

# FRANCE

## Key characteristics of the insurance market



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## 1. Introduction

### 1.1 General

At the end of 2017 (2017 Q4), 147 insurance companies<sup>1</sup> in France submitted their Solvency II related reporting package to the French National Supervisory Authority (NSA). These companies accounted for 23,645% of Total assets of insurance undertakings operating within the European Union (EU).

Table 1 depicts the number of Solvency II reporting submissions in France by insurance activities and the importance of the country within the EU, based on Total assets.

**Table 1 - Insurance reporting submissions**

<b>Insurance reporting submissions</b>	<b>#</b>
Life undertakings	34
Non-Life undertakings	61
Reinsurance undertakings	7
Composite undertakings	45
<b>Total</b>	<b>147</b>
<b>Total assets FR / Total assets EU %</b>	<b>23,645%</b>
<b>Ranking FR based on Total assets EU</b>	<b>1</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

### 1.2 Balance sheet

At the end of 2017 (2017 Q4), France was the number 1 country in the EU insurance market in terms of assets held, with an amount of 2 670 billion EUR reported under Solvency II rules.

With regard to the Assets held for index-linked and unit-linked contracts, France ranked number 2 in terms of absolute amount with 339 billion EUR invested in this category. However, with 12,7% of total assets of this category, France was significantly below the EU average, i.e. 24,2% in terms of total assets.

In terms of technical provisions, 61,5% of the total balance sheet relates to the life business (i.e. non-index-linked and unit-linked business), while 5,6% represented non-life obligations.

<sup>1</sup> In the report, the term 'insurance companies' indicates both direct insurance and reinsurance companies. The insurance market covered in this factsheet therefore refers to insurers and reinsurers.

**Table 2 - Solvency II balance sheet (S.02.01) and EU comparison (solo)**

in Mio EUR	FR			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Investments, deposits, cash and cash equivalents	2 165 080	1	81,1%	67,8%	67,3%	22,6%	90,1%	17,2%
Assets held for index-linked and unit-linked contracts	339 846	2	12,7%	24,2%	24,3%	2,5%	59,3%	16,2%
Other assets	164 879	2	6,2%	8,1%	8,4%	2,1%	19,5%	4,9%
<b>Total assets</b>	<b>2 669 805</b>	<b>1</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>
Technical provisions – life	1 643 074	1	61,5%	46,3%	32,2%	3,0%	64,2%	17,9%
Technical provisions – non-life	148 209	3	5,6%	6,6%	12,9%	2,4%	38,5%	9,1%
Technical provisions – index-linked and unit-linked	328 560	2	12,3%	25,1%	23,4%	2,4%	58,4%	16,0%
Other liabilities	258 492	1	9,7%	8,9%	9,0%	4,0%	21,3%	3,9%
<b>Total liabilities</b>	<b>2 378 335</b>	<b>2</b>	<b>89,1%</b>	<b>86,9%</b>	<b>77,6%</b>	<b>49,1%</b>	<b>92,7%</b>	<b>11,1%</b>
Excess of assets over liabilities	291 658	2	10,9%	13,1%	22,4%	7,3%	50,9%	11,1%
<b>Total liabilities + Excess of assets over liabilities</b>	<b>2 669 994</b>	<b>1</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The balance sheet item Investments, deposits, cash and cash equivalents will be further detailed in section 2, while section 3 will focus on Assets held for index-linked and unit-linked contracts.

### 1.3 Solvency II ratios

At the end of 2017 (2017 Q4), the French insurance market as a whole had available own funds that were more than double the Solvency Capital Requirement (SCR) levels required by the European Solvency II Directive. The reported SCR ratio was 234% with long-term guarantee (LTG) and transitional measures, approximately at the same level of that of the EU, which amounted to 237% at year-end 2017. Out of the 28 EU Member States, France is ranked at the 12<sup>th</sup> position in terms of the reported SCR ratios.

**Table 3 - Solvency II own funds and SCR (S.23.01) and EU comparison (solo)**

in Mio EUR	FR		EU				
	Amount	Rank	%	Avg	Min	Max	StD
Total available own funds to meet the SCR	322 897	2	-	-	-	-	-
SCR	137 590	1	-	-	-	-	-
<b>Surplus available own funds</b>	<b>185 307</b>	<b>2</b>	-	-	-	-	-
<b>Ratio of Eligible own funds to SCR</b>	<b>234%</b>	<b>12</b>	<b>237%</b>	<b>225%</b>	<b>135%</b>	<b>361%</b>	<b>52%</b>
Ratio of Eligible own funds to SCR (10th percentile)	140%	11	136%	138%	110%	193%	19%
Ratio of Eligible own funds to SCR (25th percentile)	175%	8	162%	164%	128%	214%	24%
Ratio of Eligible own funds to SCR (50th percentile)	226%	8	215%	208%	144%	300%	37%
Ratio of Eligible own funds to SCR (75th percentile)	375%	2	306%	280%	164%	445%	59%
Ratio of Eligible own funds to SCR (90th percentile)	452%	8	457%	396%	173%	643%	99%
<b>Ratio of Eligible own funds to MCR</b>	<b>575%</b>	<b>16</b>	<b>640%</b>	<b>613%</b>	<b>282%</b>	<b>933%</b>	<b>170%</b>

Source: EIOPA statistics and Deloitte-CEPS analysis

EIOPA's report on long-term guarantees measures and measures on equity risk published on 18 December 2018 mentions the average impact of the use of LTG and transitional measures. According to that report, at year-end 2017, French participants reported an SCR ratio of 238% including the application of LTGs and transitionals. Removing the measures caused a significant decrease of the SCR ratio to 219%.<sup>2</sup>

<sup>2</sup> [https://eiopa.europa.eu/Publications/Reports/2018-12-18%20\\_LTG%20AnnualReport2018.pdf](https://eiopa.europa.eu/Publications/Reports/2018-12-18%20_LTG%20AnnualReport2018.pdf)

## 2 Investments, deposits, cash and cash equivalents

### 2.1 Scope

The asset allocation of French insurance undertakings is mainly analysed through the reported Solvency II Exposure List (S.06.02). The classification of the Solvency II Balance Sheet (S.02.01) follows the legal nature of the assets in terms of classification, which can differ, from the exposures reporting.

Based upon the comparative view below, we note that amounts reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01) differ<sup>3</sup> slightly, with the latter being higher than the former. In terms of allocation in percentage, we note a small shift from Holdings in related undertakings (including participations and equities) towards Collective Investments Undertakings, when going from Solvency II Balance Sheet to the Exposure list.

**Table 4 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison**

in number	Exposure list FR		Solvency II balance sheet FR		Difference
	#	%	#	%	#
Life undertakings	32	23,2%	34	23,1%	-2
Non-Life undertakings	58	42,0%	61	41,5%	-3
Reinsurance undertakings	7	5,1%	7	4,8%	0
Undertakings pursuing both life and non-life insurance activity	41	29,7%	45	30,6%	-4
<b>Total</b>	<b>138</b>	<b>100,0%</b>	<b>147</b>	<b>100,0%</b>	<b>-9</b>

in Mio EUR	Exposure list FR		Solvency II balance sheet FR		Difference
	Amount	%	Amount	%	%
Holdings in related undertakings, incl. participations and equities	207 138	9,6%	216 557	10,0%	-0,4%
Holdings in related undertakings, including participations	n/a	n/a	136 197	6,3%	n/a
Equities	n/a	n/a	80 360	3,7%	n/a
Equities – listed	n/a	n/a	62 536	2,9%	n/a
Equities – unlisted	n/a	n/a	17 823	0,8%	n/a
Collective Investments Undertakings	401 319	18,5%	391 718	18,1%	0,4%
Bonds	1 427 919	66,0%	1 428 618	66,0%	0,0%
Loans and mortgages	28 649	1,3%	28 649	1,3%	0,0%
Property	38 556	1,8%	38 560	1,8%	0,0%
Deposits	39 423	1,8%	39 933	1,8%	0,0%
Cash and cash equivalents	16 975	0,8%	16 499	0,8%	0,0%
Other investments	4 546	0,2%	4 546	0,2%	0,0%
<b>Total Investments, deposits, cash and cash equivalents</b>	<b>2 165 151</b>	<b>100,0%</b>	<b>2 165 080</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

#### 2.1.1 Listed and unlisted equity

The distinction between listed and unlisted equity is made based upon the reported Solvency II Balance Sheet (S.02.01). Table 5 compares the listed and unlisted equity, whereby Holdings in related undertakings (including participations) are excluded.

**Table 5 - Listed and unlisted equity exposure based upon Solvency II balance sheet (S.02.01)**

in Mio EUR	FR			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equities – listed	62 536	2	77,8%	83,7%	75,0%	12,8%	99,6%	21,1%
Equities – unlisted	17 823	1	22,2%	16,3%	25,0%	0,4%	87,0%	21,1%
<b>Total equities</b>	<b>80 360</b>	<b>2</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

<sup>3</sup> Some companies reporting under Solvency II are exempted from reporting the Solvency II Exposure List. The decision to exempt certain companies from particular reporting obligations lies with individual National Competent Authorities.

Based upon the quarterly reporting as of Q4 2017, French insurers invested 77,8% of their directly-held equity positions in listed equity in comparison to an average of 75,0% in the EU. With an amount of 62 billion EUR, France ranked number 2 in the EU.

With an invested amount of 18 billion EUR, unlisted equity constituted a significant portion of the equity investment category of the directly-held equity investments, i.e. 22,2%. This placed France as the number 1 in the EU.

## 2.2 Asset exposure

From an asset exposure perspective, the insurance market in France was mainly invested in Government bonds and Corporate bonds (in total 63,2% of Total Investments, deposits, cash and cash equivalents), Collective Investment Undertakings (18,5%), and Equity (9,6%).

Within the bond categories, the insurance market was equally exposed to government securities (31,9%) and corporate debt (31,3%), both categories for which France ranked number 1 in the EU. Comparing the different asset classes, we note that the government bonds asset class shows the highest standard deviation of 18,9%.

The category of Collective Investment Undertakings was the third most important for the French insurance market in terms of asset exposures. Within this category, the industry was mainly exposed to Debt funds, Equity funds, and Money market funds for which France ranked respectively number 2, number 1, and number 1 in the EU.

Equity was the fourth category to which the French insurers had the most exposure. Equity of real estate related corporation constitutes 1,6% within the 9,6% of the total equity exposure.

