



NO. 163 - 2024

Analysis and synthesis

2023 revaluation of life insurance and capitalisation contracts



GENERAL SUMMARY

Individual life insurance contracts are for the most part savings¹ products. The mathematical provisions of euro-denominated products under these contracts amounted to € 1,148 billion at 2023 year-end, compared with € 1,165 billion at 2022 year-end. Among these contracts, the largest category was “single premium life insurance contracts or unpaid payments (including open groups)”, representing more than 91% of individual² life insurance contracts in terms of mathematical provisions.

Group life insurance contracts are pension products that provide beneficiaries with additional income upon their payment. The market includes several categories of contracts³, whose mathematical provisions corresponding to euro-denominated products amounted to € 144 billion at 2023 year-end, compared with € 136 billion in 2022. The category “group life insurance policies”, which accounted for 64% of outstanding life insurance policies with a dominant pension component, was the largest.

The average rate of revaluation of euro funds on individual contracts (including open groups) and on group contracts with a predominance of retirement contracts increased significantly in 2023: by 69 basis points to reach 2.60% in 2023 net of levies on amounts and before social security contributions for individual contracts and by 38 points, reaching 2.59%, for group contracts. These increases are in line with the one observed in 2022 (at +63 and +45 points respectively) and are linked to the higher bond rate environment.

These increases were made possible by the partial reversal in 2023 of the provision for profit sharing. Indeed, insurers allocated amounts to this provision during the low interest rate period until 2021 to cope with a potential rate hike, which occurred in 2022-23. The provisions for profit sharing, expressed as a percentage of life insurance provisions, thus reached 4.9% for individual contracts and 2.0% for group contracts at the end of 2023, compared with 5.4% and 2.6% respectively at the end of 2022.

The average technical rate is stable at 0.37% in 2023 compared with 0.36% in 2022 for individual contracts and 1.04% in 2023 compared with 1.12% in 2022 for collective contracts. However, the situation varies from one organization to another, and some institutions hold in their portfolios a stock of old contracts providing high technical interest rates.

Finally, the average management charging rate paid by policyholders was 0.59% in 2023 for individual contracts and 0.40% in 2023 for group contracts, compared with 0.62% and 0.39% respectively in 2022.

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¹ The remainder consists in particular of individual pension contracts, annuities, capital adequacy contracts such as retirement gratuities

² See Box 1 for individual contract types

³ See Box 1

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Key Figures

Individual life insurance contracts

-  € 1,148 billion at 2023 year-end
 -1.46% compared with 2022 year-end (€1,165 billion)
-  Revaluation rate in 2023: 2.60%
 +69 basis points compared with 2022 (1.91%)
-  Technical rate in 2023: 0.37%
 Stable compared with 2022 (0.36%)
-  Management charging rate in 2023: 0.59%
 -3 basis points compared with 2022 (0.62%)

Group life insurance contracts

-  € 144 billion at 2023 year-end
 +5.9% compared with 2022 (€ 136 billion)
-  Revaluation rate in 2023: 2.59%
 +38 basis points compared with 2022 (2.21%)
-  Technical rate in 2023: 1.04%
 -8 basis points compared with 2022 (1.12%)
-  Management charging rate in 2023: 0.40%
 +1 basis points compared with 2022 (0.39%)

Introduction

Individual life insurance is primarily intended to save for the purpose of retiring or succession. This product offers tax advantages, particularly in the event of inheritance. With outstanding amounts amounting to € 1,148 billion in 2023, down very slightly by 1.5% compared with 2022, it is the savings product most used in France in front of regulated savings passbooks.

Group life insurance is primarily intended to provide its beneficiaries with additional income when they retire. Outstanding amounts are limited, notably as a result of the predominance of pay-as-you-go pensions and the weight of individual life insurance in household savings. They amounted to € 144 billion in 2023, up 5.9% year on year.

The revaluation rate, the guaranteed technical rate, the rate at which contracts are charged as well as the amounts set aside for the purpose of smoothing cyclical effects over time are key components of these products.

In 2023, the French economy grew by less as in 2022 (0.9%, down from 2.5% in 2022) but was resilient in a deteriorated European environment. Year-to-year inflation stood at 4.9% in 2023 (compared with 5.2% in 2022). Interest rates rose

significantly (especially the 10-year OAT was 3.0% on average in 2023, up from 1.7% in 2022), which eased the constraint on the commitments of technical interest rates guaranteed on euro instruments.

This study presents the evolution of revaluation rates paid on a set of 122 undertakings and 33,506 contract versions. Unit-linked contracts are not factored in as part of this study.

In the remainder of the study, some indicators are presented according to the typology of the undertakings, which are broken down as follows:

- 64 insurers governed by the Code des assurances, of which 15 are subsidiaries of banking groups (or bancassurances),
- 24 mutual insurers governed by the Mutual Code,
- 17 supplementary occupational pension institutions,
- 18 undertakings governed by the Social Security Code.

Data from some types of organization may not be shown where they do not allow for sufficient statistical representativeness.

Box 1 Life insurance and capital accumulation policies - commitments with mainly savings and individual pensions - covered by the study

Typology of contracts

The scope of contracts covered by the study corresponds to those of the following categories of Article A.344-2 of the Insurance⁴ Code, the equivalent categories being considered for undertakings covered by the Mutual Insurance Code or the Social Security Code:

- For individual contracts:
 - Category 1: single premium capital contracts (paid at the time of subscription) or unpaid payments (paid at any time of the contract);
 - Category 2: periodic premium capitalization contracts (amounts paid out at regular maturity as provided for in the contract at the time of subscription);
 - Category 4: single premium life insurance contracts or unpaid payments (including open⁵ groups);
 - Category 5: individual life insurance policies with periodic premiums (including open groups);
- For group contracts
 - Category 7: group life⁶ insurance contracts;
 - Category 11: contracts falling within the scope of Article L. 144-2 but not falling within the scope of Article L. 143-1⁷;
 - Category 12: supplementary occupational pension contracts governed by Article L.143-1;
 - Category 14: contracts subject to ancillary allocation accounting referred to in the first subparagraph of Article L. 142-4 (PER) but not in category 11.

Definition of variables

Outstanding amounts: mathematical provisions at financial year-end closing.

Average mathematical provision (MP): the different rates calculated in this study are weighted by the average of the opening and closing mathematical provisions of each financial year.

Revaluation rate: Interest rate consisting of the 'guaranteed return and participation in technical and financial profits' of the contract, as defined in Articles L.132-22 and A.132-7 of the Code des assurances, L.223-21 of the Code de la mutualité. Gross technical interest rates and tax and social security contributions, but net of charges on outstanding amounts, this is the rate actually paid to policyholders in respect of year N.

Technical rate: The technical rate reported on individual contracts is the maximum rate at which the insurer's commitments to policyholders are discounted. No application of a fee shall be made on the reported technical rate. It is fixed at the time of purchase and limited by the regulations applicable at that date (A.132-1 of the Code des assurances). The insurer's interest rate paid may not be lower than technical rate. It can therefore constitute a significant constraint for insurers with high technical rates.

Management charging rate: Ratio between contract-related servicing costs paid by insured persons and average mathematical provisions.

