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Market Segment Outlook: France Non-Life Insurance

High levels of competition are a headwind to the segment, which historically has struggled to maintain technical income sufficiency.

AM Best is maintaining its Negative outlook on France's non-life insurance segment, based on the following factors:

- Modest top line growth on an inflation-adjusted basis
- Adjustments to the state-backed natural catastrophe scheme could constrain insurers' ability to pass on further rate increases
- Competitive pressures and rising cost of claims
- Health line expected to remain constrained amid market evolutions
- France remains hindered by political instability and geopolitical tensions

Modest top line growth on an inflation adjusted basis

Top-line growth for France's non-life segment has historically been closely correlated to gross domestic product (GDP) growth. Because of this, non-life insurance growth prospects are expected to remain limited over the next months, tied to modest GDP growth expectations (see Economic Overview box).

AM Best also expects a continuation of premium rate increases—needed to offset the impact of continued claims inflation—to support growth in the segment.

Competitive pressures and rising cost of claims

High levels of competition are a headwind to the segment, which historically has struggled to maintain technical income sufficiency. While the segment has incorporated rate increases in 2023 and 2024, these were generally not sufficient to cover claims cost inflation. AM Best expects rate increases to continue during 2025, in particular for motor and property business. However, due to high competition in the market, the increases are expected to only be a catch-up with inflation seen over the last years, and therefore margins are expected to remain under pressure.

Adjustments to the state-backed natural catastrophe scheme could constrain insurers' ability to pass on further rate increases

The increase in frequency and severity of natural catastrophe events related to changing climate trends is expected to continue to put pressure on France's non-life insurers, despite the existence of the state-backed natural catastrophe scheme, Caisse Centrale de Réassurance (CCR).

The financing of the scheme was reviewed in 2024 to keep it sustainable in light of the increases in claims over recent years. As a result, a surcharge to the existing premiums has been added since the beginning of 2025. While the surcharge is expected to release some of the pressure on the state-backed scheme in the short term, AM Best believes that it will not be sufficient over the medium term amid changing climate trends and that further measures will have to be discussed to ensure the scheme's sustainability.

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Economic Overview

France's economic outlook has been marred by political infighting and debt sustainability concerns. Political tension has caused a sovereign downgrade, with former Prime Minister Michel Barnier failing to pass his budget and being subsequently ousted in December 2024. His replacement, François Bayrou, succeeded in passing a watered-down budget in February 2025.

The International Monetary Fund (IMF) projects France will grow only 0.6% in 2025, with growth peaking at 1.3% in 2028 within the five-year outlook.

However, the outlook is tilted to the downside due to uncertainty surrounding tariffs and their impact on trade, as well as broader geopolitical tension.

Weak growth is set to be paired with inflation, undershooting the European Central Bank's (ECB) 2% target, averaging 1.3% to 1.6% this year and next in the IMF's projections.

A similar picture elsewhere in Europe is influencing the ECB to lower its policy rates, even as long-term borrowing rates for France remain at 10-year highs at a little over 3%, complicating fiscal consolidation efforts.

AM Best expects that insurers will pass on the effects of the surcharge to their policyholders in an effort to limit pressure on their own margins. However, because policyholders are unlikely to welcome steep price hikes, this could constrain their ability to pass on further rate increases, such as those tied to inflationary pressures or other changes to market conditions.

Furthermore, while natural catastrophe risks remain widely reinsured by the state-backed scheme, AM Best believes that certain cat-prone regions in France are at risk of becoming uninsurable.

In recent years certain primary insurers increased their prices dramatically in cat-prone regions, in an attempt to reduce their exposures and better control their losses.

AM Best believes that risk mutualisation among market players—including through the state-backed reinsurance scheme—remains crucial for the provision of cover. While insurers can set their risk appetite freely, granular geographical risk picking raises questions about the long-term impact of this type of action on the segment and on its potential effects on the universality of the state-backed scheme.

Health line expected to remain constrained tied to market evolutions

The supplementary health line's performance is expected to remain constrained over 2025. AM Best's main concerns are tied to increases in medical costs, ageing of population and changes in certain covers which are transferred from the state social security to health insurers in an attempt to reduce France's budget deficit.

Furthermore, insecurity regarding potential new regulatory changes and further costs for the segment might also have an impact.

The segment could also face extra requirements such as a supplementary tax which is currently being discussed. AM Best expects that while health insurers will have to incorporate large rate increases to maintain their margins, the highly competitive landscape could further pressure the segment.

France remains hindered by political instability and geopolitical tensions

France remains prone to social disruptions and unrest, which could be exacerbated by potential adverse legislative or regulatory changes and political instability. Most recently, large man-made losses emanated from widespread riots and protest movements during 2023, impacting the French non-life insurance market.

Stable regulatory environment

The French regulatory environment is consistent overall and in line with the rest of the EU, presenting no major concerns. AM Best notes that the implementation of a review of the Solvency II regime, expected in 2027, will benefit French insurers over the medium term, as it is anticipated that it will ease insurer's capital requirements.

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

Positive	A Positive market segment outlook indicates that AM Best expects market trends to have a positive influence on companies operating in the market over the next 12 months. However, a Positive outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Positive.
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Stable	A Stable market segment outlook indicates that AM Best expects market trends to have a neutral influence on companies operating in that market segment over the next 12 months.

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