**Table 6 - Asset exposure based upon Solvency II exposure list (S.06.02)**

in Mio EUR	FR			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>207 138</b>	<b>2</b>	<b>9,6%</b>	<b>12,0%</b>	<b>9,5%</b>	<b>1,1%</b>	<b>28,1%</b>	<b>6,5%</b>
Common equity	165 762	2	7,7%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	33 579	1	1,6%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	7 797	2	0,4%	0,6%	0,6%	0,0%	2,0%	0,7%
<b>Collective Investment Undertakings</b>	<b>401 319</b>	<b>2</b>	<b>18,5%</b>	<b>19,2%</b>	<b>12,8%</b>	<b>1,5%</b>	<b>41,6%</b>	<b>9,3%</b>
Equity funds	89 202	1	4,1%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	17 359	1	0,8%	0,5%	0,5%	0,0%	6,9%	1,3%
Debt funds	109 202	2	5,0%	7,8%	5,6%	0,8%	18,0%	4,9%
Money market funds	86 042	1	4,0%	2,3%	1,1%	0,0%	6,3%	1,6%
Asset allocation funds	17 181	3	0,8%	1,1%	0,8%	0,0%	3,9%	1,0%
Real estate funds	51 328	1	2,4%	1,6%	0,8%	0,0%	3,3%	0,9%
Alternative funds	9 337	1	0,4%	0,4%	0,3%	0,0%	3,1%	0,6%
Infrastructure funds	8 822	1	0,4%	0,2%	0,1%	0,0%	0,9%	0,2%
Other	12 846	3	0,6%	2,0%	0,9%	0,0%	7,2%	1,7%
<b>Government bonds</b>	<b>691 177</b>	<b>1</b>	<b>31,9%</b>	<b>28,7%</b>	<b>39,7%</b>	<b>10,0%</b>	<b>77,0%</b>	<b>18,9%</b>
<b>Corporate bonds</b>	<b>677 821</b>	<b>1</b>	<b>31,3%</b>	<b>26,9%</b>	<b>21,6%</b>	<b>1,8%</b>	<b>47,3%</b>	<b>11,2%</b>
<b>Structured notes</b>	<b>55 022</b>	<b>1</b>	<b>2,5%</b>	<b>1,3%</b>	<b>0,5%</b>	<b>0,0%</b>	<b>2,5%</b>	<b>0,6%</b>
<b>Collateralised securities</b>	<b>3 899</b>	<b>4</b>	<b>0,2%</b>	<b>0,6%</b>	<b>0,6%</b>	<b>0,0%</b>	<b>9,3%</b>	<b>1,8%</b>
<b>Mortgages and loans</b>	<b>28 649</b>	<b>4</b>	<b>1,3%</b>	<b>4,8%</b>	<b>3,8%</b>	<b>0,3%</b>	<b>26,3%</b>	<b>5,2%</b>
<b>Property</b>	<b>38 556</b>	<b>1</b>	<b>1,8%</b>	<b>2,0%</b>	<b>3,5%</b>	<b>0,8%</b>	<b>11,6%</b>	<b>2,6%</b>
<b>Deposits</b>	<b>39 423</b>	<b>3</b>	<b>1,8%</b>	<b>2,8%</b>	<b>3,6%</b>	<b>0,2%</b>	<b>16,6%</b>	<b>3,6%</b>
<b>Cash and cash equivalents</b>	<b>16 975</b>	<b>1</b>	<b>0,8%</b>	<b>1,4%</b>	<b>4,3%</b>	<b>0,5%</b>	<b>16,6%</b>	<b>3,5%</b>
<b>Other investments</b>	<b>4 546</b>	<b>1</b>	<b>0,2%</b>	<b>0,1%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,9%</b>	<b>0,3%</b>
<b>Not reported</b>	<b>626</b>	<b>2</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,3%</b>	<b>0,1%</b>
<b>Total Investments, deposits, cash and cash equivalents</b>	<b>2 165 151</b>	<b>1</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

## 2.2.1 Asset exposures between Life, Non-Life and Composite insurance undertakings, and reinsurers

Table 7, based upon the Asset Exposure reporting (S.06.02) of Q4 2017, gives further insight into the investment behaviour of Life, Non-Life and Composite insurance companies, and reinsurers in France.

**Table 7 - Asset exposure based upon Solvency II exposure list (S.06.02) for Life, Non-Life and Composite insurance undertakings, and reinsurers**

in %	FR			EU		
	Life	Non-life	Composite and reinsurance	Life	Non-life	Composite and reinsurance
<b>Equity</b>	<b>6,1%</b>	<b>27,7%</b>	<b>9,4%</b>	<b>6,6%</b>	<b>18,3%</b>	<b>16,5%</b>
Common equity	4,1%	25,9%	7,6%	5,0%	16,2%	14,9%
Equity of real estate related corporation	1,6%	1,4%	1,5%	1,0%	0,8%	1,2%
Other equity	0,4%	0,5%	0,3%	0,6%	1,3%	0,4%
<b>Collective Investment Undertakings</b>	<b>15,7%</b>	<b>18,1%</b>	<b>21,9%</b>	<b>22,4%</b>	<b>22,3%</b>	<b>13,8%</b>
Equity funds	3,5%	3,8%	5,0%	3,7%	2,9%	2,7%
Private equity funds	0,6%	0,6%	1,1%	0,5%	0,5%	0,5%
Debt funds	4,3%	6,4%	5,6%	9,7%	9,7%	4,7%
Money market funds	4,0%	2,5%	4,3%	2,8%	1,4%	2,0%
Asset allocation funds	0,7%	0,8%	0,9%	1,3%	1,2%	0,9%
Real estate funds	1,5%	3,1%	3,3%	1,6%	1,8%	1,4%
Alternative funds	0,4%	0,5%	0,5%	0,3%	0,3%	0,5%
Infrastructure funds	0,3%	0,1%	0,6%	0,2%	0,2%	0,3%
Other	0,5%	0,3%	0,7%	2,3%	4,3%	0,8%
<b>Government bonds</b>	<b>33,3%</b>	<b>21,1%</b>	<b>32,9%</b>	<b>28,1%</b>	<b>19,1%</b>	<b>33,4%</b>
<b>Corporate bonds</b>	<b>37,4%</b>	<b>21,2%</b>	<b>26,6%</b>	<b>29,2%</b>	<b>29,3%</b>	<b>22,9%</b>
<b>Structured notes</b>	<b>2,5%</b>	<b>0,7%</b>	<b>3,0%</b>	<b>1,4%</b>	<b>0,6%</b>	<b>1,5%</b>
<b>Collateralised securities</b>	<b>0,1%</b>	<b>0,4%</b>	<b>0,2%</b>	<b>0,8%</b>	<b>0,6%</b>	<b>0,5%</b>
<b>Mortgages and loans</b>	<b>1,1%</b>	<b>2,3%</b>	<b>1,4%</b>	<b>7,4%</b>	<b>3,2%</b>	<b>2,3%</b>
<b>Property</b>	<b>2,3%</b>	<b>3,7%</b>	<b>0,7%</b>	<b>2,0%</b>	<b>2,5%</b>	<b>1,7%</b>
<b>Deposits</b>	<b>0,7%</b>	<b>2,5%</b>	<b>3,1%</b>	<b>0,8%</b>	<b>1,6%</b>	<b>5,8%</b>
<b>Cash and cash equivalents</b>	<b>0,6%</b>	<b>2,1%</b>	<b>0,7%</b>	<b>1,0%</b>	<b>2,5%</b>	<b>1,4%</b>
<b>Other investments</b>	<b>0,4%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,2%</b>	<b>0,0%</b>	<b>0,1%</b>
<b>Not reported</b>	<b>0,0%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>
<b>Total Investments, deposits, cash and cash equivalents</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

At EU level Non-Life insurers invested a significantly higher portion of their investments in Equity (18,3%) in comparison to pure Life insurers (6,6%). On the other hand, at EU level, pure Life insurers and also Composite insurers allocated a larger share of their investments to government bonds as compared to Non-Life insurers.

This observation at the EU level is also valid for France where equity investments of Non-life and Life insurers are 27,7% and 6,1% respectively.

## 2.3 Equity exposure

Based upon the information included in the Solvency II Exposure List (S.06.02) and Balance Sheet (S.02.01), equity exposures can be calculated and presented in different ways.

- Equity exposure as the sum of Equity (Common equity, Equity of real estate related corporation and Other equity), Equity funds, Private equity funds, and Equity risk included in structured notes;
- Equity of real estate related corporation could be seen as a property exposure. Therefore equity exposures are presented including and excluding Equity of real estate related corporation;
- The equity amounts of the Solvency II Exposure List do not provide further details as to whether the equity exposures relate to listed or unlisted equity positions. In

addition, the Solvency II Exposure List does not specify whether the equity relates to Holdings in related undertakings, including participations;

- Therefore, the listed and unlisted Equity amounts reported in the Solvency II Balance Sheet are considered and integrated as an equity exposure indicator. A rescaling is performed in case a difference is noted between the two Solvency II information sets (Exposure List versus Balance Sheet), as explained earlier in this section. The adjusted equity exposure stemming from this rescaling excludes the Equity exposure coming from Holdings in related undertakings, including participations. These holdings can potentially be important within insurance groups.

**Table 8 - Equity exposure based upon Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02)**

in Mio EUR	FR			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>207 138</b>	<b>2</b>	<b>9,6%</b>	<b>12,0%</b>	<b>9,5%</b>	<b>1,1%</b>	<b>28,1%</b>	<b>6,5%</b>
Common equity	165 762	2	7,7%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	33 579	1	1,6%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	7 797	2	0,4%	0,6%	0,6%	0,0%	2,0%	0,7%
<b>Collective Investment Undertakings - Equity funds</b>	<b>106 561</b>	<b>2</b>	<b>4,9%</b>	<b>3,8%</b>	<b>3,2%</b>	<b>0,4%</b>	<b>14,7%</b>	<b>3,5%</b>
Equity funds	89 202	1	4,1%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	17 359	1	0,8%	0,5%	0,5%	0,0%	6,9%	1,3%
<b>Structured notes - Equity risk</b>	<b>13 113</b>	<b>1</b>	<b>0,6%</b>	<b>0,2%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,6%</b>	<b>0,1%</b>
<b>Total Equity exposure</b>	<b>326 813</b>	<b>2</b>	<b>15,1%</b>	<b>16,0%</b>	<b>12,7%</b>	<b>2,5%</b>	<b>37,4%</b>	<b>8,4%</b>
<b>Equity without Equity of real estate related corporation</b>	<b>173 559</b>	<b>2</b>	<b>8,0%</b>	<b>11,0%</b>	<b>8,4%</b>	<b>1,1%</b>	<b>24,1%</b>	<b>6,1%</b>
<b>Equity exposure without Equity of real estate related corporation</b>	<b>293 233</b>	<b>2</b>	<b>13,5%</b>	<b>15,0%</b>	<b>11,7%</b>	<b>2,4%</b>	<b>33,3%</b>	<b>7,9%</b>
<b>Equities market value balance sheet (rescaled to CIC scope)</b>	<b>80 384</b>	<b>2</b>	<b>3,7%</b>	<b>3,6%</b>	<b>3,2%</b>	<b>0,1%</b>	<b>20,6%</b>	<b>4,0%</b>
Equities - listed (rescaled to CIC scope)	62 555	2	2,9%	3,0%	2,6%	0,0%	15,4%	3,2%
Equities - unlisted (rescaled to CIC scope)	17 829	1	0,8%	0,6%	0,6%	0,0%	5,2%	1,0%
<b>Equity exposure based upon (Un)Listed equities (rescaled)</b>	<b>200 058</b>	<b>1</b>	<b>9,2%</b>	<b>7,6%</b>	<b>6,5%</b>	<b>1,2%</b>	<b>29,8%</b>	<b>6,7%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The observed standard deviations at EU level are relatively high given the asset allocation in percentage between the different asset classes at EU level.