⁴ Category 3 refers to death insurance (funeral insurance in particular) and is therefore not factored in in this study. Categories 8 and 9, which correspond to units of account, are also outside the scope of this study.

⁵ Individual contracts concluded through a subscribing association or other groupings, unlike other collective contracts addressed to predefined groups of members (employees of a company, collective agreements, borrowers of a credit institution)

⁶ In particular 'Article 39', 'Article 83', 'Article 82' and 'Madelin' pension contracts

⁷ PERP whose performance is linked to the cessation of professional activity and whose purpose is to acquire and enjoy personal life rights payable to the member from the earliest date of the award of his pension under a compulsory old-age insurance scheme

An upward rate for individual life insurance contracts, which rose to 2.60% in 2023

1. Revaluation rate increased by 69 basis points in 2023

In 2023, undertakings significantly increased the revaluation rate by (+69 basis points on average), from 1.91% in 2022 to 2.60% in 2023. This increase is in line with that observed in 2022 (+63 pts; see [Chart 1](#)) in an environment of significant increases in interest rates and inflation (see [Chart 2](#)). Year-to-year the 10-year OAT ratio rose to 3.0% in 2023, compared with 1.7% in 2022, while the remuneration of regulated savings vehicles, notably Livret A, increased to reach 2% on

average in 2023, compared with 1.4% in 2022. As inflation remained high in 2023 (+4.9% after +5.2% in 2022), the average revaluation rate of individual life insurance contracts net of inflation remained negative, as was the rate of other interest rate products mentioned.

The revaluation rate differences between contracts can be relatively significant. Indeed, 50% of exposures have a revaluation rate of between 2.2% and 3.0% (compared with 1.5% and 2.2% in 2022), for a range of 0.8 percentage points (0.7 in 2022).

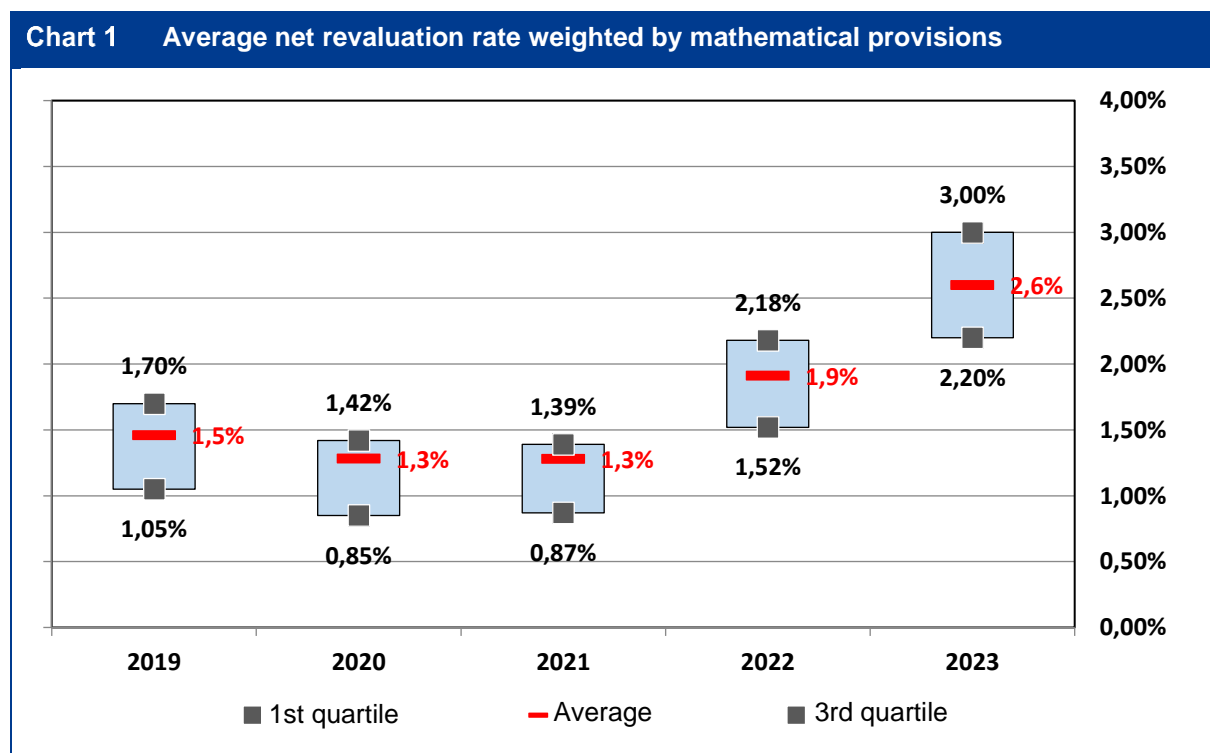
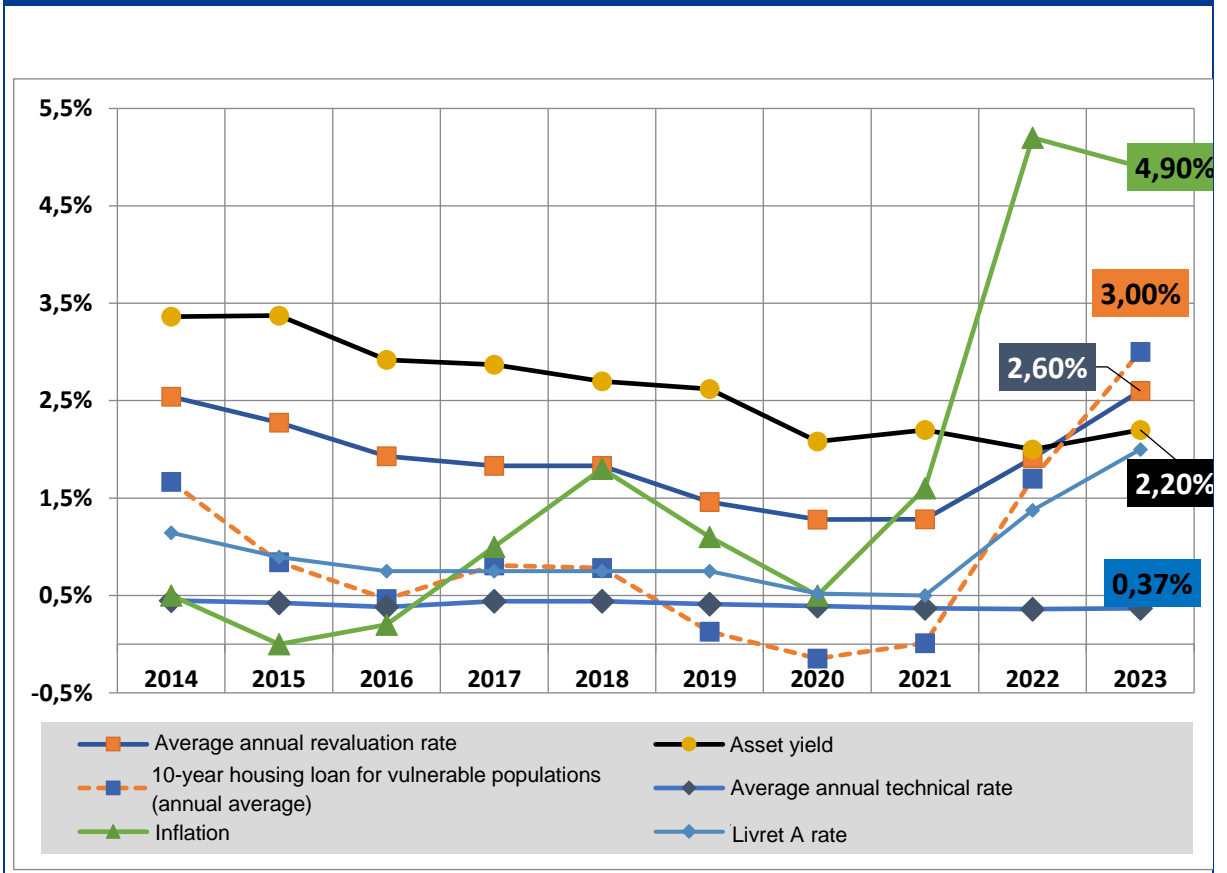


