, some information has been omitted, pursuant to articles 30 and 31 of Council Regulation (EU) 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus […]		PUBLIC VERSION This document is made available for information purposes only.

Subject: **State Aid SA.56903 (2020/N) – France**
COVID-19: State guarantee for the reinsurance cover of domestic trade credit insurance risks

Excellency,

1. PROCEDURE

(1) On 1 April 2020, the French authorities pre-notified to the Commission the proposal to provide support for the reinsurance cover of credit insurance risks in France.

(2) By electronic notification of 7 April 2020, France notified a measure in the form of a State guarantee for the reinsurance of trade credit insurance (*La garantie de l'Etat à la Caisse Centrale de Réassurance pour la couverture en réassurance de risques d'assurance-crédit domestiques*, "the measure") pursuant to Article 108(3) of the Treaty on the Functioning of the European Union[1] ("TFEU").

[1] OJ C 115, 9.5.2008, p. 47.

Monsieur Jean-Yves LE DRIAN
Minister for Europe and Foreign Affaires
37 Quai d'Orsay, 75007 Paris

(3) France exceptionally agrees to waive its rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958,[2] and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

(4) France considers that the COVID-19 outbreak has started to affect the real economy in France. The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the damage inflicted upon undertakings impacted by the COVID-19 outbreak and to preserve the continuity of economic activity during and after the outbreak.

(5) According to the French authorities, in a context of increased risks of trade payment defaults, the proper functioning of the credit insurance market is of crucial importance for the liquidity of companies, in particular SMEs and mid-caps. Hence, any reductions in limits of insurance coverage or sudden withdrawal of such coverage, would further weaken the resilience of French companies in the face of the COVID-19 epidemic.

(6) In that respect, the French authorities wish to introduce a reinsurance scheme benefiting from a State guarantee in order to limit the risks associated with granting insurance to French trade credit risks. The scheme would ensure that trade credit insurance continues to be available to all companies of the real economy within the pre-crisis limits. Moreover, a properly functioning trade credit risks insurance market has the positive side-benefit to avoid that buyers of goods or services are asked to pay for deliveries or services in advance, which would create an additional liquidity need for companies already under liquidity stress due to the COVID-19 outbreak.

(7) The measure is based on Article 107(3)(b) of the TFEU to remedy a serious disturbance in the economy. Although the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak ("the Temporary Framework")[3] only covers aid in the form of guarantees on loans, the notified guarantee on the reinsurance of trade credit insurances has been designed in analogy to the principles set out in the Temporary Framework.

2.1. The nature and form of measure

(8) The measure is provided in the form of a State guarantee granted to Caisse Centrale de Réassurance (CCR) for the reinsurance of domestic credit insurance risks.

[2] Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

[3] Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 91I , 20.3.2020, p. 1–9., as amended on 3 April 2020 (OJ C 112I, 4.4.2020, p. 1–9).

2.2. National legal basis

(9) The legal basis for the measure is the French Law Nr 2020-289 of 23 March 2020 and a Decree Nr 2020-397 of 4 April 2020 (*loi n° 2020-289 du 23 mars 2020 de finances rectificative pour 2020* and *Décret d'application n° 2020-397 du 4 avril 2020*).

2.3. Administration of the measure

(10) The French Ministry of Finance will administer the measure on behalf and for account of the French Republic.

2.4. Budget and duration of the measure

(11) As confirmed by the French authorities, the amount of trade credit claims reinsured by CCR and guaranteed by the State will be no more than EUR 10 billion.

(12) Support under the measure may be granted as from the date of the approval of the measure by the Commission until 31 December 2020. The measure will concern exclusively insurance contracts entered into after 6 April 2020 and until 31 December 2020.[4]

2.5. Beneficiaries

(13) The State guarantee is granted exclusively to CCR, which is the direct beneficiary, but it also indirectly favours the trade credit insurers that take out reinsurance with CCR. However, the measure aims to provide an economic benefit to all undertakings in France that take out trade credit insurance for the provision of supplier credits to micro companies, SMEs and mid-caps[5] registered in France or in the overseas departments and regions of France. The measure is designed to ensure that these companies derive the largest possible economic benefit from the measure, as they will remain able to enter into such insurance contracts within the pre-crisis limits despite the COVID-19 outbreak. This will allow them to continue relying on trade credit insurance contracts and to carry on their activities, secured against defaulting payments. Moreover, a functioning trade credit insurance market avoids that business-to-business trade starts demanding advance payment to ensure for the lack of insurance contracts

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[4] For sake of clarity, losses that occurred after 31 December 2020 and under the coverage period of the insurance contract, which cannot exceed 30 March 2021, are covered by the measure if both the contract was signed and the underlying trade or transaction and invoicing took place before 31 December 2020 and if the claim is submitted before claims notifications deadline stated in the insurance contract and in any case, before eighteen months since the end of the reinsurance treaty.