In France, we note that equity exposures coming from Collective Investment Undertakings amount to 4,9% and are higher than the listed and unlisted equity exposures which in total amount to 3,7%. The listed and unlisted equities in France are very similar to the asset allocation at EU level.

### 2.3.1 Direct and indirect equity exposure

**Table 9 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.02)**

in Mio EUR	FR			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Direct equity</b>	<b>207 138</b>	<b>2</b>	<b>63,4%</b>	<b>75,2%</b>	<b>73,4%</b>	<b>39,2%</b>	<b>94,5%</b>	<b>15,9%</b>
Common equity	165 762	2	50,7%	64,8%	59,4%	28,6%	93,3%	19,0%
Equity of real estate related corporation	33 579	1	10,3%	6,4%	8,4%	0,0%	39,1%	9,6%
Other equity	7 797	2	2,4%	3,9%	5,7%	0,0%	35,3%	8,8%
<b>Indirect equity</b>	<b>119 674</b>	<b>1</b>	<b>36,6%</b>	<b>24,8%</b>	<b>26,6%</b>	<b>5,5%</b>	<b>60,8%</b>	<b>15,9%</b>
Collective Investment Undertakings - Equity funds	106 561	1	32,6%	23,6%	25,9%	4,6%	60,6%	15,7%
Equity funds	89 202	1	27,3%	20,2%	22,8%	4,6%	52,9%	13,4%
Private equity funds	17 359	1	5,3%	3,3%	3,1%	0,0%	28,4%	5,7%
Structured notes - Equity risk	13 113	1	4,0%	1,3%	0,7%	0,0%	4,0%	1,0%
<b>Total Equity exposure</b>	<b>326 813</b>	<b>2</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, the insurance market in France was invested twice as much in Direct equity (63,4% of Total equity) than in Indirect equity (36,6% of Total equity).

In terms of direct equity exposure, France ranked number 2 and number 1 in the EU, with regards respectively to the exposure amount to Common equity and Equity of real estate related corporation.

Within the Indirect equity category, Equity funds constituted the bulk of investments with 27,3% of Total equity, more than 5 times the amount invested in Private equity funds.

### 2.3.2 Equity by location

**Table 10 - Equity exposure by location based upon Solvency II exposure list (S.06.02)**

in Mio EUR	FR			
	EU home	EU other	outside EU (1)	Total
<b>Equity</b>	<b>161 604</b>	<b>35 935</b>	<b>9 599</b>	<b>207 138</b>
Common equity	124 750	33 376	7 636	165 762
Equity of real estate related corporation	30 893	936	1 750	33 579
Other	5 961	1 623	213	7 797
<b>Collective Investment Undertakings - Equity funds</b>	<b>87 699</b>	<b>16 147</b>	<b>2 716</b>	<b>106 561</b>
Equity funds	72 426	14 876	1 900	89 202
Private equity funds	15 273	1 271	815	17 359
<b>Structured notes - Equity risk</b>	<b>5 408</b>	<b>6 009</b>	<b>1 696</b>	<b>13 113</b>
<b>Total Equity exposure</b>	<b>254 711</b>	<b>58 091</b>	<b>14 011</b>	<b>326 813</b>

in %	FR			
	EU home	EU other	outside EU (1)	Total
<b>Equity</b>	<b>78,0%</b>	<b>17,3%</b>	<b>4,6%</b>	<b>100,0%</b>
Common equity	75,3%	20,1%	4,6%	100,0%
Equity of real estate related corporation	92,0%	2,8%	5,2%	100,0%
Other	76,5%	20,8%	2,7%	100,0%
<b>Collective Investment Undertakings - Equity funds</b>	<b>82,3%</b>	<b>15,2%</b>	<b>2,5%</b>	<b>100,0%</b>
Equity funds	81,2%	16,7%	2,1%	100,0%
Private equity funds	88,0%	7,3%	4,7%	100,0%
<b>Structured notes - Equity risk</b>	<b>41,2%</b>	<b>45,8%</b>	<b>12,9%</b>	<b>100,0%</b>
<b>Total Equity exposure</b>	<b>77,9%</b>	<b>17,8%</b>	<b>4,3%</b>	<b>100,0%</b>

(1) The following countries are included in the class 'outside EU': IS, LI, NO, AU, CA, JP, US, CH and countries grouped under the caption 'Rest of World'. In addition, some investments are not assigned to an individual country and are also included in this class.

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis



Based upon the Q4 2017 reporting with regards to the location of equity investments, insurers established in France favoured domestic investments to a large extent, dedicating to these 78,0% of their direct equity investments, and 82,3% of their indirect investments.

Table 10 also showed that besides the home market, French insurers invested significantly more in equity of other EU Member States than that of non-EU Member States. Germany, the Netherlands and Luxemburg were the preferred destinations.

**Table 11 - Direct equity exposure by location based upon Solvency II exposure list (S.06.02)**

in Mio EUR	FR	
	Amount	%
<b>Home country</b>	<b>161 604</b>	<b>78,0%</b>
FR	161 604	78,0%
<b>Top 5 countries (outside home country)</b>	<b>28 085</b>	<b>13,6%</b>
DE	11 315	5,5%
NL	5 326	2,6%
LU	4 226	2,0%
IE	3 757	1,8%
ES	3 460	1,7%
<b>Home + Top 5 countries (outside home country)</b>	<b>189 689</b>	<b>91,6%</b>
<b>Total Direct equity exposure (with real estate corporation)</b>	<b>207 138</b>	<b>100,0%</b>

in Mio EUR	FR	
	Amount	%
<b>Home country</b>	<b>130 711</b>	<b>75,3%</b>
FR	130 711	75,3%
<b>Top 5 countries (outside home country)</b>	<b>27 349</b>	<b>15,8%</b>
DE	11 097	6,4%
NL	5 170	3,0%
LU	3 869	2,2%
IE	3 757	2,2%
ES	3 456	2,0%
<b>Home + Top 5 countries (outside home country)</b>	<b>158 060</b>	<b>91,1%</b>
<b>Total Direct equity exposure (without real estate corporation)</b>	<b>173 559</b>	<b>100,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

## 3 Index-linked and Unit-linked investments

### 3.1 Scope

Based upon the comparative view below, we note no difference with respect to the Assets held for index-linked and unit-linked investments reported the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01).

**Table 12 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison**

in number	Exposure list FR		Solvency II balance sheet FR		Difference
	#	%	#	%	#
Life undertakings	34	23,6%	34	23,1%	0
Non-Life undertakings	59	41,0%	61	41,5%	-2
Reinsurance undertakings	7	4,9%	7	4,8%	0
Undertakings pursuing both life and non-life insurance activity	44	30,6%	45	30,6%	-1
<b>Total</b>	<b>144</b>	<b>100,0%</b>	<b>147</b>	<b>100,0%</b>	<b>-3</b>

in Mio EUR	Exposure list FR		Solvency II balance sheet FR		Difference
	Amount	%	Amount	%	%
Assets held for index-linked and unit-linked contracts	339 846	100,0%	339 846	100,0%	0,0%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

### 3.2 Asset exposure

Table 13 depicts a more detailed view of the Assets held for index-linked and unit-linked contracts, based upon the Solvency II exposure list (S.06.02).

**Table 13 - Asset exposure based upon Solvency II exposure list (S.06.02)**

in Mio EUR	FR			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>10 045</b>	<b>6</b>	<b>3,0%</b>	<b>17,9%</b>	<b>4,5%</b>	<b>0,0%</b>	<b>30,1%</b>	<b>7,1%</b>
Common equity	4 906	6	1,4%	16,5%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	5 096	2	1,5%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	43	8	0,0%	0,6%	0,3%	0,0%	4,1%	0,9%
<b>Collective Investment Undertakings</b>	<b>285 314</b>	<b>2</b>	<b>84,0%</b>	<b>64,6%</b>	<b>73,1%</b>	<b>30,1%</b>	<b>97,5%</b>	<b>16,3%</b>
Equity funds	105 147	2	30,9%	27,3%	29,2%	11,2%	57,5%	10,5%
Private equity funds	110	6	0,0%	0,2%	0,2%	0,0%	2,9%	0,6%
Debt funds	27 298	4	8,0%	12,2%	19,0%	4,8%	47,5%	11,4%
Money market funds	6 804	2	2,0%	2,0%	1,7%	0,0%	7,5%	1,8%
Asset allocation funds	103 667	2	30,5%	14,4%	13,1%	0,4%	30,5%	7,7%
Real estate funds	21 007	1	6,2%	1,4%	0,6%	0,0%	6,2%	1,2%
Alternative funds	5 989	5	1,8%	1,9%	2,4%	0,0%	16,3%	3,8%
Infrastructure funds	5	5	0,0%	0,1%	0,1%	0,0%	2,4%	0,5%
Other	15 286	4	4,5%	5,1%	6,9%	0,0%	44,3%	10,0%
<b>Government bonds</b>	<b>34</b>	<b>21</b>	<b>0,0%</b>	<b>5,9%</b>	<b>6,9%</b>	<b>0,0%</b>	<b>31,4%</b>	<b>8,4%</b>
<b>Corporate bonds</b>	<b>8 583</b>	<b>4</b>	<b>2,5%</b>	<b>4,5%</b>	<b>6,0%</b>	<b>0,0%</b>	<b>22,7%</b>	<b>6,9%</b>
<b>Structured notes</b>	<b>28 862</b>	<b>1</b>	<b>8,5%</b>	<b>1,6%</b>	<b>4,1%</b>	<b>0,0%</b>	<b>18,9%</b>	<b>4,9%</b>
<b>Collateralised securities</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>0,1%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>0,9%</b>	<b>0,2%</b>
<b>Mortgages and loans</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>0,3%</b>	<b>0,2%</b>	<b>-3,7%</b>	<b>2,5%</b>	<b>1,0%</b>
<b>Property</b>	<b>786</b>	<b>4</b>	<b>0,2%</b>	<b>1,2%</b>	<b>0,6%</b>	<b>0,0%</b>	<b>7,6%</b>	<b>1,5%</b>
<b>Deposits</b>	<b>6 032</b>	<b>3</b>	<b>1,8%</b>	<b>1,2%</b>	<b>2,0%</b>	<b>-0,3%</b>	<b>14,5%</b>	<b>3,3%</b>
<b>Cash and cash equivalents</b>	<b>191</b>	<b>13</b>	<b>0,1%</b>	<b>1,2%</b>	<b>2,2%</b>	<b>0,0%</b>	<b>8,5%</b>	<b>2,5%</b>
<b>Other investments</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>0,3%</b>	<b>0,3%</b>	<b>0,0%</b>	<b>8,1%</b>	<b>1,5%</b>
<b>Not reported</b>	<b>0</b>	<b>-</b>	<b>0,0%</b>	<b>1,1%</b>	<b>0,1%</b>	<b>0,0%</b>	<b>2,3%</b>	<b>0,4%</b>
<b>Total Investments, deposits, cash and cash equivalents</b>	<b>339 846</b>	<b>2</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The Collective Investment Undertakings (84,0%) and the Structured notes (8,5%) represent the most important asset classes of the index-linked and unit-linked investments. Overall, we note a significantly different asset exposure allocation in comparison to the

asset exposure for non-index-linked and unit-linked investments. Hereby we refer to section 2 for further details.