Chart 2 Interest rate developments and inflation



2. Significant differences in revaluation rates

The increase in the revaluation rate is mainly driven by category 4, which accounts for almost 91% of individual life insurance outstanding in euro (see [Chart 3](#)).

Differences can be noted according to the different types of undertaking. Banking insurers, which account for 60% of outstanding loans, are significantly weighing on the average rate observed on the market (see [Chart 4](#)), with an average revaluation rate of 2.66% (see [Chart 5](#)).

Mutual insurers continued to account for the highest revaluation rate (3.19%) in 2023. These are also the undertakings with the largest increase in revaluation (+82 basis points) but which follows a smaller increase in 2022.

Institutions for occupational retirement provision were added to the study this year following significant portfolio transfers to new ORPS in 2022. Only two years of historical experience are available, as a significant share of FRPS has been generated in the last two years.

Chart 3 Breakdown of individual outstanding amounts by contract⁸ category in 2023

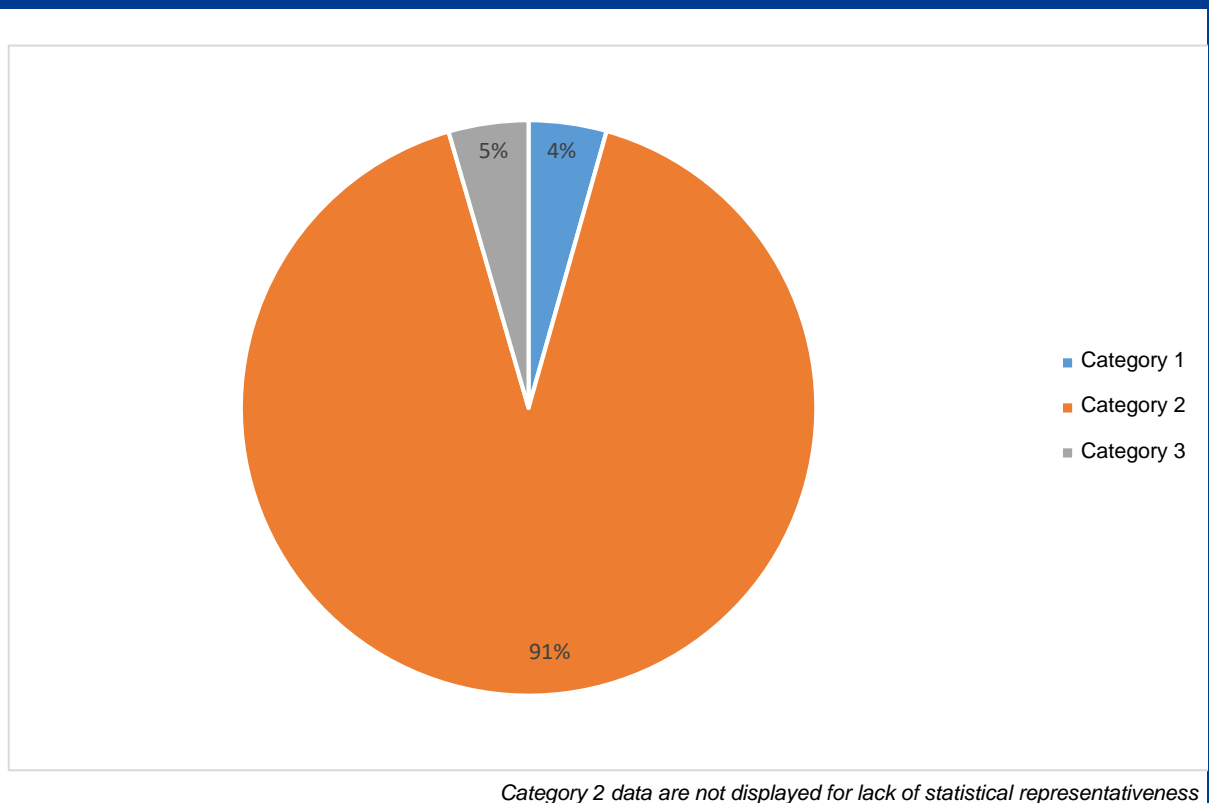
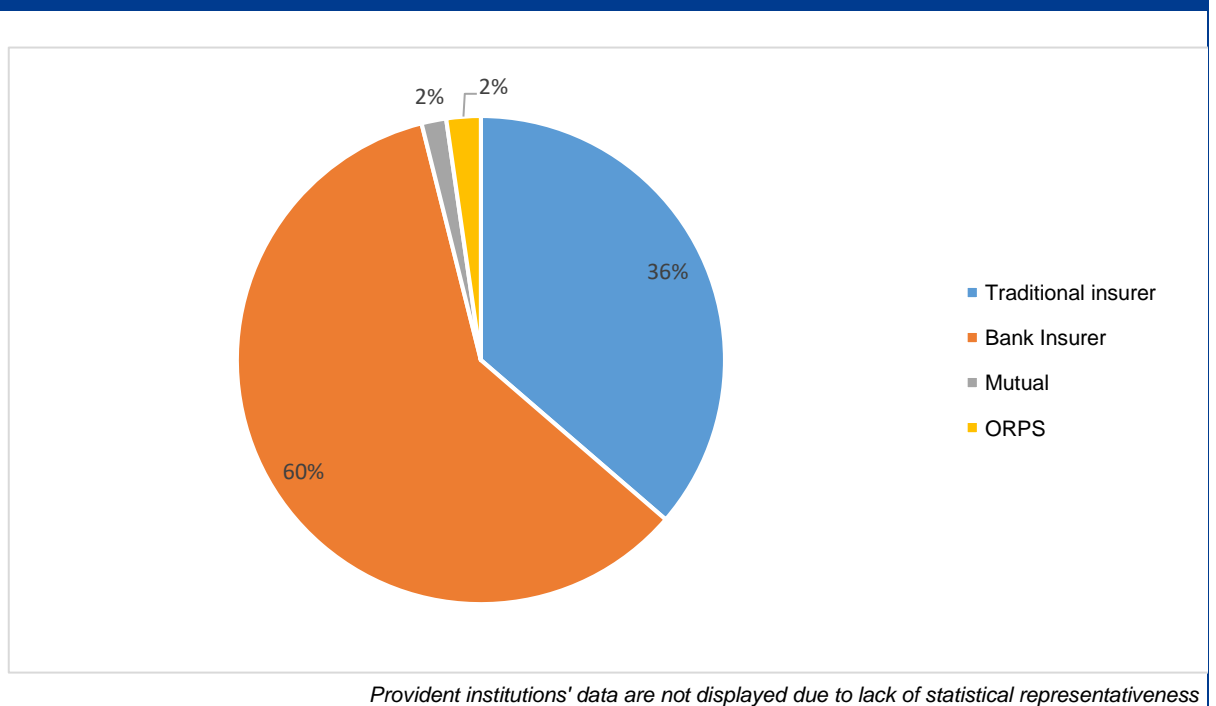
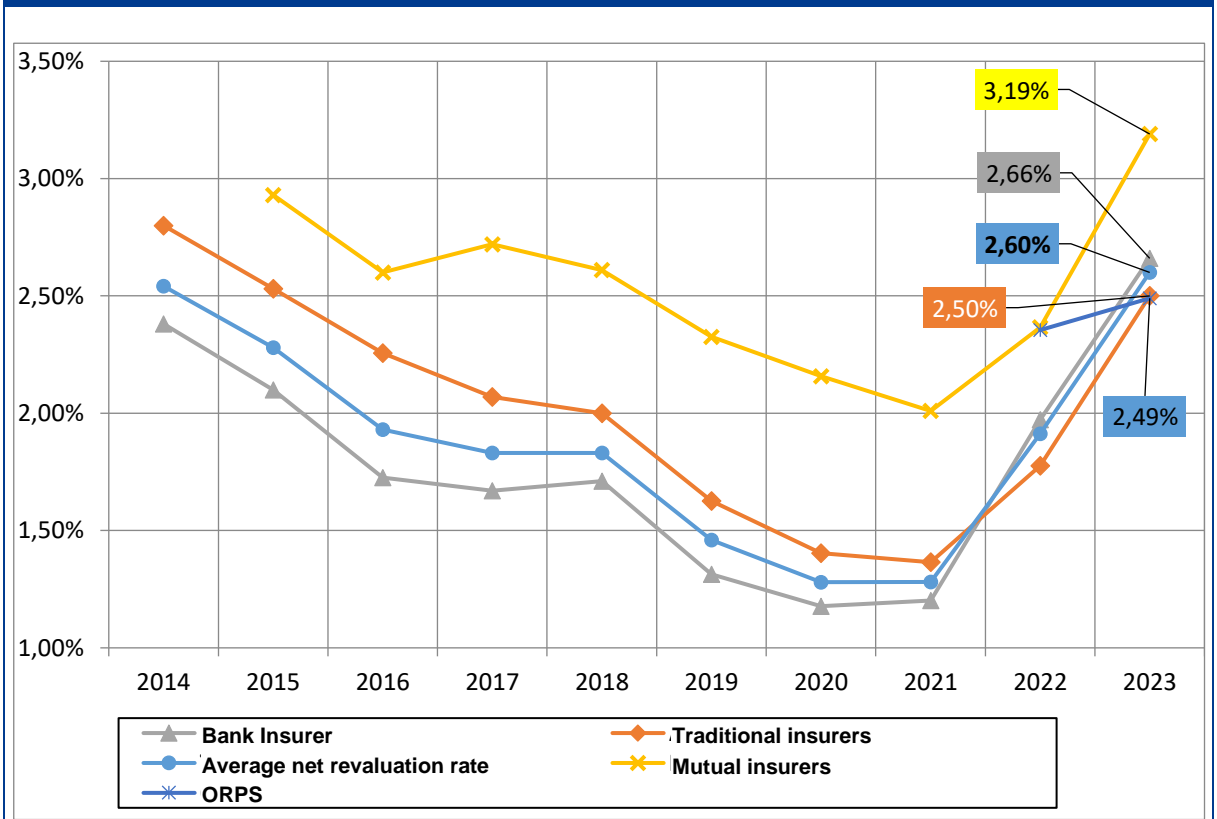