[5] The categories of micro companies, SMEs and mid-caps are defined in Article 3 of Decree No 2008-1354 of 18 December 2008 relating to the criteria for determining the category of a company for the purposes of statistical and economic analysis. The definitions of micro companies and SMEs as adopted by the Decree No 2008-1354 of 18 December 2008 correspond to definition of small and medium sized companies of the EU recommendation 2003/361.

2.6. Sectoral and regional scope of the measure

(14) The State guarantee is granted exclusively to CCR.

(15) All undertakings active in the trade credit insurance sector in France can request and obtain reinsurance by CCR, if the conditions are fulfilled.

2.7. Basic elements of the measure

(16) Trade credit insurance is a risk management product offered to all types of companies wishing to protect their accounts receivable from losses due to credit risks. In the absence of such products, sellers of goods or services may ask buyers to switch to paying for deliveries or services in advance, with a direct impact on their liquidity requirements. An important function of the trade credit insurance offered to the policyholders lies in the capacity of the insurers to monitor the credit worthiness of buyers and alert the policyholder to a deterioration of their credit worthiness, thereby leading to the need for the buyer to pay in advance. In all insurance contracts, the policyholders still retain a minimum share of typically at least 10% of the receivables on their own risk.

(17) The measure aims at stabilising the economy and maintaining supply chains between companies, which use trade credit insurance as a means to manage their liquidity. In particular, it aims at ensuring that companies taking out trade credit insurance will retain their insurance coverage limits and will be able to avoid paying for deliveries or services in advance. The effects of the measure should therefore benefit the real economy on different levels: suppliers can continue to deliver their product to customers under the existing trade credit protection system while their customers are protected from sudden additional liquidity requirements that would arise in case of a withdrawal of existing limits.

(18) The measure will be provided in the form of a State guarantee to CCR, public reinsurer wholly owned by the French State.

(19) The State guarantee will be used by CCR exclusively to reinsure two credit insurance products that will be distributed by credit insurers: *garanties complémentaires* (CAP) and *garanties de substitution* (CAP+).[6]

(20) The State guarantee will be limited at EUR 10 billion, EUR 5 billion for each product.

(21) The State guarantee granted to CCR will be subject to a remuneration by CCR to the French State equal to […]% of the reinsurance premiums received. Non-distributed profits will be allocated in priority to two specific reserves, one for each product.

Garanties complémentaires (CAP)

[6] In case of loss, the credit insurer is responsible for recovering CCR's claims in the name and on behalf of the CCR under the same conditions as for its own claim. To ensure that recoveries are made diligently, the credit insurer is interested in the amounts recovered: it keeps 10% of the receivable collected for CCR under CAP and 15% under CAP +.

(22) CAP are "additional" guarantees, which are supplementing the insurance of credit risks and can be issued by credit insurers in addition to the primary credit insurance policy. They are offered by private insurers in cases where the policyholder is not sufficiently covered by the primary insurance policy: whether because the insurer does not want to take over the full coverage needed or decides to decrease the existing coverage levels.

(23) The percentage of insurance cover is limited to 90% both under the primary credit insurance policy and under CAP, i.e. the policyholder keeps 10% of the risk.

(24) CCR guarantees 100% of the CAP covered amount.

(25) However, the amount covered under CAP can in no case be higher than the amount covered under the primary credit insurance policy.

(26) For example, in case the credit insurer accepts to guarantee 70 out of 100 requested by the policyholder, CAP will guarantee the remaining 30. In the event of loss, 63 (90%*70) will be paid by the credit insurer and 27 (90%*30) by CCR, while 10 (10%*100) are not covered.