### 3.3 Equity exposure

The Solvency II balance sheet (S.02.01) does not include a further split in different asset classes for the Assets held for index-linked and unit-linked contracts. Hence the rescaling exercise as presented in section 2 cannot be performed here.

**Table 14 - Equity exposure based upon Solvency II exposure list (S.06.02)**

in Mio EUR	FR			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Equity</b>	<b>10 045</b>	<b>6</b>	<b>3,0%</b>	<b>17,9%</b>	<b>4,5%</b>	<b>0,0%</b>	<b>30,1%</b>	<b>7,1%</b>
Common equity	4 906	6	1,4%	16,5%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	5 096	2	1,5%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	43	8	0,0%	0,6%	0,3%	0,0%	4,1%	0,9%
<b>Collective Investment Undertakings - Equity funds</b>	<b>105 258</b>	<b>2</b>	<b>31,0%</b>	<b>27,6%</b>	<b>29,3%</b>	<b>11,2%</b>	<b>57,5%</b>	<b>10,4%</b>
Equity funds	105 147	2	30,9%	27,3%	29,2%	11,2%	57,5%	10,5%
Private equity funds	110	6	0,0%	0,2%	0,2%	0,0%	2,9%	0,6%
<b>Structured notes - Equity risk</b>	<b>22 867</b>	<b>1</b>	<b>6,7%</b>	<b>1,2%</b>	<b>2,7%</b>	<b>0,0%</b>	<b>15,0%</b>	<b>3,5%</b>
<b>Total Equity exposure</b>	<b>138 170</b>	<b>2</b>	<b>40,7%</b>	<b>46,7%</b>	<b>36,5%</b>	<b>11,7%</b>	<b>58,6%</b>	<b>10,9%</b>
<b>Equity without Equity of real estate related corporation</b>	<b>4 949</b>	<b>2</b>	<b>1,5%</b>	<b>17,1%</b>	<b>4,2%</b>	<b>0,0%</b>	<b>29,2%</b>	<b>6,8%</b>
<b>Equity exposure without Equity of real estate related corporation</b>	<b>133 074</b>	<b>2</b>	<b>39,2%</b>	<b>45,9%</b>	<b>36,2%</b>	<b>11,7%</b>	<b>58,6%</b>	<b>10,8%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In France, we note that equity exposures related to index-linked and unit-linked contracts (40,7%) are significantly higher in comparison to non-index-linked and unit-linked activities (15,1%). Equity funds are the main contributors to the equity exposures.

#### 3.3.1 Direct and indirect equity exposure

**Table 15 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.02)**

in Mio EUR	FR			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
<b>Direct equity</b>	<b>10 045</b>	<b>6</b>	<b>7,3%</b>	<b>38,3%</b>	<b>11,1%</b>	<b>0,0%</b>	<b>54,2%</b>	<b>15,2%</b>
Common equity	4 906	6	3,6%	35,4%	9,6%	0,0%	51,8%	13,2%
Equity of real estate related corporation	5 096	2	3,7%	1,7%	0,7%	0,0%	4,0%	1,1%
Other equity	43	8	0,0%	1,3%	0,8%	0,0%	9,7%	2,2%
<b>Indirect equity</b>	<b>128 125</b>	<b>2</b>	<b>92,7%</b>	<b>61,7%</b>	<b>88,9%</b>	<b>45,8%</b>	<b>100,0%</b>	<b>15,2%</b>
Collective Investment Undertakings - Equity funds	105 258	2	76,2%	59,1%	81,5%	45,7%	100,0%	15,5%
Equity funds	105 147	2	76,1%	58,6%	81,0%	44,9%	100,0%	16,0%
Private equity funds	110	6	0,1%	0,5%	0,5%	0,0%	6,9%	1,4%
Structured notes - Equity risk	22 867	1	16,5%	2,6%	7,4%	0,0%	35,8%	9,6%
<b>Total Equity exposure</b>	<b>138 170</b>	<b>2</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>0,0%</b>

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, French Insurers invested almost all of their Assets held for index-linked and unit-linked contracts in Indirect equity (92,7% of Total equity).

In terms of direct equity exposure, France ranked number 6 and number 2 in the EU, with regard respectively to the exposure amount to Common equity and Equity of real estate related corporation.

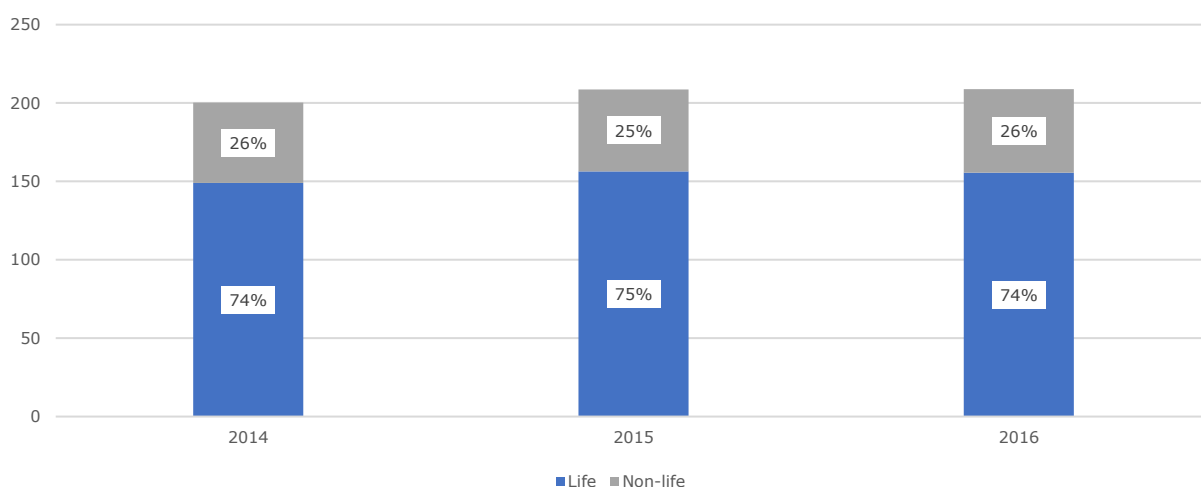
Within the Indirect equity category, Equity funds constituted the bulk of investments, amounting to 76,1% of Total equity whereas allocation to Private equity funds were negligible.

## 4 Insurance products

This section covers the most important insurance products offered in France and the volume of the market. Data reported in this section obtained from the French Insurance Federation (FFA).

In 2016, the premiums of the French insurance market remained stable compared to 2015, at 209 billion EUR. From this, 74,4% is due to life insurance policies and 25,6% comes from non-life insurance products. In particular, after three years of growth, life, health and protection insurance policies dropped slightly by 0,5%, while property and casualty premiums increased by 1,9%.

**Graph 1 - Gross written premiums (in bio EUR)**



Source: Fédération Française de l'Assurance (FFA)

### 4.1 Life insurance products

After three years of rising, premiums of life, health and protection insurance fell slightly by 0,5% to 155 billion EUR. In particular, premiums from life insurance and capitalization represented 86% (or 134 billion EUR)<sup>4</sup>, while health premiums represented 14,0% (or 21 billion EUR). Despite the good performance of the stock markets, premiums invested in unit-linked products were down by 2,6%, while insured parties favoured mainly Euro products, investing 107 billion EUR. The fall on the life insurance market was characterised by a reduction in premiums from individual contracts (down by 2,3%). Premiums from group contracts rose in 2016 by 9,9% to 13 500 million EUR. At the same time, benefits paid and withdrawals grew by 4,3% for life insurance and capitalization, and by 4,9% for health insurance.

<sup>4</sup> One specificity of the French market is that there are many products combining euro and unit-linked contracts

	2014	2015	2016
<i>Life and capitalisation</i>	129	136	134
• Euros	109	108	107
• Unit-linked	20	28	27
<i>Sickness and personal injury accidents</i>	20	21	22
• Health care	11	11	11
• Permanent and temporary disability, long-term care and accident death	9	10	10
<b>Total</b>	<b>149</b>	<b>156</b>	<b>155</b>

Source: FFA

France saw in 2016 the premiums of personal injury insurance (sickness and personal-injury accidents) grow by 3,6% to 21.5 billion EUR (direct business France). The main reason for this growth was the increase of group contracts as a result of a particularly strong increase in health care cover of 11,7%.

## 4.2 Non-Life insurance products

Premiums of property and casualty insurance increased by 2,3% in 2017, and stood at 54 448 million EUR. However, this number does not fully reflect the different growth levels observed in sub-categories of the business.

In 2017, motor vehicle insurance (i.e. motor liability and motor damage insurance) and fire and other damage to property insurance have the largest share within the non-life insurance products with a total share of 75,3%.

We observe an upward trend benefits and claims, which were raised by 1,2% at 39 100 million.

### 4.2.1 Motor

Motor insurance premiums, which represent 39,1% of the non-life insurance premiums, were up by 2,6% in 2017 and reached 21 291 Mio EUR. Motor vehicle insurance can be divided into motor vehicle insurance and other motor insurance. The growth in the former category was 1,87% while the premiums in the other motor insurance grew by 3,05% in 2017. The growth in this category is supported by the 5,2% increase in the new car registrations.

### 4.2.2 Marine, aviation, and transport

Premiums in this category decreased by 6,71% in 2017 and represents 1,56% of the total gross written premiums in France.