Chart 4 Breakdown of individual outstanding amounts by type of undertaking in 2023



⁸ Category 1: single premium capitalization contracts (or unfunded payments); Category 4: single premium life insurance contracts or unfunded payments (including open groups); Category 5: single periodic premium life insurance contracts (including open groups).

Chart 5 Average net revaluation rate for individual contracts weighted by mathematical provisions according to type of undertaking since 2014

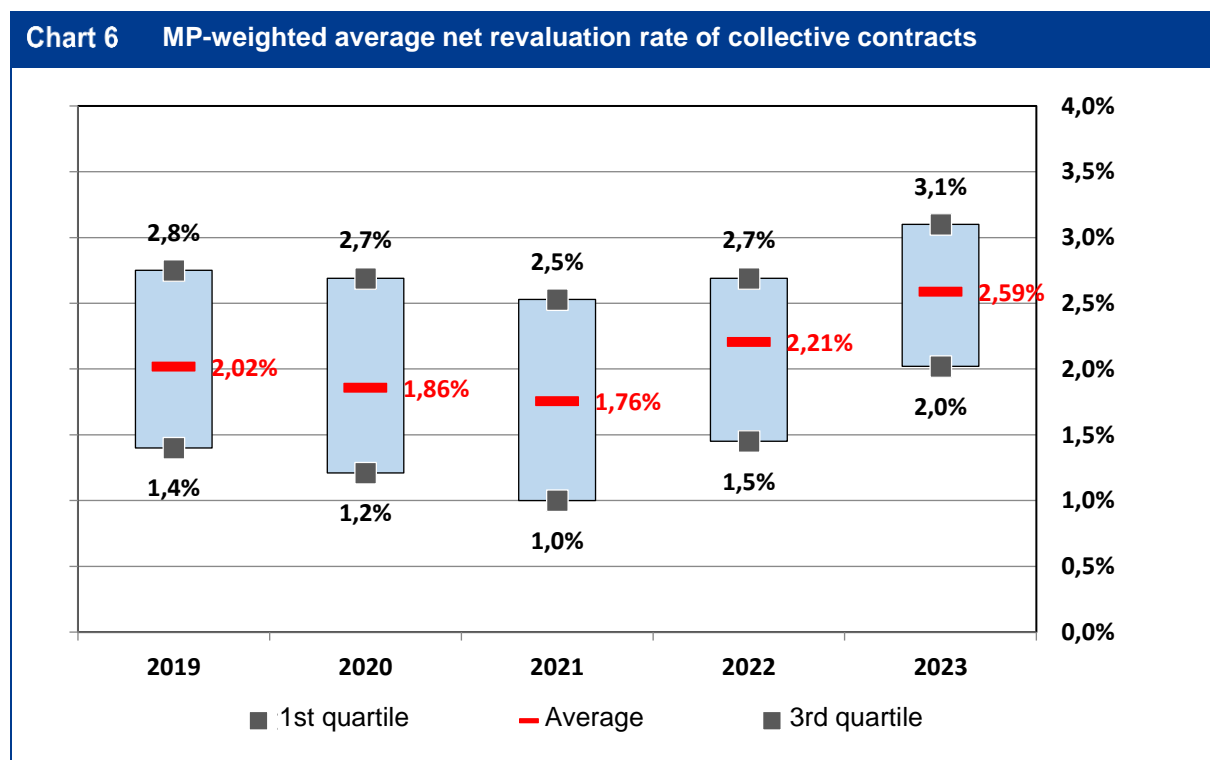


For group contracts, the revaluation rate increased to 2.59% in 2023

1. Significant increase in the revaluation rate in 2022

Undertakings increased their revaluation rate in 2023 (+38 basis points, which rises to 2.59% on average in 2023 compared with 2.21% in 2022).