(27) In case the credit insurer accepts to guarantee only 25 out of 100 requested by the policyholder, CAP will guarantee 25 for a total guaranteed of 50. In the event of loss, 22.5 (90%*25) will be paid by the credit insurer and 22.5 (90%*25) by CCR, while 5 (10%*50) of the part covered by the insurance are not covered.

(28) The policyholder will pay to the insurer an insurance premium equal to [0-5]% of the amount guaranteed under CAP (on an annual basis).

(29) The insurer will keep […]% of the insurance premium received as management fees (or […]% - […]%*[…]% - of the guarantee amount on an annual basis) and transfer […]% to CCR as a remuneration for the reinsurance.

Garanties de substitution (CAP+)

(30) CAP+ are special "substitution" guarantees which can be granted by a credit insurer to a supplier against the risk of non-payment by his buyer, in cases where the credit insurer itself does not want to underwrite the risk of failure of that buyer.

(31) The "substitution" guarantee can only be granted for buyers whose probability of default is in the range of 2% to 6%, as assessed by the credit-insurer. In addition, the "substitution" guarantee is granted only to the extent that the credit insurer retains, for each reinsured risk, a minimum share of risk.

(32) The percentage of insurance cover under CAP+ is limited to 80%, i.e. the policyholder keeps 20% of the risk.

(33) CCR guarantees 95% of the CAP+ covered amount, while the credit insurer guarantees 5%.

(34) For example, if CAP+ guarantees 100, in the event of loss, CCR will pay 76 (95%*80) and the credit insurer will pay 4 (5%*80), while 20 are not covered.

(35) The policyholder will pay to the insurer an insurance premium equal to [0-5]% of the amount guaranteed under CAP+ (on an annual basis).

(36) The insurers will retain (i) […]% of the insurance ceded premium as management fees (or […]% - […]%*[…]%*[…]% - of the guaranteed amount on an annual basis) and (ii) […]% of the insurance premium received to cover their share of the risk. They will transfer the remaining share of the premium received, i.e. […]% of the insurance premium received, to CCR as a remuneration for the reinsurance.

Cumulation rules of CAP and CAP+ guarantees

(37) The maximum amount that a single policyholder can receive under CAP or CAP+ is capped at EUR [0-5] million for its entire portfolio of supplier credits.

2.8. Monitoring and reporting

(38) All accounting operations related to CAP and CAP+ will be recorded by CCR in two distinct accounts. Each of these accounts will record in details all provisions, incomes, expenses, profits and losses related to the concerned operations, including a share of provisions, incomes, expenses, profits and losses non directly imputable.

(39) The French authorities confirm that they will provide an annual report to the Commission outlining how the measure was implemented in the preceding year and confirming that the conditions under which the State guarantee is granted have been respected by CCR and by the insurers.

3. POSITION OF THE MEMBER STATE

(40) France considers that the proposed measure should be deemed compatible aid within the meaning of Article 107(3)(b) TFEU, which states that aid may be deemed compatible with the internal market if its objective is "*to remedy a serious disturbance in the economy of a Member State*".

(41) France submits that the effects of the COVID-19 outbreak have an impact on the economy of France and beyond, that should be classified as a serious disturbance.

(42) Given the current increased risks of trade payment defaults, the proper functioning of the trade credit insurance market is of crucial importance, inter alia for the liquidity of companies, in particular SMEs and mid-caps. Any reductions in limits of insurance coverage or sudden withdrawal of such coverage would further threaten the resilience of French companies in the COVID-19 crisis. Credit insurers are not legally obliged to insure clients of higher risk profiles and can partially or totally withdraw from covering such risks. CAP and CAP + products aim to compensate for these partial or total withdrawals by providing the missing cover to the insured companies. The latter will have to pay a premium to CCR through credit insurers who are an interface between the insured company and CCR.

(43) The French public reinsurance system is based on the granting of a State guarantee to CCR for a total amount of EUR 10 billion which cannot be exceeded. The latter should be put in perspective with a French credit insurance market (excluding export) which amounted EUR 197 billion at the end of 2019.

All credit insurers active in France, will be able to participate in the scheme by co-signing a reinsurance treaty with CCR. A capacity to underwrite CAP and CAP + products will be determined for each credit insurer according to their respective share in the domestic insurance market.