### 4.2.3 Fire and other damage to property

Premiums in this line of business grew by 1,7% in 2017 and they represent 36,2% of all gross written premiums in the non-life insurance in France. The growth is driven by home insurance, while business and agricultural business property insurance had a modest growth in 2017.

### 4.2.4 General liability

In 2017, the growth in general liability insurance was 0,03% and the share of general liability within the total gross written premiums dropped to 6,6% from 6,6%.

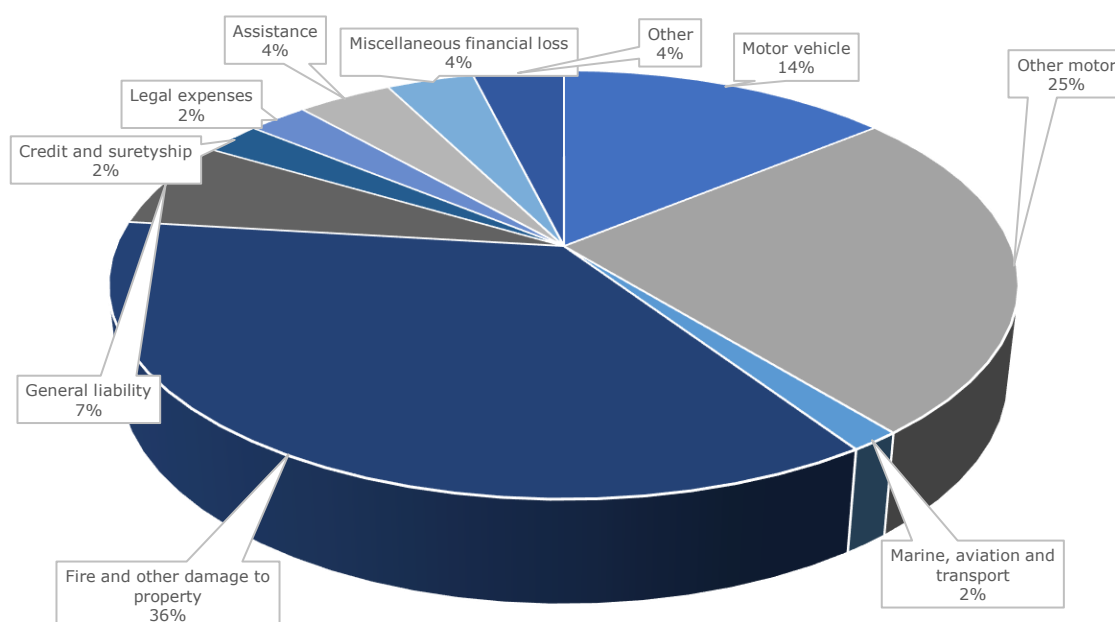
#### 4.2.5 Credit and suretyship

Premiums in this line of business grew by 14,6% in 2017 and represents 2,43% of the total gross written premiums.

#### 4.2.6 Other non-life insurance

We observe growth for legal expenses insurance, assistance insurance, and miscellaneous financial loss while other insurance category, which includes construction insurance, experienced a drop of 0,3% in 2017.

**Graph 2 - Allocation of gross written premiums for non-life insurance products (in %)**



*Note: Business and agriculture property includes damages from natural disasters. "Other" includes life insurance.*

Source: FFA

### 4.3 Average duration

In 2016, EIOPA published their Insurance Stress Test Report<sup>5</sup>, which resulted in the following conclusions for France:

- The approximate effective duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 4,55;
- The Macaulay duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 13,36.
- 

In comparison, the approximate effective duration and Macaulay duration for the TP life for all lines of business for the EU/EEA are 8,23 and 13,97, respectively.

<sup>5</sup> EIOPA, 2016, 2016 EIOPA Insurance Stress Test Report.

## 5 Accounting & Tax framework

### 5.1 Accounting framework

The EU has introduced rules, as laid down in Directive 2013/34/EU, to promote the convergence of accounting standards at global level and to ensure consistent and comparable financial reporting across the EU. Regulation 1606/2002/EC requires all listed companies to prepare their consolidated financial statements in accordance with a single set of international standards, the so-called IFRS<sup>6</sup>.

1. Applicable GAAP at consolidated level: IFRS required for all listed companies and permitted for all non-listed companies<sup>7</sup>;
2. Applicable GAAP at statutory level: French Plan Comptable Général for all companies<sup>7</sup>;
3. Prudential regulatory framework: Solvency II for the calculation of the Solvency Capital Requirement.

### 5.2 Tax framework

#### 5.2.1 Capital gains on shares

Gains on qualifying “participation shares” are 88% exempted subject to the following conditions:

1. A holding requirement: minimum participation of 5% in the company’s share capital, provided that the parent company also owns at least 5% of the voting rights;
2. A holding period requirement: full ownership for an uninterrupted period of at least 24 months.
3. If one or more of the above conditions is not complied with, this will result in taxation whereby capital gains are fully taxable at the standard corporate income tax rate of 33,33%.

#### 5.2.2 Capital losses on shares

Capital losses on items which qualify for the long-term capital gains regime are treated as long-term capital losses which can only be credited against long-term capital gains of the following 10 years (with some exceptions).

Capital losses on items, which do not qualify for the long-term capital gains regime, are treated as ordinary operating losses. Operating losses are deductible from taxable income in the year they are incurred and may be carried forward indefinitely.

Specific anti-abuse measures may apply to capital losses.

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<sup>6</sup> [https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en)

<sup>7</sup> <https://www.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/france-ifrs-profile.pdf>

### **5.2.3 Taxation of dividends**

An optional 95% exemption applies on dividends received by resident companies and permanent establishments of non-resident parent companies, subject to the general corporate income tax if the following conditions are met:

1. A holding requirement: minimum participation of 5%;
2. A holding period requirement: full ownership for an uninterrupted period of at least 24 months;
3. A registration condition: the parent company needs to have registered the shares or deposited them with an approved intermediary;
4. A restructuring condition: there may not be any restructuring operations between the members of the group before the end of the short-term period for capital gain purposes.

If one or more of the above conditions is not met, the dividend is taxed at the ordinary tax rate. French source dividends are subject to 30% withholding tax (WHT), unless a tax treaty provides for a lower rate of the EU parent-subsidiary directive applies. In the latter case, dividends are exempted from WHT. French domestic law generally does not provide for a credit for foreign taxes, however most tax treaties provide for a tax credit.



## 6 Historical data

The following section contains historical overviews of Solvency I, Solvency II and ECB data in order to provide insights on possible short and long-term trends.

### 6.1 Index-linked and unit-linked investments in comparison to total assets

Based on the Solvency I and Solvency II (S.02.01) historical information, the evolution of the index-linked and unit-linked investments in comparison to total assets of France is compared to the EU. The break in Graph 3 shows the transition from the Solvency I to the Solvency II regulatory framework. Under Solvency II, assets are presented based upon their market value.

**Graph 3 - Evolution index-linked and unit-linked investments based upon Solvency I and Solvency II**



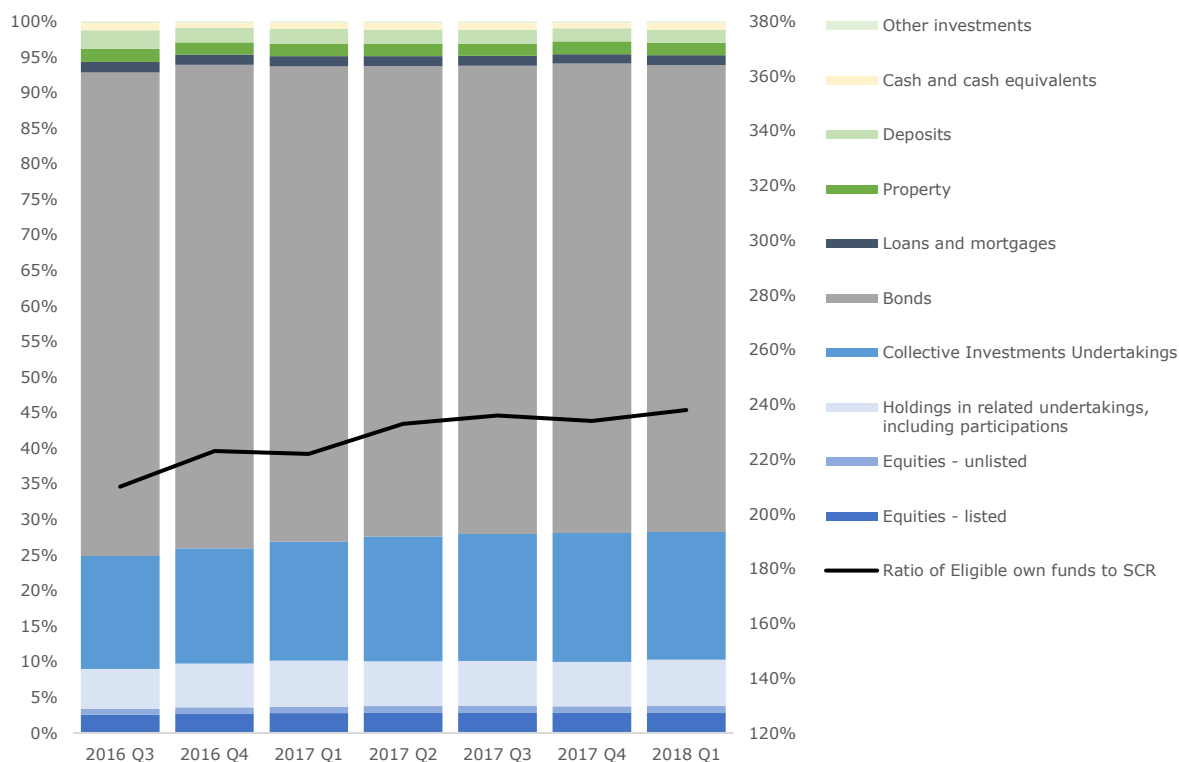
Source: EIOPA Solvency I and Solvency II statistics and Deloitte-CEPS analysis

As shown in Graph 3, the share of index-linked and unit-linked investments in comparison to total assets in France remains fairly stable. As from 2011, we note a slightly increasing trend, which is continued, based upon Solvency II values. Furthermore, note that the graph for France shows a very similar behaviour than the graph for the EU.

## 6.2 Solvency II – excluding index-linked and unit-linked investments

Based on the Solvency II (S.02.01) quarterly data from 2016 Q3 until 2018 Q1, the evolution of the different asset categories is depicted in Graph 4. Furthermore, the evolution of the SCR ratio is shown over the seven quarters.