This increase is in line with the increase observed in 2022 (see [Chart 6](#)), but it is lower than the one observed for individual contracts, leading in 2023 to a revaluation rate for group life insurance contracts very close to that observed for individual contracts.



2. Significant differences between types of undertaking

The rise in revaluation is mainly driven by asset class 7, which accounts for almost 64% of exposures (see [Chart 7](#)). Institutions for occupational retirement provision account for slightly more than half of the outstanding amounts of pension insurance (see [Chart](#)

[8](#)). Banking insurers posted the highest revaluation rates on the market (2.85%), while traditional insurers posted the lowest rates (2.57%; see [Chart 9](#)).

Supplementary occupational pension institutions transfers in 2022 interfered with historical comparisons.

Chart 7 Breakdown of outstanding amounts by type of contract⁹ in 2023

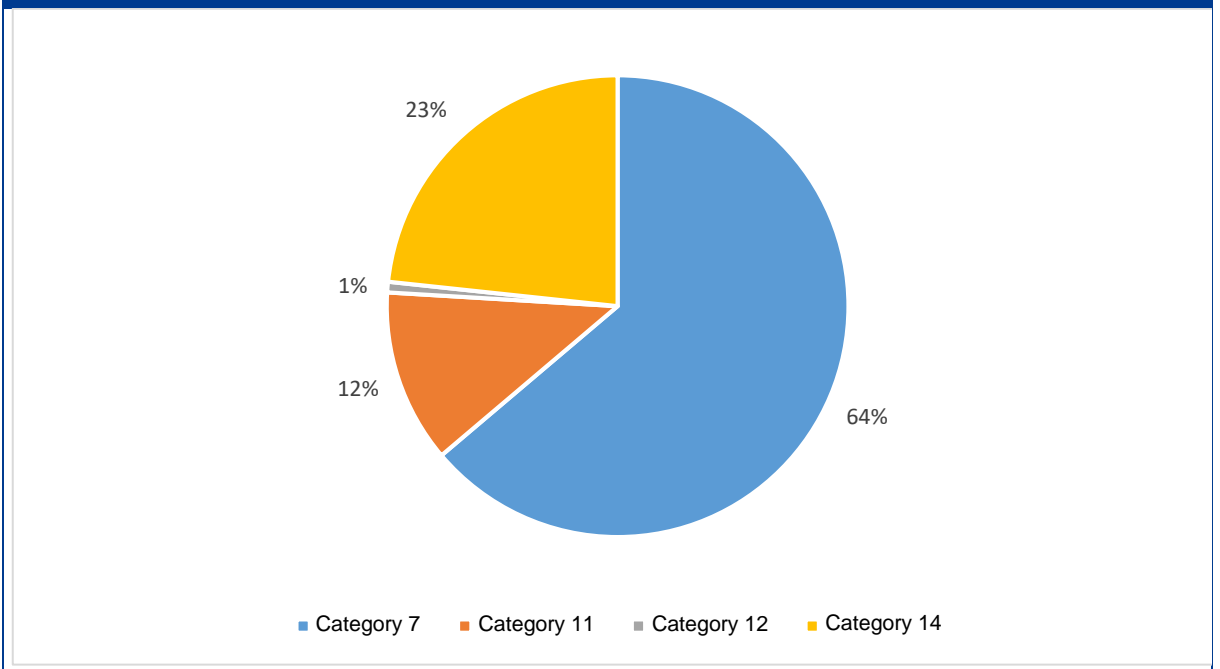
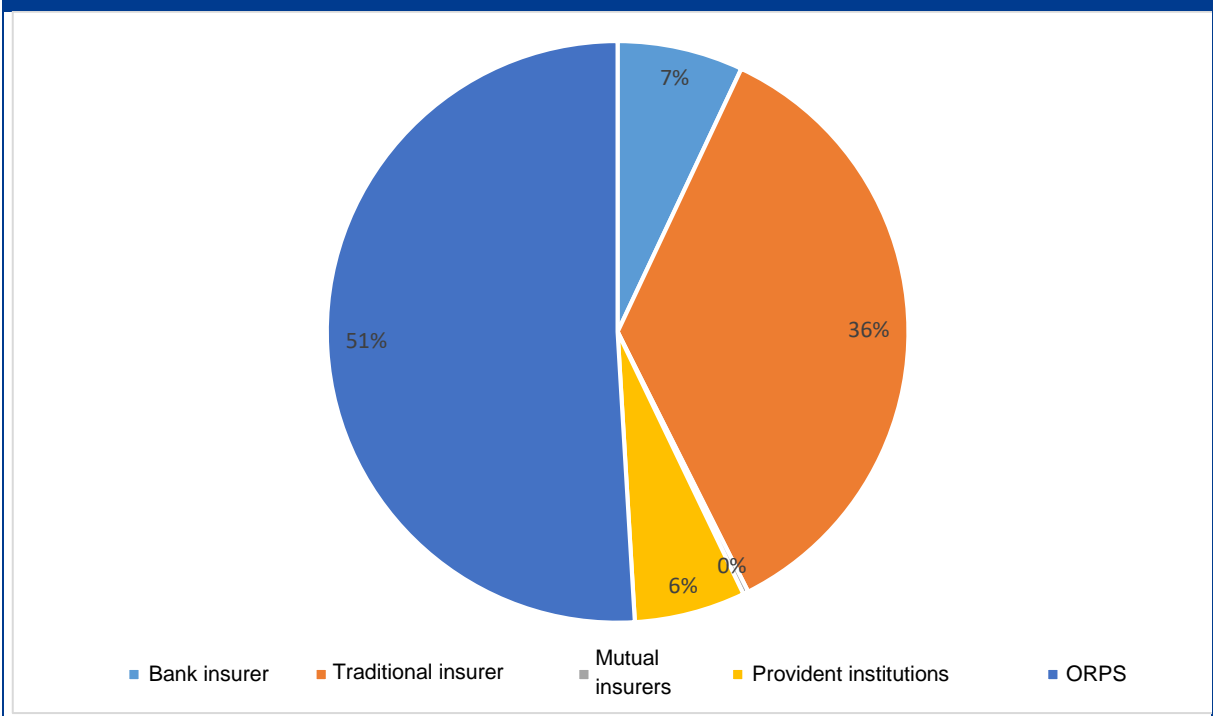
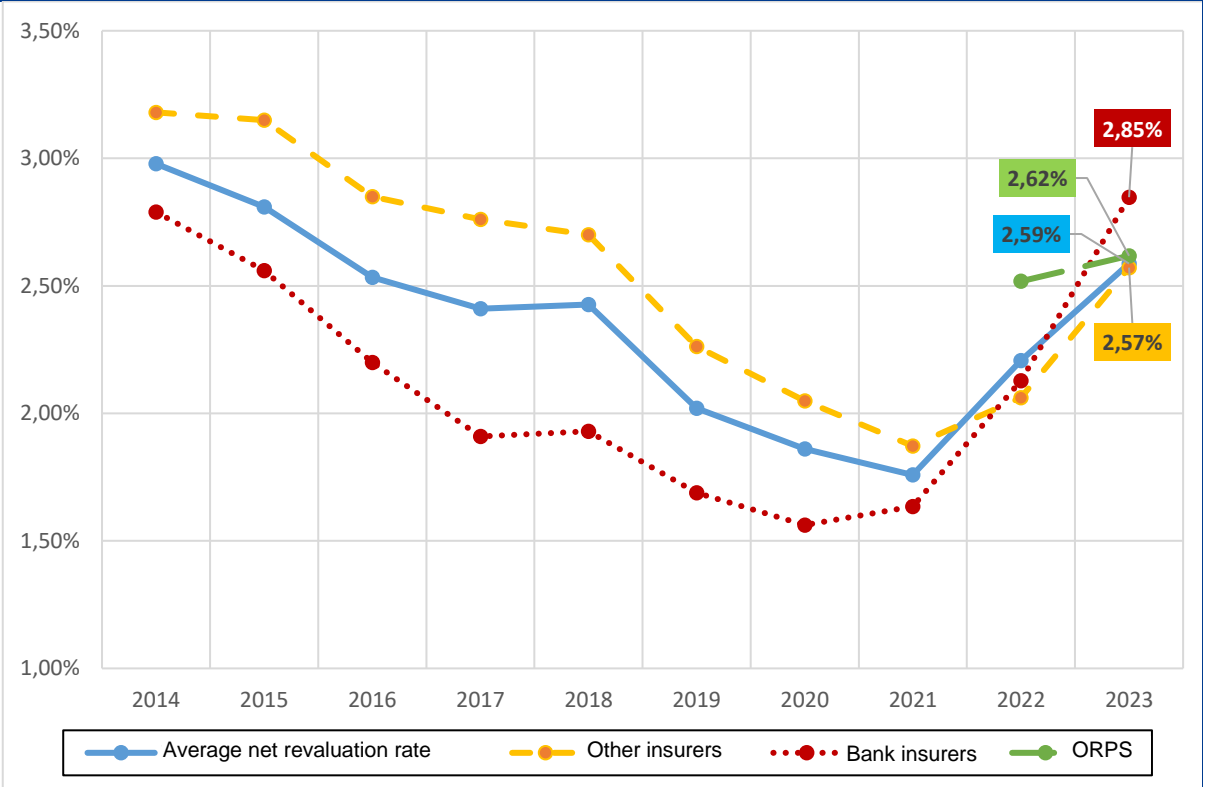