(44) Furthermore, the compensation amounts under the public reinsurance scheme are limited by the risk retained by the policyholder, i.e. 10% under CAP and 20% under CAP+, and, for the part covered by the insurance, by the risk retained by the insurer, i.e. at least 50% under CAP and 5% under CAP+.

(45) In addition to these limits, the total amount of compensation paid to policyholder by the credit insurer, all supplier credits combined, is strictly limited to a ceiling of [0-5] million euros per policyholder until the end of the scheme under CAP or CAP+.

(46) The measure is limited in time.

(47) In view of the above, the French authorities consider that the measure is compatible with the internal market.

4. ASSESSMENT

4.1. Legality of the measure

(48) By notifying the measure before putting it into effect, the French authorities have respected their obligations under Article 108(3) TFEU.

4.2. Existence of State aid

(49) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

(50) The measure is imputable to the State, since it is administered by the French Ministry of Finance and it is based on French law as described in recital (9). It is financed through State resources, since it is financed by the funds of the French State.

(51) The measure confers an advantage on CCR as it gives to CCR the possibility to enter into reinsurance contracts with credit insurers with no risk. The premium paid by CCR to the State does not guarantee that CCR pays a market remuneration for the State guarantee and does not exclude the existence of aid.

(52) The measure also benefits the credit insurers, as it allows them to keep the same level of insurance for their clients by providing additional reinsurance products. The fact that credit insurers keep only a limited margin ([…]%) of the insurance premiums paid by the policyholders and pay the rest to CCR for the reinsurance is not sufficient to exclude aid at the level of credit insurers.

(53) Finally, the measure is intended to provide secondary economic effects. The measure provides to clients of credit insurers with the indirect advantage to

continue using trade credit insurance, in spite of the macroeconomic effects of the COVID-19 outbreak. As regards the wider economy, the measure therefore also prevents suddenly increasing liquidity needs that companies would likely be faced with in the absence of the measure, because suppliers would be forced to demand advance payments. In the absence of the measure, companies would be faced with increasing liquidity needs and credit risks.

(54) The advantage granted by the measure is selective, since the State guarantee is awarded exclusively to CCR to reinsure specific credit insurance products (CAP and CAP+) distributed by credit insurers. Moreover, CAP and CAP+ do not guarantee all supplier credits but only supplier credits made to French micro companies, SMEs and mid-caps.

(55) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since reinsurers and trade credit insurers are active in a sector in which intra-Union trade exists.

(56) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The French authorities do not contest that conclusion.

4.3. Compatibility

(57) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.

(58) Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid "*to remedy a serious disturbance in the economy of a Member State*".

(59) By adopting the Temporary Framework, the Commission acknowledged that "*the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings*". The Commission concluded that "*State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs*".

(60) The measure aims at facilitating trade between companies at a time when the normal functioning of markets, including the trade credit insurance market, is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy.

(61) While the Commission has provided guidance in the Temporary Framework with respect to the compatibility of aid with the internal market under Article 107(3)(b) TFEU in light of the current shock to the economy, the Temporary Framework is not directly applicable to the measure proposed by France, as it does not cover guarantees on trade credit insurances. Therefore, the measure proposed by France has to be assessed based on general criteria for compatibility under Article 107(3)(b) TFEU.

(62) As for any derogation from the prohibition on State aid enshrined in Article 107(1) TFEU, the compatibility exception pursuant to Article 107(3)(b) TFEU must be interpreted and applied restrictively. Such a strict application requires taking into account, in particular, the nature and the objective seriousness of the disturbance of the economy of the Member State concerned, on the one hand, and the appropriateness, necessity and proportionality of the aid to address it, on the other. It also requires taking into account the possibly systemic importance and position of the beneficiaries and the sector concerned and any safeguards proposed to avoid undue negative effects on competition and trade between Member States.

(63) For the avoidance of doubt, the Commission notes that the Banking Communication 2013 (the "Banking Communication")[7] is not applicable to the measure, as CCR and trade credit insurers are not credit institutions. The Commission considers further, that it is also not appropriate to apply the principles of the Banking Communication in analogy to the current situation, because the measure is neither intended to address concerns related to financial stability nor liquidity or solvency needs of CCR or of the trade credit insurers. Instead, the measure intends to address the direct consequences of the COVID-19 outbreak to the real economy. As a result, applying the Banking Communication to the measure would not be appropriate.

