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Market Segment Outlook: France Life Insurance

**French life insurers
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positive net flows at
a level not seen for
the past 10 years**

AM Best is revising its outlook on the French life insurance segment from Negative to Stable, owing to the following factors:

- Volume growth despite an uncertain economical and geopolitical environment
- Less competition from banking alternatives
- Diversification efforts continue although at a slower pace
- Stable regulatory environment with favourable developments

Volume Growth Despite an Uncertain Economical and Geopolitical Environment

AM Best expects the French life insurance segment to report further growth over the next year, despite headwinds from the wider economic and geopolitical conditions. In 2024, the segment reported positive net flows at a level not seen for the past 10 years, and outflows on redeemable supports decreased for the first time in five years.

AM Best notes that the segment's performance remained positive during the first six months of 2025, as premiums continued to grow well above projected GDP growth and net flows remained at record high levels.

Domestic political instability and global geopolitical risk are a headwind for the segment, and fiscal measures taken by the government, including a special high-income tax enacted in 2025, could have an offsetting impact on the segment's revenue prospects. Nonetheless, the risk of a material uptick in surrenders has abated.

Less Competition From Banking Alternatives

AM Best expects life insurance savings products to be favoured over banking alternatives over the next 12 months, reflecting their status as one of the preferred investment options in France, and the expectation that crediting rates will remain competitive against other savings options.

In July 2025, the rate on Livret A – which acts as a reference rate for savers – was cut to 1.7%, lowering competition from this banking product.

The crediting rates offered by insurers for 2024 (announced at the beginning of 2025) stood at 2.6% on average, which is below rates offered on the Livret A for the same year (3%). Despite this, the net flows of household savings were primarily oriented towards life insurance products in 2024, ahead of term deposits and regulated savings products offered by banks.

Crediting rates announced by insurers in 2025 were boosted by the release of the provision for profit sharing (provision pour participation aux bénéfices - PPB). While the level of these reserves has declined steadily over the last three years, as they were utilised by insurers to offer competitive

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rates in the context of rising interest rates, the remaining reserves continue to give flexibility to French life insurers in order to manage their crediting rates at a competitive level.

Economic Overview

According to the International Monetary Fund's (IMF) projections, France's real GDP growth is expected to slow to 0.6% in 2025 from 1.1% in 2024. Economic growth will be driven by improving real household income, as moderating inflation and a resilient labour market support consumer spending.

Inflation continues its downward trend to 1.3% in 2025 from 2.3% in 2024, remaining well below the eurozone inflation average.

On the downside, increased trade protectionism and a stronger euro are expected to weigh on exports. While France is generally only moderately exposed to higher US tariffs, the automotive and chemical sectors face comparatively higher exposures.

Additionally, weaker global growth and the increase in global trade barriers may further dampen exports and investment. Domestically, political instability and efforts aimed at stabilising public finances may negatively impact sentiment and increase market volatility.

Although the 2025 budget was passed in February through the use of a constitutional provision that bypassed a parliamentary vote, any attempt to implement structural reforms still hinges on the ability to build a political consensus.

Diversification Efforts Continue Although at a Slower Pace

The French life insurance segment's premium mix continues to show good diversification between capital-light offerings (such as unit-linked funds) and fixed savings products, although the latter continues to dominate the stock of reserves.

AM Best expects insurers to continue their efforts to diversify into unit-linked funds as well as multi-support offerings, which combine unit-linked and traditional features in one product. However, diversification efforts are expected to slow down if the current uncertain market environment has a negative impact on demand for products where the consumer carries the investment risk. After two years of transfers in favour of unit-linked products, transfers benefitted fixed savings in 2024.

Premiums attributable to the retirement product Plan d'Épargne Retraite (PER) grew significantly in 2024 and are expected to grow further over the next 12 months, providing further diversification within the segment towards longevity risks. AM Best notes that the low level of penetration of retirement products in the market increases growth prospects for PER premiums through the medium term, however, PER products still represent a small share of the segment's reserves to date.

Stable Regulatory Environment with Favourable Developments

The French regulatory environment can be qualified as stable overall with no major concerns and in line with the rest of the EU, however, some new regulations are expected to have positive effects on life insurers. The implementation of a review of the Solvency II regime, expected in 2027, will likely benefit French insurers over the medium term, as it is expected to bring some capital relief to the sector and allow insurers to increase investments in profitable assets.

GUIDE TO BEST'S MARKET SEGMENT OUTLOOKS

Our market segment outlooks examine the impact of current trends on companies operating in particular segments of the insurance industry over the next 12 months. Typical factors we would consider include current and forecast economic conditions; the regulatory environment and potential changes; emerging product developments; and competitive issues that could impact the success of these companies.

A Best's Market Segment Outlook can be Positive, Negative, or Stable.

Best's Market Segment Outlook

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