Chart 8 Breakdown of collective outstanding amounts by type of undertaking in 2023



⁹ Category 7: group life insurance contracts; Category 11: contracts falling under Article L.144-2 but not falling under Article L.143-1 (including PERP); Category 12: supplementary occupational pension contracts governed by Article L.143-1; Category 14: contracts falling under ancillary allocation accounting referred to in the first paragraph of Article L. 142-4 (PER) but not in category 11.

Chart 9 Average net revaluation rate for group contracts weighted by mathematical provisions according to type of undertaking since 2014



*NB: Data on mutual insurers and provident institutions are not presented for lack of statistical representativeness
The average net revaluation ratio in 2021 does not take ORPS into account*

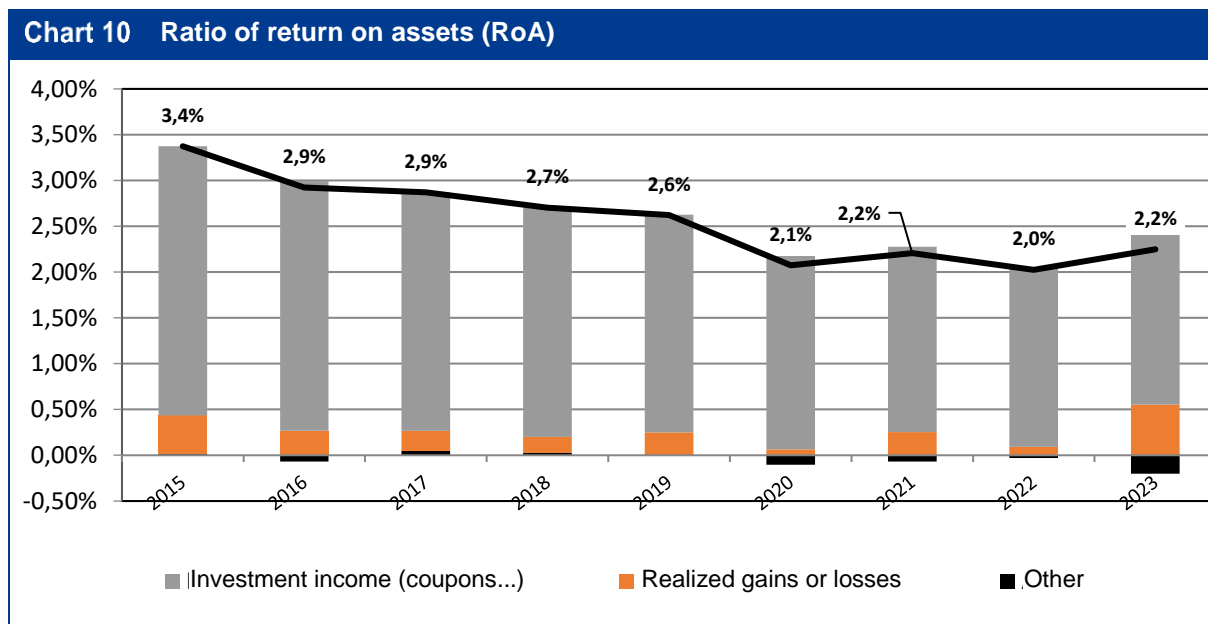
An increase in the revaluation rate mainly thanks to the use of profit-sharing provisions

1. Strong inertia in the allocation of assets, mainly bonds

The decline in interest rates over recent years has put pressure on insurers' financial income, particularly bond coupons. Bonds account for nearly 60% of insurers' investments. As a result, the average rate of return on assets (RoA¹⁰) had been decreasing almost continuously for several years before increasing to 2.2% in 2023. Despite the increase in interest rates since 2022, the recurring part of insurers' return on assets continued to decline, particularly as