4.3.1. Appropriateness

(64) In order to be appropriate, the aid has to be well targeted to its objective, i.e. in this case, to remedy a serious disturbance in the French economy. This would not be the case if the disturbance would also disappear in the absence of the measure or if the measure would not be suitable to remedy the disturbance.

(65) In light of the deteriorating economic outlook due to the current shock, it is expected that trade credit insurance operators will reduce or withdraw the secured default payment limits provided to the policyholders. Any such reduction or withdrawal of limits would most likely lead to negative domino effects in the entire French economy.

(66) The serious disturbance of the French economy due to the effects of the COVID-19 outbreak would multiply, if existing trade credit insurance were no longer available to the real economy. The impact on liquidity needs for purchasers that would be required to provide advance payments as well as the potential losses spreading on to suppliers would be significant.

(67) Based on the proposed measure, CCR is in a position to provide reinsurance to credit insurers, which would otherwise reduce or withdraw their current credit insurance limits, avoiding the effects described above.

[7] Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis (OJ, C 216 of 30 July 2013, p. 1).

(68) In light of the above, the Commission considers that the measure proposed by France is appropriate, because it directly addresses the imminent risk of a significant disturbance of the French economy.

4.3.2. Necessity

(69) In order to meet the compatibility criterion of necessity, the aid measure must, in its amount and form, be necessary to achieve the objective. That implies that it must be of the minimum amount necessary to reach the objective. In other words, if a lesser amount of aid or a measure in a less distortive form were sufficient to remedy a serious disturbance in the entire economy, the measures in question would not be necessary.

(70) First, the State guarantee provided by France to CCR is limited at EUR 10 billion to be compared with a total market of credit insurance in France of EUR 197 billion at the end of 2019.

(71) Second, the State guarantee provided by France to CCR is limited in time and expires at the end of 2020.

(72) Third, the guarantee given by the State to CCR covers only the reinsurance by CCR of two specific credit insurance products: CAP and CAP+, specifically designed to cover the adjustments in the offers of credit insurances caused by the Covid-19 outbreak.

(73) The amount of trade credits that can be insured by CAP and CAP+ are strictly limited to compensate those adjustments in credit insurance contracts which are linked to the Covid-19 outbreak:

- CAP and CAP+ are designed to guarantee those risks which increased due to the Covid-19 outbreak and which credit insurers do not insure anymore (see recitals (22) and (30)).

- The amount guaranteed under CAP is capped at the level guaranteed under the primary credit insurance policy offered by the credit insurers (see recital (25)). This cap incentivises credit insurers to retain for each trade credit at least 50% of the credit insurance level and limits the total amount of credit insurance reinsured by CCR and indirectly guaranteed by the State.

- The maximum amount that a single policyholder can receive under CAP or CAP+ is capped at a ceiling of EUR [0-5] million for its entire portfolio of supplier credits (see recital (37)).

(74) The scope of CAP and CAP+ is also strictly limited to target the most impacted companies by the Covid-19 outbreak:

- CAP and CAP+ insure only trade credits to French micro companies, SMEs and mid-caps, excluding large companies (see recital (13)), given that credit insurance for supplier credits to large companies is expected to be less impacted by the Covid-19 outbreak.

- CAP+ only insures trade credits for buyers whose probability of default is in the range of 2% to 6%, as assessed by the credit-insurer (see recital (31)). Consequently, it excludes trade credits to buyers with a high risk of default and that are more likely not to be insured under normal market conditions.

(75) In light of the above, the Commission considers that the measure proposed is limited to the minimum necessary to achieve its objective.

4.3.3. Proportionality

(76) The positive effects of the measures must be properly balanced against the distortions of competition, in order for the distortions to be limited to the minimum necessary to reach the measures' objectives.

(77) First, the State guarantee is granted to CCR exclusively for the reinsurance of CAP and CAP+, which are covering only risks that the private market is not willing to cover. Consequently, private reinsurers will continue offering reinsurance for all other credit insurance products distributed by the market. In other terms, the reinsurers are not impacted by the measure for all risks that can be covered by the insurance and reinsurance market.