**Graph 4 - Evolution Solvency II balance sheet (S.02.01) items (Total Investments, deposits, cash and cash equivalents) and SCR ratio**



Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The composition of the French insurers' balance sheet has remained relatively stable over the quarters since the introduction of Solvency II on 1 January 2016<sup>8</sup>. This seems to be confirmed by the fact that the most dominant asset classes such as Bonds, Collective Investment Undertakings and Holdings in related undertakings (including participations) do not suggest a clear trend whether it be downwards or upwards.

Bonds have constituted the major part of the French insurers' balance sheet since the introduction of Solvency II.

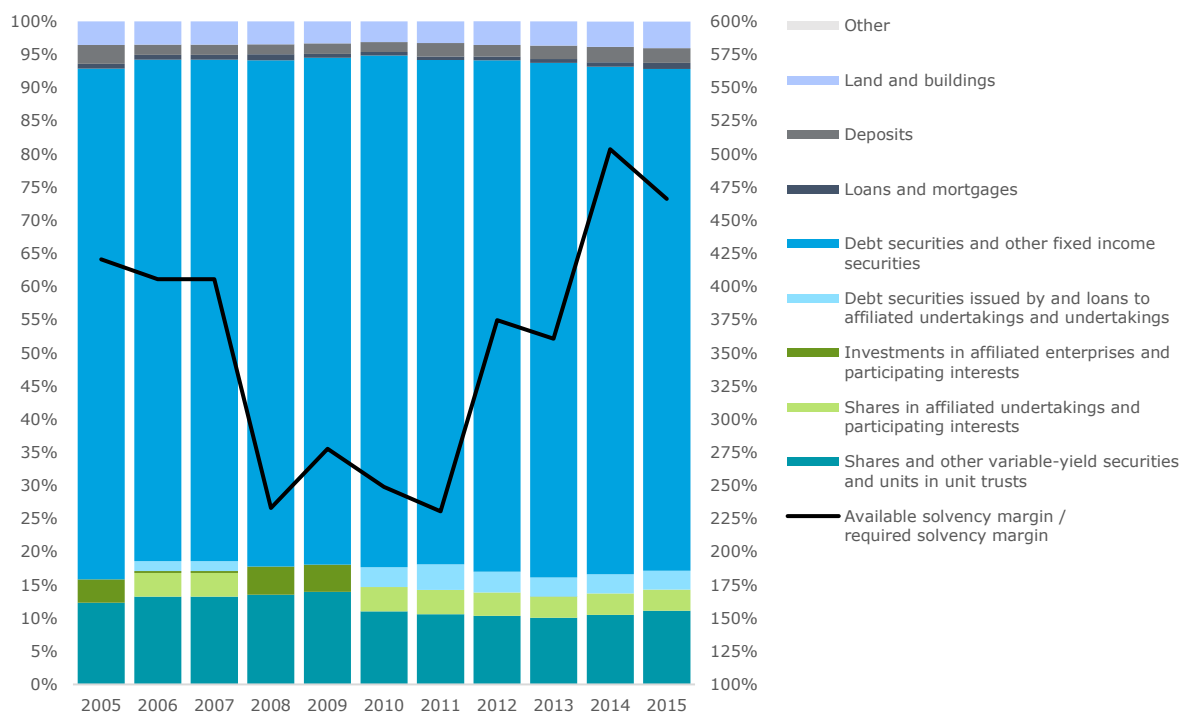
For France, the SCR ratio shows an increasing trend over the period 2016 Q3 until 2018 Q1. Overall, this trend has not resulted into significant changes in the asset allocation of the overall French insurance market.

<sup>8</sup> Day one reporting, 2016 Q1 and Q2 are not publicly available

### 6.3 Solvency I – excluding index-linked and unit-linked assets

Based on the Solvency I yearly data from 2005 until 2015, the evolution of the different investment asset categories is depicted in Graph 5. Furthermore, the evolution of the solvency ratio is shown over the history.

**Graph 5 - Evolution Solvency I balance sheet items (Total Investments, deposits, cash and cash equivalents)**

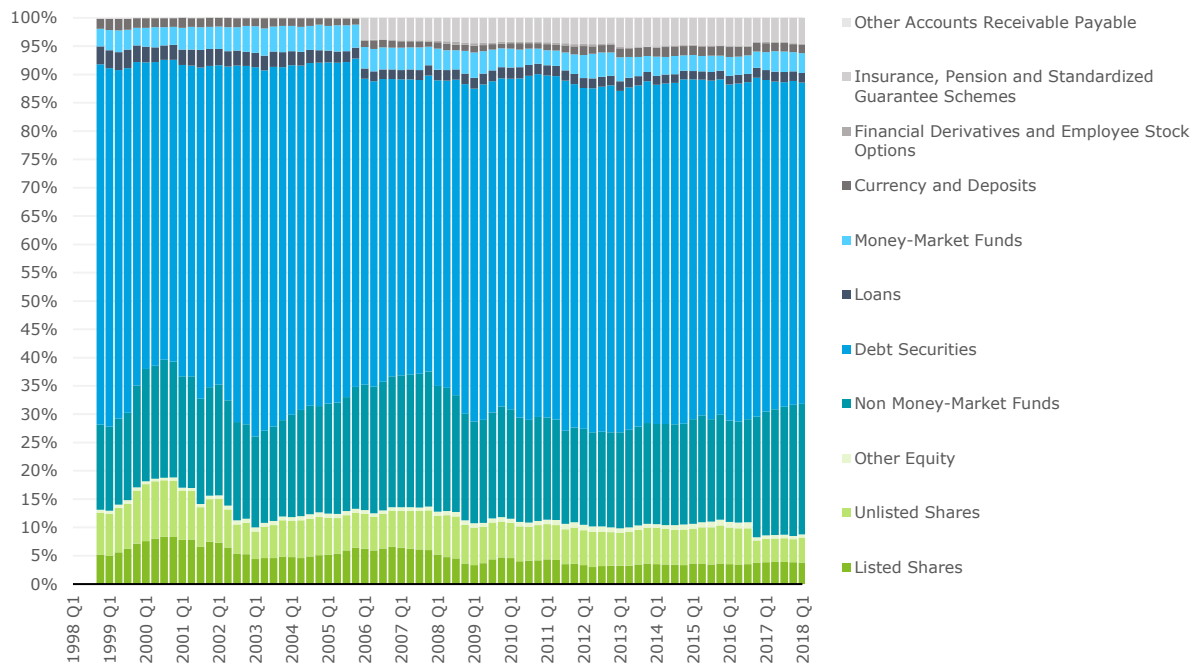


Source: EIOPA Solvency I statistics and Deloitte-CEPS analysis

Graph 5, which relates to Solvency I figure, suggests the following observations. The dominance of bonds that we observed under the rules of Solvency II has been a characteristic of the French insurers' balance sheet for more than a decade. Furthermore, the solvency ratio showed a significant drop around the period of the financial crisis of 2008.

## 6.4 European Central Bank – including index-linked and unit-linked assets

Graph 6 - Evolution ECB balance sheet items (asset categories)

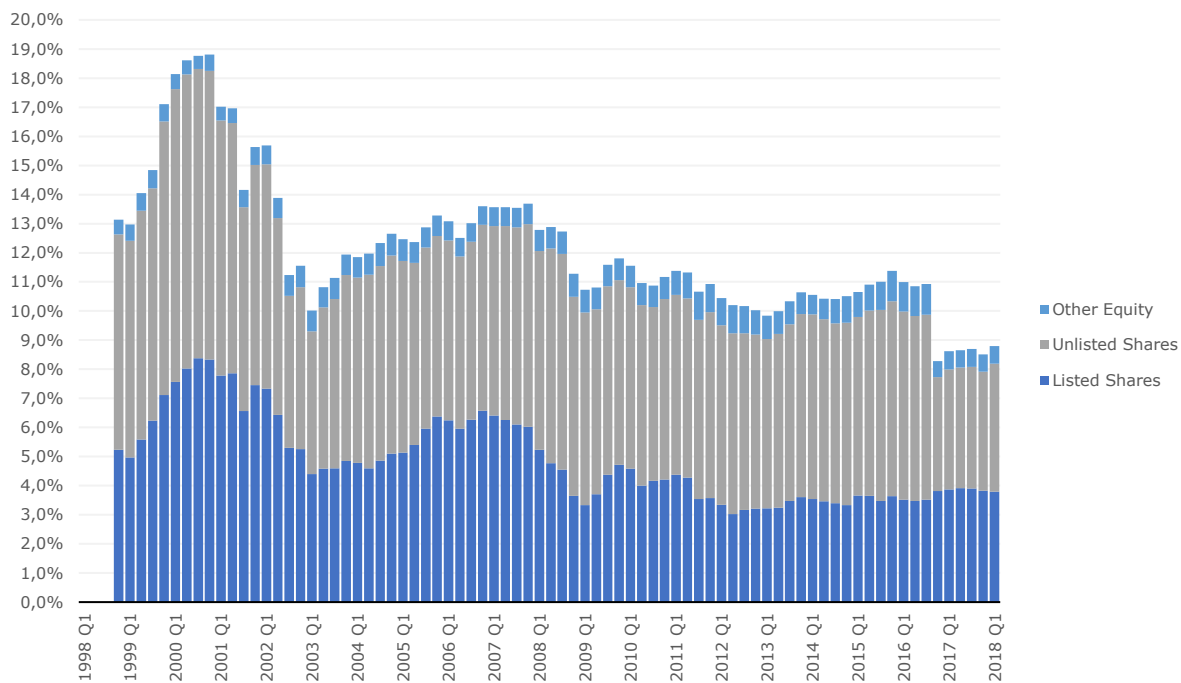


Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 6 relates to figures of investments by French insurers since 1998 Q4 as reported by the ECB. It can be observed that the dominance of bonds in the investments, which is observed in Solvency I, and II (see graphs above) is confirmed as a long-standing characteristic of French insurers. Furthermore, listed shares peaked in amount in 2000 Q3. Afterwards, they fluctuated and slumped in 2009 Q1. They fluctuated again until 2016 Q3, after which, they seem to have stabilised. This evolution becomes clear in the next graph, where the Equity asset classes are presented in a more detailed view.