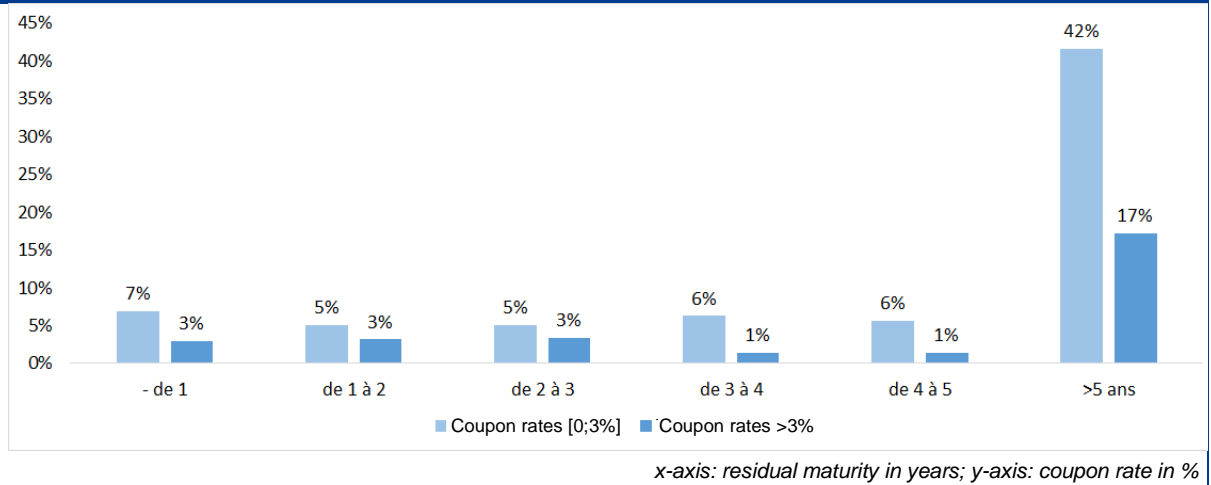
old high-yield bonds were replaced by lower-paid bonds. Realized capital gains on the other hand rose by +0.4 points (see [Chart 10](#)~~Chart 10~~).

Over the medium term, stabilizing interest rates would allow insurers to reinvest in more profitable assets when their investments purchased at low interest rates mature. Indeed, at the end of 2023, nearly 70% of bond investments maturing in the next 4 years had a coupon rate below 3% (see [Chart 11](#)~~Chart 11~~).



¹⁰ Financial income from investments net of financial expenses of investments divided by the net carrying amounts of the 16 main life insurers

Chart 11 Breakdown of holdings of bonds with fixed coupon rates by residual maturity at the end of 2023



2. Decrease in profit sharing provision

In 2023, the average rate of return on assets was on a contained growth path and half of the undertakings showed a RoA of between 1.8% and 2.6%, close to the limits recorded in 2021 and 2022 (see [Chart 12](#)).

The increase in the revaluation rate was therefore mainly enabled by the use of provisions for profit sharing. Indeed, after several years of growth, this provision, which smoothes the revaluation of contracts over several years, is decreasing and reaches 4.9%

of life insurance provisions for individual contracts (see [Chart 13](#)) and 2.0% for group contracts (see [Chart 14](#)).

Although the difference between the RoA of bank insurers (2.1%) and that of traditional insurers (2.4%) is relatively small (0.3 percentage points), the difference observed in the ratio of profit-sharing provisions to life insurance provisions (5.6% and 3.6% respectively) is significantly larger (2 percentage points).

Chart 12 Dispersion of RoA since 2019

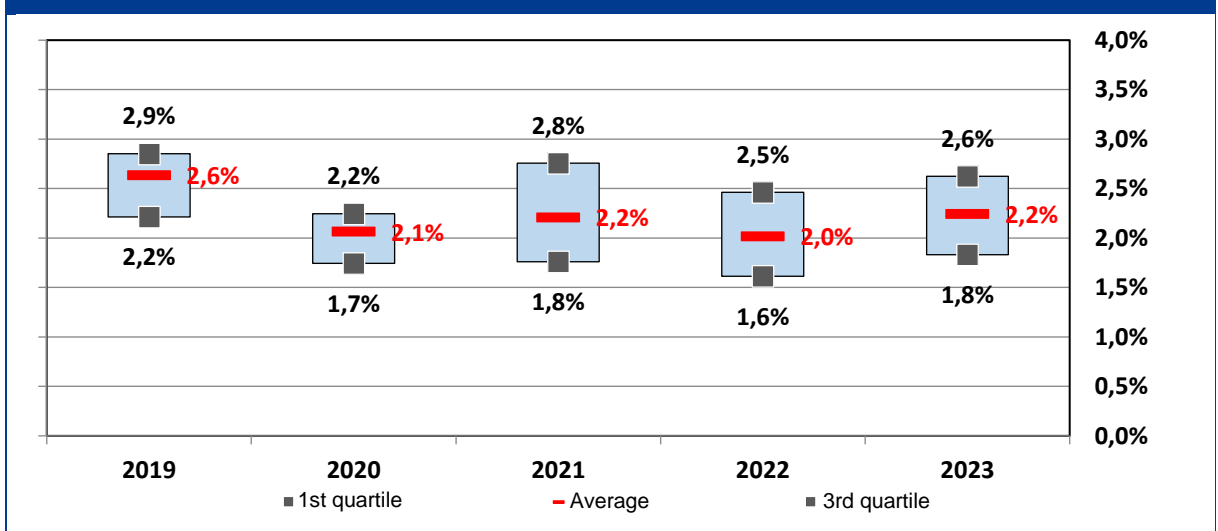


Chart 13 Evolution of profit-sharing provisions as a percentage of life insurance provisions in individual contracts

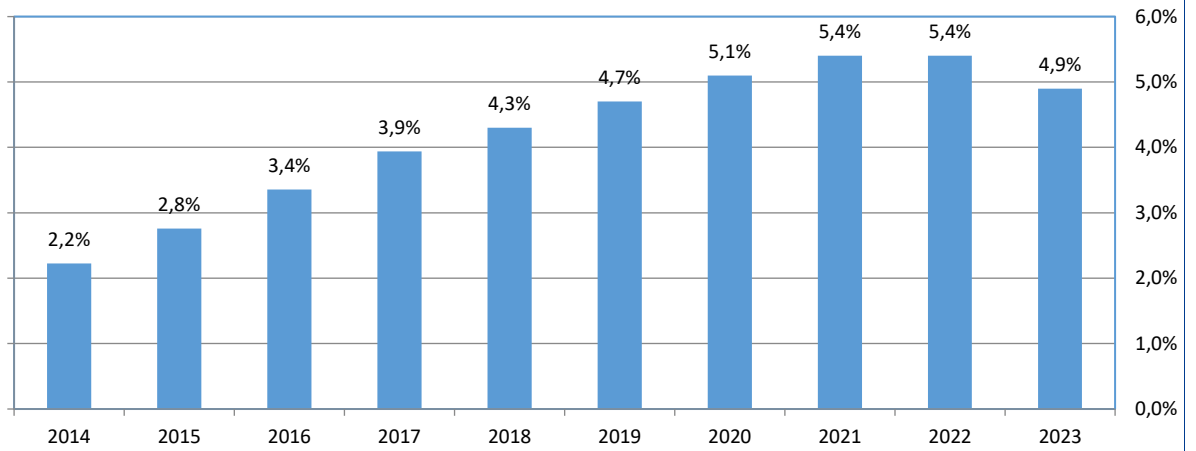
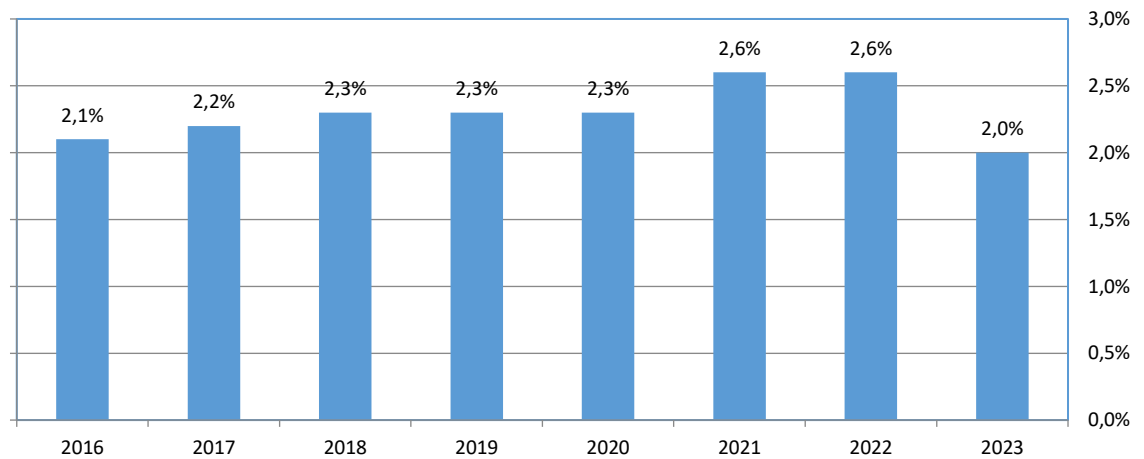