(78) Second, the system implemented by French authorities ensures the access to reinsurance to all credit insurers active in France for the distribution of the CAP and CAP+ products proportionally to their share in the domestic credit insurance market. Moreover, CAP and CAP+ products can be proposed to all companies established in France, which ensures that they have access to credit insurance despite the sudden deterioration of the economy caused by the Covid-19 outbreak.

(79) Third, the system implemented by France also guarantees a distribution of losses between the policyholders, the credit insurers and the State via CCR:

- The policyholders retain part of the risk: 10% under CAP (and 10% under the primary credit insurance policy) and 20% under CAP+.

- Apart from the risk retained by the policyholder, losses are shared proportionally under the primary credit insurance policy and CAP. Moreover, as described in recital (25), the amount covered under CAP is capped at the amount covered under the primary credit insurance. Therefore, CCR cannot cover more than half of the losses coming from a supplier credit, which remains partially covered by credit insurers.

- As regards CAP+, as explained in recital (33), the credit insurer retains 5% of the risk covered. That is sufficient to ensure that distortions of competition are limited given that CAP+ is deemed at insuring trade credits that would be rejected by credit insurers under the deteriorated economic circumstances caused by the Covid-19 outbreak.

(80) Fourth, the remuneration paid by the policyholders as well as the direct and indirect beneficiaries of the measure limits distortion of competition:

- Policyholders pay insurance premiums equal to […]% of the guaranteed amount under CAP and […]% of the guaranteed amount under CAP+.

These remunerations are in line with the higher risks covered by these products compared to primary credit insurances. According to French authorities, these insurance premiums are higher than current market prices for the same categories of risks (15 to 20 bps more expensive).

- Credit insurers conserve only a limited margin equal to […]% of the insurance premiums paid by the policyholders. This margin is necessary to cover the administrative costs of the system.

  - According to French authorities, costs rate (acquisition and administration costs) amounts to 21.3% of the insurance premiums written in 2017 for all non-life activities combined, knowing that most insurance branches have a cost rate around 30% with the exception of mass insurance, which is closer to 20%. The French authorities confirm that the remuneration retained by credit insurer is therefore much lower than what is generally applied on the non-life market.

  - Moreover, French authorities decreased significantly the remuneration of insurers compared to the financial crisis in 2008 and 2009 when a similar system was implemented. The management fees (expressed as a percentage of guaranteed amount on annual basis) decreased from […]% to […]% for CAP and from […]% to […]% for CAP+.

- CCR pays a remuneration to the State for the guarantee equal to […]% of the reinsurance premiums received. Moreover, as described in recital (38), separate accounts will be used by CCR for all operations related to CAP and CAP+. Non-distributed profits coming from the reinsurance of CAP and CAP+ will be primarily allocated to two special reserves. Those reserves can be used only upon approval by the Minister of Economy in line with article 7 of the Decree Nr 2020-397 of 4 April 2020. France committed that these reserves cannot be used (even after the expiry of the present measure) for any "market activity" of CCR, which limits further the distortion of competition entailed by the guarantee.[8] Finally, CCR is 100% owned by the State. Therefore, any distributed profit coming from this activity would go back to the State as an indirect remuneration for the guarantee. These elements combined ensure a sufficient remuneration for the State and that profits coming from the measure will not benefit other activities of the CCR business. A different system in which the State guarantee would be granted not only to CCR also but to one (or several) private reinsurer(s) would not offer the same safeguards as regards the remuneration of the State guarantee and aid could potentially benefit the private reinsurers for their market activities. Moreover, CCR is also under administrative supervision of the State.

(81) Fifth, France committed to put in place measures to enable due monitoring and reporting on the measure:

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8 It means that, after the expiry of the present measure, these reserves can only be used for activities, which already benefit from an unlimited guarantee of the State (reinsurance of natural disasters, terrorist attacks, nuclear accidents).

- as described in recital (38), a completely separate accounting will be implemented at CCR level. This mechanism will guarantee an efficient monitoring of the system by CCR and by the State.

- pursuant to recital (39), in the interest of transparency, France confirmed that it will provide the Commission with a report on the implementation of the measure.

(82) Therefore, the Commission considers that the measure as proposed by France is proportionate to reach the intended goal while minimising the distortive effects on competition.

5. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

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Jordi AYET PUIGARNAU
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