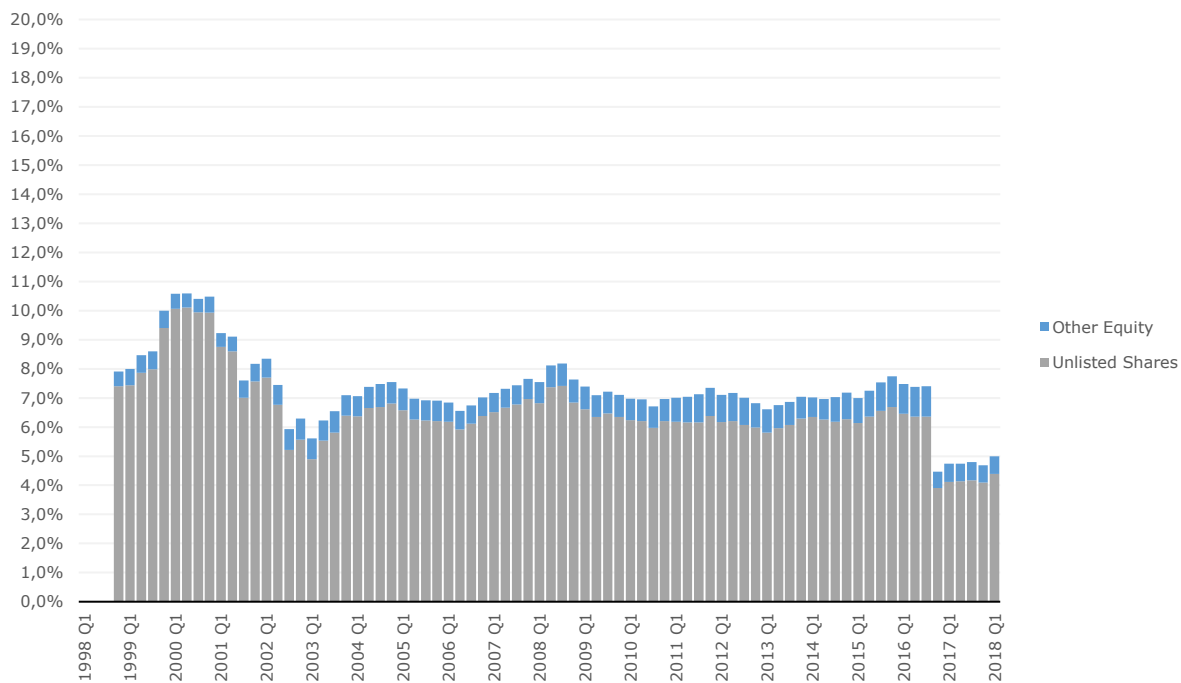
We remark that these graphs include index-linked and asset-linked assets, which cannot be individualised from the figures published by the ECB.

**Graph 7 - Evolution ECB balance sheet items (equity categories)**



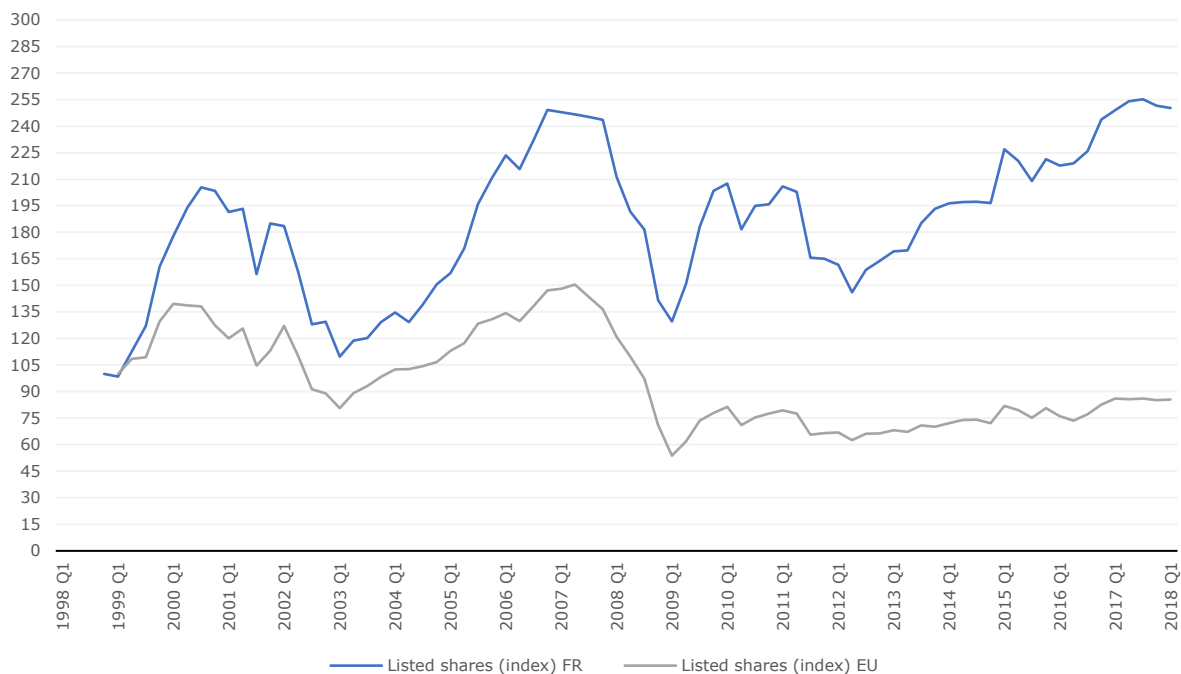
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 8 - Evolution ECB balance sheet items (Unlisted Shares and Other Equity)**



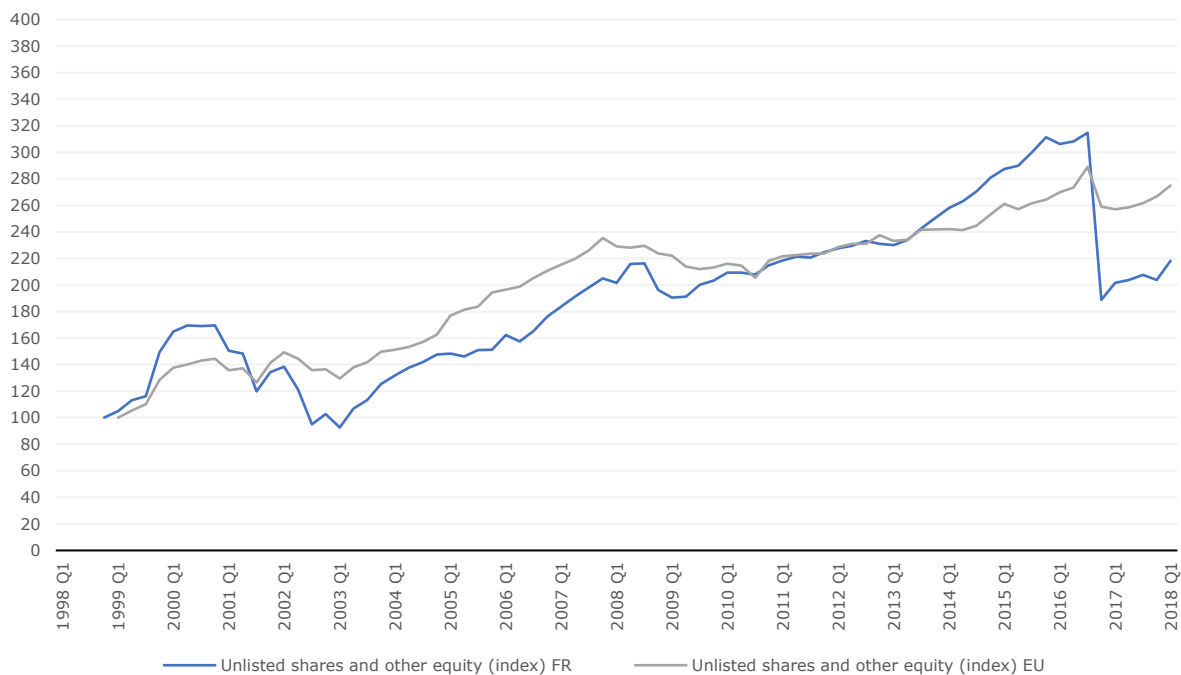
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 9 - Evolution ECB listed shares FR and EU (as index)**



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 10 - Evolution ECB unlisted shares and other equity FR and EU (as index)**



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

## 6.5 Trends in Equity Investments

This section provides a trend analysis of the equity investments of the French insurers using the balance sheet data of the insurance sector from the ECB Statistical Data Warehouse. Given the availability of the equity split in the ECB database, the analysis focuses on investments in listed shares and investments in unlisted shares and other equity.

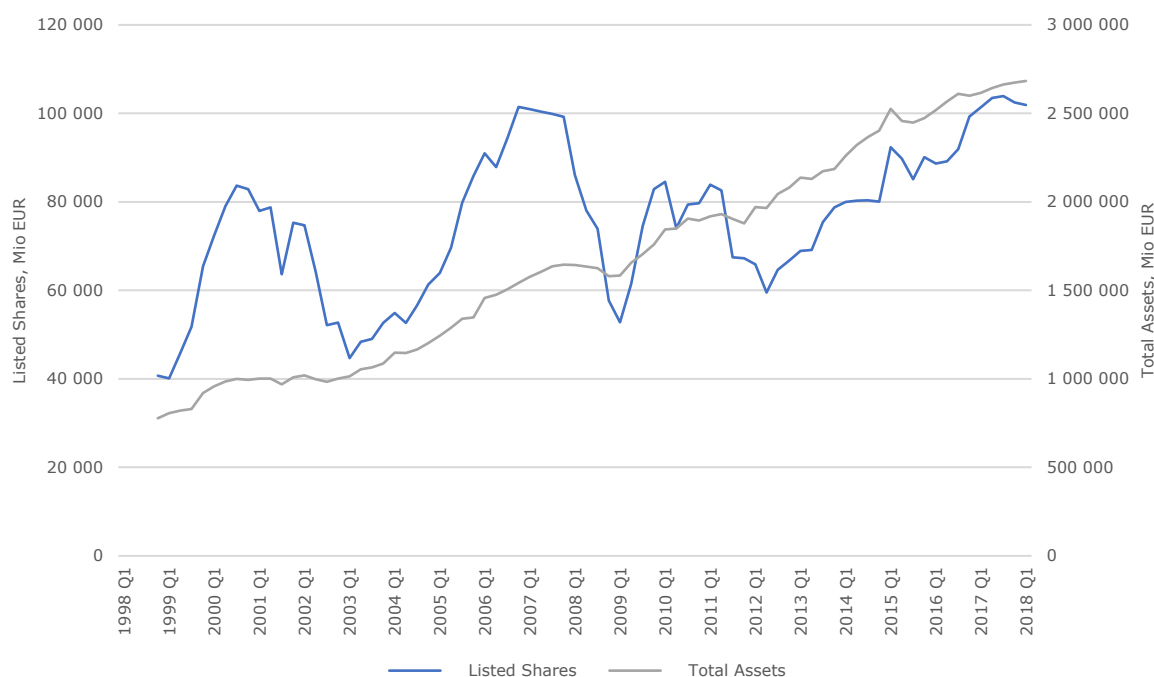
### 6.5.1 Listed Shares

In the analysis below, the listed shares of insurance corporations are plotted against the total assets in the industry both in amounts and in indexed values. The aim of this comparative analysis is to understand the evolution of listed shares in the overall insurance market. Similarity of the growth patterns in the listed shares and total assets can be considered as an indication of the extent to which the equity investments are driven by a good (or bad) economic environment in the industry at a certain point in time. A presentation of the variables only in amounts might dilute the magnitude of the growths for countries with large assets because in such a representation, the listed shares will be overstated. Therefore, we also plot each series as indexed to the initial point in their available history.