Chart 14 Evolution of provisions for profit sharing as a percentage of life insurance provisions in group contracts



Despite the increase in interest rates and inflation, technical interest rates and management charging rates are fairly stable

1. Technical interest rates are weakly binding

The average technical premium rate for individual life insurance contracts stood at 0.37% in 2023, which is stable compared with 2022 (see [Table 1](#)). Historically, the technical interest rate has been a significant constraint on determining the interest rate paid of some undertakings that still hold very old generations of contracts with high guaranteed rates. However, since the increase in interest rates, this constraint has eased. However, most contracts issued in France have a low or zero technical interest rate, which explains why the

average is now significantly lower than the 10-year OAT rate.

The average technical rate for group contracts with a dominant pension component was 1.04% in 2023, down 8 basis points compared with 2022 (1.12%) and down 38 basis points since 2018 as outstanding amounts of contracts underwritten before the low rate period gradually declined. It is well above the average technical rate for individual life insurance contracts with a high saving content, but with the increase in rates, most undertakings now have an average technical rate below the 10-year OAT.

Table 1 Average technical rate weighted by the mathematical provisions of undertakings

	2018	2019	2020	2021	2022	2023
Individual average technical rate	0.44%	0.41%	0.39%	0.37%	0.36%	0.37%
Collective average technical rate	1.42%	1.32%	1.24%	1.21%	1.12%	1.04%

2. Consistent and fairly stable management charging rates

Despite the fact that inflation may increase management costs for undertakings, the average rate at which euro funds are charged into individual contracts stood at 0.59% on average in 2023, down 3 basis points compared with 2022. The percentage of premiums collected has barely changed, but policyholders have benefited from a better valuation of their

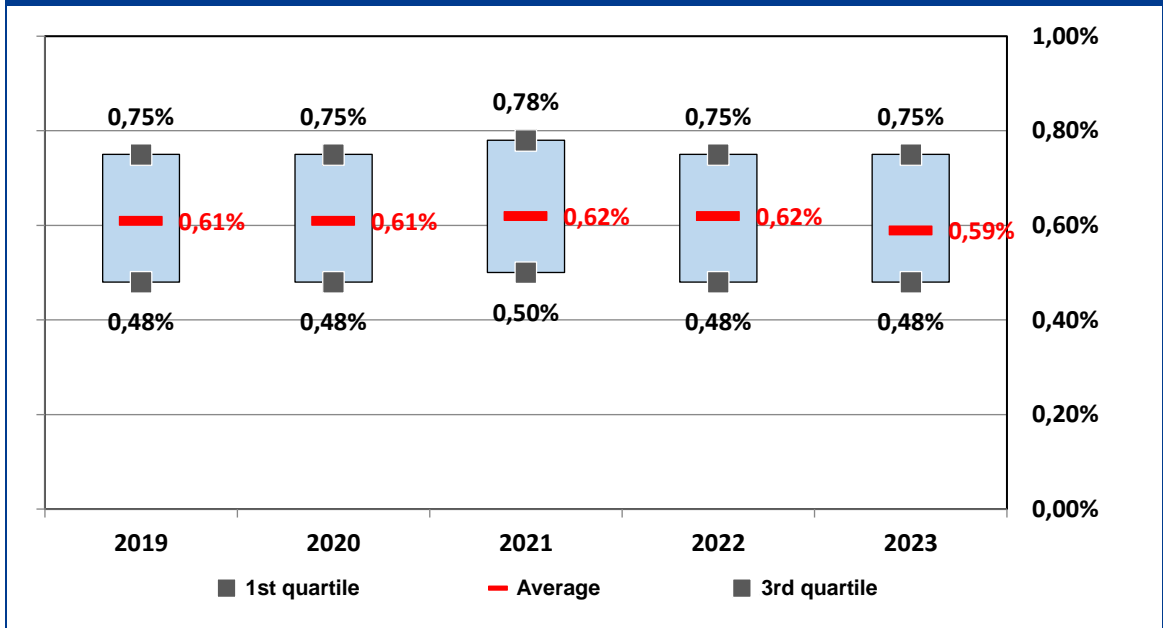
policies this year. The cost-return comparison improved for policyholders.

The management charging rate differs only very little on average depending on the type of undertaking (see [Table 2](#)). Half of the undertakings have a management charging rate of between 0.48% and 0.75% (cf. [Erreur ! Source du renvoi introuvable, Chart 15](#)).

Table 2 Average management charging rate weighted by mathematical provisions according to type of undertaking for individual contracts

	Banking insurers	Traditional insurers	Individual market
Management charging rate	0.59%	0.61%	0.59%
Average technical rate	0.29%	0.42%	0.37%
Net revaluation rate	2.66%	2.50%	2.60%

Chart 15 Management charging rates dispersion since 2019



The average management charging rate¹¹ of euro funds on collective contracts was almost stable at 0.40% on average in 2023. Despite this stability, the cost-return ratio for policyholders is improving thanks to a

significant increase in the revaluation rate (see [Table 3](#) ~~Table 3~~).

Traditional insurers have the highest management charging rate at 0.47%, while ORPS have the lowest management charging rate at 0.39%.

Table 3 Average management charging rate weighted by mathematical provisions according to type of undertaking¹² for collective contracts (change compared to 2022 in basis points)

	Banking insurers	Traditional insurers	Supplementary occupational pension institutions	Collective market
Management charging rate	0.45%	0.47%	0.39%	0.40% (+1 bps)
Average technical rate	0.51%	0.8%	1.22%	1.04% (-8 bps)
Net revaluation rate	2.85%	2.57%	2.62%	2.59% (+38 bps)

¹¹ The management charging rate is the ratio of the contract-related management costs paid by the insured person to the average mathematical provisions.

¹² For lack of statistical representativeness, provident institutions are not included in this table.