In the next step, we focus on the relationship with the listed shares and stock market indices. The ECB QSA balance sheet items are valued at market prices at the end of each quarter. Therefore, it is plausible to assume that the changes in the stock prices are reflected on the amounts held in listed shares. In order to remove this “price effect” from the observed amounts of listed shares and approximate the “real” amounts held in shares, we consider adjusting the observed amounts in listed shares. Even though we observe high correlations with listed shares and several stock indices, since the exact destinations of the portfolio invested in listed shares at each period is not observable, we build a “Weighted Equity Index” similar to the EIOPA Equity Dampener.

Amounts invested in listed shares and the total amount of assets of the insurance sector are plotted in Graph 11 while the indexed values of the series are presented in Graph 12. As it can be observed in these graphs, there are long-term upward trends in both the listed shares and total assets; however, for the listed shares, there are periods of decline and overall the growth in the total assets is higher than the growth in the amount invested in listed shares.

**Graph 11 – Evolution of Listed Shares and Total Assets, in Mio EUR**



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 12 – Evolution of Listed Shares and Total Assets, Indexed Values**



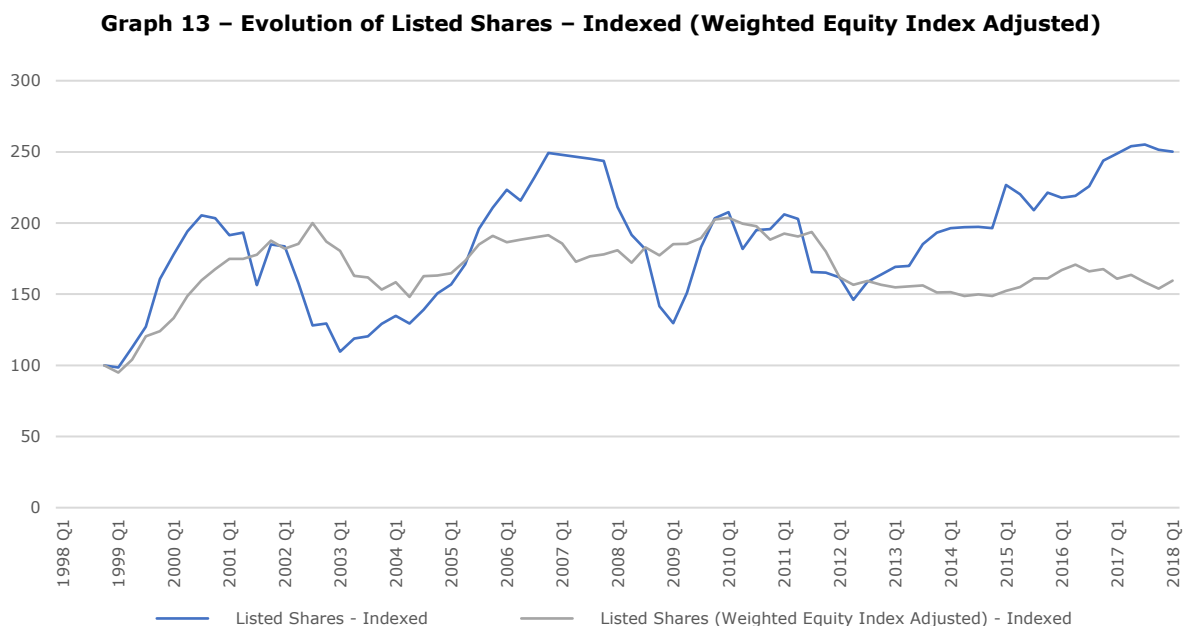
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 13 presents the indexed values of the amounts invested in listed shares against its Weighted Equity Index adjusted counterpart. In this graph, we observe a long-term upward trend in the Weighted Index Adjusted listed shares of French insurers over the observation period (i.e. 1998 Q4 – 2018 Q1), similar to the unadjusted investments in listed shares.



The initial value of investments is 40 726 million EUR in 1998 Q4 (i.e. the index value for the adjusted series of France is equal to 40 726 million EUR) and the value of the adjusted amounts is 64 986 millions EUR in 2018 Q1 (i.e. and index value of 159% in 2018 Q1).

Equity investments increase between 1999 Q2 and 2002 Q3. At the end of third quarter of 2002, the indexed value of the adjusted listed shares reach to 199%. After this date, the adjusted investments experience a period of negative growth for five consecutive quarters and then start to increase again. The peak of the adjusted investments is reached in 2010 Q1 with an indexed value of 203%. During the period before the Global Financial Crisis and during the crisis, in comparison to the unadjusted values, the adjusted values follow a rather stable path. This indicates that during these periods, the increase and decrease in the unadjusted amounts can be attributed to the changes in the stock market prices. A similar effect of the stock markets prices can be observed during the period after 2012 in which the unadjusted amount follow a steeper upward trend than the adjusted series.

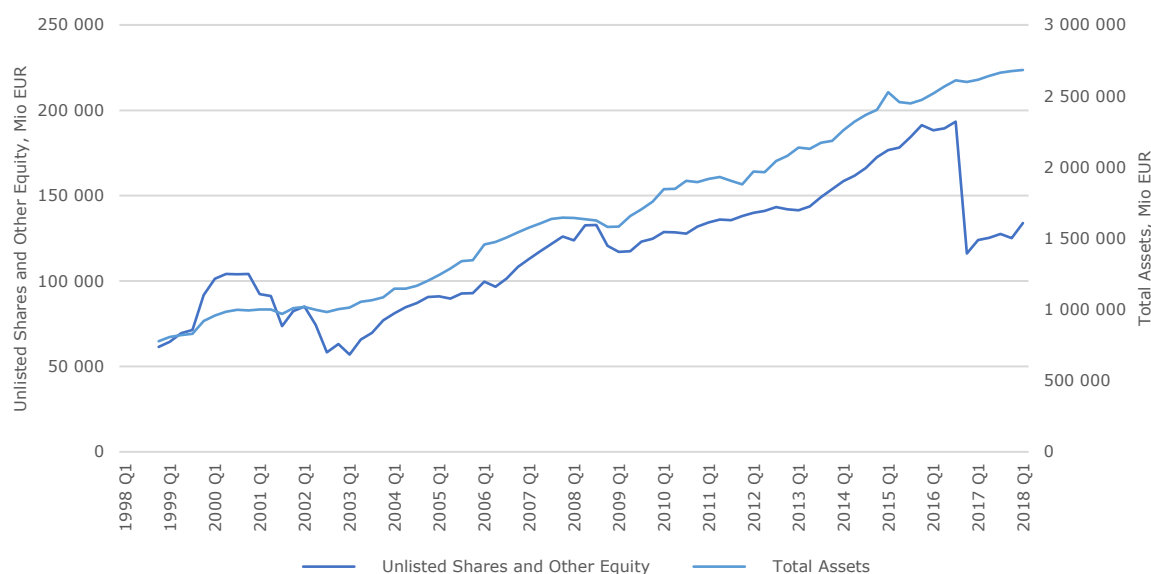


Source: ECB statistics data warehouse and Deloitte-CEPS analysis

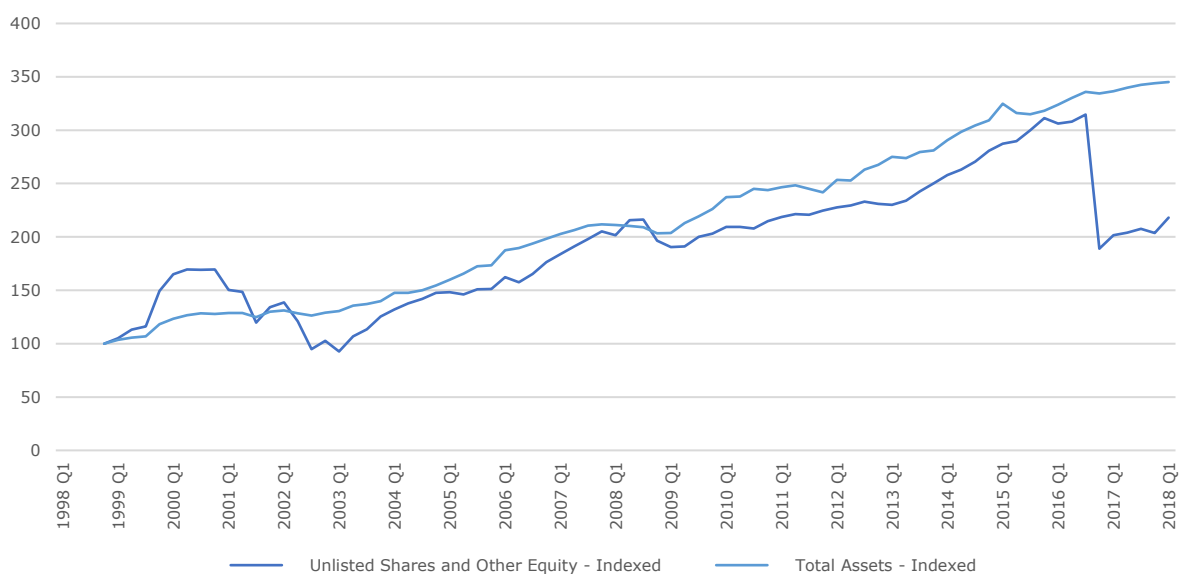
### 6.5.2 Unlisted Shares

Graph 14 depicts the amounts invested in unlisted shares and other equity plotted against the total assets in the insurance markets of while Graph 15 presents the indexed values of the series for an easier comparison of the movements in these two series.

Over the period 1998 – 2015, the unlisted shares track closely with the total assets, with both series increasing steadily over the period to around 300% of their starting values. Then, between 2015 and 2016 there is a sudden decrease in the unlisted shares, which drops from around 300% to 190%. The drop is due to a reclassification from participations to non money-market funds. There is no subsequent drop in the total assets and therefore the final values of the two series diverge significantly from each other (345% and 218% of their starting values respectively).

**Graph 14 – Evolution of Total Unlisted Shares and Other Equity and Total Assets, Mio EUR**


Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

**Graph 15 – Evolution of Unlisted Shares and Other Equity, Indexed Values**


*Note: According to the French NSA, the drop between 2016 and 2017 in unlisted investment is entirely due to an important re-classification of participations to non-monetary funds.*

*Note: According to the French NSA, participations are mainly in unlisted shares and real estate/property.*

Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis