French insurance in 2007

Fédération
Française
des Sociétés
d'Assurances

A major driver of the economy and society

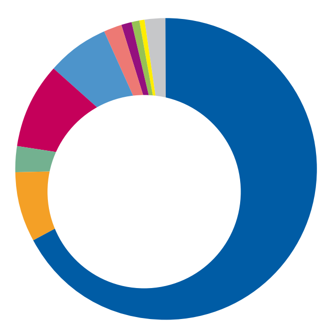
Insurance contributes to economic development and social welfare. Capturing, measuring and preventing risks play a central role in every sector of activity. The FFSA has 266 corporate members that together represent 90% of the French insurance market. The insurance industry works alongside stakeholders, day in and day out, to provide the best solutions for our shared future.

170.9
BILLION EUROS CREDITED TO POLICYHOLDERS

1491.1
BILLION EUROS IN ASSETS MANAGED BY INSURANCE COMPANIES

210 500
PEOPLE EMPLOYED BY THE FRENCH INSURANCE INDUSTRY

Distribution of premium income in 2007
Primary business



- 67.3% Life insurance
- 7.6% Bodily injury
- 2.7% Capital redemption bonds
- 9.1% Automobile
- 6.9% Property
- 1.7% Casualty (general liability)
- 1.3% Construction
- 0.7% Natural disaster coverage
- 0.5% Transport
- 2.2% Miscellaneous

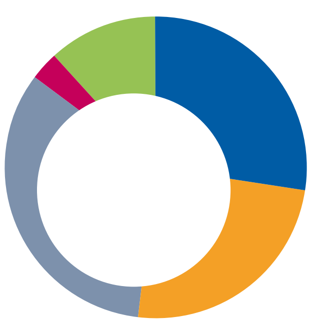
Source: FFSA.

195.4
BILLION EUROS IN REVENUES FROM PRIMARY BUSINESS

151.6
BILLION EUROS IN REVENUES FROM LIFE AND HEALTH INSURANCE

43.8
BILLION EUROS IN REVENUES FROM PROPERTY AND CASUALTY INSURANCE

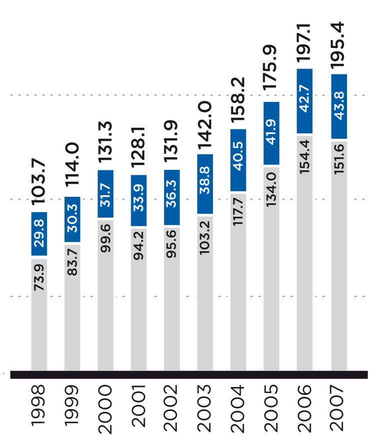
Breakdown in insurance company investments at year-end 2007 (market values)



27.6%	Corporate bonds
24.5%	Equities
33.4%	Bonds issued or backed by a government
3.1%	Real estate
11.4%	Other (money market, etc.)

Source: FFSA.

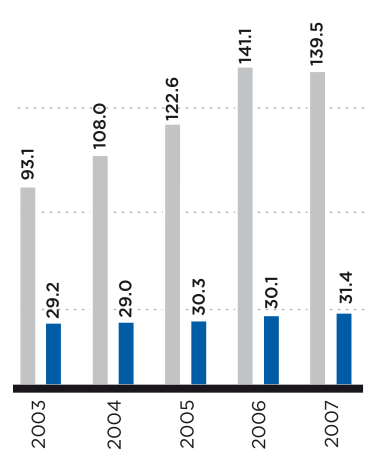
Change in total premium income of the French insurance industry
Primary business
(in billions of euros)



Life and health insurance
Property and casualty insurance

Source: FFSA.

Change in amounts credited to insureds
Primary business, including allowance to actuarial reserves
(in billions of euros)



Life and health insurance
Property and casualty insurance

Source: FFSA.

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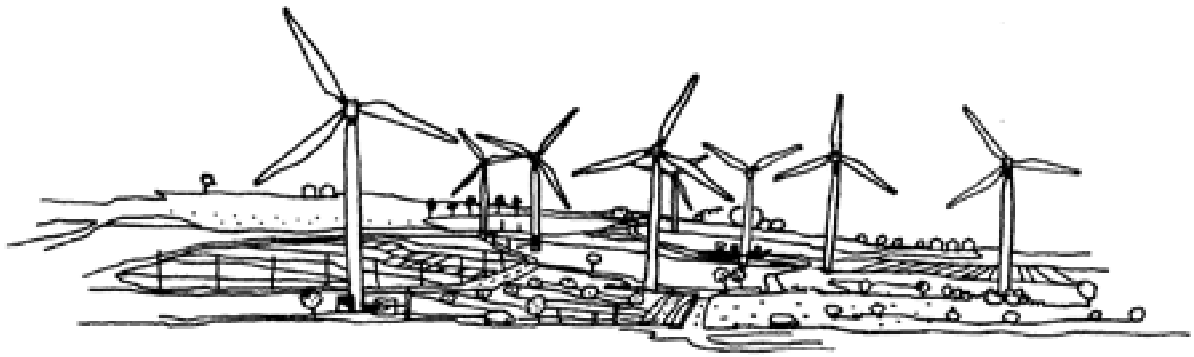
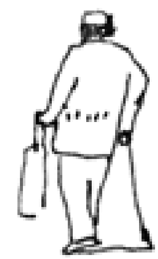


The data published in this report concern all French and foreign insurance companies operating in France, and has been supplied by members of the FFSA, GEMA (the *Groupement des entreprises mutuelles d'assurances*) and insurance agent (Agea) and broker (CSCA) trade unions. Until the final results are available for all players in the insurance market, the figures indicated for 2007 should be considered as best estimates only. This report can also be consulted online in French or in English (www.ffsa.fr).

Date of redaction: June 1, 2008.



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Appendices

The role of insurance

"Without a doubt, the subprime crisis was the most significant event of 2007 in the financial realm. It rapidly spread to all of the economies of the developed countries in the form of a liquidity crisis, which simultaneously impacted inter-bank relationships and certain pockets of the credit markets. The exposure of French insurance companies to the financial disorder that the crisis wreaked was only slight. This is not due to some simple twist of fate; nor is it due to better luck in terms of financial management. The reason French insurance companies were spared the worst is that they are not in the same business as the banks. Unlike banks, which issue loans and by the same token hold receivables that increase their assets, insurance companies assume commitments that are recorded as liabilities and issue a promise that they must honor at a particular point in time. Policyholder trust forms the basis of insurance operations. Consequently, insurance companies practice conservative investment policies governed by the objective of matching assets and liabilities. They give preference to selective investments in financial instruments whose performance they understand and invest only rarely in asset classes that are atypical or fashionable.
But the main reason that the consequences of the US financial crisis were so slight for the insurance industry is the matching principle, which requires insurers to hold assets in the same currency as the obligations they have assumed with respect to their policyholders. Nearly all of their investments, which are in financial instruments stated in euros, avoided the substantial depreciation that affected structured products issued in dollars. But on the eve of the advent of a new prudential framework, Solvency II, insurers will have to make sure that the solvency margin requirements do not push them—as was the case for the banks with Basel II—to transfer the risks on their balance sheets. It is of vital importance that insurers take the time needed to draw all of the lessons to be learned from the impact of the subprime crisis on the banking sector and that they conduct impact studies to ensure that the prescriptions these new standards seek to implement remain consistent with their operating conditions and the nature of their obligations.
Conversely, insurance companies were not spared the impacts of the stock market decline that was sparked by this crisis, not to mention the rise in market volatility. Breaking with the strong growth it posted in 2005 and 2006, the insurance market indeed declined in 2007 by 0.9 %, reflecting the combined impact of the inversion of the yield curve and persistent stock market weakness.
This slight decline in revenue growth does not cast doubt on the financial strength of insurance companies, which once again this year posted strong earnings, nor does it weaken their preponderant role in

“Social security must also be firmly placed and managed within the context of sustainable development.”

GÉRARD DE LA MARTINIÈRE,
CHAIRMAN OF FFSA

financing the productive economy. At year-end 2007, insurance company investments—boosted in particular by life insurance—reached nearly 1 500 billion euros, mostly oriented towards equity investments in private sector businesses.
Thanks to their financial strength and economic utility, insurers can look forward with confidence to the challenges of insuring the risks that contemporary society imposes. Insurance will be in an even better position to face them if it can count on a regulatory, tax and legal environment that is well adapted to its core mission. This, indeed, is the aim of the FFSA day in and day out.

Insurance can also address the new demands for coverage on the part of the French and is the natural partner of the government when it comes to meeting the societal needs created by the impacts of demographic aging.
The proposals insurers have reiterated in the areas of retirement, long-term care and medical insurance should be heeded. The competitive market has already demonstrated its ability to offer services and products that meet consumer needs that the public system is having increasing difficulty fully covering. The goal of insurance is not to supplant the current system of social security, which is as precious as it is necessary, but rather to work alongside the state via public-private partnerships to prevent the current practice of systematically pushing today’s costs onto the shoulders of future generations. Social security must also be firmly placed and managed within the context of sustainable development.
In the realm of property-casualty insurance, sustainable development constitutes a priority—as attested to by the continuous improvements that insurers have been making for the past few years. In 2007, the industry launched a number of projects aimed at measuring climate change and supporting technological innovation. It pursued discussion with the *Mission risques naturels* (Natural Risks Mission) in order to gain a better grasp on the consequences of climate change on the frequency and intensity of natural events as well as deliver seamless and uninterrupted insurance protection. In parallel, insurers have offered to share their expertise in the area of risks by participating actively in the initiatives spearheaded by public policymakers (such as the Grenelle forum on the environment and task forces on climate change set up by the Ministry of Ecology, Energy, Sustainable Development and Territorial Development), in the interest of providing effective support for new ways of living, producing and consuming.
And the industry is likely to play a decisive role to play in financing the infrastructures whose deployment conditions our ability to meet the challenge of limiting carbon emission levels.”

Highlights

JANUARY 2007

• **TO IMPROVE ACCESS TO INSURANCE AND CREDIT FOR INDIVIDUALS WHO PRESENT AN AGGRAVATED HEALTH RISK DUE TO A PAST OR PRESENT MEDICAL CONDITION, THE AERAS *(S'ASSURER ET EMPRUNTER AVEC UN RISQUE AGGRAVÉ DE SANTÉ)* AGREEMENT WENT INTO EFFECT.**

APRIL 2007

• Effective April 30, 2007, all insurance intermediaries must be enrolled in a nationwide licensing registry, which is being administered by an organization called Orias *(Organisme pour le registre des intermédiaires en assurance)*.

• The European Commission published a Green Paper on a single market for retail financial services to improve consumer protection.

JULY 2007

• **THE FFSA AND THE GEMA TEAMED UP TO CREATE THE FRENCH INSURANCE ASSOCIATION *(ASSOCIATION FRANÇAISE DE L'ASSURANCE)*, IN THE INTEREST OF SPEAKING OUT AS ONE ON SUBJECTS OF COMMON CONCERN.**

• The global financial services hub, Finance Innovation, became official. The insurance industry joined this group initiative, taken by the Paris capital market and harboring global ambitions.

• On July 10, the European Commission adopted the draft framework directive for Solvency II, which sets forth the new prudential system governing insurers.

AUGUST 2007

• The so-called Tepa Act, promoting work, employment and purchasing power, was passed. In particular, it calls for a reduction in inheritance taxes, a measure that has an indirect impact on life insurance.

• The subprime fiasco that was triggered in the United States in 2006 spread to the rest of the world, becoming a global financial and capital market crisis with repercussions for the life insurance market.

SEPTEMBER 2007

• The European Commission published a sector inquiry report on commercial insurance services, which does not reveal any serious anomalies in the operation of the business insurance market, but does express doubts about renewing regulations that protect some practitioners from the ordinary rules of competition.

OCTOBER 2007

• THE FFSA PARTICIPATED IN PHASES I AND II OF THE FRENCH GOVERNMENT'S GRENELLE FORUM ON THE ENVIRONMENT.

• THE FFSA PARTICIPATED IN THE HIGH COUNCIL FORMED TO DISCUSS WAYS OF ENHANCING THE APPEAL OF PARIS AS A GLOBAL CAPITAL MARKET.

NOVEMBER 2007

• THE FFSA LAUNCHED THE FIRST WEBSITE FOR ONLINE DISCUSSION OF THE SOCIAL IMPACTS OF CHANGING RISKS: WWW.LAPARTDERISQUE.FR

• The FFSA hosted the first Parliamentary Encounters on the theme of long-term care (loss of autonomy).

• The results of the third Solvency II impact study (QIS3), in which French insurance companies participated massively, were published.

DECEMBER 2007

• THE INSURANCE INDUSTRY AGREED TO SEARCH FOR THE EXISTENCE OF UNCLAIMED LIFE INSURANCE POLICIES AT THE FFSA'S ANNUAL GENERAL MEETING.

• The FFSA updated its investment code to take climate change into account.

JANUARY 2008

• Medical deductibles were introduced. In spite of the amendment that was requested by the French insurance association *(Association française de l'assurance)*, these deductibles are excluded from the scope of supplemental health insurance.

FEBRUARY 2008

• PUBLIC POLICYMAKERS KICKED OFF PHASE IV OF THE GRENELLE FORUM ON THE ENVIRONMENT. THE FFSA IS A STAKEHOLDER IN SEVERAL OPERATIONAL COMMITTEES TASKED TO TRANSCRIBE THE CONCLUSIONS OF THE FIRST PHASES.

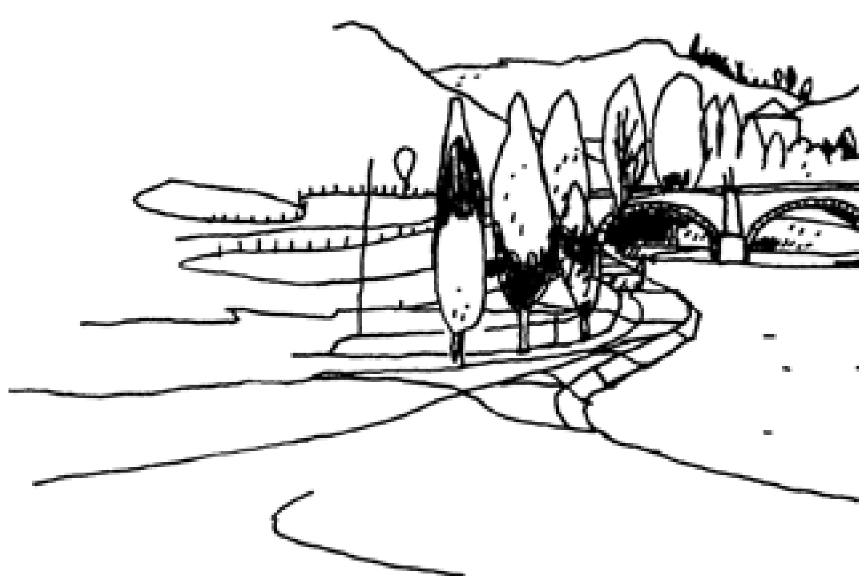
MARCH 2008

• To mark the publication of a sociological survey, the insurance companies of the FFSA submitted proposals aimed at revamping the BSR *(Brevet de sécurité routière)*.

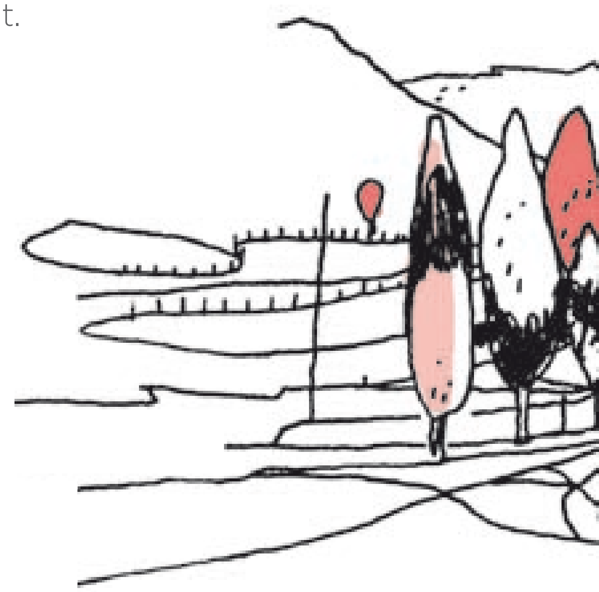
• End of Algerian conflict: the French insurers involved and their Algerian counterparts met under the auspices of the FFSA and agreed to put an end to the dispute, which began back in 1966.

APRIL 2008

• THE FRENCH INSURANCE ASSOCIATION *(ASSOCIATION FRANÇAISE DE L'ASSURANCE)* PUBLISHED A WHITE PAPER ON INDEMNIFICATION FOR BODILY INJURY CLAIMS, THE AIM OF WHICH IS RENDER THE SYSTEM OF REPARATIONS MORE TRANSPARENT, EFFICIENT AND FAIR.



The future of the planet depends on our ability to take actions that promote sustainable development. These efforts will have a profound impact on our way of life and the social and economic dynamic of our communities. Because the role of insurance is to anticipate, predict and contemplate risk as it evolves, the industry is a natural partner in sustainable development.



1

Insurance and society

Taking action for sustainable development

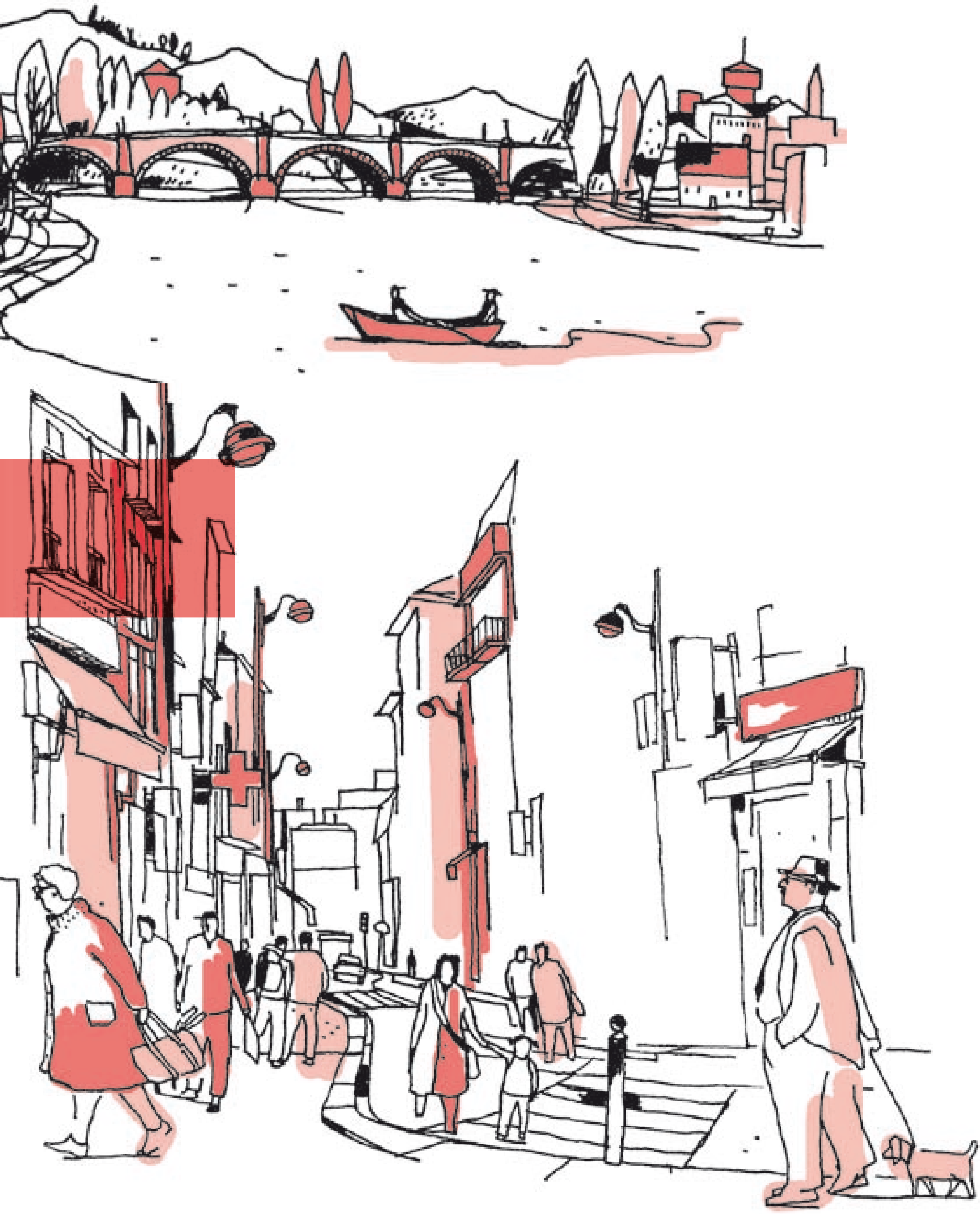
Contributing to sustainable and responsible growth

A participant in financing the economy

In 2007, insurance represented 40% of the financial assets of households. In terms of market value, the investments made by insurance companies represented 1491 billion euros. Accordingly, insurance plays a substantial role in financing the productive economy and is committed to ensuring that economic development is both sustainable and responsible.

Responsible investment decisions

Insurers are active contributors to the development of SRI (Socially Responsible Investment) and together form France's second largest responsible investor with 17% of all assets being managed in accordance with SRI in the market, i.e., more than 1.7 billion euros in 2006



13
BILLION EUROS INVESTED IN SMEs IN THREE YEARS

(Source: Novethic). In addition, in December 2007 the FFSA updated the investment code for insurance companies, which was first adopted in 2005, in the interest of encouraging them to take extra-financial criteria into consideration when they make investment decisions. This update reflects the broader goal of insurers, which is to promote socially responsible investment and encourage the industry to take part in raising the general level of awareness of ecological issues.

Encouraging the industry to fund SMEs

The industry promised in 2004 to substantially step up insurance company investments in SMEs with strong growth potential, in particular unlisted innovative ones or those listed on an unregulated market *(see page 52)*. The quantitative objective was met and even surpassed, with some 13 billion euros invested in three years, a sum that makes the industry one of the leaders in this area. French insurers will continue to take steps to reinforce their investments in this sector of the economy, and several are participating actively in the *France Investissement* program, which was launched in 2006 by the government to help start-up and fledgling enterprises obtain financing.

Micro-insurance appears on the scene in France

Throughout 2007, several initiatives in micro-insurance were launched with the aim of helping those who create very small businesses that generate modest revenues or that are precarious by nature find coverage for their business-related risks at low cost (property, casualty, employee benefits and health insurance). These insurance solutions, which may ultimately help tens of thousands of micro-businesses, are designed and distributed in partnership with networks that help entrepreneurs get started.

Enhancing the appeal of Paris as a capital market

The FFSA is an active supporter of policies aimed at developing and enhancing the appeal of Paris as a global capital market. A member of the high commission *(Haut Comité de place)* that was formed at the behest of the French Minister of the Economy, Industry and Employment in October 2007, the FFSA is also one of the co-founders of the global Finance Innovation hub that was officially designated in July 2007.
Insurance is one of the driving forces behind the Paris financial market, due not only to the long-term savings it collects but also to its involvement in activities that are international by nature: transportation, corporate and industrial risks, reinsurance, and securitization of assets and liabilities.
The FFSA has issued proposals designed to promote these areas as part of the strategic program of the Paris marketplace. In addition, the FFSA reiterated its view that a legal and tax framework is needed to promote a more competitive environment that is also more supportive of innovations. The elimination of the wage tax and the institution of a regulatory framework that can extend the limits of insurability are also needed.

Fight against money laundering

Legislation related to the fight against money laundering is again in the process of being modified prior to the transposition of the directive dated October 26, 2005 (the third anti-money laundering directive). The aim of this legislation is to organize the fight against money laundering by adapting safeguards in accordance with the risks for clients, products and operations.

Heightened protection for consumers

Contributing to responsible and sustainable growth means placing client protection and satisfaction at the heart of the insurance industry's concerns.
French consumers of insurance enjoy a high degree of protection. In fact, the insurance business is regulated and governed by a detailed body of specific rules. Several laws have been passed recently that reinforce this protection, in life insurance as well as in property-casualty insurance, on both the domestic and European levels: The Green Book published by the European

Informing policyholders

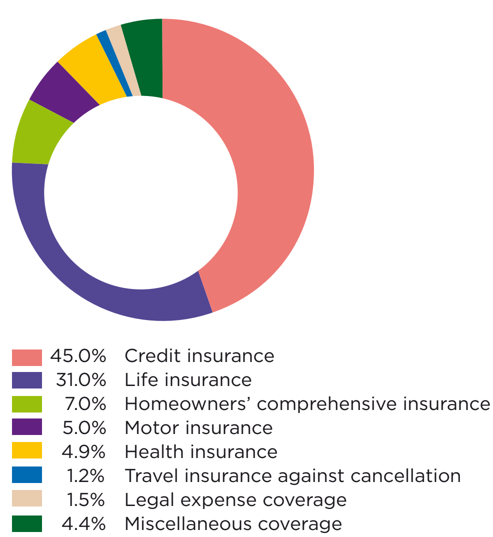
**The FFSA's Center of Insurance Information and Documentation (CDIA) uses its nationwide coverage to disseminate practical information on insurance in France.
The 700 volunteer delegates and correspondents in the CDIA network conduct awareness-raising programs targeting various correspondents—coordinators of chambers of commerce or volunteer organizations, journalists, or the permanent staff of organizations that aid victims or consumer protection groups—who in turn relay the information to policyholders.
The practical information published by the CDIA is available on the FFSA's website (www.ffsa.com).**

Commission in 2007, whose aim is to set up a genuine single market for consumers; the Act of December 17, 2007 on unclaimed life insurance policies; the Act of January 3, 2008 for the development of competition in the service of consumers, etc.
These measures, in addition to laws passed in recent years on the obligation to provide purchasers of insurance with certain information prior to signing an insurance contract, and the formal obligation to advise that is incumbent on insurance intermediaries (as well as in the event of the remote sale of financial services), are helping to promote the development of trust-based relationships between insurers and consumers. The FFSA's own ethical commitments are also helping to create this climate. Therefore, the institution of a formal procedure for class action suits, even if carefully framed, is not necessary.

Mediation

The FFSA set up a formal mediation process in 1993 to service individuals, both policyholders and outside parties, in the event of a dispute over an insurance policy.
This process is designed to encourage the direct resolution of such conflicts by insurance companies; formal mediation is only used as a matter of last resort to deal with unresolved issues. The relationship between the individual with the grievance and the insurance company is a special one. The claimant first discusses the grievance with the customer service center of the insurance company, which attempts to resolve the problem. If no solution can be found at this level, the claimant turns to the mediator, whose contact details are provided by the insurance company.
To support the mediation process, a set of guidelines was drawn up and signed by all insurance companies that are FFSA members, as well as organizations that represent consumer interests and public policy makers. The FFSA mediator is appointed every three years by unanimous vote of a committee comprising the chairman of the *Institut national de la consommation* (INC), the chairman of the *Comité consultatif du secteur financier* and the FFSA's own president. Member companies can also opt to appoint their own mediator, whose action is coordinated with that of the FFSA mediator and whose intervention is governed by the terms and conditions set forth in the guidelines. The FFSA's mediator publishes an annual report that is available on the websites of the FFSA (www.ffsa.fr) and the INC (www.conso.fr).

Analysis of requests for mediation filed in 2007



Source: FFSA mediator.

Partner organizations

Les Entretiens de l'Assurance **provide an opportunity for partner organizations to host their own events: Agrepi *(Association des ingénieurs et cadres agréés par le CNPP)* and the CNPP, the PSRE, *La Prévention Routière*, the Cesam *(Comité d'études et de services des assureurs maritimes et transports)*, Ajar *(Association des juristes d'assurance et de réassurance)*, Agea, Aida *(Association internationale du droit de l'assurance)*, Alfa *(Agence pour la lutte contre la fraude à l'assurance)* and the review *Risques*.**

The risk debate

Ideas are exposed, discussed and shared. Whether they come from insurance industry professionals; political, economic and social figures; heads of government departments and associations; journalists or concerned citizens... ideas have a place at lapartderisque.fr, where the discussion focuses on every aspect of risk.

In 2007, 4 002 disputes were submitted for mediation, and 82% of these cases concerned the life and health insurance sector. Once again in 2007, credit insurance was a significant source of dispute (45% of all requests for mediation that were submitted).
In the property and casualty sector, disputes relative to homeowners' and motor insurance lines remain preponderant.

Participating in the civic debate

Because insurance lies at the heart of economic and social issues, the industry maintains ongoing contact with many different audiences. These contacts are particularly important because the public is often not well informed about the technical aspects of insurance. The industry makes regular efforts to help the public understand the contribution and mechanisms of insurance, as well as take part in discussions on social issues and create exchanges that lead to new solutions.

Les Entretiens de l'Assurance

In 2007, the insurance industry held meetings with all of its partners to discuss the issues related to sustainable development. Numerous speakers from outside the industry took part in these discussions, including Erik Orsenna, member of the *Conseil d'État*, writer and a member of the *Académie française*; Corinne Lepage, chairman of Cap 21, former government minister and attorney-at-law; Yves-Thibault de Silguy, chairman of the board of directors of Vinci; Roger Guesnerie, professor at the *Collège de France* and president of the *École d'économie de Paris*; Dominique Bourg, member of the ecology watch committee of the *Fondation Nicolas-Hulot*; Marie-Anne Montchamp, an elected representative from the Val-de-Marne and former government minister; Robert Rochefort, executive director of Credoc; Bertrand Fragonard, president of the chamber for the *Cour des comptes* and president of the High Council on the future of insurance; Pierre-Yves Chanu, advisor for the trade union CGT *(Confédération générale du travail)*; Hélène Gisserot, honorary general prosecutor for the *Cour des comptes*; and Christian Gollier, professor at the *École d'économie de Toulouse*.

The FFSA rolls out a website to encourage discussion on risk: lapartderisque.fr

In 2007, the FFSA launched lapartderisque.fr, the first participatory website devoted to debating the challenges to society related to the evolution of risk. Built around four main blogs (economics, society, the environment and innovation), lapartderisque.fr also offers other blogs that deal with issues related to insurance.
Many notable experts from different horizons have taken part in the discussions, offering special insight into the questions that animate public debate: Jean-Didier Vincent, a neurobiologist and member of the *Institut*; Robert Kandel, emeritus head of research at the dynamic meteorology lab of the CNRS; Gérard Andreck, chairman of MACIF; Claude Maylin, head of the imagery-oncology department of the Saint-Louis Hospital in Paris and head of a think tank for French oncologists; André Arrago, member of the executive board of Hannover Re; Michel Grange, architect, chairman of the *Mutuelle des architectes français assurances*; Jacques de Peretti, CEO of AXA Entreprises and chairman of the property-casualty insurance plenary committee of the FFSA.

The revue *Risques*

The industry magazine *Risques* published articles dealing with, among other topics: innovation in insurance; neurosciences and risk; flexibility and employment; the role of insurance in African development; the relationship between the public and private spheres in the area

of long-term care; the principle of precaution, whose incorporation into law is still raising numerous questions; the financial crisis and its outlook, a special issue published in conjunction with the *Revue d'économie financière*. In addition, *Risques* devoted a feature article to the *Fondation du risque*, whose work is reviewed on a regular basis.
The Risques/Les Échos award for 2007 was given to the economist Jean Tirole for his work entitled *Theory of Corporate Finance*.

FFSA colloquia: the role and challenges of insurance

In 2007, the FFSA held a number of colloquia for the public and its policymakers, at both the regional and national levels. Because it is embedded in the local economic and social fabric, the industry held several colloquia on the issue of personal protection and social security in Rodez, Lille and Marseille. Meetings with legislators were also held in November on the question of long-term care.

Risk, insurance and liability seminar at the French *Cour de cassation*

This annual seminar on risk, insurance and liability attracts judges, legislators, academics and other stakeholders involved in insurance via public channels or the private marketplace. Created in late 2003 by insurers, the seminar is offered to encourage group discussion on the legal aspects of issues related to risks and information.
Work presented in 2007 dealt with the limits of reparation. Those under way in 2008 concern information, transparency and good faith. The written proceedings are made available as they are disclosed to the public on the website of the Court (www.courdecassation.fr).

Mobilizing research in insurance

The FFSA continues to support research carried out at the university level, focused on legal issues (within the framework of the *Instituts des assurances*) or on economics (under the auspices of endowed insurance chairs).
In 1992, the FFSA was instrumental in creating and then supporting teaching and research chairs in risk and insurance economics. It is currently supporting a chair in the economy of insurance in Toulouse, within the *Institut d'économie industrielle pour la recherche fondamentale de l'Université des sciences sociales*. This initiative has encouraged French economists to include insurance in their research, and is helping to improve familiarity with insurance and its mechanisms.
In addition, insurance or reinsurance companies participated directly in the funding of research and teaching chairs created in 2007, notably in connection with the *Fondation du risque*, a center for excellence in research and teaching at the international level that counts some of these companies among its founding members.

Informing

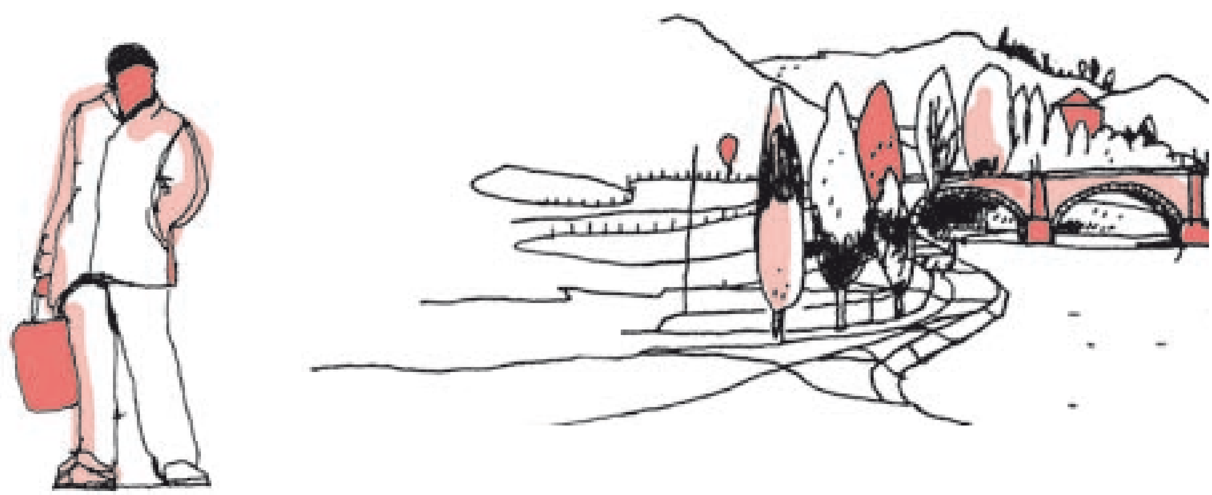
CONSUMERS ABOUT THE CONTRIBUTIONS AND TECHNIQUES OF INSURANCE

Spirit of innovation rewarded

Not only does insurance make a significant contribution to financing the economy, it also actively supports the development of the social fabric. For the second year in a row, the "*Allez de l'Avant avec les Assureurs*" (Go ahead with insurers!) awards singled out men and women who demonstrated the audacity, energy and tenacity needed to carry out an entrepreneurial or community project that was original and innovative, and that added economic, social, technological or environmental value to the community. In 2007, more than 750 applicants responded to the challenge and submitted projects.

A few examples of sustainable development initiatives conducted by businesses

- Cultural and social philanthropy
- Participation in socially responsible investment
- Staff training in the various aspects of sustainable development
- Financial support for employees with projects or plans in the area of humanitarian aid
- Environmentally sound procurement policy
- Socially responsible supplier relationships
- Products that encourage clients, businesses and individuals to act responsibly: pay as you drive motor insurance, special rates for the owners of hybrid or alternative energy vehicles
- Recovery and recycling of automobiles
- Development of preventive audits
- Environmental data collection
- Policy for reducing environmental impacts: waste, water consumption, greenhouse gas emissions
- Support for research that encourages environmental innovation



Another insurance company also created a research support fund, and has forged ties with the *École polytechnique* to support research efforts in the area of responsible investment. Yet another contributed to the creation and funding of an industrial safety chair instituted by the *École des mines de Paris*.

Adapting to climate and ecological challenges

The last report of the group of intergovernmental experts on climate change (Giec) sounded the alarm on global warming, which is expected to increase adverse weather events. Obviously, these changes concern the insurance industry.

In addition to work carried out individually by insurers and reinsurers (in particular with respect to their investment policy), as well as collectively as part of the Sustainable Development Commission of the *Association française de l'assurance*, the industry also participates in initiatives undertaken by public policymakers.

Insurance: a stakeholder in the Grenelle forum on the environment

During the initial phases of the Grenelle forum on the environment, the insurance industry took part in the discussions of the health-environment work group. It is also a participant in the operational phase of the Grenelle forum, and is a member of several operational committees (New public and private sector buildings, Existing buildings, Business and CRS).

Moreover, in the interest of offering sustainable support to the new lifestyles and modes of production that will emerge from the recommendations of the Grenelle forum on the environment, the insurance industry decided to take part in several discussions. The first seeks to support innovations. In fact, Grenelle

could well step up the creation of new technologies and new industries, which would require adapted insurance coverage options. Already, at the behest of the insurance industry, the AQC *(Agence qualité construction)* has initiated work which, after observation, could lead to the definition of a set of best practices in the area of implementing new products and remedying the identified causes of the dysfunctions. The second project involves the study of ways and means that can be mobilized to promote virtuous behaviors and, in so doing, support strategies aimed at attenuating climate change. A third project, which is being carried out in tandem with the GEMA, seeks to analyze the medium- and long-term consequences of global warming on insurance coverage for the impacts of natural disasters (flooding, drought, severe storms, etc.).
In addition, insurers wanted to offer their expertise in the field of risk by contributing to the work of the National Sustainable Development Council and the task forces set up by the Ministry of Ecology, Energy, Sustainable Development and Territorial Development.

Environmental responsibility: insurers take an active approach

The European directive dated April 21, 2004 on environmental responsibility introduced a system for indemnifying ecological impairment based on the principle that the polluter pays. In the event of soil contamination that poses a serious health risk to humans, water pollution or harm to protected species and natural habitats, the businesses concerned are obliged to restore the environment or pay for the cost of this restoration if a public organization carries out the work in its place. Without waiting for this directive to be introduced into French law (pending), the insurance industry has developed coverage that meets the new obligations, demonstrating its willingness to participate in the rollout of the new system.

Businesses that respect the environment

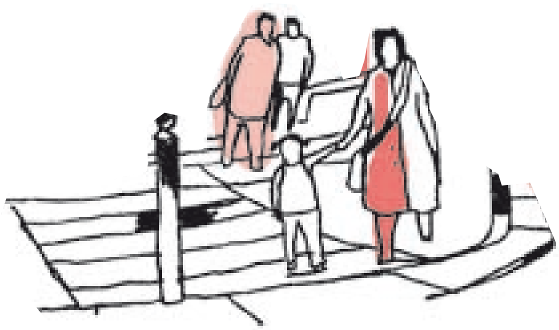
In addition, while the insurance industry is not directly responsible for a significant amount of pollution, it can adopt operating processes that are more environmentally friendly and thereby contribute to reducing greenhouse gas emissions. Numerous insurers and reinsurers are already taking steps in this direction. The companies that belong to the FFSA and, more generally, to the *Association française de l'assurance*, are now taking an active part in a club formed to trade best practices that seek to integrate sustainable development into daily operations: waste management, energy use, employee education policy, procurement policy. This club, which is an ideal venue for pooling best practices, encourages participants to compare the initiatives they have launched, to examine problems at the level of implementation and to assess their efficiency.

Risk prevention

Prevention and protection are inherent to risk management, which is why insurers have always been interested in both. Moreover, the coverage provided in their policies is usually combined with prevention requirements.

Preventing road accidents

Since 1949, the year in which the *Prévention Routière* association was founded, insurers have played an active role in working to prevent road accidents. They also collaborate with the PSRE *(Promotion et suivi de la sécurité routière en entreprise)*, founded in 1998 to promote safe business-related driving.



Adapting

TO MAJOR SOCIAL CHALLENGES

Insurers renew partnership with government

Since 1994, the insurance industry and the government have been bound by an agreement designed to promote and develop initiatives aimed at increasing road safety. Under the terms of this agreement, insurers devote 0.5% of the premiums they collect each year for mandatory automobile coverage to initiatives promoting driver safety. This agreement, which was entered into for an initial period of five years, has since been renewed several times. The next renewal is expected in July 2008.

The European commitment of the FFSA

In November 2007, the FFSA signed the European Road Safety Charter, which was devised to promote and collect information about initiatives undertaken by member states to make driving safer.

Young people: a priority target

Because road accidents are the primary cause of death among 15 to 24 year olds, member companies of the FFSA have stepped up efforts to reach young people. In 2007, insurance companies continued their efforts to teach young people about the dangers of driving while under the influence of cannabis and alcohol (the *Capitaines de soirée* program). In the fall of 2007, the FFSA also conducted a broad campaign aimed at educating the public about the dangers of motorcycles known as *Le détail qui tue* (The deadly detail). FFSA insurers also criticized the inadequacies of the *Brevet de sécurité routière* (BSR) and issued several recommendations aimed at improving this brevet and making it tougher to obtain. And they also participated in the initiatives led by *Prévention Routière*, which included the development of a learning kit for pedestrians called *Être piéton*, which targets primary and secondary school students, and which was given to teachers interested in working with their students on this topic.

Initiatives targeting businesses

In addition, accidents that occur during business travel, including the daily commute to and from the office, are the primary cause of work-related accidents in France. In response, insurers have developed advisory services to businesses that seek to help the latter reduce both the frequency and impact of these accidents. The insurers of the FFSA is supported in this goal by PSRE, an association that in 2007 introduced information campaigns on the use of alcohol in the workplace and employer liability.

Preventing natural disasters

The FFSA continues to lead discussions on the role of prevention within the context of talks on possible changes in natural disaster insurance coverage, with support in particular from the MRN *(Mission des risques naturels des sociétés d'assurances pour la connaissance et la prévention des risques naturels)*. In addition, the FFSA and the GEMA teamed up in 2007 to help the *palais de la Découverte* produce its exhibition on the risk of volcanoes, earthquakes and tsunamis *(Volcans, séismes, tsunamis – vivre avec le risque)*, created to educate the public, and in particular the young, about seismic risks and measures designed to reduce the vulnerability of citizens to such risks.

Prevention in the area of health care

Founded in 1982, the association *Assureurs, prévention, santé* (APS) seeks to encourage a broad range of initiatives designed to safeguard and improve health. To this end, in 2007 the APS gave out more than 6 million free brochures and pamphlets on numerous issues related to the prevention of illness.
In addition, since 2004 the APS has been an active participant in Epode *(Ensemble, prévenons l'obésité des enfants)*, a program created to educate elementary school children, their parents and teachers, pediatricians and school cafeteria managers about the scourge

"Our know-how in the area of managing risks over the long term and our involvement in sustainable development alongside public policymakers are legitimate. Insurance has the ability to identify risks and prevent their occurrence."

Insurers, players in sustainable development, Jacques de Peretti on www.lapartderisque.fr

of obesity. Initially piloted in ten French cities, the program now reaches more than 120 cities and more than 1 million people.
APS has also created a blog (www.bloob.fr) that helps young people combat obesity and also serves as an online forum where they can discuss the issue and ask questions. This successful blog was consulted by nearly 100 000 people in 2007.
In addition, since 2005, APS has offered online nutrition coaching (www.coachingaps.ffsa.fr) for families. To date, the program has helped 1 700 people.

Preventing fires, explosions, theft...

For a long time, the insurance industry has promulgated the rules of prevention and protection against fires and explosions, particularly in the workplace, where expensive equipment and inventory are stockpiled and at risk. The industry has also worked to develop theft prevention, particularly retail theft and burglary.
The FFSA's partner in this area is the CNPP *(Centre national de prévention et de protection)*. Its role is to promote—in every milieu and using all appropriate means—the prevention of risks to which individuals and businesses are exposed. Its scope of action encompasses risk management, environmental conservation, fire safety, crime fighting, and workplace health and safety.

Sustainable development is a genuine challenge for property and casualty insurance, which is instrumental in spurring innovation, developing and refining new materials, equipment and manufacturing processes, and supporting the emergence of new occupations. All of these advances are bringing significant changes to the nature of the risks covered by property and casualty insurance. The insurance industry supports these changes by devising relevant and innovative solutions that address these new challenges.

2

Innovate

TAKE NEW POLICYHOLDER NEEDS AND NEW RISKS ON BOARD

Property and casualty insurance

Anticipating and supporting change

Sustainable development: a priority for insurers

The FFSA has placed sustainable development on the list of its major concerns and has accordingly launched a number of projects designed to support innovation and measure climate change.

Supporting innovation

Supporting innovation is of constant concern for insurers. At the same time, the insurance industry must build an approach that respects both new needs and policyholder security, not to mention the economic balance of insurance operations. In the areas of homeowners and construction insurance, for example, it has to support not only the development of new equipment—such as solar and photovoltaic panels—but the emergence of new occupations as well. The industry must also set and maintain high standards when it comes to the credentials required of the professionals working in these new fields, as well as in the area of new product clearance, the materials used in production, and the dissemination of best implementation practices. For this reason, the industry, which intends to contribute in the areas of risk prevention and consumer protection, is already working with partners such as the construction quality agency AQC *(Agence qualité construction)* and other industry organizations to roll out demanding systems for training and certifying professionals.

Assessing climate change

The insurance field will inevitably undergo profound changes with the impact of global warming. Accordingly, insurers in France will be working over the next twenty years to assess the impact of climate change on the principal types of insurance coverage for natural events (storms, flooding and drought).

Insurance working to promote virtuous behaviors

The insurance industry also intends to contribute to sustainable development by thinking about how new insurance mechanisms can be used to encourage policyholders to adopt behaviors that are virtuous with respect to the planet. This entails identifying the points of convergence between adopting an environmentally friendly approach and reducing the insurance risk.

Widespread adoption of the "polluter pays" principle

The polluter pays or polluter-payer principle is being spelled out in increasingly specific terms under legislation and regulations. Insurers are following these developments closely, and are taking steps to ensure that the liability provisions they imply remain within the realm of the insurable.

The FFSA is recommending that the environmental liability directive be transposed into French law as is, since it takes these concerns fully into account *(see page 15)*.

Motor insurance

Legislative and regulatory changes

The fifth motor insurance directive is transposed

All the articles of the fifth motor insurance directive, which was adopted by both the European Parliament and the Council of the European Union in 2005, have been transposed into French regulations. Several provisions of the French Insurance Code that deal with the definition of parking, the insurance of vehicles registered abroad, the prohibition on terminating coverage due to a temporary stay abroad, minimum coverage for material damages, border insurance, road ensembles and information sheets have thus been modified.

Gender equality, adopted in principle

The Act of December 17, 2007 contains various provisions to bring aspects of French financial and economic law into alignment with Community law (the DDAC Act). It transposes the European directive dated December 13, 2004, which laid down the principle of equal treatment of men and women with respect to access to goods and services. The DDAC Act stipulates that "all forms of discrimination, direct or indirect, on the basis of gender and resulting in price differences and service levels are prohibited." Nonetheless, it leaves open the possibility of diverging from this principle by issuing a government order, whenever relevant and accurate actuarial and statistical data demonstrate that gender is a decisive factor in the assessment of the risk.

At the behest of insurers, a government order dated December 19, 2007 allows for the consideration of gender when calculating insurance premiums. Among other things, this exception gives insurers the option of offering more attractive coverage rates to women for motor insurance.

Towards equal treatment of the victims of bodily injury: White Paper published by the *Association française de l'assurance*

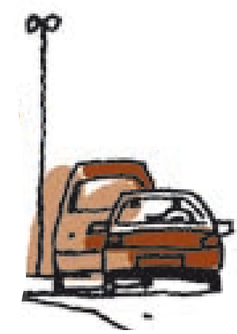
Starting from the observation that the conditions under which bodily injury claims are addressed in France satisfy neither the victims of these losses nor the insurance industry, the *Association française de l'assurance*, which combines the FFSA and the GEMA, published a White Paper on compensation for bodily injury in April 2008, with the goal of making changes in the existing system. Given the number of players involved in compensation/reparation, the lack of transparency and readability of damage awards, the unequal treatment of victims and the cumbersome nature of some procedures, the *Association française de l'assurance* has issued a number of proposals and is arguing for equitable treatment of victims. In particular, it recommends that a harmonious nomenclature of the types of harm be clearly laid down, and that a single medical scale and harmonized compensation benchmarks be used. In order to improve the way in which the needs of the most severely disabled victims are met, the *Association française de l'assurance* would like insurers to help devise life projects and examine ways in which these victims can best be encouraged to remain active members of the workforce and their community.

For the development of crop insurance

The FFSA considers that it is necessary to lift the cap on the national subsidy, in order to encourage the development of this type of insurance, which today covers only 20% of all farms.

Bodily injury

Each year, insurers compensate around 250 000 victims of bodily injury, including 186 000 who are injured in traffic-related accidents. More than 6 billion euros are awarded as compensation for damages each year, including 4.3 billion euros for motor insurance claims.



Should driver coverage be automatic?

Article 4 of the Act of July 5, 1985 (known as the Badinter Act for its key sponsor) stipulates that drivers of motor vehicles who are at fault in an accident during which they are injured are entitled to limited or no recovery of damages. The introduction to the law reforming the obligations and prescription (Catala report) recommends the abrogation of this article so that the driver's recovery is aligned with that of the other accident victims. The FFSA considers this proposal to be unsuitable in that it would not allow for the recovery of damages by drivers whose vehicle is the only one involved in a car accident, since the mandatory driver collision coverage for third-party liability only covers the harms (bodily injury and material property damage) suffered by third parties. In France, more than one out of four accidents occurs without the liable involvement of a third party. In this case, the injured driver can only be compensated if he or she has taken out individual driver collision coverage, which is currently not mandatory. Accordingly, the insurers of the FFSA consider that the development of driver insurance of the compensatory kind would be a better solution.

Coverage for rent default and the right to housing

Public policymakers are committed to facilitating access to rental housing (indexed rents, security deposit, first and last month rent) without dissuading landlords. This concern has given rise to the notion of providing guarantee funds to cover past due rent via the GRL rental risk guarantee system *(garantie du risque locatif)*, which is subsidized by the 1% housing levy and initially targets public housing. The insurers of the FFSA pressed for and finally obtained the right to commission an expert panel to study the impact of this risk and formulate more adequate proposals. The panel, which remitted its report on April 9, 2008, recommends the coexistence of a GRL type guarantee, limited to a strictly public-housing role, and a competitive market for rental default guarantee funds *(garantie des loyers impayés)*. The FFSA supports these conclusions, and considers that they offer a balanced response to the affordable housing and access concerns of public policymakers.

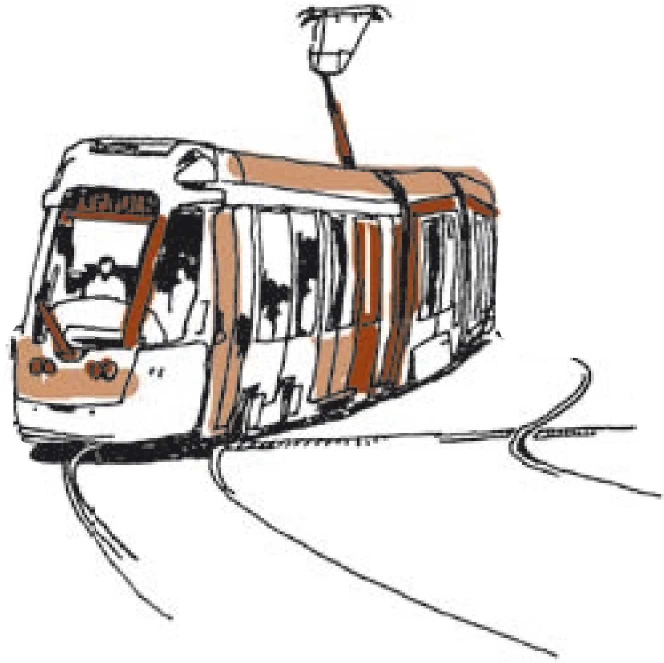
Agricultural insurance undergoing deep change

New operating rules for the FNGCA Fund *(Fonds national de garantie des calamités agricoles)*

Comprehensive insurance for crops against climate-related risks, which the insurance industry has been offering since 2005, should ultimately replace the FNGCA fund, which compensates for some of the losses caused by events that are recognized by government order to be causes of agricultural disasters. In a bid to encourage farmers to get coverage, the government has promised to cover a portion of the premiums payable under these policies. In fact, a government decree was issued specifying the details of the nationwide subsidy and calling for a maximum budget of 30 million euros for 2007.
In addition, pursuant to the Agricultural Orientation Act dated January 5, 2006, a national agricultural insurance committee was formed to monitor agricultural risks and the conditions for the transfer of insurance.

The GMO debate is launched yet again

The Act on GMOs (genetically modified organisms), which was adopted by French legislators in both the Senate and the National Assembly, stipulates that all



1.8

BILLION EUROS IN REVENUES FOR TRANSPORT INSURANCE

farm operators who plant genetically modified crops that have received market clearance must acquire a financial guarantee that covers their liability in the event of economic harm resulting from the accidental GMO contamination of a neighboring operator that does not raise GMO crops.

While awaiting the publication of the application decrees, insurers are looking at possible insurance solutions. However, the absence of a past record and statistics on the dissemination of GMOs makes it difficult to envision a policy unless specific limitations on commitments are implemented.

Construction insurance: a necessary improvement

The need to consolidate and improve the system

In 2006, public policymakers commissioned the IGF *(Inspection générale des finances)* and the CGPC *(Conseil général des ponts et chaussées)* to draw up an assessment of the current situation in construction insurance and make a series of proposals designed to improve the system. While it certainly offers protection, this system is subject to the constant threat of financial imbalance. To remedy the situation, the report calls for facilitating and encouraging coverage for inherent defects, improving the claims management process, and developing prevention. The recommendations were examined by the CTAC *(Commission technique de l'assurance construction)*, an organization that brings together public policymakers, public and private contractors and principals, designers, builders, loss adjustors, appraisers and insurers. The FFSA played an active role in the CTAC's work and rapidly adopted industry wide measures intended to optimize the system—in particular, the use of shared terminology for all insurers.

Adopting a common nomenclature for insurers

In particular, the report drawn up by the joint commission on construction insurance stressed the lack of harmony in insurance certificates for decennial liability coverage and the lack of precision in terms of information on the activities covered. To remedy this shortcoming, the general assembly of the FFSA, in its meeting on December 18, 2007, ratified the principle of a common nomenclature for insurers with respect to construction and public works (BTP) that will become mandatory in 2011.

The cap on coverage for large-scale projects

In construction insurance, a new legislative system now makes it possible—on large-scale construction projects—to put a cap on the amount of both inherent defects coverage and decennial liability coverage. This measure provides greater flexibility and gives insurers more latitude for the assembly of insurance coverage packages.

Transport insurance on the road to modernization

Towards improved compensation for victims

The third package on maritime safety follows its course

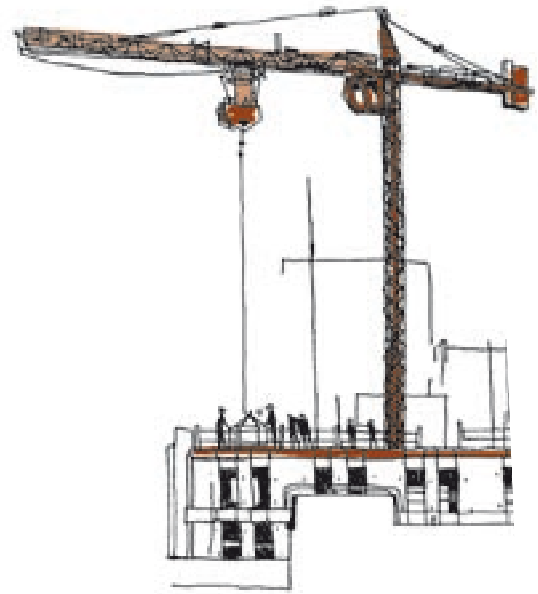
After the *Erika* and *Prestige* disasters, the European Commission took concrete steps to improve maritime safety. The two previous rounds of measures adopted in the space of three years (called Erika I and Erika II) strengthened the system for inspecting vessels. The third legislative package, which was given a first reading by the European Parliament in April 2007, concerns vessel inspection (the role of the government whose flag the ship is flying and controls carried out by the government of the port of call), surveillance systems for shipping traffic (the use of AIS transponders), accidents at sea (more detailed requirements on places of refuge), classification societies, and the working conditions for ship crews.
Another aspect of this package seeks to improve the protection of passengers, so that marine transport will benefit from the same level of coverage as other means of transportation. With respect to this objective, the plan is to incorporate the 2002 Athens Convention protocol on international shipping of passengers into community legislation. If the proposed regulation is finally adopted, the rules governing the shipper's liability, the system of mandatory insurance, and the compensation caps called for under the protocol would apply to all European countries.

Modernizing the Rome Convention

The Convention on damage caused by foreign aircraft to third parties, which was signed in Rome on October 7, 1952, sought international harmony in legislation related to damage caused to persons on the ground by foreign aircraft. However, the Convention limits liability to those to whom the damage is attributable. The aim of efforts to modernize this Convention is to compensate surface-level victims for losses that result from air accidents caused by acts of terrorism, while preserving the viability of the air transport industry.
The draft bill calls for damage awards to third parties in cases where insurance coverage is not available or where the losses exceed the liability coverage. These indemnities would come from a fund financed by the users of air transport, both passengers and shippers.

Adapting insurance coverage to war risks – merchandise

The FFSA is currently working to modernize war risks – merchandise insurance coverage and has set up a task force whose goal is to propose a new set of special conventions for the insurance of transported goods against the risk of war and related perils.
This work will allow insurers to offer coverage that is better adapted to the needs of policyholders, in particular with respect to the risks of terrorism and strikes.
The new extended coverage would apply to all means of transport and for warehouse to warehouse coverage. It could be accompanied by an additional clause covering the costs incurred in the event that a trip is interrupted or halted and would thereby constitute an ideal addition to the basic coverage for ordinary risks.
The waterborne coverage, which is restricted to maritime shipping, is also being presented in a new way. It will include additional coverage that has been optional until now (for example, coverage for the natural deterioration of hulls following a delay).



Key figures

After slowing for a period of four years, growth in the French property and casualty market (excluding MAT insurance) stabilized in 2007. Premiums for property and casualty insurance combined came to 43.8 billion euros. This slight rise was primarily due to the increase in the volume of insured goods and coverage. Prices remained stable overall, reflecting a highly competitive environment in some market segments —particularly automobile and corporate risks lines of business.

Automobile

Despite growth in the number of automobiles owned (+1%) and an improvement in automobile insurance coverage in France, the motor insurance market was stable in 2007. Premiums collected on mandatory driver's collision coverage declined by 1%, while vehicle property coverage increased by 0.5%. Today, 81% of all drivers have purchased fire and theft coverage and 61% have insurance to cover damage sustained by their vehicle.

Companies working through intermediaries account for 43% of the market, direct writing mutuals for 36%, *bancassurance* for 8%, and direct insurers for 4%.

The loss ratio for theft continued to improve markedly in 2007. The decline observed in prior years is slowing for casualty risks. Public policymakers reported a decline in the number of road traffic fatalities (-2%), but the number of individuals injured in traffic accidents increased last year (+2.4%).

The cost of bodily injury accidents continues to rise faster than the wage index.

Homeowners' comprehensive

Total premiums for individual homeowners' comprehensive insurance coverage came to 6.7 billion euros last year, an increase of 4.9% compared with 2006.

Due in particular to more favorable weather conditions, claims frequency for the main lines of homeowners' comprehensive coverage declined. Claims paid to cover insured losses were stable versus the previous year.

Construction

For the third year in a row, the number of housing starts was above 400 000. This high level of activity boosted construction insurance revenues by 8.9%. At the same time, growth was not as sustained as in previous years, since the construction of new housing was slightly down. Decennial property and casualty coverage for construction brought in premiums totaling 2.5 billion euros in 2007, while the casualty claims burden for this business rose by 4%.

Legal expense coverage

Legal expense coverage generated premiums of 0.7 billion euros, an increase over the previous year of 13.9%. This trend is expected to continue in the years ahead due to the growing interest shown by both individuals and businesses in this type of coverage, which facilitates dispute resolution.

Property and casualty insurance

	2007 premiums in billions of euros	% change
Automobile	17.7	0
Homeowners comprehensive	6.7	+4.9
Commercial property	5.8	+2.3
Agricultural property	0.9	+4.5
Natural disasters	1.4	+2.1
Construction	2.5	+8.9
General liabilty	3.4	+3.3
Legal expense	0.7	+13.9
MAT	1.0	-4.3
Credit and surety	1.0	+0.1
Assistance	1.1	+13.6
Other	1.6	+8.8
Total primary business	**43.8**	**+2.6**

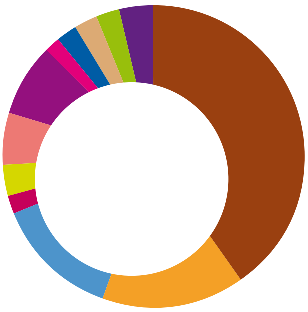
Source: FFSA.

31.4
BILLION EUROS TO COVER CLAIMS AND RESERVES

2.6%
GROWTH IN PROPERTY AND CASUALTY INSURANCE BUSINESS

8.9%
GROWTH IN CONSTRUCTION INSURANCE

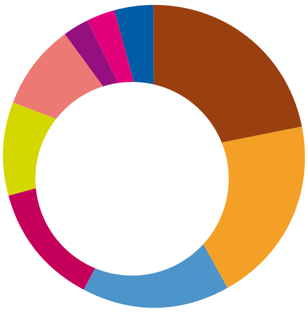
Structure of premium income from property casualty insurance business in 2007



- 40.4% Automobile
- 15.3% Homeowners' comprehensive
- 13.2% Commercial property
- 2.1% Agricultural property
- 3.2% Natural disasters
- 5.7% Construction
- 7.8% General liabilty
- 1.6% Legal expense
- 2.3% MAT
- 2.3% Credit and surety
- 2.5% Assistance
- 3.6% Other

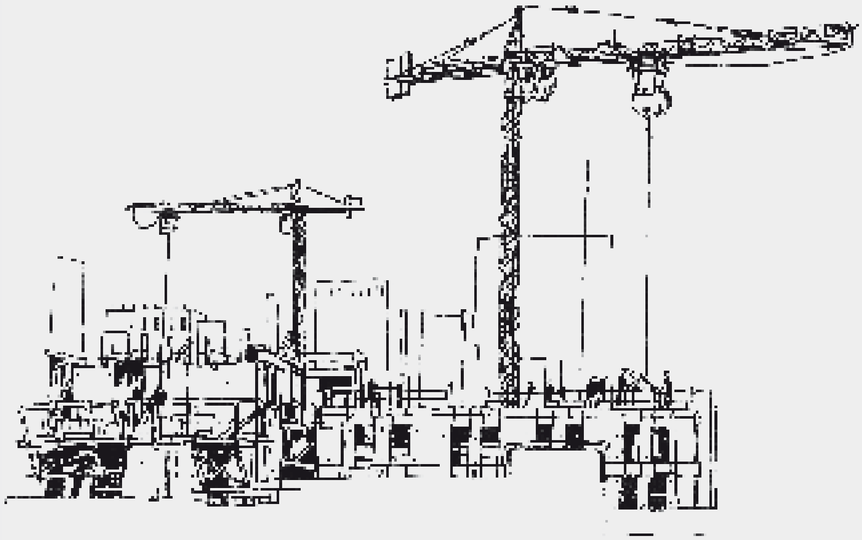
Source: FFSA.

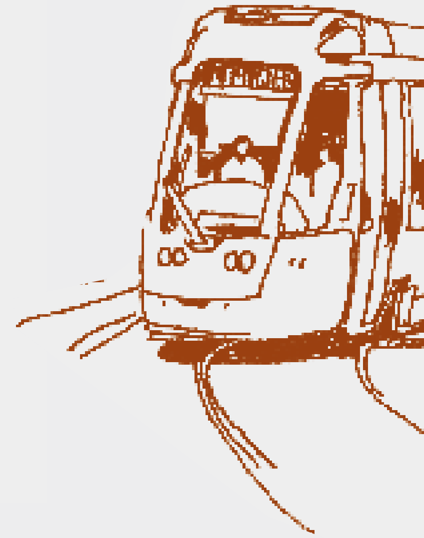
Comprehensive homeowners' coverage breakdown in 2007



- 22% Fire
- 20% Water damage
- 16% Theft
- 13% Liability
- 10% Natural disasters
- 9% Storm, hail, snow
- 3% Glass breakage
- 3% Electrical damage
- 4% Miscellaneous

Source: FFSA.





Commercial property

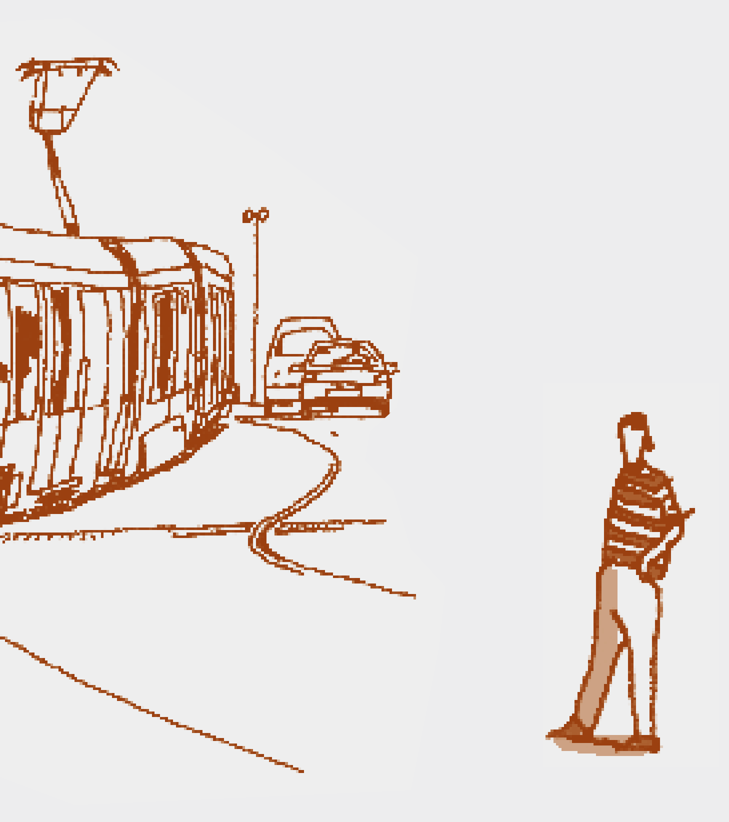
Global revenues from commercial property lines rose once again (+2.3%), with more accentuated growth in ACPS business (trades and crafts people/retail shopkeepers/service providers, +3.5%) that appears to mirror the record number of business creations.
Indemnities related to ACPS policies rose by 2%. The claims to premiums ratio has improved and remains globally balanced.
For other, non-ACPS, commercial property policies, the situation behind the global rise in premiums was highly contrasted:
Commercial fire and comprehensive insurance saw a decline in premiums for the third year in a row, attributable to intense competition (-1%).
In technical risks (machinery breakdown, IT risks and builders all risk insurance), premium growth was positive in 2007 (+1 to +2%), reflecting the increase in the machinery breakdown index (+5%) and the high number of housing starts.
Due to the absence of catastrophic losses and the low number of very large claims, this line of business was globally profitable.

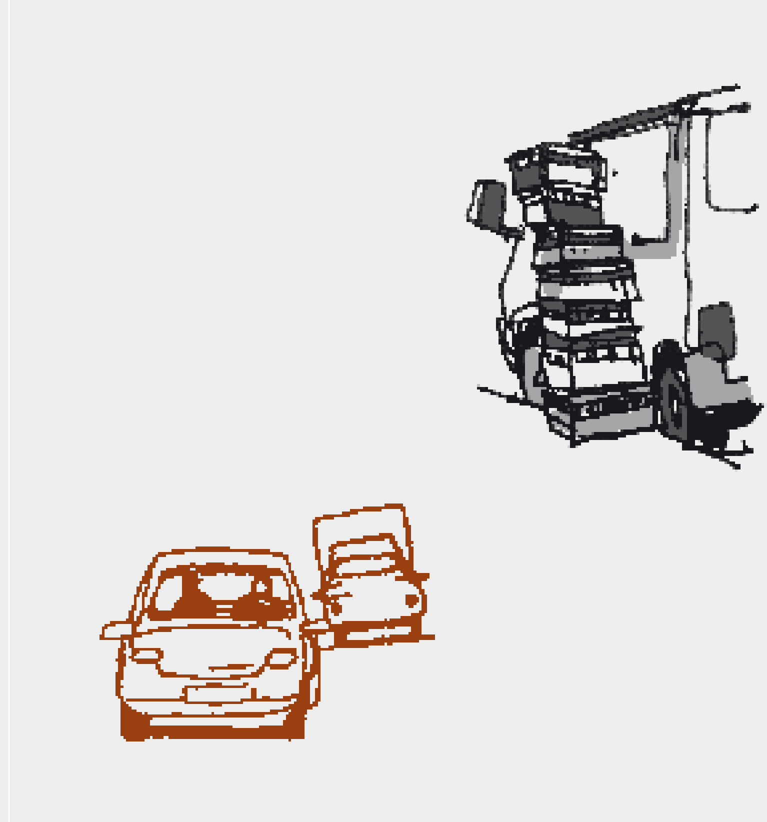
Agricultural property

Growth in premiums from agricultural property business was restored in 2007 (+4.5%), and the global claims burden rose by 5%.
Comprehensive crop insurance, which has been available since 2005, is not experiencing the pace of growth that was initially expected—neither in terms of the number of policies sold nor in the amount of premiums collected (about +5%). This is mainly due to the cap placed on the national subsidy for such coverage and inadequate reinsurance supply. At the same time, the claims burden rose by almost 30%, attributable to excessive rain and unseasonably cold weather in late May and early June.
Hail and storm insurance for crops saw 4-5% growth in premiums (due to sharply higher producer prices). The numerous hailstorms that occurred in June and July led to a number of claims and to the deterioration observed in the claims to premiums ratio.
The number of farm operators continued to fall last year, reflecting the trend toward combining individual farms into collective farm businesses. Premiums collected on fire and comprehensive policies rose by around 2.5%.

Casualty

The rise in revenues from casualty or third-party liability insurance, excluding the automobile segment, continued last year (+3.3%). This highly diverse market





encompasses insurance coverage for a wide range of activities (medical, construction, manufacturing, sales and services).

Transport

The French hull insurance market is the world's fourth largest, with 8% of the market, after the United Kingdom, Norway and Japan. In 2007, premium income remained virtually stable compared with the previous year (+0.7%), reaching nearly 498 million euros.
Both the French aviation and space insurance markets saw sharp declines in premiums in 2007 (-30%). This decline in revenues, which was more significant for the space line (-46%) than for aviation business (-27%), was attributable to a number of factors, including the global decline in premium rates, the reduction in insurable goods in space insurance, and the adverse exchange rate situation (depreciation of the dollar versus the euro on December 31, 2007 was 11%).

Premium income from MAT insurances
France and abroad - Primary business and inward reinsurance

In millions of euros	2006	2007	% change
Cargo	746.4	779.1	4.4
Hull	494.6	497.9	0.7
Aviation	613.8	450.0	-26.7
Space	144.0	77.1	-46.4
Total	**1998.8**	**1804.1**	**-9.7**

Source: FFSA Survey 2007.

Society is changing: the age pyramid is evolving; the number of working people for each retiree is falling; the pay-as-you-go social security system is showing its limitations. Life and health insurance coverage contributes to the long-term well-being of the population and helps to prevent burdening future generations by passing on today's costs. In fact, this is an apt definition of sustainable development.

3

17.7
BILLION EUROS PAID BY INSURERS FOR SOCIAL SECURITY

Life and health insurance

Responding to new social security needs

Life insurance: what changed in 2007

The law pertaining to unclaimed policies: beneficiaries are being counted

The law allowing insurers to search for the beneficiaries of unclaimed life insurance policies and guaranteeing policyholder rights, published in the *Journal officiel* dated December 18, 2007, gives insurers access via their trade organizations to the data contained in the national repository for the identification of physical persons and relatives upon the death of the individuals listed in the repository. The law also stipulates that, when an insurance organization is notified of the death of an insured, it is required to conduct a search for the beneficiary and, if this search is successful, to advise the insured of the stipulation made for his or her benefit. The new law also reforms the beneficiary acceptance procedure, and specifies the consequences of this acceptance with respect to the policyholder's option

Agira

Set up in 2006 by the FFSA, the GEMA *(Groupement des entreprises mutuelles d'assurances)*, the CTIP *(Centre technique des institutions de prévoyance)* and the FNMF *(Fédération nationale de la mutualité française)*, Agira centrally processes all search requests filed by individuals who think they may be the beneficiary of a life insurance policy following the death of a loved one. These requests are then transmitted to mutual societies and provident institutions that sell contracts of this kind for verification purposes and, where appropriate, for the payment of benefits that may be due.

of redeeming the policy. Up to now, the beneficiary of a life insurance policy could accept the policy by simply sending a letter to the insurer, and did not even need to inform the policyholder. With the law of December 18, 2007, the acceptance of the benefit of the policy must be made in writing by adding an additional clause signed by the insured, the policyholder and the beneficiary, or by a notarized instrument signed by the policyholder and the beneficiary, with notification of the insurance company thereafter. Subsequently, the policyholder may no longer change the identity of the beneficiary without the latter's consent, and may not redeem or take out a loan on the policy without prior consent. This measure is intended to put an end to the practice of not informing the beneficiary or beneficiaries of a policy that the latter exists.

Unclaimed life insurance policies: the ethical promise made by FFSA insurers

Insurers wanted to play an active role in preventing the occurrence of unclaimed life insurance policies, and accordingly took a number of steps in this direction:

• They conduct searches within their portfolio of life insurance policies for which the actuarial reserve is more than 2 000 euros, and whenever the insured is over the age of 90 and no contact has occurred with the latter in two years.

• They contact the beneficiary within thirty days once he or she has been identified and contact details located.

• They provide potential beneficiaries with a centralized system to facilitate their own filings.

• They have set up a process that will facilitate the communication to insurance companies of data related to the death of physical persons in the national repository.

This commitment supplements the measures taken by insurers after the passage of the Acts of 2003 and 2005. They call for insurers to send policyholders an annual statement of account whenever the life insurance policy's actuarial reserve exceeds 2 000 euros, and to provide potential beneficiaries with Agira, an organization designed specifically to process their requests.

24.8

BILLION EUROS WILL BE NEEDED TO FINANCE THE PENSION SYSTEM IN 2020, ACCORDING TO THE *CONSEIL D'ORIENTATION DES RETRAITES*

While these new measures improve the level of information provided for policyholders, a step that should reduce the number of unclaimed policies, they will nonetheless lower the level of funding from unclaimed policies that goes to the FRR *(Fonds de réserve des retraites)* thirty years after the policy has expired. This allocation, which was set forth in the Social Security Financing Act for 2007, fails to give adequate consideration to the pooled management principles that characterize insurance and runs counter to the rights of insureds.

Tax package: a limited impact on life insurance

Pursuant to a campaign promise that was made by the current President of France prior to his election, the Act of August 21, 2007 promoting work, employment and purchasing power (the so-called Tepa Act) eliminates inheritance taxes for spouses and partners under PACS civil union agreements, as well as for siblings under certain conditions. It also calls for lower taxes in this case for other family members. Life insurance policies for which the beneficiary is the spouse or the civil union partner are eligible for a full exemption from all inheritance taxes. Under these circumstances, life insurance policies may have come under more scrutiny. However, even after the rollout of the specifics of this reform, life insurance continues of offer a number of advantages: the preferred investment vehicle of the French, life insurance policies are flexible and profitable, making them an effective tool for building up savings with adapted tax treatment or for setting aside additional funds for retirement, which is the main reason individuals take out such policies.

Insurance: a response to the persistent problem of how to pay for retirement benefits

The context: the limits of the Act of 2003 and the 2008 rendezvous

The economic and financial environment has not turned out to be as positive in 2008 as what was projected back in 2003. Moreover, the Cor *(Conseil d'orientation des retraites)*, which updated its projections concerning the funding needs of the mandatory retirement plans for the 2050 timeframe in a report published in November 2007, notes that the deficits of the mandatory pension systems could be more serious than anticipated, until 2020 at least.
For the entire period running from 2006 to 2050, the debt (which is the accumulated total of all the deficits) estimated by the FFSA on the basis of data provided by the Cor, will be 1 796.1 billion euros (constant terms). This total would represent 46.5% of GDP in 2050, making the retirement budget alone equal to the entire upper limit on debt allowable under Maastricht. And this scenario is less pessimistic than that devised in 2005, which estimated the weight of the debt to be 59.1% of GDP.
The 2008 rendezvous is the first step in the timetable set forth under the Fillon Act of 2003 on pensions, which called for a readjustment every four years of the reforms to the basic pension plans on the basis of observed trends—demographic, economic, financial and social. This rendezvous is expected to begin a new stage in the process of adjusting the pension system in France.

Encouraging individual or group retirement savings plans

If we wish to avoid pushing the problem of financing the deficit onto future generations, and in light of the increase in life expectancy and the imbalance between the number of contributors and the number of retirees —which has been foreseeable for some time—maintaining retirement income at acceptable levels requires taking steps to encourage individual or group retirement savings plans. Founded on a capitalization technique, retirement savings can lessen the impact of certain shortfalls created by shifting demographic trends. In addition, they contribute to economic growth by increasing long-term financial investments, principally in companies.

Simplifying retirement savings

In the area of group retirement, the Fillon Act of 2003 was particularly innovative, creating the Pere employer-sponsored retirement savings. This system juxtaposes a mandatory retirement plan whose contributions are obligatory for employers and often for employees and a voluntary payment plan of the Perp type. As it currently stands, the system is doubly constrained—by the rules that apply specifically to group contracts, on the one hand, and by those that apply to Perps on the other hand. By harmonizing and easing the legislative and regulatory framework around these contracts, employees in the private sector could find the best solution for building additional retirement income through their employer.

Streamlining tax incentives

A tax system that encourages enrollment in these plans, which provide annuity type payments, would have a measurable impact. Today, this payout is penalized through taxes on all types of life insurance products (with the exception of the Pep, closed by the Fillon Act), as well as the Perco and the Perp, which are eligible for deferred taxation only (not always an advantage). Taxation on the receipt of annuities needs to be reviewed.

The need for a stable tax and legal environment

Since insureds make commitments that span several years, and because the basis of all insurance contracts is trust, a stable legal and tax framework is absolutely vital. In addition, it is preferable to avoid financing a portion of public needs by placing a tax or social burden on contracts of this type. In fact, doing so could undermine the ultimate goal. Policyholders subject to such taxation may be tempted to stop making these efforts, to the detriment both of their own protection and the domestic economy.

Health: the system must be streamlined

Providers of supplemental insurance, particularly insurance companies, can play an effective role in improving the performance of the healthcare system through their expertise in the area of risk management.

The introduction of medical deductibles: a controversial measure

The introduction of medical deductibles in January 2008 should help the medical insurance system save 850 million euros each year. The savings would be invested in plans aimed at fighting Alzheimer's and cancer. The *Association française de l'assurance* argued in favor of allowing the French to choose between financing these deductibles directly from their own budget or via their provider of supplemental health insurance, without losing the benefit of the tax and other exemptions offered under the so-called responsible health insurance policies. But the Social Security Financing Act for 2008 integrated these deductibles into the specifications of the responsible health insurance policies without giving insureds a choice.

Escalating medical insurance costs: are we heading toward deep reform?

In 2007, the deficit of the basic social security system was 9.5 billion euros for all lines, with the health insurance line accounting for 4.6 billion euros of the total. This deficit attests to the limits of the reform enacted in 2004. In light of the magnitude of this deficit, the President of France announced that a broad discussion of healthcare financing would be carried out to determine what should be financed by "solidarity" as opposed to what each individual should be responsible for financing via supplemental coverage. Naturally, insurers hope to participate in this debate, which is scheduled for 2008.

Reforming the healthcare system: the stance adopted by the FFSA

The FFSA is willing to study the various possible evolutions in the respective roles and responsibilities of health and supplemental insurance. However, the FFSA is against any sort of transfer of expenses, which would automatically lead to a simple increase in premiums for supplemental insurance. Indeed, the insurance industry has argued that these transfers should be made to coherent areas of care or services so that it can exercise its business of risk management. Preference should be given to this route, because it will allow insurers to effectively manage the transfers and offer insureds the necessary freedom to choose their coverage. In this context, lack of insurer access to healthcare data would become a more acute problem.

The role of Unocam strengthened by law

The Social Security Financing Act for 2008 gives a stronger role to Unocam *(Union nationale des organismes d'assurance maladie complémentaire)*, the national union of supplementary health insurers, in the governance of the health insurance system. The Unocam will now be consulted on any measures that serve to adjust the prices of medical services and procedures. It will also receive the opinions issued by the Alert Committee and is expected to propose recovery measures where needed, in much the same way as the health insurance funds. Another highlight of 2007 was the creation of the IDS *(Institut des données de santé)* health data institute, whose inaugural general meeting was held on March 30, 2007. Since then, the Unocam has been actively involved in work undertaken to set up the IDS. However, the central issue—access to data by Unocam members (the federations) as well as members of members (for the FFSA, this means the insurance companies)—has not yet been settled once and for all despite the promise made to the Unocam by the previous healthcare minister.

CMUC: significant involvement on the part of insurance companies

The number of beneficiaries of universal supplementary health insurance (CMUC) managed by insurance companies once again rose in 2007: 123 000 individuals chose an insurance company for their supplemental CMU coverage.

In addition, the system of financial assistance for the payment of supplemental health insurance was strengthened in 2007 (since January 2008, it is referred to as *chèque santé* or health voucher) to allow individuals with modest income to acquire this insurance coverage. As of December 31, 2007, the certificates delivered covered (according to the CMU Fund) 511 519 beneficiaries, compared with 391 330 at year-end 2006. The increase is due in particular to the readjustment of the ceiling for assistance grant eligibility. Despite the rise, the number of beneficiaries who are covered is still far lower than the estimated 2 million individuals who are eligible.

"Getting the insured to assume responsibility is a major challenge, and must obey certain logical rules: making the patient responsible for the consumption of pharmaceuticals means considering that the act of prescribing medication is no longer just the doctor's responsibility."

Deductibles: from one reform to another, Gilles Johanet on www.lapartderisque.fr

One social security contact for the self-employed

Since January 1, 2008, the relevant provisions of the ISU *(Interlocuteur social unique)* give the Urssaf sole responsibility for collecting the social contributions from the entire population of self-employed workers. The RSI network *(Régime social des indépendants)* is in charge of handling all disputed matters related to collection. This change resulted in a significant loss of business for Apria-RSA, which for more than forty years had been responsible for collecting health insurance contributions from artisans, shopkeepers and members of the liberal professions. The role of Apria-RSA as the licensed organization for the management of the healthcare services of the RSI was confirmed.

Innovation in health insurance: for better client service

Santé Pharma: a lasting success

The system set up by supplemental health insurance providers to ensure that eligible beneficiaries have access to third-party payment, known as *Santé Pharma*, handled more than 80 million invoices in 2007, which is an increase of 10% over 2006.

Remote transmission is also constantly on the rise, and represents nearly all invoice processing at the pharmacy level (99.8%), 80% of lab work processing, and 30% of radiology processing. The number of approved healthcare professionals also grew significantly, particularly medical assistance staff.

The French don't think deductibles are a good idea

According to a study that was conducted by the Credoc for the CTIP and published in March 2008, 68% of all employees in the private sector and 60% of all employers consider that a system based on medical deductibles would not be an effective tool for limiting the consumption of healthcare services and medication in France. In addition, 66% of all employees would like them to be reimbursable by organizations that provide supplemental health insurance.

Long-term care: the French prefer individual coverage

According to a survey carried out by TNS Sofres in May 2007, 52% of the French prefer to "give each individual the option of taking out insurance to cover the costs associated with long-term care when the time comes," versus 32% who would prefer to see "mandatory levies increased in order to cover the cost of long-term care by appealing to national solidarity."

FFSA Carte DUO: first results are promising

Health insurers have begun to experiment with the FFSA Carte DUO. Integrated into the SESAM-Vitale system, this smartcard enables automated processing of third-party payments at the pharmacy level and the remote transmission of invoices sent to supplemental insurance providers. It was rolled out in June 2007 to the insureds of four experimenting businesses in the French administrative department known as Bouches-du-Rhône, and then gradually extended to other departments (Var, Deux-Sèvres, Vienne, Calvados and Seine-Maritime). By year-end 2007, 62 000 cards had been issued, 886 pharmacies were equipped and 4 500 invoices had been processed. In 2008, work aimed at broadening the scope of the experiment and studies on new services were launched.

A new system for group insurance: DeclarAssur

Since January 2007, the DeclarAssur system allows the holders of group insurance policies for medical, death and disability and supplemental retirement to file their social security declarations online via their electronic payroll software. Accordingly, DeclarAssur facilitates the exchange of information between the companies covered by a group policy and the insurers and brokers they deal with. In 2007, nearly 800 organizations used this system (around 50 000 employees).

Long-term care: an insurable risk

In spite of efforts made by public policymakers, the state will not be able to assume the entire burden of meeting future needs that will arise as senior citizens lose some or all of their autonomy—particularly since these needs are constantly growing. Indeed, according to the Drees,[1] the number of senior citizens in need of long-term care could in fact double between now and 2040 and, given the rising cost of employing qualified healthcare providers, the cost of assuming this responsibility is expected to increase faster than the nation's wealth.

In this environment, if public policymakers wish to meet the need for long-term care without incurring a financial burden that would be unbearable for future generations, it is necessary to anticipate the development of this risk and related financing.

For a public/private partnership

The long-term care risk is foreseeable and growing. It cannot be managed efficiently without the existence of a funded insurance system. For technical reasons, the creation of a fifth branch of Social Security would not be a satisfactory response, because it could only produce structural deficits that would come in addition to those created by the retirement and health systems.

However, the long-term care risk could be covered over the long run by the insurance companies. In fact, this is already the case: 3 million people are currently benefiting from long-term care coverage provided by insurance companies, Mutual Code mutual societies or provident institutions. Accordingly, an approach that combines public involvement—targeting the immediate needs of the most exposed members of society—and private insurance—for those who are in a position to cover their basic needs. This pre-financing of the risk would also be conducive to investments in personal service structures such as eldercare organizations. And insurance is the best resource for developing prevention, an approach that attenuates or postpones the occurrence of the long-term care risk.

1. Research, Surveys, Evaluation and Statistics Department.

1.1
MILLION INDIVIDUALS CURRENTLY NEED OF LONG-TERM CARE IN FRANCE, ACCORDING TO THE DREES

Promoting incentive systems

Unlike retirement and health care, the long-term care risk does not impact the entire population. For this reason, the mechanisms put in place must offer sufficient incentives to ensure that this type of coverage is broadly acquired. It may be possible to take inspiration from the system set up for retirement via the Perp retirement savings plan and offer a deduction from total taxable income for all premiums paid in to voluntary individual long-term care insurance.
The benefits paid out in the form of annuities or capital under long-term care policies should also be given suitable tax treatment, such that the policy provides assistance at the time the beneficiary is most vulnerable. Finally, it may be possible to encourage holders of life insurance policies to convert part of their coverage into long-term care insurance.

Credit insurance

Aeras Agreement: the results are encouraging

By signing the new Aeras *(S'assurer et emprunter avec un risque aggravé de santé)* agreement on July 6, 2006, which went into effect on January 6, 2007, the FFSA reaffirmed the determination of insurers to find viable solutions that enable people with aggravated illnesses or disabilities to reenter the social and economic mainstream, obtain insurance and apply for credit. In 2007, insurance companies received 430 000 applications for credit insurance (on both mortgage and business loans) from individuals presenting an aggravated health risk (10% of total requests for this type of coverage). These applications pertained to coverage in the event of death or the total and irreversible loss of autonomy, as well as to disability coverage for 76% of the total. At this level, insurers offered coverage—at least for the death risk—for 93% of the applications presenting an aggravated health risk. In 2% of all cases insurers transmitted the application to the pool for very aggravated health risks, which was set up under the agreement, and which represents 7 279 case files sent between January 1, 2007 and January 4, 2008. More than 20% of these cases presenting the most severe risks resulted in an insurance coverage proposal. In other words, 93% of the insurance applications for aggravated health risks resulted in an insurance proposal covering at least the death risk.

Key figures

In 2007, premiums from life and health insurance business came to 151.6 billion euros, which is 77.6% of premiums from primary business written by French insurance companies. After five straight years of growth, premiums were down by 2% compared with 2006. This adverse trend reflects the non-supportive economic and financial environment.

The economic and financial environment in 2007

The year 2007 was marked by numerous economic and financial trend reversals.

A rise in short-term interest rates

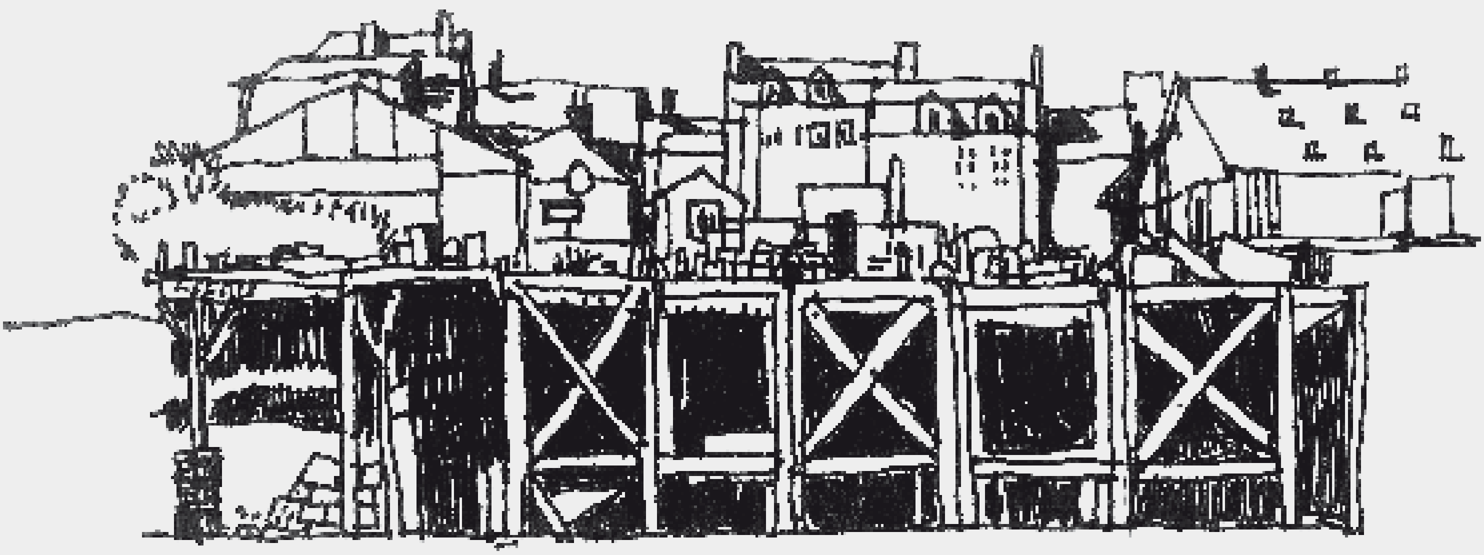
In 2006, the US Federal Reserve Bank (the Fed) decided to raise its key interest rates to avoid overheating in the American economy and blunt the impact of sharply higher commodity prices. As a direct result of this move, US banks that specialize in lending to individuals with poor credit histories suddenly found themselves with a growing number of clients who were unable to make repayments on their housing loans. This situation triggered the subprime crisis. After several years of strong appreciation, residential real estate prices began to drop, resulting in sharp losses for lending institutions as the value of mortgaged property became lower than the amount extended to borrowers. The crisis then spread to the rest of the financial sphere through pools of mortgage-backed securities and similar vehicles. While the European Central Bank (the ECB) halted the round of key rate hikes it had started in 2006, a risk premium formed on market rates, and bankers began to worry about extending financing to their own peers until the extent of the crisis could be fully measured. As a result, the three-month rate had risen 4.83% at year-end 2007, well above the ECB's key interest rate of 4%. This had two measurable impacts. French retail investors, attracted to highly liquid products offering good returns, augmented their savings effort with respect to these investments, to the detriment of savings normally invested in life insurance. In parallel, the banks— affected by the subprime crisis—began seeking ways to improve their income statements as inter-bank refinancing options dried up. Accordingly, they took advantage of the situation created by the crisis to promote short-term vehicles over the contracts sold by their insurance subsidiaries. The net flow of savings into cash instruments therefore increased by nearly 10.5 billion euros in 2007. Sustainable development passbook savings were boosted by this development, as were term deposits and money market mutual funds.

Equity market reversal

France's CAC 40 index ended 2007 on an upbeat note for the fifth year in a row, although the rise was somewhat limited (+1.3%). However, the leading index of the Paris Bourse rose sharply in the first five months of the year (+11.3% on June 1, 2007) before plunging under the weight of the subprime crisis and the real estate market downturn in the United States. In fact, the CAC 40 lost 9% between June 1 and December 31, 2007.

PEL inflows on the decline

House savings plans (PEL) saw a significant decline in outflows, once again breaking with the previous year's trend. After losing 28 billion euros in 2006, PELs lost only 21 billion euros in 2007. Life insurance, which had been a key beneficiary of the transfer of these funds



53.7
BILLION EUROS
IN NET INFLOWS
TO INSURANCE

5.3
BILLION EUROS PAID
FOR HEALTHCARE
EXPENDITURES

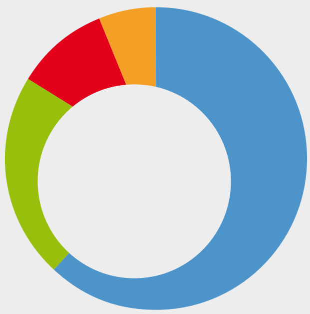
4.9
BILLION EUROS PAID
TO COVER RETIREMENT

Life and health insurance in 2007
(life, non-life and composite companies)

	Premium income primary business in billions of euros	% change
Pure endowment insurance and capital redemption bonds	**128.1**	**-3.2**
Pure endowment insurance	122.8	**-3.8**
– individual policies	115.2	-4.7
– group policies	7.6	+12.9
Capital redemption bonds	5.3	+10.4
Term life, sickness and accident insurance (personal protection)	**23.5**	**+6.6**
Term life insurance	8.6	+10.5
– individual policies	2.6	+7.2
– group policies	6.0	+12.0
Health and accident insurance	14.9	+4.4
– individual policies	7.7	+5.4
– group policies	7.2	+3.4
Total life and health insurance	**151.6**	**-1.8**
Life insurance and capital redemption bonds	**136.7**	**-2.5**
– of which euro-based contracts	103.0	-2.3
– of which unit-linked contracts	33.7	-2.9
Health and accident insurance	**14.9**	**+4.4**
– of which health care	7.9	+6.9
– of which disability	7.0	+5.0
Total life and health insurance	**151.6**	**-1.8**

Source: FFSA.

Premiums by type of contract in 2007
primary business



62% Pure endowment insurance
22% Pure endowment insurance
10% Health and accident insurancel
6% Term life insurance

in 2006, was impacted by the reduction in outflows, even more so given that the rate of reinvestment of PEL monies into life insurance fell sharply during the year due to the appeal of highly liquid savings vehicles.

Steady rise in consumer debt halted

The major phenomenon of 2007 was the relatively sudden halt in the steady rise in debt levels among French consumers. After having been multiplied more than fourfold in the years between 2001 and 2006, the net flow of debt for French households showed a slight decline in 2007, primarily attributable to the rising cost of borrowing (for both consumers and homebuyers) and, to a lesser extent, higher real estate prices in France.
The rising debt taken on over the five preceding years was used by households to debt finance both consumer goods and real estate, which in turn freed up savings for investment in various financial instruments, including life insurance. Accordingly, the end of the rise in the net debt level had a dampening effect on all investments.
In addition, 2007 was an election year in France. As is often the case in election years, a certain wait-and-see attitude was adopted by consumers with respect to their savings. The reform related to inheritance taxes and living donations, part of the broader law on employment, work and purchasing power (known as the Tepa Act), encouraged this attitude on the part of households and even dissuaded some from investing in life insurance.

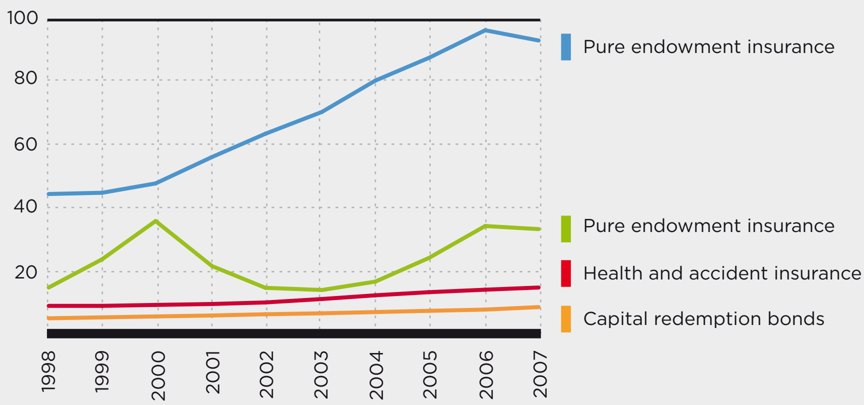
Life insurance business slows

In 2007, premiums from primary business (136.7 billion euros) declined by 3% compared with 2006. Euro-based contracts (103 billion euros), which were sharply impacted by competition from highly liquid products, also declined (by 2%). Although business was up over the first nine months of the year (+3%), inflows from unit-linked vehicles (33.7 billion euros) also fell last year (–3%) due to the stock market downturn in the second half of 2007. Benefits rose by a sustained pace last year (+10%), while net inflow (premiums-benefits) was 53.7 billion euros, a substantial decline compared with the previous year (–17 %). However, it remains at one of the highest levels in the history of life insurance.
The total invested in life insurance policies and capital redemption bonds (all actuarial reserves plus the allowance for participation in profits) continued to grow (+ 8 %) in 2007, reaching 1146.4 billion euros.

Strong growth for Fourgous transformations

In the course of 2007, 812 000 euro-based life insurance policies were transformed into unit-linked products as part of the Fourgous amendment, representing a total of 26.1 billion euros. Since this measure was rolled out in late 2005, more than 1.3 million contracts have been transferred, involving more than 47.6 billion euros.

Change in premiums
primary business *(in billions of euros)*



Source: FFSA (for both graphs).

Health and accident insurance: premiums rise slightly

While the rise is less rapid than it was in 2006, premiums collected on primary health and accident insurance policies grew by 4% in one year, reaching 14.9 billion euros in 2007. The relative slowdown in premium growth for healthcare coverage, which began at the end of 2004, was also observed in 2007 (+7 %, versus 9% in 2006). It continues to be more pronounced for group policies than for individually subscribed contracts. Premiums paid on disability and long-term care policies continued to grow, albeit at a slower pace (+2% in 2007, versus +4% in 2006).

Personal protection coverage: sustained growth

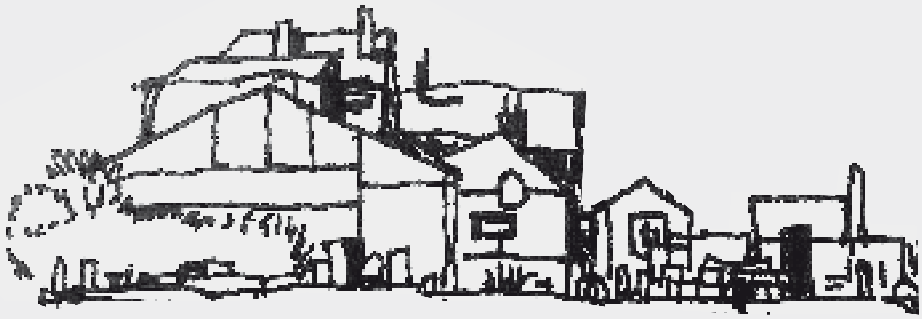
At year-end 2007, nearly 2 million funeral/burial insurance contracts were in force, of which 332 000 were taken out in 2007 (+39% in one year). Some 1.8 million individuals are covered by a long-term insurance policy as their principal coverage, purchased from an insurance company. This represents an increase of 3% in one year. The number of policies covering non-work related accidents was also up (+10%), reaching 2.7 million in 2007.

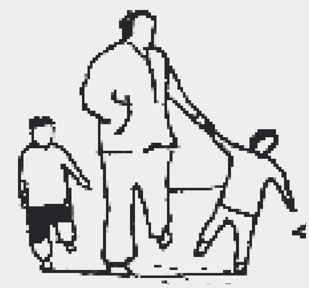
Insurance and social security in France

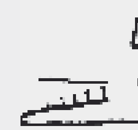
Insurance companies supplement mandatory insurance coverage by offering supplemental retirement funding; the reimbursement of healthcare costs; the payment of allowances in the event of work stoppage, long-term disability or long-term care; and the payment of a lump-sum benefit or annuities in the event of death. Insurance companies also manage mandatory schemes for non-salaried workers and farm operators. For the latter, basic coverage of workplace accidents and occupational illnesses was taken over by the social security system on April 1, 2002, but farm workers are free to choose an administrator for this type of insurance.
In addition, insurance companies provide coverage for workplace accidents involving individuals not covered under the French social security system, such as personnel employed by local government agencies and self-employed professionals.
In France, an estimated 391.4 billion euros was paid out in 2007 for various kinds of social security coverage, including 196.4 billion euros for retirement and 195 billion for personal protection (health, impairment, disability, long-term care and death).
With 17.7 billion euros paid out in the form of benefits, insurance companies account for 4.5% of social security in France in 2007 (does not include unemployment insurance).

Funding retirement

Mandatory retirement plans, both basic and supplemental, paid out benefits totaling an estimated 196.4 billion euros in 2007. Given current demographic trends, the foreseeable decline in the payout from these plans compared with the last working wage creates a substantial need for supplemental benefits that will only grow over time.







Professional pension contracts sold by insurance companies are designed to guarantee, as of retirement age, the payment of a steady income stream until the death of the retiree (or the retiree's spouse in the event of survivor income, also known as reversion). These contracts are primarily taken out.

- by employers as part of an employer-sponsored plan for employees (defined-benefit or defined-contribution contracts, supplemental compensation contracts, termination bonuses, or an employer-sponsored retirement savings plan known as Pere *(Plan d'épargne retraite d'entreprise)*.
- by self-employed individuals in the form of *Loi Madelin* policies. In addition, special contracts have been developed for workers in certain industries (farm workers, civil servants, etc.).

In 2007, insurance companies collected 10.8 billion euros on retirement contracts and paid out 4.9 billion to their insureds. Together, these insurers account for around 80% of all retirement benefits paid by all supplementary providers.

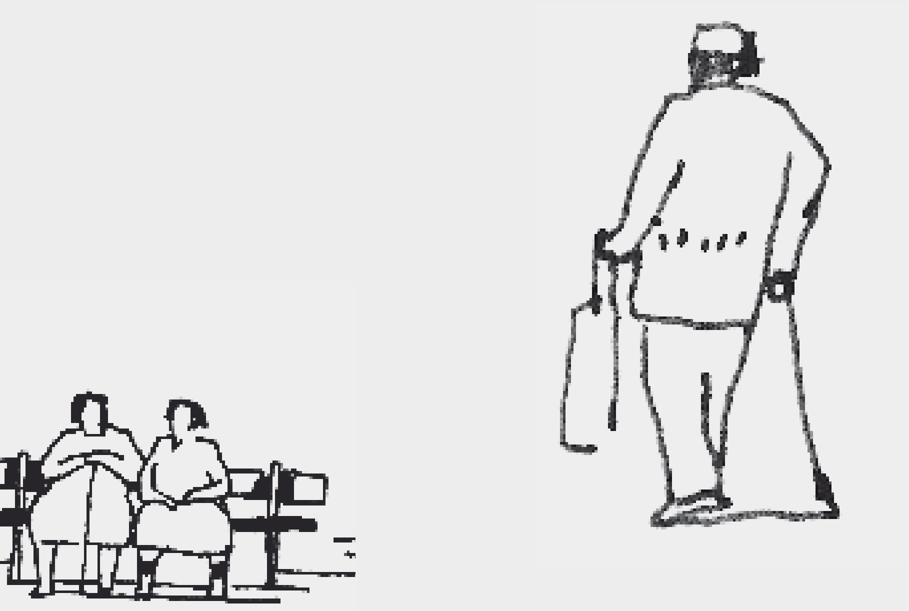
Financing healthcare expenditure and medical products

Total expenditure on health and medical care and products was an estimated 162.8 billion euros in 2007. Benefits paid by the Social Security system in France (both the basic and special plans) represent 78.2% of all health and medical expenditure (goods and services), and the percentage payable by households is 8.7%.

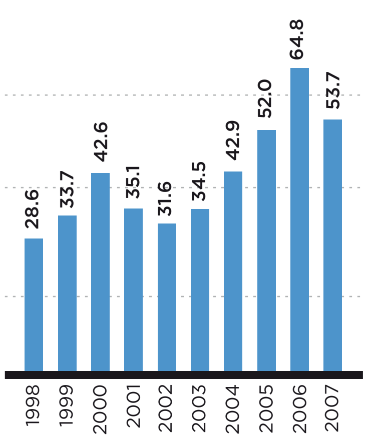
Supplemental insurance providers (insurance companies, mutual insurance societies that fall under the scope of the *Code de la mutualité* and provident institutions) covered 13.1% of the total expenditure in 2006. With 5.3 billion euros paid out in the form of benefits in 2007—which does not include benefits paid under reinsurance agreements of mutuals that fall under the *Code de la mutualité* and provident institutions—insurance companies cover 3.3% of the global cost of healthcare and medical product expenditure.
Supplementary health insurance providers primarily offer coverage for a portion of outpatient care, especially dental care—dental prostheses in particular—private practice medical care including unregulated physician's fees, laboratory tests, prescription drug purchases, and other types of health care, including optical care. Together, these five types of expenditure accounted for 80% of all healthcare benefits paid out by insurance companies under healthcare policies.

Benefits in the event of death, temporary or permanent disability and long-term care

All benefits paid out in 2007 under death, disability and long-term care policies came to an estimated total of 32.2 billion euros. Insurance companies, which provided 7.4 billion euros in benefits in 2007, account for 62% of all payments made by supplemental insurance providers.

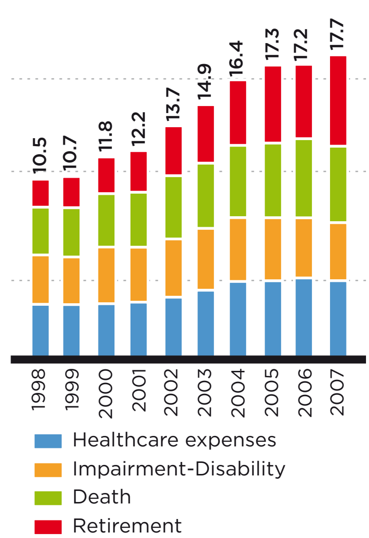


Change in net life insurance inflows from 1998 to 2007
(in billions of euros)



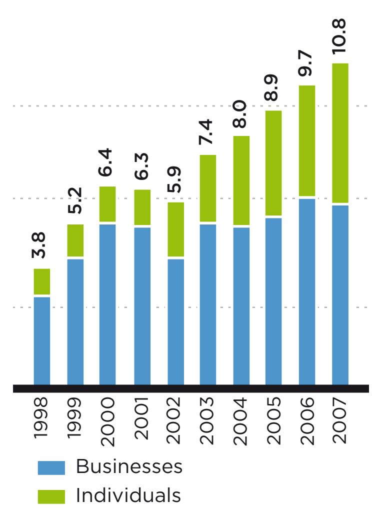
Source: FFSA.

Benefits paid out for personal protection by insurance companies from 1998 to 2007
(in billions of euros)



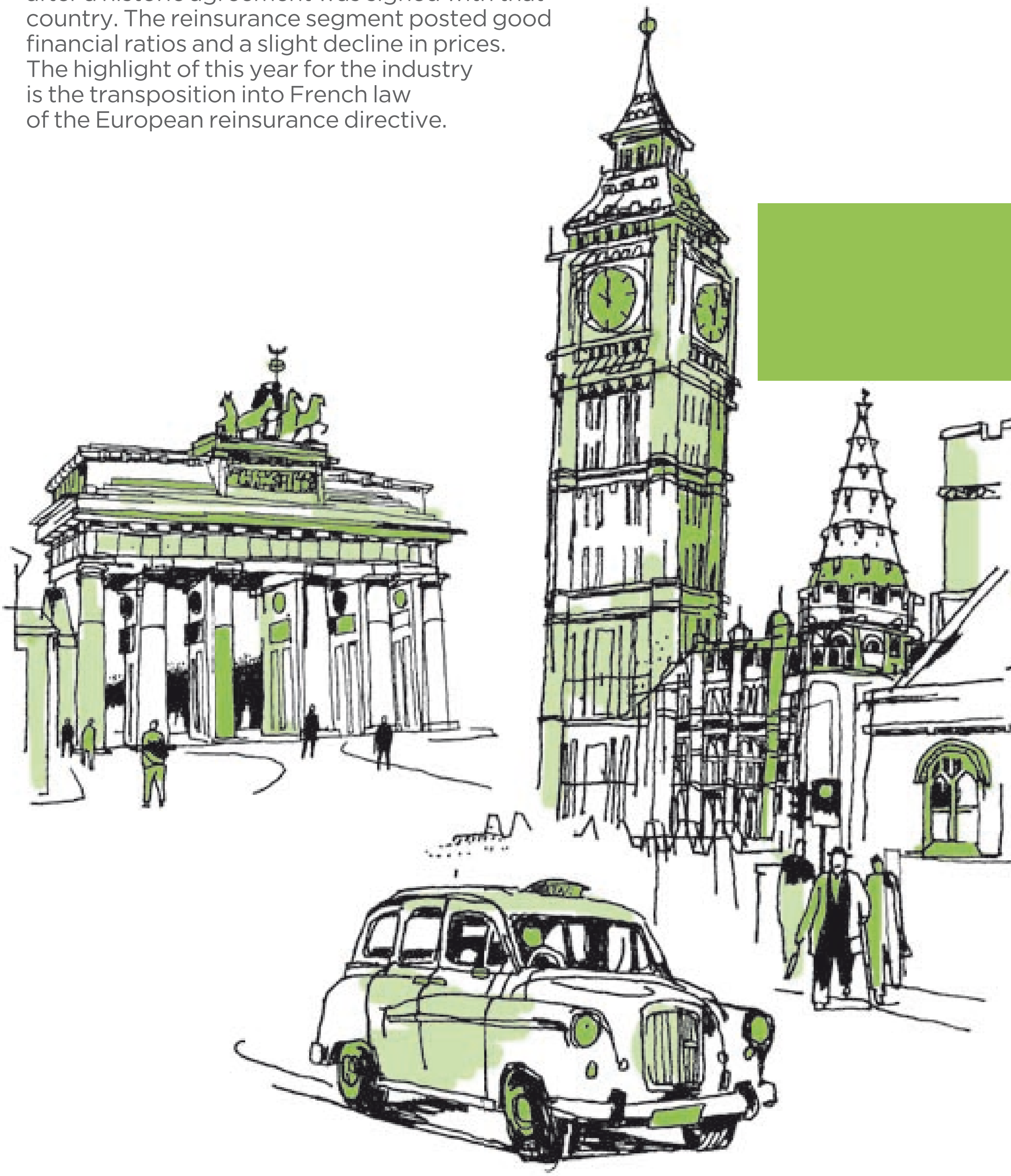
Source: FFSA.

Contributions to retirement plans paid to insurance companies from 1998 to 2007
(in billions of euros)



Source: FFSA.

Ranked fourth worldwide, French insurers and reinsurers reported strong international growth in 2007. The European Union remains their principal region of activity abroad. In Africa, new prospects for investment have emerged in the very promising Algerian market after a historic agreement was signed with that country. The reinsurance segment posted good financial ratios and a slight decline in prices. The highlight of this year for the industry is the transposition into French law of the European reinsurance directive.



28%
RISE IN REVENUES EARNED ABROAD

International business

A positive backdrop for growth

Strong rise in premiums from business abroad

As was the case in 2006, premiums earned abroad were up sharply in 2007 (+28.3%). Via their operations abroad, primarily in the form of majority-owned subsidiaries, French insurers and reinsurers took in premiums amounting to 93.5 billion euros in 2007, putting them in 4th place worldwide. This is 29.5% of their total premiums, and breaks down as follows: 57.9 billion euros for life insurance, 31.7 billion euros for property and casualty insurance, and 3.9 billion euros for reinsurance.

The European Union: top source of foreign business

The European Union continues to be the top source of business for French insurance and reinsurance companies operating abroad. 58.7% of the premiums of primary insurers and 46% of those earned by reinsurers are derived from the EU.

For French companies, the focus of their business abroad concerns France's principal economic partners and neighboring markets: the United Kingdom, Germany, Italy, Belgium and Spain.
Also noteworthy in 2007 is the presence of French insurers in new markets in Eastern Europe, where a growing need for long-term savings products is emerging. Thanks to the acquisition of a Swiss company by a French insurer, French groups acquired a strong position in this market in 2007.

A solid presence in North America

In 2007, North America represented 18.7% of total business abroad. French companies earn 95% of their North American revenues from primary insurance operations and 5% from the reinsurance business. For French reinsurance companies, which have had to rebalance their portfolios, the percentage of revenues earned in North America is steadily declining: from 81% in 2001, it had fallen to no more than 30% of total revenues in 2007.

"We must offer reinsurers the flexibility they need to work efficiently and responsibly, and also use different sources of leverage to make Paris more attractive as a place to do reinsurance business, in particular with the development of risk modeling and new risk management techniques."

François Vilnet, *Assurer* No. 103, November 2007.

French insurers are also pursuing the development of business in the Canadian market, primarily in the property and casualty segment, where competition is intense.

Insurance revenues earned by French companies present in Latin America came to 2.5 billion euros in 2007, an increase of 21% over 2006. Within this geographic region, Brazil remains the country in which French insurers have established the strongest presence (70% of all premiums collected in Latin America).

Presence maintained in Africa

In 2007, French insurers generated revenues in the African countries (North Africa and the Cima *(Conférence interafricaine des marchés d'assurances)* that, while limited in absolute terms (510 million euros), grew by 12% compared with 2006. These geographic regions account for only 0.5% of all premiums collected by French insurance companies from operations abroad.

However, in an agreement dated March 7, 2008, which was signed by several French companies and the Algerian state-owned companies SAA and CAAR, and which ended a dispute between the two countries that had lasted for more than 40 years, French insurers can now invest in this highly promising growth market.

Further strides in Asia

Although the insurance market is still little developed in this region—with the exception of a few countries—it nonetheless accounted for nearly 10% of the revenues that French primary insurers earned abroad in 2007.

Historic agreements puts an end to the Algerian dispute

The agreement dated March 7, 2008 puts an end to a dispute between France and Algeria over insurance that had been going on since 1966, when the industry was nationalized by the newly independent Algerian state. French insurers that were active in this market at the time had to discontinue their business and, as a result, lost control over the land and real estate they owned locally, not to mention the ability to pay out benefits owed to Algerian insureds. The recent agreement, which makes a clean slate of the past, authorizes French companies that wish to do so to invest directly in the Algerian market. In particular, they can work with their local business partners as participants in the process of privatizing and modernizing the industry in this country and develop new products in the areas of life insurance, health insurance and property and casualty insurance. The FFSA has promised to offer technical assistance in the area of occupational training in insurance.

The French presence in this geographic region is mainly in the life insurance market, which accounted for more than 90% of total premiums collected in 2007. Indeed, Japan—despite some economic and financial ruptures and regulatory changes—is the country where the French presence in this part of the world is the strongest (about 65% of the total premiums earned from primary business). Growth is also steady and continuous in India.
Conversely, French reinsurers no longer generate more than 6.7% of their revenues in this geographic region, as opposed to 18.3% in 2006.

17.9
BILLION EUROS IN REVENUES FOR FRENCH REINSURERS

Free Movement of Services: market share remains modest

The volume of transactions completed by French insurers under the provisions of the free movement of services directive remains negligible (595 million euros), and is mostly with France's major economic partners and in neighboring markets. In 2007, 83% of all free movement of services business was concentrated in six countries (Belgium, Spain, the United Kingdom, Germany, the Netherlands and Italy).

The reinsurance market

The global reinsurance market has annual revenues of around 180 billion euros, of which 140 billion euros from property and casualty business. The revenues of French companies in 2007 came to 17.9 billion euros, of which 2.8 billion euros from their affiliates located abroad. The reinsurance market, which counts 150 professional reinsurers, is a relatively concentrated segment: the top 10 reinsurers do more than half of all global business, while the top 30 account for 80%.
Most of the demand for reinsurance comes from the industrialized countries: North America accounts for more than half of all demand, followed by Europe. The global average rate of cessions to reinsurers by insurers is 6% (11% in non-life and 2% in life).

Losses: more numerous and more costly in 2007

In 2007, 142 natural catastrophes (disasters) and 193 technical catastrophes were identified, producing economic losses estimated to be more than 70 billion dollars. Europe was the hardest hit region: the Kyrill Storm in January, which impacted Germany, the United Kingdom, Belgium and the Netherlands, did damage valued at approximately 10 billion dollars. The devastating floods in the United Kingdom during the summer caused losses in excess of 7 billion dollars.

More conservative risk acceptance policy and slightly lower rates

The year 2007 was marked by a slight decrease in rates, a trend that is expected to continue in 2008 due to the absence of major natural catastrophes in 2007 and heightened competitive pressures. In addition, reinsurers are pursuing their conservative acceptance policy

70

BILLION DOLLARS WAS THE COST OF NATURAL AND TECHNICAL CATASTROPHES IN 2007

(reducing their exposure to some risks, excluding others entirely, ending unlimited coverage, withdrawing from some lines of business) and are showing good financial and technical results. As a result, reinsurers were able to improve their principal financial ratios.

European supervision of reinsurance

On November 16, 2005 the directive whose aim is to institute European level supervision over the reinsurance business was adopted without waiting for the future European directive on solvency. The transposition into French law of this directive should be completed sometime in 2008.
Article 3 of the Act dated December 17, 2007, which contained a number of provisions adapting community law on economic and financial matters, authorizes the government to pass an order (by June 18, 2008) setting forth the legislative provisions that are required to transpose this directive.
The European directive on the supervision of reinsurance has a number of aims, in particular:
• to create a genuine European reinsurance market based on a single, unified system of supervision and licensing delivered by the member state in which the enterprise wishes to set up its headquarters;
• to harmonize certain domestic prudential practices by eliminating the existing collateral requirements among EU member states intended to cover the provisions of ceding companies;
• to equip Europe with an international tool of negotiation that will boost the access of European reinsurers to foreign markets, in particular the United States.
The market is supportive of rapid and adequate transposition of this directive in the interest of consolidating the status of Paris as a major European reinsurance hub.

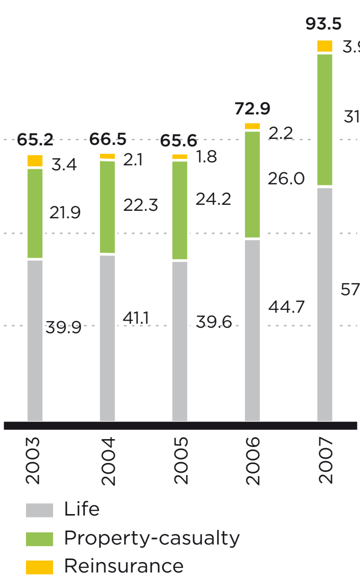
Paris: a reinsurance hub

Although Paris remains one of the world's top reinsurance markets, it has lost some of its clout as international reinsurance groups have set up subsidiaries in other European countries.
The committee set up by the French government in July 2007 *(Haut Comité de place)* has been tasked to study ways of enhancing the appeal of Paris for reinsurance. In the face of global competition, from places such as Bermuda and Singapore, which offer strong tax incentives, Paris must create a social, cultural, tax, regulatory and financial climate that can attract capital and command centers (for example, by promoting the development of new activities such as the management of reinsurance run-off business and the securitization of insurance risks).

Key figures

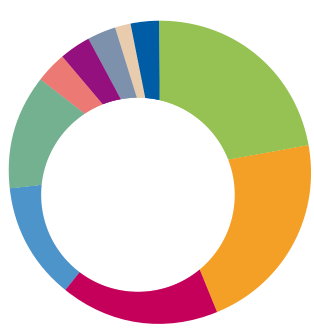
After four years of strong growth in GDP, the rate of global expansion fell from 3.9% in 2006 to 3.6% in 2007, due to turmoil in the world's capital markets. Despite this relatively non-supportive backdrop, the world's insurance markets nonetheless managed to post growth in 2007.

French insurance company premiums earned abroad
(in billions of euros)



Source: FFSA.

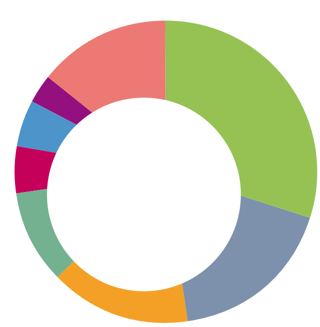
Premiums earned by French insurers in the European Union in 2007



22.4% United Kingdom
21.6% Germany
17.0% Italy
12.3% Belgium
12.3% Spain
3.5% The Nertherlands
3.3% Portugal
2.9% Luxembourg
1.8% Ireland
2.9% Other

Source: FFSA.

Overview of EU market share in 2006



30% United Kingdom
18% France
15% Germany
10% Italy
5% The Netherlands
5% Spain
3% Ireland
14% 18 other countries

Source: Swiss Re, *Sigma* No. 4, 2007.

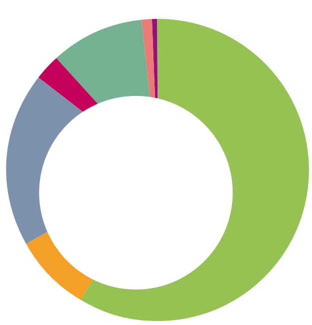
Top ten world markets in 2006

Premium income *(billions of dollars)*	Life	Non-life	Total	Change 2006/ 2005 *(in %)*	Global share *(in %)*
United States	534	636	1 170	2.1	31.4
Japan	363	97	460	-1.5	12.4
United Kingdom	312	106	418	20	11.2
France	178	73	251	10.6	6.8
Germany	95	109	204	0.5	5.5
Italy	90	49	139	-4.9	3.7
South Korea	72	29	101	8.7	2.8
Canada	39	49	88	3.7	2.4
China	45	26	71	12.8	1.9
Spain	28	38	66	4.1	1.8

Source: Swiss Re, *Sigma*, No. 4, 2007.

93.5
BILLION EUROS IN REVENUES EARNED ABROAD

Analysis of premiums earned abroad by French insurers in 2007



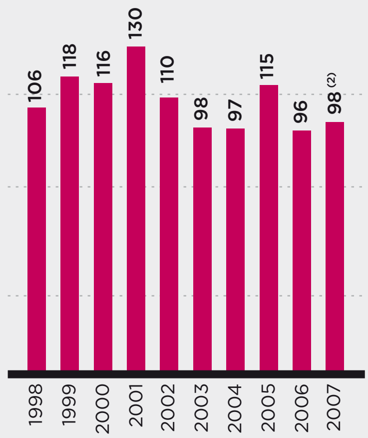
58.7% European Union (ex. France)
8.3% Europe (ex. UE)
18.7% North America
2.8% Latin America
9.9% Asia
1.1% Oceania
0.5% Africa, Middle East

Source: FFSA.

17.9
BILLION EUROS FOR FRENCH REINSURANCE COMPANIES

+than 300
CATASTROPHES REPORTED IN 2007

Reinsurance: change of net combined ratio[1]
(in %)



1. Ratio of services, allocations to reserves and general expenses as well as commissions to total revenues.
2. Estimate.

Source: Apref.

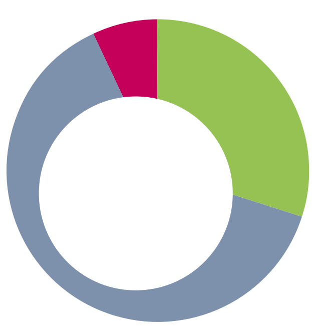
Change in disaster reinsurance capacity
(Europe)

in billions of euros

1993	from 8.4 to 10
1996	from 12.0 to 13.5
1999	15.4
2000	16.0
2001	17.5
2002	16.5
2003	16.5
2004	18.0
2005	20.0
2006	20.0
2007	23.0
2008 (estimate)	23.0

Source: Apref.

Premiums earned abroad by French reinsurers in 2007



30.1% North America
63.2% Europe (ex. France)
6.7% Asia

Source: FFSA.

Largest insurance claims in 2007

Insured losses (material and operating losses) in billions of dollars

Kyrill Storm in Europe on January 18	6.1
Flooding in Great Britain on June 25	2.5
Flooding in Great Britain on July 20	2
Storm, rain, hail, flooding in the US on April 13	1.6
Fires in California on October 21	1.1

Source: Swiss Re, *Sigma* No. 1, 2008.

Because of the investments it makes to cover its obligations to policyholders, insurance plays a fundamental role in financing the economy in general and businesses in particular. Aware of the impacts that the companies they invest in can have on the environment, insurance companies are gradually factoring social and environmental criteria into their investment policy.

365
BILLION EUROS INVESTED IN EQUITIES IN 2007

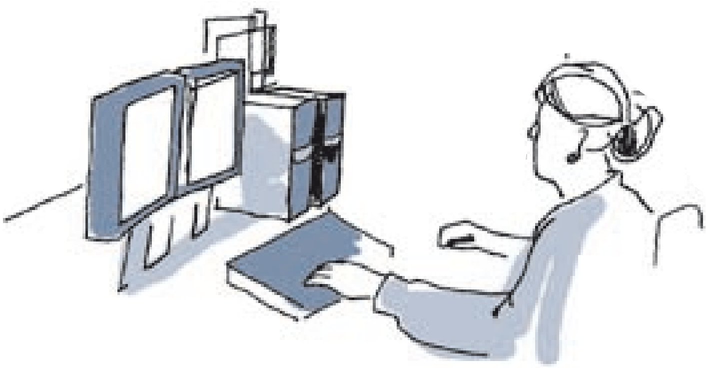
Financial activity in insurance

The key to economic growth

The role of insurers in financing the economy

Investments made by all insurance companies

In ten years, investments made by insurance companies have increased by a factor of 2.4, and had reached 1491 billion euros at year end 2007. They moved in line with the growth of life insurance as a percentage of the financial wealth of households (24% in 1996, 35% in 2007) and, in so doing, reinforced the role played by insurance in financing the economy.
Contrary to a fairly widespread belief, insurance company investments do not serve primarily to finance the government's borrowing needs.
On December 31, 2007, corporate issuers of both bonds and equities accounted for more than half (55%) of the total assets of French insurance companies.
As a result of the development of life insurance and unit-linked investment vehicles, more than one fifth of all assets (around 365 billion euros) are directly or indirectly invested in equities.
This growth in unit-linked vehicles as a percentage of life insurance liabilities (20% of total provisions), boosted by the Fourgous amendment, has also allowed households to assume a greater degree of risk in their financial assets.



Promoting

THE INCLUSION OF SUSTAINABLE DEVELOPMENT IN EQUITY PORTFOLIO MANAGEMENT

Insurance investments in SMEs

Investments growing, exceed obligations assumed

In September of 2004, French insurance companies promised public policymakers that they would increase the amount of their investments in innovative small and mid-sized businesses (SMEs) with strong potential for growth, with a particular focus on innovative privately held SMEs or those traded on unregulated markets.

The goal set by the industry—which was to invest 6 billion euros between 2004 and 2007—was more than reached: 13 billion euros in all were invested over this period, bringing to more than 22 billion euros total investments of this type by the end of 2007, which is 1.65% of all managed assets. Of these 22 billion euros, 7.5 billion euros have yet to be called by the investment funds.

Insurers: France's biggest investors in private equity

Insurers have increased their efforts in this area considerably, and intend to pursue their investments aimed at promoting the development of SMEs. Indeed, on October 22, 2007, the industry committed to the goal of 2% of assets under management invested in private equity by the year 2012.

Several insurance companies have also demonstrated their commitment to supporting private equity through their active participation in the *France Investissement* program. This system, set up as a partnership between the government and private players, was designed to raise the equity needed to finance fast-growing small and medium-sized companies in France. It is intended to serve as a catalyst for the smallest insurance companies, providing them with more diversified vehicles—funds of funds—with a guarantee of the quality of the applicants selected by private equity specialists.

Overall, insurers are now the number one source of funding for private equity in France, according to the statistical scorecard drawn up by the Afic *(Association française des investisseurs en capital)*. Nearly 20% of all private equity raised in 2006 for investment in SMEs was provided by insurers.

An investment geared toward growing businesses

A survey conducted by the FFSA in May 2007 demonstrated that, while insurers increasingly invest more than the rest of the French market in support of innovative businesses and creation, the majority of their investments (56%) nonetheless concern leveraged buyouts (known as LBOs), a transaction that entails acquiring a company via specialized organizations that finance this takeover through debt.

Socially responsible investment: a reality for insurance

In 2007, the FFSA consulted insurers on their socially responsible investments (SRI), and also sponsored bilateral exchanges with various insurance companies and asset management firms that are owned by insurance groups. These encounters revealed the growing commitment of insurers to supporting sustainable development, a set of practices designed to encourage the inclusion of ESG (environmental, social and governance) criteria in investment decisions. In fact, nearly all French insurers are already taking steps to promote SRI, with respect to the management of both their own assets and those invested on behalf of their clients.

The resolution approved by the general assembly of the FFSA on December 18, 2007, which called for the reinforcement of the environmental dimension of the Insurance Company Investment Code, attests to this commitment. The updated Code calls on member companies to consider the environmental impacts that the businesses they are thinking of investing in may have on global warming.

Prudential and accounting standards being completely modernized

The financial strength of insurance enterprises is the guarantee that they will be able to keep the promises they have made to their policyholders. In this area, two major reforms—based on an economic approach to the insurance business, and in particular the risks assumed—are under way. They concern solvency requirements (at the European level) and accounting standards (at the international level).

The draft Solvency II directive: an unprecedented reform

The objectives pursued

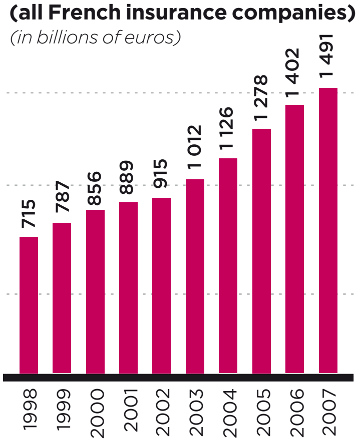
On July 10, 2007 the European Commission ratified the draft Solvency II directive leading to a general revision of European Union insurance law. This reform pursues four objectives: improve policyholder protection, modernize supervision, encourage businesses to improve the knowledge and management of their risks for a better allocation of capital, and ensure uniform application across Europe.
Coupled with the re-codification of all Community level directives related to the insurance business, the draft directive is currently being examined by the European Parliament and by the European Council.
The directive is expected to be adopted in its final form in the second half of 2008 under French presidency of the European Union.

This new system, which should be operational in 2012, introduces more stringent solvency margin requirements for insurers, among other things.

Towards improved assessment of the real risks carried by insurance companies

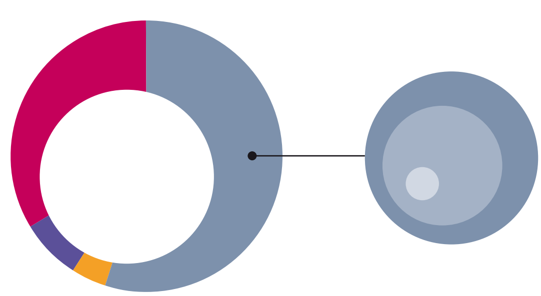
An extension of Basel II for banks, Solvency II reflects the ambition shared by all parties, which is to reform a regulatory framework which has become obsolete and introduce solvency requirements that more accurately factor in the real risks carried by insurance companies.
This project is in fact based on an active risk management dynamic and a more complex set of rules for integrating the risk factor, either via the application of standard formulas standards or by using internal models.
In the interest of improving risk assessment, the reform is expected to recognize the legitimacy of using internal models for the calculation of solvency capital requirements. Internal models, which are genuinely robust tools for the operational management of insurance enterprises, and which impact policies of risk acceptance and cession, and investment and profit-sharing, will therefore be usable within the context of regulatory requirements.
By default, the Solvency Capital Requirement (SCR) will be calculated in full or in part by a new standard formula, applicable by all enterprises–insurance companies, mutuals and providence institutions–regardless of their size or legal status. As a result, it should be possible to capture the principal risks with which insurers are confronted, while also remaining easily applicable.

Market value of investments (all French insurance companies)
(in billions of euros)



Sources: FFSA, *Banque de France.*

Structure of investments at year-end 2007[1] *(%)*

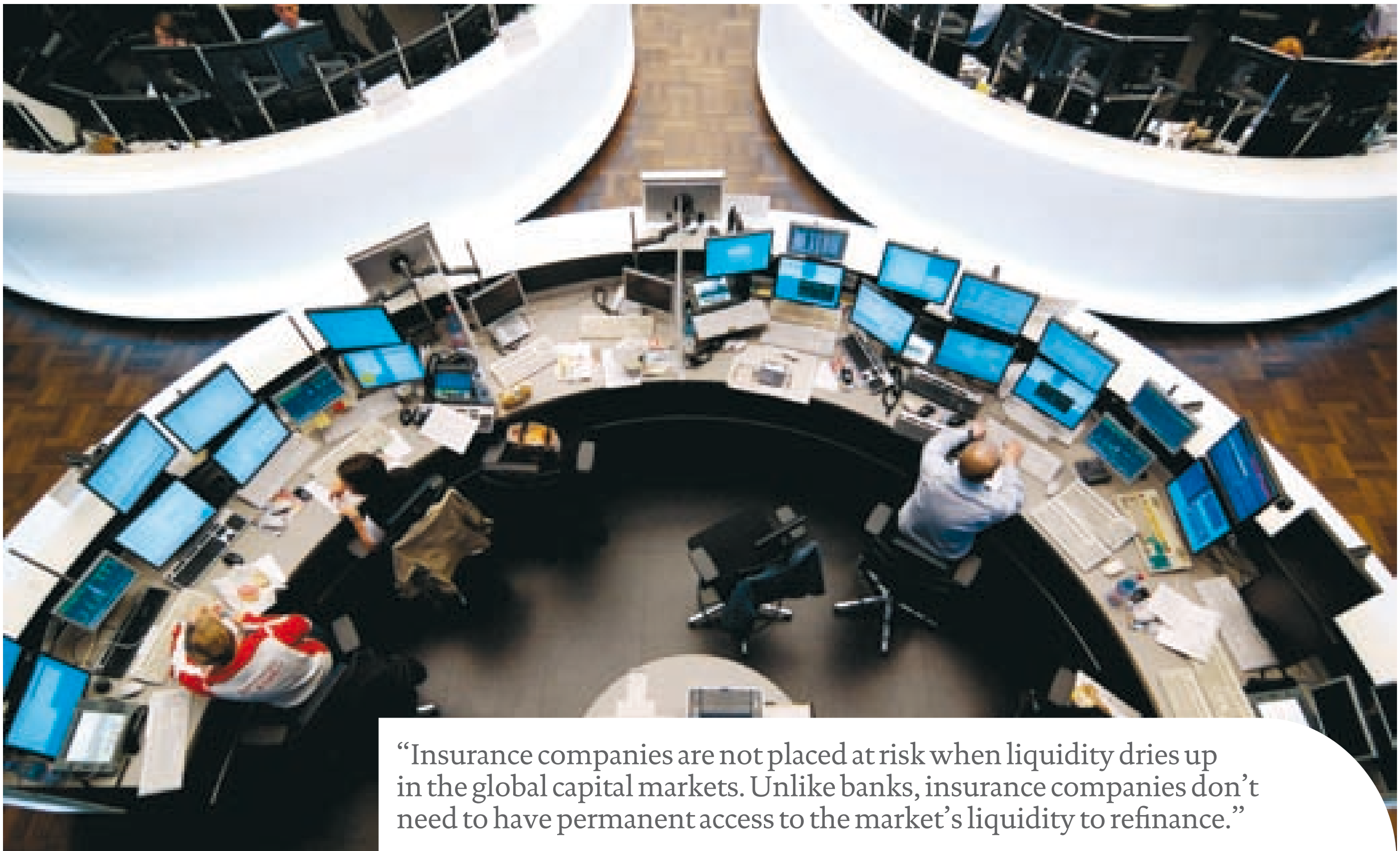


55.2% Corporate assets
4.2% Others
7.2% NDS[2] and money market instruments
33.4% Bonds issues/ backed by the government

27.6% Corporate bonds
24.5% Equities
3.1% Real estate assets

1. Market value after reallocation of mutual fund investments to the appropriate asset classes.
2. Negotiable debt securities.

Sources: FFSA, *Banque de France.*



"Insurance companies are not placed at risk when liquidity dries up in the global capital markets. Unlike banks, insurance companies don't need to have permanent access to the market's liquidity to refinance."

European insurers facing the current crisis, Olivier Mareuse on www.lapartderisque.fr

New obligations

Insurers will be obliged to focus on the active determination, measurement and management of risks and on examining future trends, such as new corporate projects and the probability of catastrophic events, which could have an impact on their financial capability. In addition, insurers will have to assess their capital needs on the basis of all their risks by using an "internal assessment of risk and solvency," while the "process of prudential supervision" should reframe the principal mission of regulators, placing the emphasis on assessing the risk profiles of insurers and also the quality of their risk management systems.

Impact studies

Simulation or modeling work is needed to draw up the future rules. Accordingly, quantitative impact studies (QIS) were planned to highlight the repercussions of the new system for insurance industry players.
In the course of 2007, European insurance enterprises participated actively in the third study (QIS3), which will serve as the basis for establishing the future standard formula for calculating solvency requirements. The results of the fourth impact study (QIS4), conducted from April to July 2008, will probably be decisive in terms of defining implementation measures and will certainly influence the final adoption of the framework directive.
The year 2008 will be an important one for the Solvency II project. The framework directive that defines the underlying principles of Solvency II will be examined by the European Parliament.

International accounting standards: towards more transparent accounting

In 2002, The European Union's Council of Ministers ratified a regulation that requires all publicly-traded companies in Europe to draw up their consolidated financial statements in accordance with IFRS (International Financial Reporting Standards) which, until 2001 were

The global financial crisis

In 2006, the United States experienced a crisis in subprime lending that was directly caused by the decline in housing prices. Initially, this crisis was highly localized, but the resulting imbalance was soon transformed by the summer of 2007 into a full-blown liquidity crisis of global proportions that affected both the interbank markets and some segments of the bond markets.

French insurance companies, given their investment horizon and the structure of their asset portfolios, were barely exposed to the financial disorder that arose out of this crisis. Conducting conservative investment policies and motivated by the desire to maintain a match between their assets and their liabilities, they do not invest heavily in asset classes with a high risk profile. In addition, their investments are mostly directed towards highly liquid assets that were not heavily impacted by the crisis. Finally, French insurance enterprises adhere to the notion of matching, which requires them to hold assets stated in the same currency as their obligations to policyholders. Most of their investments, stated in euros, were consequently little affected by the US credit crisis.

known as IAS, for International Accounting Standards), in existence since 1973. This framework seeks in particular to ensure more transparency in accounting.

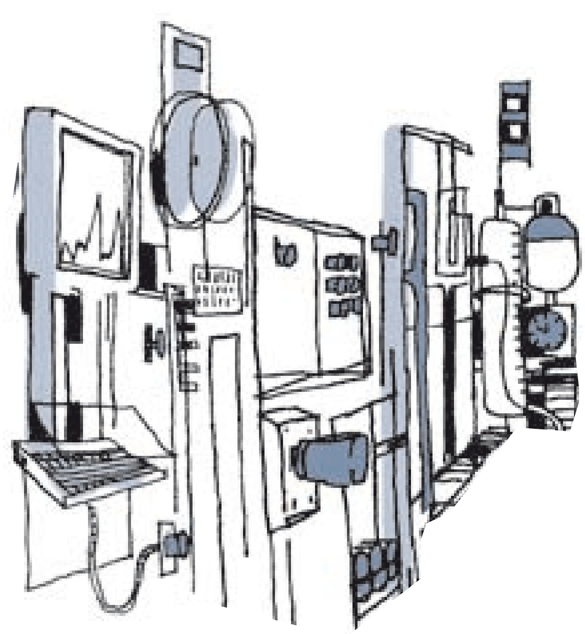
Working toward standards derived to meet the specific needs of insurance

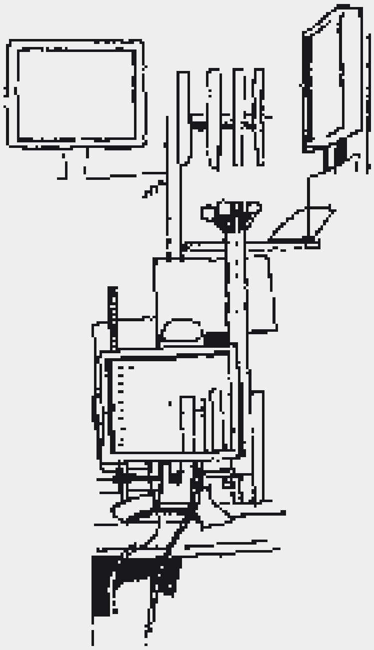
These standards turned out to be ill adapted to the specific features of the insurance industry— in particular risk pooling and diversification, the duration of commitments and asset liability matching and management.

Insurers therefore support the adoption of a suitable accounting standard that reflects the economic reality of their industry. In fact, one is currently being developed for an expected release in the course of 2009. The International Accounting Standards Board (IASB) is currently working on a new standard for the accounting treatment of insurance contracts. To this end, in 2007 the IASB published a consultation document that presents a set of proposals for the future standard. The insurance industry organized itself at the European level to respond to this consultation with a single voice. This future standard, which represents an innovation, could mean that insurance contracts are accounted for based on economic and forecasting considerations. It should also serve as the foundation for the implementation of the Solvency II prudential regulations.

In the interval, the classification of and accounting for insurance or investment contracts will be done in accordance with IFRS 4 and IAS 39. IFRS 4 is a transition standard that is currently being overhauled.

In 2007, a new standard (IFRS 7) went into effect with the publication of fiscal year 2007 results. It seeks to demonstrate the impact of financial instruments held by the company on its financial position and performance. The standard requires the disclosure of a whole set of qualitative and quantitative information on the nature and extend of the risks that emerge from these financial instruments and the manner in which the company manages its risks. For insurance enterprises, this standard is supplemented by specific disclosure provisions related specifically to insurance risks.





Key figures

The investments of insurance companies increased in 2007, reaching 1 491 billion euros (market value).

Insurance company investments

In 2007, the investments of insurance companies increased, reaching 1 396.2 billion euros (balance sheet carrying value). Net investment inflows decreased by 11.5% versus 2006, due to the decline in net new monies to life insurance vehicles. The percentage of equities and equity-type securities (balance sheet carrying value) in new investments went from 52.1% to 31%, reflecting the decline in payments made into unit-linked vehicles. The percentage of bonds and other fixed-income securities was 68.4%, while real estate investments represented 0.3%.

Value of investments

The balance sheet carrying value of the investments held by insurance companies increased by 8.9% in 2007: 9.2% in life insurance and capital redemption; 6.7% in property and casualty. The stability of the stock market, combined with the trend toward higher interest rates, resulted in a slight decline in unrealized capital gains in 2007. They went from 120.5 billion euros in 2006 to 94.9 billion euros en 2007. Unrealized capital gains increased by 19.3% for real estate assets, but declined by 3.6% for equities. Unrealized capital losses on the bond portfolio totaled 1.1 billion euros.

Investment results improve

Globally, results once again showed improvement in 2007, increasing by 3.7% to reach 11.1 billion euros. The return on shareholders' equity was stable at 14.3%. In 2007, financial results were 55.9 billion euros (+11.4% compared with the previous year), including 45.5 billion euros in net investment income and 10.4 billion euros in net capital gains on the realization of investments. This is 10.9% of the average for unrealized gains in the fiscal year ended December 31, 2007.

Value of insurance company investments at end 2007[1]

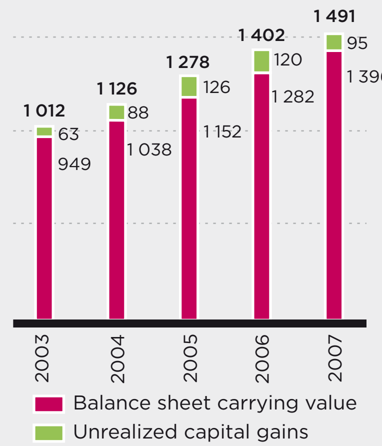
	In billions of euros	%
Equities	365.3	24.5
Corporate bonds	411.4	27.6
Bonds issues/backed by the government	497.3	33.4
Real estate assets	46.4	3.1
NDS and money market instruments	108.0	7.2
Other	62.7	4.2
General total	**1 491.1**	**100**
Including:		
- Life and composite companies	1 309.6	87.8
- Property and casualty companies	181.5	12.2

1. Realizable value. For the sake of transparency, securities held by mutual funds have been reallocated to the various asset classes to which they belong.

Sources: FFSA, *Banque de France.*

Trends in insurance company investment amounts

(in billions of euros)

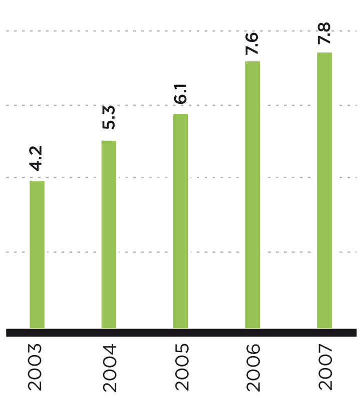


Sources: FFSA, *Autorité de contrôle des assurances et des mutuelles.*

Financial result trends and realized capital gains

Property-casualty companies

(in billions of euros)



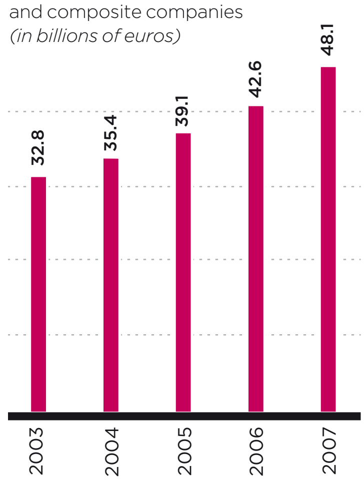
For property and casualty insurance companies, financial results were 7.8 billion euros, an increase of 2.6% compared with 2006. Net investment income came to 5.5 billion euros and net capital gains on the realization of investments were 2.3 billion euros.

Sources: FFSA, *Autorité de contrôle des assurances et des mutuelles.*

Financial result trends and realized capital gains

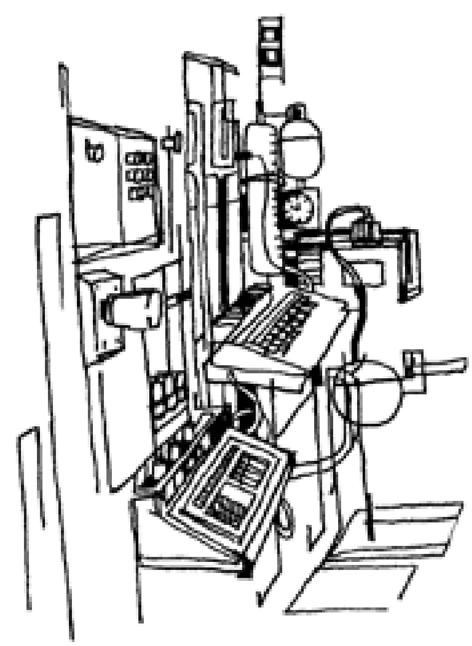
Insurance, capital redemption and composite companies

(in billions of euros)



Overall, the financial management of insurance companies generated resources in 2007 totaling 48.1 billion euros, which is a 12.9% increase over 2006. This total reflects net investment income of 40 billion euros plus 8.1 billion euros of net profit from the realization of investments. At least 85% of these resources are credited to policyholders under contractual clauses.

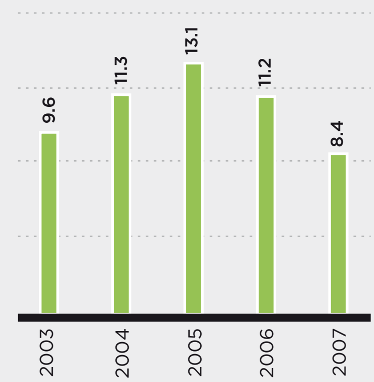
Sources: FFSA, *Autorité de contrôle des assurances et des mutuelles.*



Solvency ratios are strong

Life, capital redemption and composite companies are required to maintain a solvency margin equal to 4% of total actuarial reserves (and 1% for unit-linked contracts). Based on current portfolios of contracts under management, the margin is estimated to be 3.4% for 2007. Insurance company shareholders' equity represented 3.6% of total actuarial reserves in 2007. Including unrealized capital gains, the solvency margin was 8.4% of reserves, 2.5 times the required minimum. This high level offers policyholders a strong guarantee of security.

Life, capital redemption and composite company solvency
(shareholders' equity+unrealized capital gains/actuarial reserves)



Source: FFSA.

Underwriting results

Income statement for life, capital redemption and composite companies (1)

In billions of euros	2006	2007	% change
Underwriting account			
Earned premiums	139.8	132.1	-5.5
Net investment income (2)	58.4	50.0	-14.4
including Acav contract adjustments	16.3	2.5	-84.7
Other underwriting income	1.1	1.3	18.2
Subtotal A	**199.3**	**183.4**	**-8.0**
Cost of claims	74.8	82.6	10.4
Actuarial and claims reserves	73.2	44.9	-38.7
Profit sharing/dividends	35.6	38.1	7.0
Acquisition and administrative expenses	9.8	10.9	11.2
Other underwriting expenses	0.9	1.1	22.2
Subtotal B	**194.3**	**177.6**	**-8.6**
Underwriting result A – B	**5.0**	**5.8**	**16.0**
Non-underwriting account			
Income from allocated investments	0.5	0.6	–
Other non-underwriting items	-0.4	-1.0	–
Net earnings	**5.1**	**5.4**	**5.9**

1. Net of reinsurance. – 2. Including capital gains of the sale of assets (net of capital losses and adjustments of Acav (unit-linked life insurance conracts), less investment income transferred to the non-underwriting account.

Net earnings from life insurance operations rose by 5.9% in 2007, to 5.4 billion euros (versus 5.1 billion euros in 2006). This increase is primarily due to growth in financial income. Profitability (return on shareholders' equity) was 12.4% in 2007. Allowances to insurance and actuarial reserves, intended to cover future liabilities to policyholders, were 44.9 billion euros, a sharp decline that resulted from the decrease in premiums and the valuation of unit-linked vehicles.

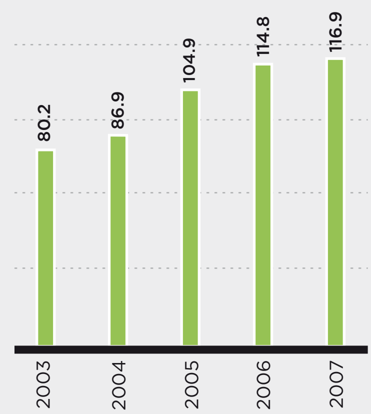
Sources: FFSA, *Autorité de contrôle des assurances et des mutuelles.*

Life, capital redemption and composite company results
(in billions of euros)

Sources: FFSA, *Autorité de contrôle des assurances et des mutuelles.*

Property and casualty companies are required to maintain a minimum regulatory ratio equal to 16% of annual premiums, or 23% of average claims paid out over the three preceding years if this amount is higher. Shareholders' equity totaled 34.1 billion euros in 2007, representing 55.4% of total premiums. Including unrealized capital gains, the solvency margin was 116.9%, 7.3 times the required minimum.

Property and casualty company solvency
(shareholders' equity+unrealized capital gains/premiums)



Source: FFSA.

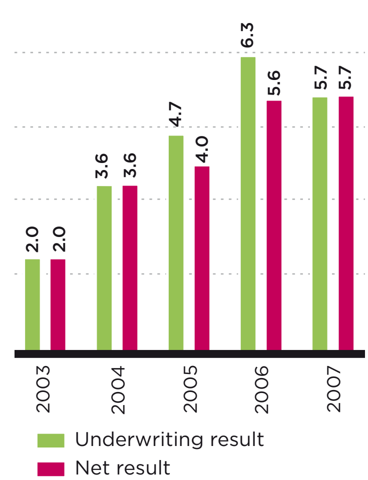
Property and casualty company income statement (1)

In billions of euros	2006	2007	% change
Underwriting account			
Earned premiumss	48.6	49.9	2.7
Income from allocated investments	5.6	5.4	-3.6
Other underwriting income	0.6	0.6	–
Subtotal A	**54.8**	**55.9**	**2.0**
Cost of claims (2)	35.1	36.7	4.6
Acquisition and administrative expenses	10.5	11.2	6.7
Other underwriting expenses	2.9	2.3	-20.7
Subtotal B	**48.5**	**50.2**	**3.5**
Underwriting result A – B	**6.3**	**5.7**	**-9.5**
Non-underwriting account			
Net investment income (3)	2.0	2.4	20.0
Other non-underwriting items	-2.7	-2.4	11.1
Net earnings	**5.6**	**5.7**	**1.8**

1. Net of reinsurance. 2. Including allowances to insurance reserves. 3. Including capital gains on the sale of assets (net of capital losses), less investment income transferred to the non-underwriting account.

The underwriting result for 2007 decreased due to the rise in the cost of claims and the retreat of allocated financial income. The average expense ratio (the ratio of expenses to premiums) for 2007 was 22.4%. The combined ratio, net of reinsurance, which is the ratio of paid and incurred claims, acquisition costs and administrative expenses plus other operating expenses to premiums, was 100.6%, compared with 99.8% the previous. Total net earnings came to 5.7 billion euros, equal to 16.7% of shareholders' equity.

Property-casualty company results
(in billions of euros)



Sources: FFSA, *Autorité de contrôle des assurances et des mutuelles.*

Sources : FFSA, *Autorité de contrôle des assurances et des mutuelles.*

Thanks to the variety of players and the strong competition that prevails in the French insurance market, policyholders enjoy both a good quality cost tradeoff and a wide diversity of products and services, except in the social risks area, which is largely preempted by public monopolies. In the interest of safeguarding the benefits of a dynamic market, competitive distortions need to be removed (legal, commercial and tax) and insurance distribution must be allowed to develop under conditions that do not hamper this activity or unduly increase the cost of insurance to consumers.

6

+than 37 000

INSURANCE INTERMEDIARIES IN FRANCE

The legal and tax environment

A market in evolution

The distribution of insurance policies

Insurance intermediaries: rolling out the new system

The system that arose from the Act of December 15, 2005 containing various European Community adaptation provisions in the area of insurance went into effect on April 30, 2007. As a result, all distributors of insurance must be listed with the national registry under a single registration number in each of the categories practiced. The registry is overseen by Orias *(Organisme pour le registre desintermédiaires en assurance)*. Distributors must also fulfill their obligations with respect to transparency and advice to clients.

National registry of insurance intermediaries

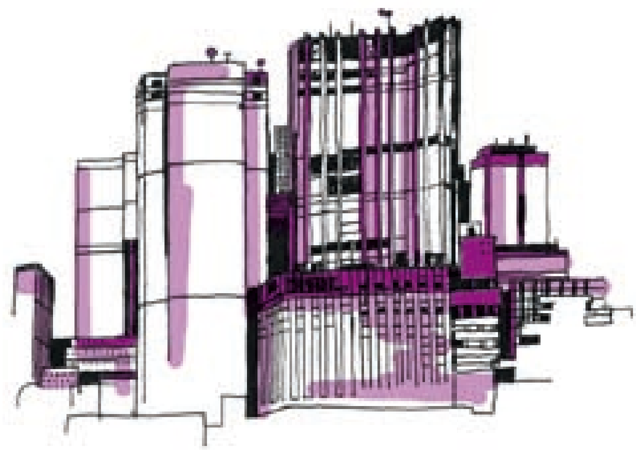
Since January 31, 2007, the registry can be consulted on the Orias website (www.orias.fr). On January 1, 2008, there were 37 115 registered insurance intermediaries, corresponding to a total of 43 308 registrations:

- 13 091 were listed as general insurance agents;
- 16 206 were listed as brokers;
- 3 940 were listed as mandated by insurance companies;
- 10 071 were listed as mandated by insurance brokers;
- In addition, 3 830 intermediaries based in the European Community had announced their intention of practicing in France under the free movement of services directive or as a free establishment listed on this date with the Orias website.

Pursuant to applicable legislation, the annual renewal of these registrations began on March 1, 2008.

Obligations with respect to transparency and advice

Intermediaries are required to inform all new clients of their identity, their registration number, any financial ties they may have to one or more insurance companies, and their situation with respect to the insurance company providing the policy they recommend (existence or not of an exclusive contractual tie). All



Instilling
TRUST-BASED RELATIONSHIPS WITH POLICYHOLDERS

of this information must be communicated in writing, on paper or any other hard copy format. Intermediaries must also specify, under the same conditions, the demands and needs expressed by the client as well as their reasons for giving specific advice with respect to any particular insurance policy. These details may be modulated depending on the complexity of the policy under consideration.
In accordance with the recommendation that was adopted on December 19, 2006 by the general assembly of the FFSA, insurance companies have developed a set of tools and resources intended to help their sales networks provide formal advice to clients. As for the trade unions representing intermediaries, they are pursuing efforts to raise awareness and support the rollout of the new provisions.
At a time when the insurance industry is focusing its efforts on ensuring that these provisions are implemented, new legislative initiatives that would once again modify the rules applicable to the sale of insurance products would appear to be inopportune.

Door-to-door sales: new obligations

The Act of January 3, 2008 for the development of competition that benefits consumers grants all physical persons who are solicited by door-to-door sales people, and who sign an insurance policy for purposes that fall outside the realm of their professional or business activity, the option of reneging on the contract at any time during the fourteen days starting from the date on which the contract is concluded. This option was already available for life insurance policies, with a cooling-off period of thirty days.

Competition in insurance: legislative developments

Moving towards an end to regulated exemptions?

The European Commission, which in 2005 launched a survey of insurance companies, published its final report in September of 2007 on commercial insurance products and services. The aim of the survey was to verify that there are no restrictions on competition or limitations placed on the negotiation of coverage features, which was generally found to be the case.
The Commission expressed doubts as to the justification and future existence of the exemptions granted to insurance companies (renewed by the Commission in 2003, the regulation is set to expire in 2010). As an exception to the principle that prohibits agreements between businesses whose effect is to restrict competition, this regulation authorizes certain forms of cooperation between insurers in the areas of calculating indicative pure premiums, joint studies, standard conditions that apply to direct insurance, joint coverage of certain risks and technical specifications that apply to safety equipment. The primary aim of this special system is to facilitate the insurability of risks that would be difficult to assess without such cooperation.
The insurance industry considers that, far from posing an obstacle to competition, this type of cooperation actually supports the development of new coverage packages.
The Commission indicated that the decision to renew would be made in 2009.

Will the employee benefits market for civil servants be opened up to competition?

The government decree pertaining to the participation of the state and its public institutions in the effort to finance employee benefits offered to their personnel, which was passed pursuant to the Civil Service Modernization Act dated February 2, 2007 and published in the official gazette (the *Journal officiel*) on September 19, 2007, draws the consequences of Community law in the area of competition. It provides that each government administration conduct

A fair and useful system

The exemption rule allows the insurance industry to offer policyholders the broadest possible array of products and services with the most preferential terms, via the joint establishment of standard conditions, calculations, safety measures and pools for certain types of risk, thereby promoting the conditions of insurability and fostering competition among insurers.

"competitive bids to select the organizations that will enjoy State aid if they meet certain requirements of solidarity." Insurance companies, mutual societies and the so-called provident institutions will theoretically be allowed to compete. The selection of one or more providers will be made primarily on the basis of the relationship between the quality of the coverage and the suggested price, the actual degree of solidarity between members (intergenerational, familial and in terms of the remuneration), and the ability to manage the system financially. As it stands, however, this new system appears designed to ensure the future of existing pooling mechanisms for the benefit of the current players in the market.

Changing contractual relationships

A Community-wide regulation issued by the European Parliament and the Council on the law applicable to contractual obligations (Rome I)

The European Commission, in accordance with the desire expressed in its 2003 Green Paper, carried out a major project designed to modernize the Rome Convention opened for signature on June 19, 1980 on the law applicable to contractual obligations. This convention has been converted into a European Community regulation, generally designated as "Rome I." This regulation, dated June 6, 2008, addresses two distinct objectives: the first is to develop the European judicial space by promoting the stability of contract law, which will lead to a greater degree of legal safeguards; the second is to improve the construction of the internal market by preventing competitive distortions.
While the original Rome Convention did not apply to insurance contracts, the Rome I regulation includes rules that are specific to legal conflicts in the area of insurance, which were previously contained in the directives.

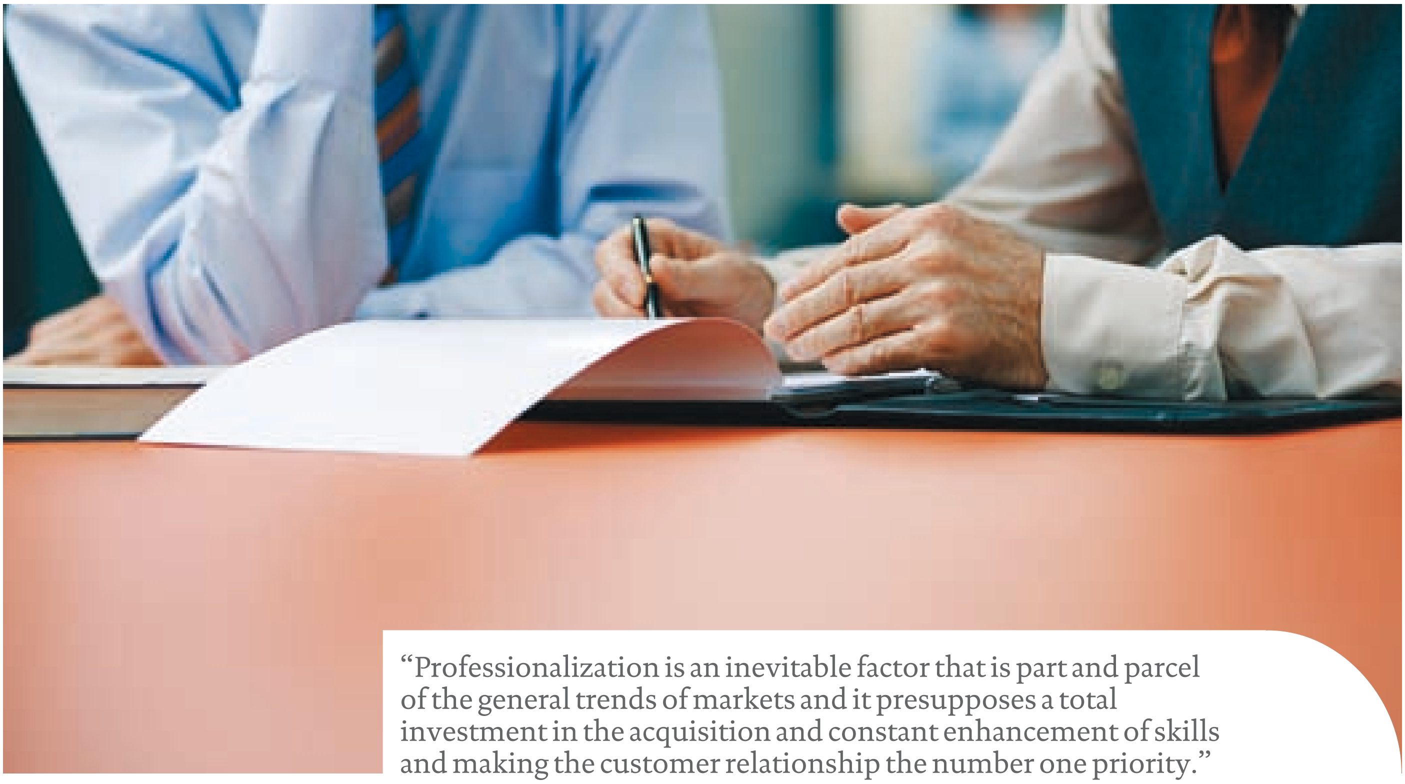
Changing contract law

Common frame of reference: publication of a progress report

The European Commission undertook the development of a body of standard rules in the area of contract law known as the Common Frame of Reference (CFR) that reiterates and incorporates a number of university-level studies. According to the European Commission, the CFR constitutes an adequate instrument for improving regulations without resorting to the broad harmonization of the private laws of member states. The CFR should be used to define modern legal terms, principles and rules that apply to contract law in connection with the revision of existing sector legislation and, as needed, to draw up new laws and regulations.
A section of the common frame covers insurance policies. Indeed, it appears to be the most advanced portion of the frame at this time. A working group appointed by the European Commission to draft a European insurance contract law submitted its findings in 2007.

Heading towards a European Insurance Code?

The progress report deals with the formation and termination of the insurance policy. It calls for a high degree of consumer protection, which should rule out the application of domestic provisions in force in this area.
The first part of this optional European insurance policy frame concerns the general principles of such contracts as covered under Title I of Book I of the French Insurance Code. In the next two years, the working group plans to focus on the specific provisions pertaining to life insurance and property-casualty insurance.
Implementing this project will entail the adoption of a directive or, what is more likely, a regulation. Indeed,



“Professionalization is an inevitable factor that is part and parcel of the general trends of markets and it presupposes a total investment in the acquisition and constant enhancement of skills and making the customer relationship the number one priority.”

Les Entretiens de l’Assurance, the insurance intermediation workshop: towards a new professionalism? on www.lapartderisque.fr

the application of a European standard should make it henceforth impossible to apply in parallel domestic public order provisions that concern areas already covered.

For a modern and consistent right of prescription

In 2005, several law professors, including Pierre Catala, were asked by the French Attorney General *(garde des Sceaux)* to submit a report addressing the need to adapt French Civil Code to evolving demand and jurisprudence, and thereby constitute a response to community level work on contract law. The proposals contained in that report called for an overhaul of prescription law, which was taken up in a proposed law adopted on June 5, 2008. This draft law calls for a change in the rules concerning prescription in civil matters. The common law timeframe for extinctive prescription is set at five years. Liability suits arising from an event that leads to bodily harm is prescribed by ten years as of the date of consolidation. This move to shorten timeframes is much needed, and does not affect shorter timeframes in existence, such as the two-year time bar provided for under the French Insurance Code.

Modernizing the system of taxation

The business of insurance companies consists of assuming and carrying the risks to which certain other actors are exposed. As a result, insurance companies are exposed to specific technical hazards that justify suitable taxation. In a totally open European universe, the insurance industry needs a tax environment that is both competitive and secure in order to participate in the integration of the large market for financial services without having to relocate certain businesses.
The FFSA remains on guard against heavier taxation, which would make insurance policies too costly and discourage employment by pushing businesses to relocate some of their activities.

Tax equality: an important issue for the industry

Numerous players are active in the French insurance market: insurance companies (corporations and mutual societies), mutual societies governed by the French Mutuality Code, and provident institutions. Many

Tax distortions among different types of insurance organizations on January 1, 2008

	Insurance companies	Mutual Code mutuals	Provident institutions
Taxation of products			
Tax on insurance agreements	Subject	Subject (1)	Subject (1)
Taxation of organizations			
Corporate income tax - Earnings	33.33%	Basis limited to certain investment income at a rate of 24 or 10%	Basis limited to certain investment income at a rate of 24 or 10%
- Capital gains on real estate or marketable securities	in 2007	Exempt	Exempt
- Long-term capital gains on equity investments	0% in 2007	Exempt	Exempt
Annual fixed-rate tax	Subject	Exempt	Exempt
Business tax	Subject	Exempt	Exempt
Payroll tax	Subject	Subject (2)	Assujetties
Apprenticeship tax	Subject	Exempt	Exempt
Tax on company vehicle fleet	Subject	No subject	No subject
Filing charges on real estate acquisitions	Subject	Exempt	Exempt
Tax on surplus reserves	Subject	No subjects	No subject
Additional social and solidarity levies	Subject	Subject (3)	Subject (3)
Social security levy on corporate profit (4)	Subject	No subject	No subject

1. Since October 2002 on health insurance policies and since January 1, 2006 for other contracts.
2. Partial for mutual companies employing fewer than 30 people.
3. Since 2005.
4. Created in 2000, this tax amounts to 3.3% of corporate income tax at the usual rate.

Source: FFSA.

competitive distortions that work to the detriment of insurance companies have been in place for a long time. While some of these have been corrected (in 2005, the exempt status on the solidarity tax levy for companies that was granted to companies governed by the French Mutuality code and the provident institutions was rescinded and, in 2006, the tax exemption on insurance agreements that was also granted to these types of insurance providers was also eliminated), others are being corrected. In fact, the amended finance act for 2006 called for the disappearance of certain tax exemptions (corporate income tax and the business tax) for Mutuality Code mutuals and provident institutions as of 2008, while also defining two new tax systems, open in principle to all insurance organizations regardless of legal form. The first calls for exemption from income and business tax for the management of the so-called "responsible and solidarity" supplemental health insurance contracts, provided that certain conditions are met. The second calls for a new and separate equalization reserve for group employee benefits policies with a professional designation clause.
In principle, this legislation constitutes a decisive step in the move toward ensuring a level tax playing field for all insurers. However, the amended finance act for 2007 postponed the application of this legislation until January 1, 2009 after the European Commission opened a formal investigation into the compatibility of these new tax systems with European rules on government subsidies and financial aid.

The system leaves room for improvement

The elimination of tax exemptions that until now have been granted to Mutuality Code mutuals and provident institutions solely on the basis of their legal form is a major breakthrough for the insurance industry. However, the new tax systems are still impacted by the situation of these same players. First of all, the system of exemptions set up for the health insurance business is complex in reality, and the criteria that must be met are clearly inspired by the situation of Mutuality Code governed mutuals. But above all, the new equalization reserve responds almost exclusively to issues that are specific to providence institutions. Moreover, operators that up until now were exempt have a particularly generous timeframe within which to normalize their tax situation.
In addition, other adjustments are still needed to ensure that the playing field is level for all participants.

Towards modernization of the VAT for the financial services and insurance industries?

Since insurance premiums are exempt from VAT, insurance companies intervene as the end consumer of the goods and services they acquire from third parties, which means that they cannot deduct the tax they pay on such items. Accordingly, insurance companies must bear the brunt of the VAT tax they pay, particularly in the case of outsourced services. Because tax law is being interpreted in this strict fashion, recent jurisprudence from the Justice Court of the European Communities is causing additional difficulties in this area.

Two projects under review

To resolve this problem, the European Commission presented a draft VAT directive on November 28, 2007, elucidated by a draft regulation on the tax treatment of insurance and financial services. These two draft instruments pursue a dual purpose: they seek to strengthen the legal security of operators and to reduce the so-called VAT gap.
The drafts contain three distinct measures that address this dual purpose:
• first of all, a clarification of the rules governing the exemption of insurance and financial services operations, an approach that leads to a definition of the exempt operations and by application of the exemption to their specific and essential services, independently of the type of provider;
• second, the introduction into these economic sectors at the European level of the concept of cost-sharing group that is VAT exempt and admitting members other than national;
• finally, the extension of the option of choosing VAT non-exempt status for all financial services and insurance operations, while also granting the operators themselves—and no longer member states—the right to opt for non-exempt status.

The FFSA is in favor of the rapid adoption of related legislation that will secure the scope of exemption and facilitate outsourcing (with VAT exemption) of the functions that are required to conduct business. The FFSA insists that the definition of insurance put forth for the purposes of the VAT be aligned with legal reality and would like the notion of related essential and specific services to include all of the diverse functions that need to be assumed to ensure the business of risk underwriting and the respect for the commitments made. It approves the principle of trans-European grouping for cost sharing, while also that its working conditions be relaxed.
As for the VAT option, the FFSA has questions about exactly how it would be applied to the insurance industry. Moreover, as the FFSA has already indicated, the VAT question must be addressed only in combination with the correlative elimination of the tax on insurance agreements and the payroll tax that is levied on the industry.

The need to eliminate the wage tax

In fact, discussions conducted at the European Community level once again underscore the atypical and anti-economic nature of the payroll tax, which is unique to France and applies to employers whose business has VAT tax exempt status. Added to the weight of the VAT gap, the payroll tax on insurance represents around 11% of total payroll, which amounts to a surcharge of 4 000 euros per job et per year.
For this reason, within the context of European competition, this tax is dissuasive for businesses that might otherwise seek to open an insurance or reinsurance office in France.

Tax contributions

Insurance contributes to meeting the state's financing needs and those of certain organizations. This contribution is direct for sector companies, but policyholders also contribute via a variety of taxes and levies. In principle, the insurance rate is set at 9% for non-life insurance. However, there are a number of exceptions: 30% for individual fire coverage, 18% for automobile risks. Exemptions are also allowed.
If we compare the tax situation in France with that of other European Union countries for the main personal lines, we observe that France has the highest rate of taxation on fire insurance coverage and the second highest on mandatory driver collision insurance coverage.

Contributions	Type	Estimate for 2007
Taxes levied on businessess		
Direct taxes, common law rate, including: - corporate income tax and additional social and tax contributions; - business tax; - social solidarity contribution levied on businesses		
Special contributions, including - payroll tax; - contribution for cost of state control;	 - On average, 11% of gross payroll expense - 0.12‰ of prior year contributions	(estimate) 500 million euros 25 million euros
For property-casualty insurers Tax on surplus claims reserves	4.8% per annum, if the initially established reserve is higher that the actual claim (9% for insurance years prior to 2006)	64.7 million euros
Contribution to financing guarantee fund for mandatory property-casualty insurance	1% of total expenses related to property-casualty insurance company insolvency	
Contribution to natural disaster prevention fund	4% (since November 1, 2006) of natural catastrophe premiums paid	52.9 million euros
Contribution fund financing supplemental CMU protection	2.5% of revenues from supplemental health insurance business (healthcare expenditures)	500 million euros
Contribution to pooled fund for farm work-related accidents		15.4 million euros
Taxes and contributions paid by policyholders		
Tax on insurance agreements	Theoretically, the tax rate is set at 9%, but there are numerous exceptions	5.7 billion euros
Contribution on mandatory driver collision coverage	15%	1 billion euros
Contribution to fund compensating victims of terrorist and other acts of violence	3.30 euros per contract	252 million euros
Tax on employer contributions for employee benefits	8% on the employer tax on contributions paid on group employee benefits policies taken out by employers with more than ten employees	700 million euros
Contribution to insurance guarantee fund for mandatory property-casualty insurance	0.02 euro per person covered under a hunting policy and 0.1% on driver collision coverage (rising to 0.6% as of 2008)	7 million euros
Contribution to national agricultural disaster relief fund	11% of policies covering damage to farm operating premises and loss of livestock, casualty cover and physical damage to utility vehicles	88.7 million euros

Overall, the tax contribution of insurance, insurance companies and insureds (taxes, CSG and CRDS) exceeds 18 billion euros.

Source: FFSA.

Key figures

The French insurance market is highly competitive, with many insurance groups among the players. There are currently close to 470 insurance companies in the French market, and the country is notable for the variety of its distribution channels, which are also extremely competitive: tied agents and insurance brokers, networks of salaried sales professionals, direct writing mutuals, banking channels.

Insurance companies

Number of insurance companies at end 2007

	Life	Composite	Property and casualty	Total
Companies licensed in France				
- French companies	68	40	240	348
- Branch offices of non-EEA companies	1	–	7	8
Branch offices of EEA companies	16	2	87	105
Total number of companies established in France	**85**	**42**	**334**	**461**
EEA companies licensed to do business in France under Free Movement of Services	177	43	719	939

Source: *Comité des entreprises d'assurance.*

The total number of insurance companies operating in France does not reflect market reality, since a single group or economic unit may include several different legal entities. Groups that operate in both the property and casualty and the life insurance markets are required to set up two legally distinct entities.

In 2007, there were once again a number of mergers and acquisitions involving medium- to small-sized companies. Yet other companies created closer ties in the interest of pooling resources.

At the same time, the insurance market is less concentrated in France than most other industries, but is comparable to the European average for the insurance industry: the five leading insurance groups together account for 50.5% of the French market, while the top ten account for 78.9%. The life insurance market is slightly more concentrated than the property-casualty insurance market.

Companies incorporated in the European Economic Area are also authorized, under the free movement of services principle, to sell insurance policies to customers in France directly from their home country.

461
INSURANCE COMPANIES HAVE ESTABLISHED A PRESENCE IN FRANCE

62%
OF ALL LIFE CAPITAL REDEMPTION REVENUES ARE GENERATED BY THE *BANCASSURANCE* CHANNELS

21.1%
OF THE FRENCH MARKET IS HELD BY THE SUBSIDIARIES AND BRANCH OFFICES OF FOREIGN COMPANIES

Top ten insurance groups in 2007

(Premiums in billions of euros – estimates)

	Consolidated	In France Life	In France Property and casualty
AXA	93.6	15.0	6.5
CNP	31.5	25.2	1.9
Crédit Agricole Assurances (Prédica/Pacifica)	24.3	18.2	2.0
AGF	19.2	7.7	4.0
BNP Paribas Assurance	17.9	10.7	0.3
Generali France	15.5	11.4	4.1
Groupama	14.9	6.3	5.3
Covéa (GMF - MAAF - MMA)	12.1	3.4	8.7
Sogecap	8.8	8.5	0.0
ACM	7.8	6.1	1.7

Source: FFSA.

In 2007, the subsidiaries and branch offices of foreign insurance companies that practice insurance or reinsurance in France together have market share of 21.1%, which breaks down as 25.4% in the French property-casualty market and 19.2% in life.

Premium income 2007 by distribution channel

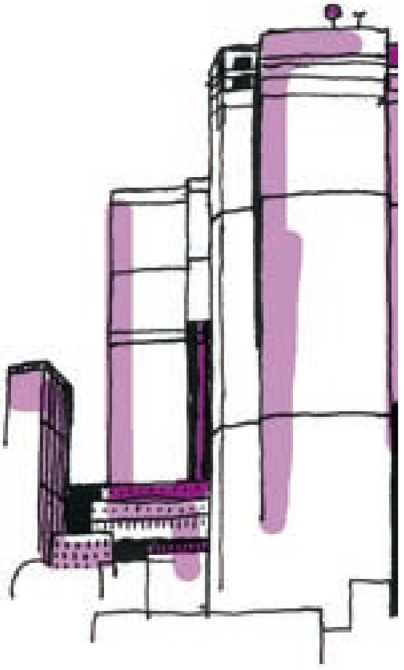
In %	Life-capital redemption	Property and casualty
Bancassurance	62	9
Tied agents	7	35
Brokers	13	18
Salaried sales associates	16	2
Direct writing companies	–	33
Alternative channels	2	3

Source: FFSA.

The French insurance market is noteworthy for the breadth of its distribution channels, which include tied agents, insurance brokers, salaried sales forces, direct writing mutuals and *bancassurance*. Sales through direct marketing channels (mailers, telemarketing, Internet) and alternate distribution channels (mass retailers, automobile makers) are also gaining ground.

In France, tied agents and direct writing mutual offices dominate the property and casualty market, followed by brokerage houses, which tend to specialize in commercial lines insurance. The market share in personal lines for direct writing mutuals, which has risen steadily since 1995, stabilized in 2004. Conversely, companies that work through intermediaries continue to dominate in commercial lines and goods in transit insurance.

Banks are the major distributors of life insurance products, followed by the salaried sales forces of insurance companies.



Human resources are an integral part of the corporate responsibility of any business, and the internal expression of the concept of sustainable development. The insurance industry employs around 210 500 people in France. In light of demographic trends and in response to the mounting need for highly skilled employees, the industry continues to hire extensively. It devotes considerable effort to training employees, when they first join the workforce and throughout their professional careers, and offers exciting opportunities for career development and growth.

7

Human resources

Responsible management

An industry committed to progress

Traditionally a strong source of recruitment, the insurance industry will experience in the years to come a major need to renew its workforce. In 2007, the rate of retirement picked up speed. Between now and 2015, some 40 000 employees (or around 30% of the total workforce) currently on the job will have reached the age of 60. Given demographic trends and profound changes in the occupations that comprise the industry, insurance companies hire between 10 000 and 14 000 new employees each year. Many of these job opportunities concern young people. Some 8% of insurance company workers have less than one year's experience and, within this population, nearly 60% are under the age of 30. Against this backdrop, the FFSA actively seeks to attract young people to the insurance industry and offers roundtable discussions and conferences at the job, career and training fairs in which it participates. In addition, a dedicated website on careers and training in insurance offers access to constantly refreshed data (www.ffsa.fr/metiersassurance).

Promoting integration and diversity

Confirming their commitment to continuing education and promoting integration and diversity, the FFSA and the GEMA reached an agreement with several trade unions on December 10, 2007. This agreement is part of the broader context of joint work to be carried out in 2008 on continuing education and integration-diversity designed to encourage equal opportunity for all, regardless of race, gender, age or physical ability.

The Observatory of Insurance Industry Occupational Trends

The *Observatoire* is an association that was jointly established by the FFSA and GEMA after the nationwide collective agreement was signed in 1992. It was created to help industry professionals analyze occupational trends in insurance and, in so doing, provide the instruments needed to improve human resources forecasting and management capability. www.metiers-assurance.org

Unified training and development system

The FFSA, the GEMA *(Groupement des entreprises mutuelles d'assurances)* and three trade unions (CFDT, CFE-CGC and CFTC) signed an additional clause dated December 10, 2007 to the industry-wide agreement originally dated October 14, 2004 ("Anticipating and Supporting Change through Lifelong Learning for Insurance Professionals"). This additional clause calls for the creation of a unified training and development system that groups the AEA *(Association pour l'enseignement de l'assurance)*, the Adap (insurance training center) and the nationwide group of insurance schools *(groupe École nationale d'assurances)*. These three entities have been merged into a single associative structure called the Ifpass *(Institut de formation de la profession de l'assurance)*, whose goal is to participate in the development of available training for insurance companies and their employees; to facilitate access to various types of curricula; and to manage the corresponding training structures.

This new system reaffirms the partnership between the *École nationale d'assurances (Enass/Institut du Cnam)* and the Ifpass. The Enass and the Ifpass will also contribute to promoting the insurance industry by developing national and international cooperative ventures, strengthening their role as standard-setting educational organizations for insurance industry professionals.

Preparing the new generation of employees to meet employer needs

Reforming the basic insurance degree (BTS)

The flagship accreditation for jobseekers and trained employees in the industry is the insurance BTS, a two-year (associate of arts) degree program that was extensively revised and updated in 2006, in close collaboration with the French National Education Ministry. Introduced in the fall term 2007, with a first series of examinations scheduled for June 2009, the new curriculum places greater emphasis on customer relationships and the practical applications of underwriting and legal knowledge.

Facilitating the professional integration of young people

Further, occupational training in insurance also includes opportunities to pursue these basic studies through to undergraduate, master's or PhD level studies.

Most of these training avenues can be accessed through initial, work-study or continuing education paths. Formal apprenticeships, as well as work-study leading to credentials, have been gaining significant ground within the industry in recent years. According to the Roma *(Rapport de l'observatoire de l'évolution des métiers)* report on emerging employment trends, these work contracts represented more than 11% of all new insurance company hires in 2006. This type of training generally entails direct access to jobs, since many apprentices are subsequently hired by the company in which they complete their apprenticeship. That is the case for the apprentices in the Insurance CFA, managed by the IFPASS, which has enjoyed steady success since it was first created in 1995. This CFA hosts more than 630 young people in three levels of training: the insurance and the negotiation/customer relationship BTS, a two-year (associate of arts) degree program; a professional insurance license; and the degree awarded by the *École nationale d'assurances-Institut du Cnam*.

Insurance industry employees benefit from a considerable training and development effort

The industry-wide agreement dated October 14, 2004 ("Anticipating and Supporting Change through Lifelong Learning for Insurance Professionals") breathed new life into continuing education and skills development efforts made by insurance companies. In addition, the agreement dated June 22, 2007 relating to non-management level sales personnel supplemented this system by ensuring that all insurance company employees at every level are covered by an industry-wide agreement that takes their specific role into account.

The industry is developing special tracking tools designed to help anticipate evolving company training needs. The Observatory of Insurance Industry Occupational Trends *(Observatoire de l'évolution des métiers de l'assurance)* set up a new statistical database in 2006 that is used to compile qualitative indicators on insurance training. The industry was the first to create such a tool, which will be used to help it manage and forecast future employment and skills needs.

Traditionally, the insurance industry has ranked among those sectors that attach great importance to the role of education. Insurance companies devote an average of 4.8% of their payroll, or 234 million euros to continuing education. This percentage is well above the legal obligation of setting aside 1.6% of payroll for training, as well as the 2.2% called for in the industry-wide agreement dated October 14, 2004.

"Maintaining a regional presence is one of the keys to the success of the industry's training and development strategy. As part of the FFSA's local service policy, its regional correspondents are responsible for questions related to continuing education, employment and diversity."

Assurer No. 112, April 2008

Further reforms for insurance pensions and employee benefits

Organization and processed for the B2V group

Following the creation on January 1, 2007 of a single Agirc institution (Iricasa) and a single Arrco institution (Ciresa) within the B2V group, the latter has been engaged in a strategic discussion focused on information systems, whose aim is to consolidate the organization and its processes. This discussion should lead to the selection of a platform to which the Group could belong. The Group is also looking for a single geographic location, since the goal of the regrouping is to streamline management, optimize working conditions for personnel and unify the Group.

Towards a change in status for the Creppsa

Pursuant to the Act of August 21, 2003 on pension reform, the insurance industry supplemental pension fund known as Creppsa *(Caisse de retraite supplémentaire professionnelle de l'assurance)* is required to do the following by December 31, 2008 at the latest: either file a request for licensing as a provident institution (IP) or transform itself into a supplemental pension management institution (IGRS). To this end, negotiations with the various social partners began at the end of 2007 and were completed on April 30, 2008 when a memorandum of agreement was signed. Pending the approval of the Acam, the Creppsa is expected to be transformed into an IGRS as of January 1, 2009. As a reminder, the professional retirement plan (RPP) was formerly managed by the Creppsa. When this plan was closed on December 31, 1995, the assets of the Creppsa's technical fund, as well as all of its liabilities, were transferred to the Sacra *(Société d'assurances de consolidation des retraites de l'assurance)* for consolidation. Currently, the Creppsa no longer collects contributions. Its sole responsibility is the administrative management of retirement pensions.

Key figures

Recent employment trends in French insurance were confirmed in 2007, with recruitment on the rise. Contracts adapted to all types of profiles are emerging; the accent is on professional credentials; the role of women is expanding; and advancement from within are all paramount. In a parallel development, intensive investment in training and development is on the rise, especially for sales professionals—who must constantly evolve and adapt.

Employment

Insurance companies employed 144 100 people in 2007, in addition to intermediaries whose primary occupation is insurance, tied agents and insurance brokers, their employees and loss adjustors, for a total of around 210 500 people. There were also approximately 35 000 salaried sales associates working for financial institutions whose main business is insurance. According to the statistics compiled by the *Observatoire* on insurance industry occupational trends, compiled from FFSA and Gema *(Groupement des entreprises mutuelles d'assurances)* members on December 31, 2006, earlier trends (related to employment, recruitment, the increasing number of women in the workforce, more advanced degrees and the accentuation of age pyramid) continued last year.

Workforce renewal

In 2006, insurance companies hired nearly 11 000 people, an increase of 5.3% compared with the previous year. Of the total new hires, 57.4% were women, 24.5% were management level employees, and 74.1% had received an educational credential equivalent at least to an associate of arts degree. Work-study type contracts (including appren ticeships) rose sharply in 2006—by around 11.6%.

Exemplary gender balance

The percentage of women in the total insurance workforce is growing steadily, and had reached 58% by year-end 2006. This gender tilt is visible in all types of insurance industry occupations, from sales-related positions to administrative support functions. The phenomenon is attributable not only to the higher percentage of women being hired, but also to the discontinuation of early retirement systems, which means that more women aged 55 and older are staying in the workforce longer.

More managers

The percentage of managers is also rising steadily, and had reached 39% by year-end 2006, compared with 29.7% at year-end 1996. This growth reflects the combined impact of two phenomena: numerous new hires and promotion from within organizations. Within the management population, women hold 42.3% of all positions, a percentage that has been rising steadily since 1996. This compares with a national average of 30%, and a banking sector average of 37.5%.

Significant increase in the employment of seniors

As early as 1998, the insurance industry became aware of the need to encourage workers aged 55 and over to stay in the workplace. In a phenomenon that was already observed the previous year, there are more and more employees in this age group, which represented 12.9% of total employment numbers in 2006, versus 2.7% in 1996. As with the gender tilt, the result is attributable to the discontinuation of the practice of early retirement. In parallel, the age of retirement has risen, from 56 years and 1 month in 2002 to 58 years and 6 months in 2006.

11000 PEOPLE WERE HIRED BY INSURANCE COMPANIES IN 2006

58% OF ALL INSURANCE INDUSTRY EMPLOYEES ARE WOMEN

74.3% GLOBAL RATE OF ACCESS TO TRAINING FOR EMPLOYEES IN THE INDUSTRY

Training and development

The *Observatoire* innovated in 2007, when it published—and for the first time at the level of a professional field—a survey on continuing education for insurance industry employees. The conclusions of the report, known as the Rofa, reflect the dynamism of the insurance industry in the area of training.

Access rate and hours of training exceed national averages

The report reveals that the insurance industry invests heavily in training and development for its employees, well above the averages for other industries combined. With budgets equal to around 4.8% of total payroll on average (the legal obligation in France is 1.6%), the global training access rate for insurance industry employees is 74.3%, and the average number of hours completed is 44 hours a year (compared with 39% and 31 hours of training per year nationwide in France).

Men get slightly more training than women

For men, the rate and average duration of training is significantly higher than for women in the insurance industry. Indeed, 76.9% of all male employees completed at least one training course, while only 72.5% of women did. The average duration of training for men was 47.2 hours for men; for women, it was 41.5 hours.

Equality for management and non-management staff

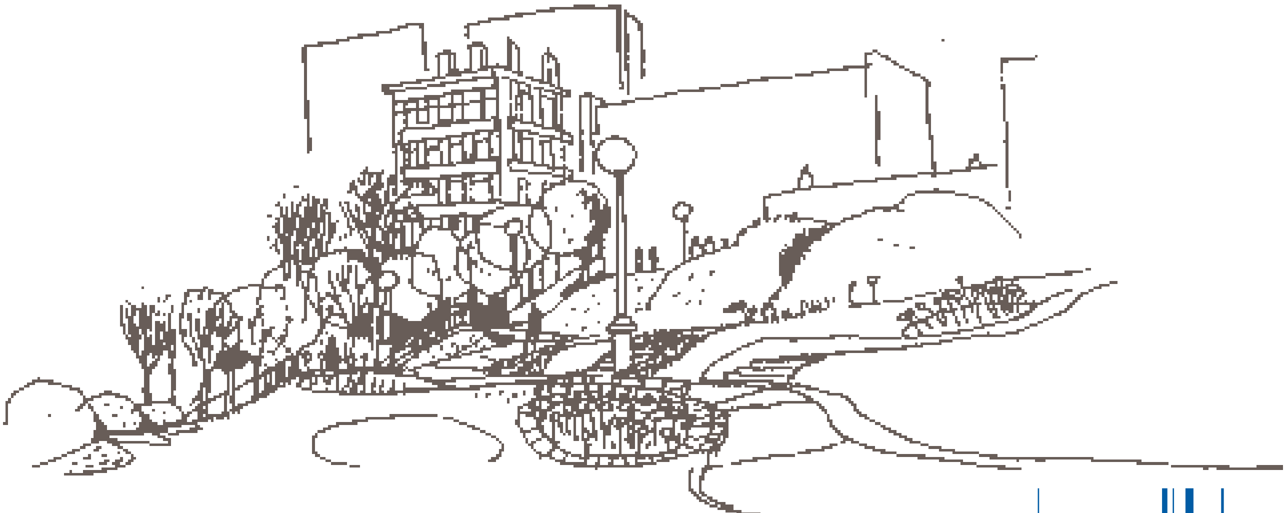
Unlike the statistics for all industries combined, managers in the insurance industry do not receive more continuing education than their non-management counterparts. In fact, while the rate of access to training for non-managers is slightly lower than for managers (73.4% versus 75.9 %), they complete an average of 48 hours of training, which is significantly higher than management level staff (37.4 hours).

Young recruits receive training as a matter of course

Newly recruited young people automatically receive induction-type training and courses leading to additional credentials in their first year on the job, and are therefore an observable force in the statistics, with average number of hours of training reaching as high as 83 hours for those under the age of 30.

Sales staff a priority target of training and development efforts

Sales professionals benefit the most from training and development action plans, with a rate of access that approaches 88%. This is due in particular to the formal requirement of initial training of at least 150 hours for those who do not have the requisite credentials or experience, as well as by the need to make ongoing adjustments to cope with regulatory and product changes.



Appendices

Statistics

Premiums

Worldwide premium income

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Life insurance, capital redemption and composite companies	Billions of euros	69.9	79.9	96.9	91.3	93.3	102.0	116.6	133.6	155.8	151.3
	% change	-15.0	14.3	21.3	-5.8	2.2	9.3	12.3	14.6	16.6	-2.9
Property and casualty companies (1)	Billions of euros	41.1	42.0	43.5	47.2	51.1	53.8	56.0	58.5	60.3	61.9
	% change	-1.2	2.2	3.6	8.5	8.3	5.3	4.1	4.4	3.1	2.7
All licensed companies (2)	Billions of euros	111.0	121.9	140.4	138.5	144.3	155.8	172.6	192.1	216.1	213.2
	% change	-10.3	9.8	15.2	-1.4	4.2	8.0	10.8	11.3	12.5	-1.3
French subsidiaries abroad	Billions of euros	38.4	45.0	54.8	59.4	60.9	60.6	61.8	61.2	67.6	86.3
	% change	41.2	17.2	21.8	8.4	2.5	-0.5	2.0	-1.0	10.5	27.7
Reinsurance companies and their subisidiaries (3)	Billions of euros	6.6	9.1	10.5	13.7	14.2	10.6	8.2	12.4	12.3	17.9
	% change	1.5	37.9	15.4	30.5	3.6	-21.8	-22.6	51.2	-0.8	45.5
Worldwide premium income	Billions of euros	156.0	176.0	205.7	211.6	219.5	227.0	242.6	265.7	296.0	317.4
	% change	-6.9	12.8	16.9	2.9	3.7	3.4	6.9	9.5	11.4	7.2

1. Excluding CCR and MCR. – 2. Revenues include primary business itemized on pages 25 and 37, inward business and business contributed by branch offices or firms operating under the free movement of services principle. – 3. Including CCR and MCR.

Premiums broken down by distribution channel (expressed as a %)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Life insurance, capital redemption and composite companies [1]										
– *Bancassurance*	59	60	61	60	61	62	62	62	64	62
– Brokers	10	9	8	8	8	8	7	7	7	7
– Agents	8	9	9	9	9	9	13	13	12	13
– Salaried employees	17	17	16	17	16	16	16	16	15	16
– Direct writing companies	–	–	–	–	–	–	–	–	–	–
– Other channels (direct sales, online sales, etc.)	6	5	6	6	6	5	2	2	2	2
Property and casualty companies										
– *Bancassurance*	7	8	8	8	8	8	9	9	9	9
– Brokers	36	35	35	35	35	35	35	35	35	35
– Agents	18	17	17	18	19	19	18	18	18	18
– Salaried employees	3	3	3	2	2	2	2	2	2	2
– Direct writing companies	33	34	34	34	33	33	33	33	33	33
– Other channels (direct sales, online sales, etc.)	3	3	3	3	3	3	3	3	3	3

1. New series as of 2004: the heading "other channels" has been refined.

Foreign company share in premiums (expressed as a %)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
All companies										
– Branch offices	1.7	1.5	1.6	1.9	2.0	1.6	1.4	1.5	2.0	1.5
– Subsidiaries	18.8	18.2	19.6	20.0	19.6	19.1	20.1	20.2	19.2	19.6
– Total	20.5	19.7	21.2	21.9	21.6	20.7	21.5	21.7	21.2	21.1
Life insurance, capital redemption and composite companies										
– Branch offices	1.0	1.0	1.0	1.3	1.4	1.3	0.9	0.8	1.6	0.8
– Subsidiaries	15.9	15.2	17.2	17.0	16.6	16.3	18.1	19.0	18.0	18.4
– Total	16.9	16.2	18.2	18.3	18.0	17.6	19.0	19.8	19.6	19.2
Property and casualty companies										
– Branch offices	2.6	2.4	2.9	2.9	3.0	2.2	2.3	3.0	3.0	3.0
– Subsidiaries	23.5	23.9	25.1	25.8	24.8	24.5	24.3	23.0	22.4	22.4
– Total	26.1	26.3	28.0	28.7	27.8	26.7	26.6	26.0	25.4	25.4

Primary life and health insurance business [1] (in billions of euros)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Life insurance and capital redemption	59.9	69.4	84.7	78.7	79.2	85.5	98.3	113.2	132.4	128.1
Life insurance contracts	57.4	66.5	81.8	76.0	76.7	83.3	94.4	108.3	127.6	122.8
– Individual contracts	54.1	62.0	76.2	70.7	72.0	77.3	88.6	102.1	120.9	115.2
– Group contracts	3.3	4.5	5.6	5.3	4.7	6.0	5.8	6.2	6.7	7.6
Capital redemption bonds	2.5	2.9	2.9	2.7	2.5	2.2	3.9	4.9	4.8	5.3
Personal protection	14.0	14.3	14.9	15.5	16.4	17.8	19.4	20.8	22.0	23.5
Term life insurance	5.0	5.3	5.6	5.9	6.3	6.6	7.0	7.4	7.8	8.6
– Individual contracts	1.5	1.6	1.7	1.8	1.9	2.0	2.2	2.2	2.4	2.6
– Group contracts	3.5	3.7	3.9	4.1	4.4	4.6	4.8	5.2	5.4	6.0
Accident and health insurance [2]	9.0	9.0	9.3	9.6	10.1	11.2	12.4	13.4	14.2	14.9
– Individual contracts	4.2	4.3	4.5	4.8	5.0	5.6	6.2	6.8	7.3	7.7
– Group contracts	4.8	4.7	4.8	4.8	5.1	5.6	6.2	6.6	6.9	7.2
Total	73.9	83.7	99.6	94.2	95.6	103.3	117.7	134.0	154.4	151.6
% Market share life + Property/casualty	71.3	73.4	75.8	73.5	72.5	72.7	74.4	76.2	78.3	77.6
Life insurance and capital redemption										
Unit-linked contracts	14.9	24.0	36.3	21.8	14.8	14.1	16.8	24.4	34.7	33.7
Euro-based contracts	45.0	45.4	48.4	56.9	64.4	71.4	81.5	88.8	97.7	94.4

1. Life and health insurance includes term life insurance contracts, capital redemption and bodily injury (including health insurance and bodily injury other than automobile, which are included in the financial statements of property and casualty insurance companies).
2. Including supplementary benefits attached to life insurance contracts.

Primary property and casualty insurance business (in billions of euros)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Automobile	13.9	14.1	14.6	15.4	16.3	17.1	17.7	17.9	17.7	17.7
Property										
– Personal	4.5	4.5	4.7	4.9	5.1	5.4	5.8	6.1	6.4	6.7
– Commercial	3.8	3.8	3.9	4.2	5.0	5.6	5.8	5.7	5.7	5.8
– Agricultural	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9
MAT	1.1	1.1	1.2	1.6	1.5	1.2	1.1	1.2	1.1	1.0
General liability	1.7	1.7	1.8	2.0	2.2	2.7	2.9	3.1	3.3	3.4
Construction	0.9	1.0	1.1	1.2	1.3	1.5	1.6	2.0	2.3	2.5
Natural disasters	0.8	0.8	1.0	1.0	1.1	1.2	1.3	1.3	1.3	1.4
Miscellaneous (credit, legal expense, assistance)	2.3	2.4	2.6	2.8	3.0	3.2	3.4	3.7	3.9	4.4
Total	29.8	30.2	31.7	33.9	36.3	38.8	40.5	41.9	42.7	43.8
% Market share life + Property/casualty	28.7	26.5	24.1	26.5	27.5	27.3	25.6	23.8	21.7	22.4

Benefits and sums credited to policyholders

Insurance benefits and reserves, life and health insurance

(primary business, in billions of euros)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Life										
– Benefits	36.6	41.1	47.0	49.2	53.5	57.5	61.4	68.3	74.9	82.5
– Reserves	24.2	29.2	38.1	29.6	27.0	26.4	36.9	44.2	56.2	46.7
– Total	60.8	70.3	85.1	78.8	80.5	83.9	98.3	112.5	131.1	129.2
Accident and health insurance										
– Benefit and reserve expenses	7.3	7.2	7.5	7.6	8.2	9.2	9.7	10.1	9.9	10.3
Total primary business	68.1	77.5	92.6	86.4	88.7	93.1	108.0	122.6	141.0	139.5

Claims and allowances to claims reserves[1], property and casualty insurance

(primary business, in billions of euros)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Automobile	12.5	12.4	12.6	13.3	13.8	13.7	14.0	14.5	14.3	14.5
Property										
– Personal	2.9	6.2	4.0	3.4	3.7	4.3	4.3	4.4	4.6	4.8
– Commercial and agricultural	3.0	5.9	5.1	3.9	3.8	3.9	3.6	3.7	3.5	4.0
MAT	0.9	1.0	1.4	2.3	1.0	0.7	0.6	0.8	0.6	0.6
General liability	1.9	1.8	1.8	2.1	2.0	2.1	2.3	2.5	2.3	2.4
Construction	1.6	1.2	1.2	1.4	1.5	1.6	2.0	2.0	2.4	2.4
Natural disasters	0.9	1.0	0.4	0.5	0.8	1.3	0.5	0.8	0.4	0.7
Miscellaneous (credit, legal expense, assistance)	1.4	1.3	1.4	1.6	1.6	1.6	1.7	1.6	2.0	2.0
Total direct business	25.0	30.8	27.9	28.5	28.2	29.2	29.0	30.3	30.1	31.4

1. Benefits paid during the fiscal year and allowances to reserves for claims reported but not yet paid regardless of date incurred.

Accounting information

Branch offices of EEA insurance companies are not included below.

Life insurance, capital redemption and composite companies

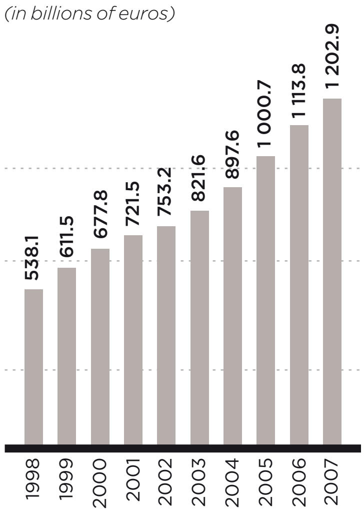
Earnings (in billions of euros)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Resources										
– Premiums	69.9	79.9	96.8	91.2	93.1	101.7	116.4	133.2	155.2	150.7
– Net investment income[1]	35.3	47.2	30.6	17.2	7.8	41.7	42.6	59.5	58.4	50.0
– Other underwriting income	0.2	0.4	0.6	0.5	0.5	0.7	0.8	0.9	1.2	1.3
Expenses										
– Claims[2]	39.3	43.1	49.1	53.3	58.8	65.4	68.8	74.2	82.6	165.6[3]
– Participation in profits	27.0	28.6	30.3	28.3	26.3	30.3	31.2	35.0	37.0	
– Allowance to insurance reserves	30.6	45.8	37.5	15.9	6.4	37.7	45.7	69.1	77.6	10.9[3]
– Acquisition and administrative expenses	6.1	6.6	7.4	7.8	8.0	8.5	9.1	9.9	11.3	
– Other underwriting expenses	0.7	0.7	0.7	0.6	0.7	0.7	0.8	0.9	1.0	1.1[3]
Underwriting results before reinsurance	1.7	2.7	3.0	3.0	1.2	3.8	4.2	4.5	5.3	NA
– Reinsurer's share of expenses	2.0	2.1	2.9	2.8	3.9	6.8	7.2	9.5	8.8	NA
– Premiums ceded to reinsurers	- 2.2	- 2.4	-3.2	-3.0	-3.8	-7.2	-8.1	-10.2	-9.1	NA
Underwriting results after reinsurance	1.4	2.4	2.7	2.8	1.3	3.4	3.3	3.9	5.0	5.8
– Allocated investment income	0.6	0.6	0.7	0.5	0.4	0.5	0.5	0.5	0.5	0.6
– Other non-underwriting items	-0.6	-0.8	-0.4	-0.1	-0.3	-0.4	-0.4	-0.4	-0.4	- 1.0
Net income	1.5	2.5	3.0	3.2	1.4	3.5	3.4	4.0	5.1	5.4

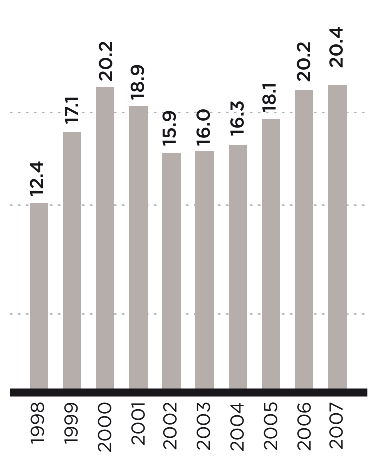
1. Investment income, capital gains and ACAV contract adjustments. – 2. Including general claims-handling expenses.
3. Figures for 2006 are net of reinsurance.

Change

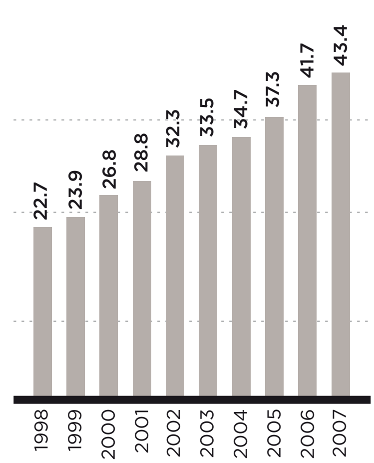
Insurance reserves
(in billions of euros)



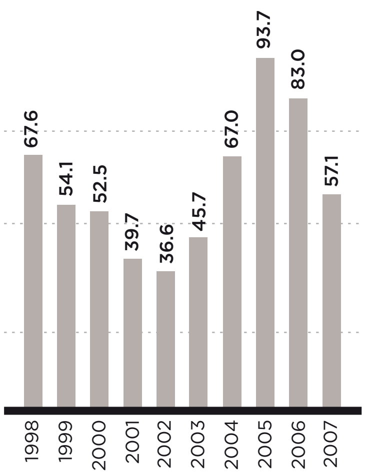
Share of unit-linked in insurance reserves
(in billions of euros)



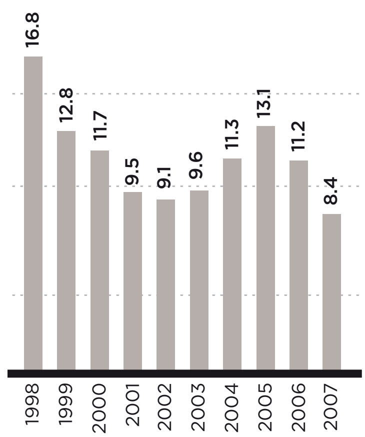
Shareholders' equity before earnings appropriation
(in billions of euros)



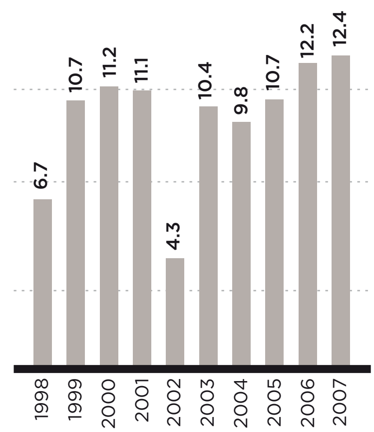
Unrealized capital gains
(in billions of euros)



Solvency: shareholders' equity and unrealized capital gains/insurance reserves
(expressed as a %)



Return on equity: net income/ shareholders' equity
(expressed as a %)



Property and casualty insurance companies

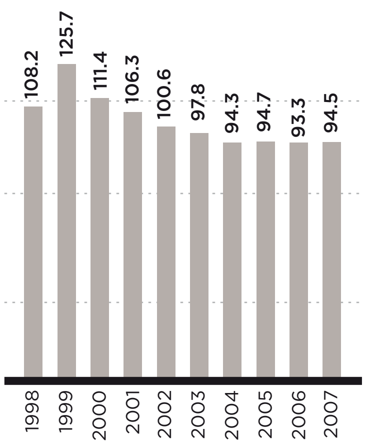
Earnings (in billions of euros)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Resources										
– Premiums	41.3	42.4	43.9	47.4	51.4	54.0	56.3	58.7	60.0	61.5
– Allowance to premium reserves	-0.1	-0.3	-0.4	-0.7	-0.7	-0.7	-0.5	-0.6	-0.6	NA
– Net investment income [3]	3.9	5.4	5.4	4.5	2.7	3.2	3.8	4.5	5.6	5.4
– Other underwriting income	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Claims										
– Claims [1]	30.9	30.9	40.3	35.3	35.9	36.1	36.2	37.1	37.2	36.7 [2]
– Insurance reserves	3.7	12.8	-2.2	3.7	3.4	4.8	3.8	4.9	4.4	
– Acquisition and administrative expenses	8.7	8.8	9.2	9.8	10.2	10.6	11.3	11.8	12.4	11.2 [2]
– Other underwriting expenses	1.4	0.8	1.6	1.6	2.2	1.3	1.8	1.8	2.0	2.3 [2]
Underwriting results before reinsurance	0.9	- 5.3	0.5	1.3	2.3	4.3	7.1	7.6	9.6	NA
– Reinsurer's share of expenses	6.7	13.1	8.4	9.1	8.3	7.8	6.5	8.4	7.8	NA
– Premiums ceded to reinsurers	-6.6	-6.9	-7.6	-9.0	-10.2	-10.1	-10.0	-11.3	-11.1	NA
Underwriting results after reinsurance	1.0	0.9	1.3	1.4	0.4	2.0	3.6	4.7	6.3	5.7
– Allocated investment income [3]	1.2	1.7	1.7	1.3	0.9	1.1	1.5	1.6	2.0	2.4
– Other non-underwriting items	-1.8	-1.8	-0.9	-0.7	-0.5	-1.1	-1.5	-2.3	-2.7	-2.4
Net income	0.4	0.8	2.1	2.0	0.8	2.0	3.6	4.0	5.6	5.7

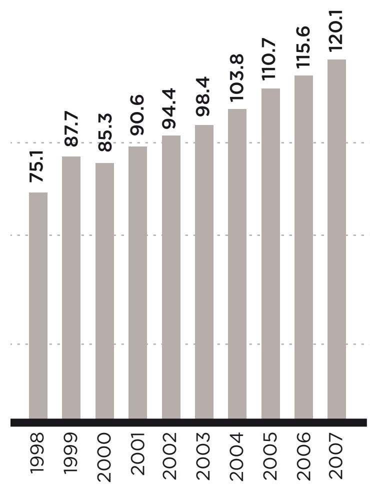
1. Including general claims-handling expenses.
2. Figures for 2007 are net of reinsurance.
3. Investment income and capital gains for the period.

Change

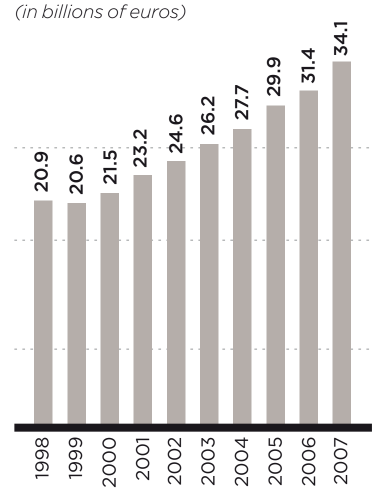
Combined ratio
(as a % premiums)



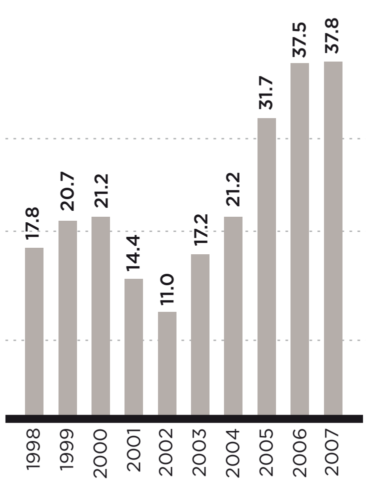
Insurance reserves
(in billions of euros)



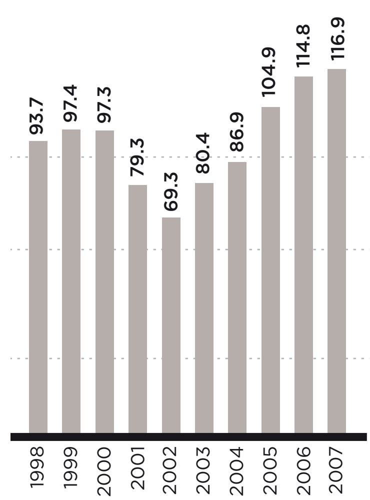
Shareholders' equity before earnings appropriation
(in billions of euros)



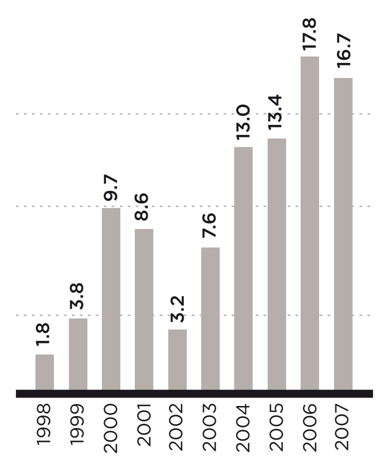
Unrealized capital gains
(in billions of euros)



Solvency: shareholders' equity and unrealized capital gains/premiums
(expressed as a %)

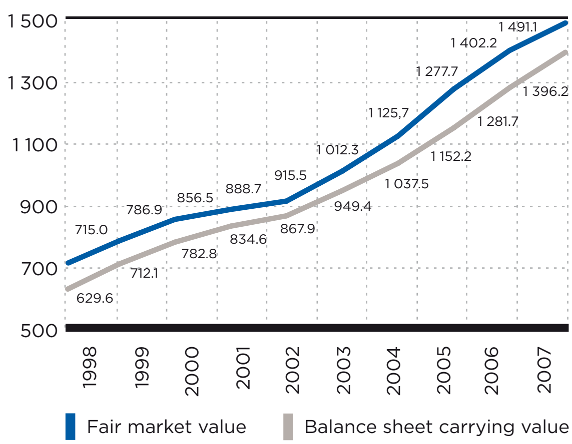


Return on equity: net income/ shareholders' equity
(expressed as a %)

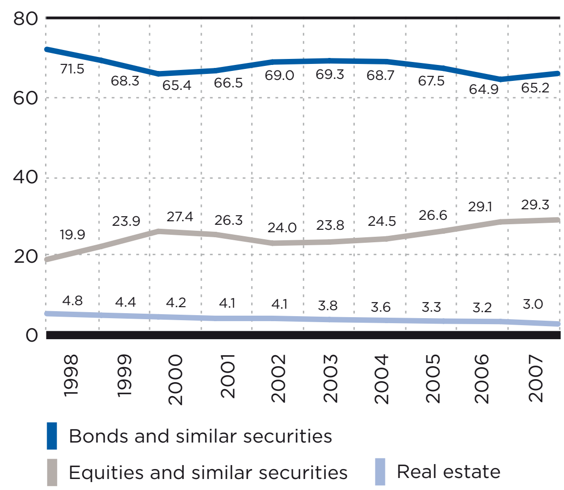


Insurance company investments

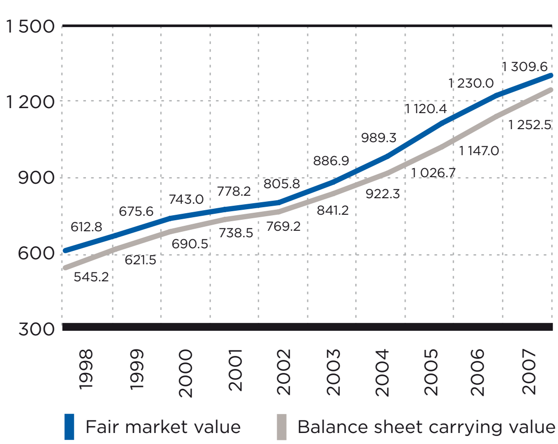
Change, all companies
(in billions of euros)



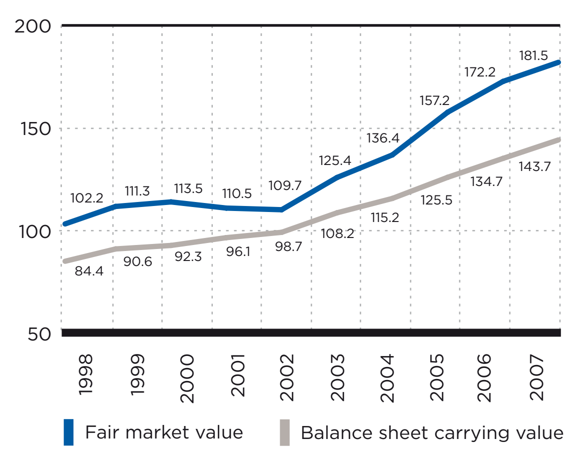
Composition of insurance company investments
(balance sheet carry ing value/%)



Change, life insurance, capital redemption and composite companies
(in billions of euros)



Change, property and casualty companies
(in billions of euros)



Total funds invested by all companies at December 31

(balance sheet carrying value, in billions of euros, % change)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Life insurance, capital redemption and composite companies	545.2	621.5	690.5	738.5	769.2	841.2	922.3	1 026.7	1 147.0	1 252.5
	11.8%	14.0%	11.1%	7.0%	4.2%	9.4%	9.6%	11.3%	11.7%	9.2%
Property and casualty insurance companies	84.4	90.6	92.3	96.1	98.7	108.2	115.2	125.5	134.7	143.7
	6.0%	7.3%	1.9%	4.1%	2.7%	9.6%	6.5%	8.9%	7.3%	6.7%
Total	629.6	712.1	782.8	834.6	867.9	949.4	1 037.5	1 152.2	1 281.7	1 396.2
	11.0%	13.1%	9.9%	6.6%	4.0%	9.4%	9.3%	11.1%	11.2%	8.9%

Composition of life insurance, capital redemption and composite company investments

(balance sheet carrying value/%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Bonds and mutual funds fixed income	74.7	71.0	67.5	68.5	71.1	71.3	70.5	68.9	66.0	66.1
Equities and mutual funds variable income	18.1	22.7	26.6	25.6	23.1	22.8	23.8	26.2	29.0	29.3
Real estate	3.8	3.5	3.4	3.4	3.4	3.2	3.1	2.9	2.8	2.6
Loans	1.8	1.4	1.3	1.4	1.3	1.5	1.2	1.0	1.0	2.0
Miscellaneous	1.6	1.4	1.2	1.2	1.0	1.2	1.5	1.0	1.2	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Composition of property and casualty insurance company investments

(balance sheet carrying value/%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Bonds and mutual funds fixed income	50.6	50.1	49.3	50.8	52.3	53.4	54.4	55.5	56.2	57.8
Equities and mutual funds variable income	31.3	32.1	32.8	31.8	30.4	30.9	30.6	29.5	30.1	29.1
Real estate	11.1	10.5	10.3	9.4	9.5	8.5	7.6	6.8	6.6	6.1
Loans	2.2	2.4	2.4	2.4	2.2	2.2	2.2	2.5	1.9	7.0
Miscellaneous	4.9	4.9	5.2	5.6	5.6	5.0	5.3	5.7	5.2	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Financial data (source: *Banque de France*)

Composition of net financial investment flow of households

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total *(in millions of euros)*	56 286	96 959	74 483	105 740	107 064	108 697	122 569	148 994	158 191	152 041
Change *(%)*	-37.2	72.3	-21.1	38.3	1.3	1.5	12.8	21.6	6.2	-3.9
Breakdown *(%)*										
Liquidities[1]	20.8	27.7	3.2	25.0	27.8	34.4	30.8	21.6	19.5	29.9
Stocks and bonds	-19.0	3.9	9.5	15.3	18.2	9.3	2.6	18.9	13.4	5.9
Insurance	98.1	68.4	87.4	59.7	53.9	56.3	66.6	59.4	67.0	64.2

1. Including money market funds.

Composition of total household financial investments

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total *(in millions of euros)*	2 016 372	2 291 526	2 385 471	2 357 850	2 377 418	2 551 094	2 754 799	2 975 683	3 246 006	3 377 486
Change *(%)*	7.2	13.6	4.1	-1.2	0.8	7.3	8.0	8.0	9.1	4.1
Breakdown *(%)*										
Liquidities	41.6	38.0	36.5	37.6	38.5	37.4	35.7	34.0	32.1	32.2
Stocks and bonds	28.3	32.0	32.0	28.5	26.3	27.1	27.2	28.0	29.3	27.8
Insurance	30.1	30.0	31.5	33.9	35.2	35.5	37.1	38.0	38.6	40.0

Financial markets

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Short term rate (1) Average monthly money market rate	3.4	2.7	4.1	4.4	3.3	2.3	2.0	2.1	2.8	3.9
Three-month rate (1) Euribor	3.8	3.0	4.4	4.3	3.3	2.3	2.1	2.2	3.8	4.3
Long-term bond yield on government bonds maturing in more than 7 years (1) (coupon rate)	4.7	4.6	5.5	5.0	4.9	4.2	4.2	3.5	3.9	4.4
French stock price index (2) CAC 40	3 942.7	5 958.3	5 926.4	4 624.6	3 063.9	3 557.9	3 821.2	4 715.2	5 541.8	5 614.1
European stock price index EURO STOXX 50	3 342.3	4 904.5	4 772.4	3 806.1	2 386.4	2 760.7	2 951.0	3 578.9	4 119.9	4 399.7

1. Yearly average. – 2. Last indicator for the year.

Insurance company salaried workforce

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total workforce	133 450	133 750	136 500	138 600	139 200	138 500	143 500	143 700	143 750	144 100
– of which, administrative support staff	111 650	113 250	117 000	119 300	120 100	120 000	125 400	126 000	126 250	126 550
– of which, travelling sales personnel	21 800	20 500	19 500	19 300	19 100	18 500	18 100	17 700	17 500	17 550
Percentage of female workers	54.6%	55.2%	56.1%	56.5%	56.8%	57.2%	57.5%	57.9%	58.3%	NA
– of which, administrative support staff	61.6%	61.4%	61.8%	61.9%	62.1%	62.3%	62.3%	62.4%	62.6%	NA
– of which, travelling sales personnel	19.7%	21.2%	22.1%	22.8%	23.6%	23.8%	25.0%	25.6%	26.9%	NA
Percentage of management-level workers	30.3%	31.0%	32.3%	33.9%	34.3%	35.5%	37.0%	37.8%	38.5%	NA
– of which, administrative support staff	31.8%	32.0%	32.8%	34.1%	34.7%	36.0%	38.5%	39.3%	40.0%	NA
– of which, travelling sales personnel	23.6%	22.4%	22.6%	24.9%	25.7%	27.0%	27.2%	27.1%	27.3%	NA

Growth in number of vehicles and dwellings in France

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Number of vehicles *(in thousands)*	32 310	33 090	33 813	34 597	35 144	35 628	36 039	36 298	36 661	37 033
% change	2.7	2.4	2.2	2.3	1.6	1.4	1.2	0.7	1.0	1.0
Number of single-family dwellings *(in thousands)*	29 153	29 456	29 788	30 124	30 459	30 808	31 142	31 485	31 830	32 260
% change	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.4

FFSA list of members as of May 1, 2008

A

Ace European Group Ltd • Acte IARD • Acte vie • AFI Europe • AFI Europe IARD • AIG Europe • AIOI Motor and General Insurance Company of Europe Ltd, Albingia • Alico SA • Allianz Global Corporate & Specialty France • Alte Leipziger Versicherung AG • AM prudence SA • AME réassurance • Arcalis • Aréas dommages • Aréas vie • Arial assurance • Assistance protection juridique • Associations mutuelles Le Conservateur • Assurance mutuelle fédérale • Assurances Crédit mutuel Nord IARD (ACMN IARD) • Assurances du Crédit mutuel IARD SA • Assurances du Crédit mutuel Nord vie (ACMN Vie) • Assurances du Crédit mutuel vie mutuelle • Assurances du crédit mutuel vie SA • Assurances générales de France IART (AGF IART) • Assurances générales de France vie (AGF vie) • Assurances mutuelles Le Conservateur • Assurances mutuelles de France • Assurance mutuelle d'outre-mer (MUTAM) • Assurances mutuelles de Picardie • Assu-vie • Atradius Credit Insurance • Auria vie • Auxia • Auxiliaire • Avanssur • Avip vie • Aviva assurances • Aviva courtage, Aviva vie • Axa art • Axa assurances IARD mutuelle • Axa assurances vie mutuelle • Axa assurcrédit • Axa cessions • Axa Corporate Solutions Assurance • Axa France IARD • Axa France vie • Axa re finance • Axéria IARD • Axéria prévoyance • Axéria vie.

B

Banque postale prévoyance • Barclays vie.

C

Caisse centrale de réassurance • Caisse d'assurance mutuelle des entreprises industrielles et commerciales (Cameic) • Caisse d'assurance mutuelle du bâtiment et des travaux publics (CAMBTP) • Caisse d'assurances mutuelles du Crédit agricole (Camca) • Caisse de garantie immobilière du bâtiment (CGI bâtiment) • Caisse fraternelle vie • CGPA • Caisse industrielle d'assurance mutuelle (Ciam) • Caisse meusienne d'assurances mutuelles • Caisse mutuelle d'assurances sur la vie • Caisse mutuelle marnaise d'assurance • Caisse nationale de prévoyance assurances (CNP assurances) • Caisse nationale de prévoyance IAM (CNP IAM) • Caisse nationale de prévoyance international (CNP international) • Calypso • Capma-Capmi • Cardif assurance vie • Cardif risques divers • Carma • Carma vie • Cérès • CGI assurances • CGNU Life Assurance Ltd • CGU Insurance PLC • Chubb Insurance Company of Europe SA • Cité européenne • CNA Insurance Company Ltd • Compagnie de gestion et de prévoyance • Compagnie européenne d'assurances • Compagnie européenne de garanties immobilières (CEGI) • Compagnie française d'assurance pour le commerce extérieur (Coface) • Compagnie française de défense et de protection (CFDP assurances) • Compagnie nantaise d'assurances maritimes et terrestres • Companhia de seguros fidelidade Mundial SA • Comtoise • Converium vie France • Coparc • Covea Fleet • Covea Risks • Crédit agricole Indosuez Risk Solutions assurance (Cairs assurance-Calyon) • Crédit logement assurance.

D

DAS Assurances Mutuelles • Direct assurance vie.

E

Eagle Star Insurance Cy Ltd • Écureuil assurance IARD • Elvia assurances voyages • Équité, Esca • Étoile, Euler-Hermès-Sfac • Eurofil • Européenne de protection juridique.

F

Financial Assurance Company Ltd (FACL) • Financial Insurance Company Ltd (FICL) • Finaref risques divers • Finaref vie • Finistère • Foncier assurance • Fortis assurances.

G

Gan assurances IARD • Gan assurances vie • Gan eurocourtage IARD • Gan eurocourtage vie • Gan outre-mer • Gan patrimoine • Gan prévoyance • Garantie mutuelle des fonctionnaires (GMF) • Gen re • Generali IARD • Generali vie • Génération vie • GFA Caraïbes • GMF assurances • GMF vie • Gothaer • GPM assurances SA • Groupama assurances crédit • Groupama protection juridique • Groupama SA • Groupama transport • Groupama vie • Groupe d'assurances mutuelles de l'Est (Gamest) • Groupement français de caution.

H

HDI Gerling Industrie Versicherung AG • Helvetia assurances • Hiscox Insurance Company Ltd (France) • HSBC assurances IARD (France) • HSBC assurances Vie (France).

I

If assurances France IARD • Imperio assurances et capitalisation SA • Imperio companhia de seguros • Inora Life • Inter Partner Assistance • Intervie.

J

Jurassurance • Juridica.

L

La Mondiale • La Mondiale accidents • La Mondiale direct • La Mondiale partenaire • La Mondiale • Legal & General risques divers • Legal & General (France) • Liberty Mutual Insurance Europe Ltd • Lloyd's de Londres • Lybernet assurances.

M

MACSF épargne retraite • MACSF prévoyance • Mans caution SA • Mapa mutuelle d'assurance • Marine Insurance Company Ltd • Médicale de France • Mitsui Sumitomo Insurance Co (Europe) Ltd • MMA IARD assurances mutuelles • MMA IARD SA • MMA vie assurances mutuelles • MMA vie SA • Monceau générale assurances SA, MRACA (Société d'assurances du Crédit agricole Nord de France) • Münchener Rückversicherungs-Gesellschaft • Mutrafer • Mutuelle centrale de réassurance (MCR) • Mutuelle d'assurance des armées • Mutuelle d'assurance des pharmaciens • Mutuelle d'assurances de la ville de Thann • Mutuelle d'assurances du corps de santé français (MACSF) • Mutuelle de Poitiers assurances • Mutuelle des architectes français assurances • Mutuelle des îles Saint-Pierre-et-Miquelon • Mutuelle des risques d'assurance des Caisses d'épargne de France (Muracef) • Mutuelle phocéenne assurances • Mutuelle Saint-Christophe assurances.

N

Nassau assurances • Natio assurance • Neuflize vie • Nieuw Rotterdam • Nipponkoa Insurance Company (Europe) Ltd • Norwich Union Insurance Ltd.

O

Optimum vie.

P

Pacifica • Paix protection juridique et fiscale • La Parisienne assurances • Partner Reinsurance Europe Ltd • La Pérennité • Predica • Prepar IARD • Prepar vie • Prévifrance vie • Préviposte • Prévoir risques divers • Prévoir vie • Prévoyance re • Prévoyance réassurance incendie multirisques auto (Prima) • Protec BTP • Protexia France • Prudence créole • Prudential assurance Cy Ltd.

Q

QBE Insurance (Europe) Ltd • QBE Insurance (International) • Quatrem assurances collectives.

R

Rac France SA • Réassurance intercontinentale • Rem vie • Réunion des mutuelles d'assurances régionales (Rema) • Risques civils de la boulangerie et de la boulangerie-pâtisserie françaises • Royal International Insurance Holdings • La Rurale.

S

Sagevie • Sauvegarde • Sécurité familiale • Serenis vie • Sirius Insurance Cy Ltd • Skandia Link SA • Societa italiana assicurazioni transporti (SIAT) • Société anonyme d'assurance sur la vie et de capitalisation (Sogecap) • Société anonyme de défense et d'assurances (Sada) • Société anonyme générale d'assurances (Sagena) • Scor SE • Scor Global P&C SE • Scor Global Life SE • Société d'assurance des crédits des Caisses d'épargne de France (Saccef) • Société d'assurance mutuelle des armateurs et professionnels de la mer (Samap) • Société d'assurances familiales des salariés et artisans du bâtiment et des travaux publics (SAFBTP IARD) • Société d'assurances familiales des salariés et artisans du bâtiment et des travaux publics (SAFBTP vie) • Société d'épargne viagère (SEV) • Société hospitalière d'assurances mutuelles (Sham) • Société mutuelle d'assurance du bâtiment et des travaux publics (SMABTP) • Société mutuelle d'assurance sur la vie du bâtiment et des travaux publics (SMAVIEBTP) • Société mutuelle d'assurances de Bourgogne • Société suisse d'assurance contre la grêle • Société suisse d'assurances générales sur la vie humaine • Sogessur • Solucia protection juridique • Sompo Japan Insurance Company of Europe Ltd • Suisse Compagnie anonyme d'assurances générales • Suisse de réassurance France • Suravenir • Suravenir assurances • Swiss Life assurance et patrimoine • Swiss Life assurances de biens • Swiss Life prévoyance et santé • S3R.

T

Thelem assurances • Tokio Marine Europe Insurance Ltd (TMEI).

U

UBS International Life • Union des mutuelles d'assurances Monceau (Umam) • Unofi assurances.

V

Vitalia vie.

W

Welcare.

X

XL Insurance Company Ltd • XL re Europe limited.

Z

Zurich Compagnie d'assurance • Zurich Insurance Ireland Ltd.

Professional organization

THE FFSA

In 2008, 266 enterprises conducting insurance, investment and reinsurance business are members of the FFSA. These companies belong to one of two trade organizations, depending on their legal form or that of the group they belong to:
• The *Fédération française des sociétés anonymes d'assurance* (FFSAA);
• The *Fédération française des sociétés d'assurance mutuelle* (FFSAM).

FFSA member organizations represent 90% of the market. The remaining 10% corresponds to:
• some direct writing mutuals that are not members of the FFSA, and that belong to GEMA *(Groupement des entreprises mutuelles d'assurances)*;
• a few companies that do not belong to any trade organization.

Companies in the assistance business, which differs from insurance, have their own distinct trade organization.

The 266 current members of the FFSA can be categorized as follows:
– 163 French corporations;
– 57 French mutual societies;
– 46 branch offices of foreign companies.

Decision-making bodies

Board (as of May 15, 2008)

President: Gérard de La Martinière.

Vice-presidents:
• Jean Azéma, President of the *Fédération française des sociétés d'assurance mutuelle*, CEO of Groupama;
• Gilles Benoist, President of the *Fédération française des sociétés anonymes d'assurance*, CEO of CNP Assurances.

Members:
• Jacques Deparis, CEO of Aréas assurances;
• Thierry Derez, Chairman and CEO of GMF and *Assurances mutuelles de France*;
• Michel Dupuydauby, CEO of MACSF;
• Jean-Yves Hocher, CEO of Predica;
• Denis Kessler, Chairman of Scor SE;
• Éric Lombard, Chairman and CEO of BNP Paribas assurances;
• François Pierson, Chairman of AXA France assurance;
• Jacques Richier, Chairman of Swiss Life France;
• Bruno Rostain, Chairman of the Aviva France management board;
• Alain de Saint-Martin, Chairman and CEO of Sogecap;
• Alain Schmitter, CEO of ACM;
• Jean-Claude Seys, Vice-chairman of the board of directors of MMA;
• Claude Tendil, Chairman and CEO of Generali France Holding;
• Jean-Philippe Thierry, Chairman and CEO of AGF.

Treasurer: Paul Villemagne.

Executive commission (as of May 15, 2008)

President: Gérard de La Martinière.

Vice-presidents: Jean Azéma and Gilles Benoist.

Treasurer: Paul Villemagne.

Managing director: Jean-Marc Boyer.

Members appointed by the FFSAA:
Alain Ficheur, Ivo Hux, Denis Kessler, Jean-François Lequoy, Éric Lombard, Thierry Masquelier, Philippe Perret, Jacques Richier, Bruno Rostain, Stephan Ruoff, Alain de Saint-Martin, Claude Tendil, Jean-Philippe Thierry, Pierre de Villeneuve, Bertrand Voyer, Jean-Pierre Walbaum, Jean-Pierre Wiedmer.

Members appointed by the FFSAM:
Jean-François Allard, Daniel Antoni, Jacques Deparis, Thierry Derez, Olivier Désert, Gilles Dupin, Patrick Duplan, Michel Dupuydauby, Jean Fleury, Alain Gajan, Jean-Laurent Granier, Jean-Yves Hocher, Brice Leibundgut, Michel Lucas, Thierry Martel, Bernard Millequant, Jean-Yves Nouy, François Pierson, Alain Schmitter, Jean-Claude Seys, Jean-Marc Vervelle.

Chairmen of the standing commissions:
- Germain Férec, Social Affairs Commission;
- Philippe Giraudel, Legal, Tax and Competition Commission;
- Jean-Laurent Granier, Distribution Commission;
- Antoine Lissowski, Plenary Commission of Economics and Finance;
- Jacques de Peretti, Plenary Commission of Property and Casualty Insurance;
- André Renaudin, Plenary Commission of Life and Health Insurance;
- François Vilnet, Reinsurance Commission.

Selection, supervision and solvency commission

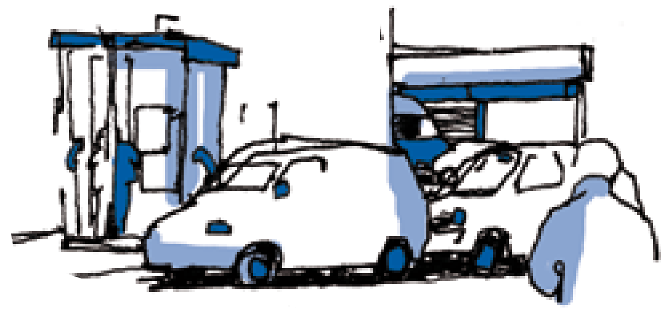
Members:
Claude Flament, Bernard Pottier and Alain Tempelaere.

Ethics and compliance commission

President: Jean-Claude Thin.

Members appointed by the FFSAA:
Jean-François Debrois, Jean-Yves Hermenier, Martine Locquet, Pierre de Villeneuve.

Members appointed by the FFSAM:
Pierre Beaumin, Élie Harari, Brice Leibundgut, Martial Stambouli.



AML (anti-money laundering) commission

President: Michel Villatte.

Standing commissions and their technical committees

Plenary commission of property and casualty insurance

Chairman: Jacques de Peretti.
- Agricultural Committee:
Chairman, Stéphane Gin.
- Cessions Committee:
Chairman, Daniel Fortuit.
- Construction Committee:
Chairman, Daniel Lemaître.
- Commercial Insurance Steering Committee:
Chairman, Pierre-Yves Laffargue.
- Personal Lines and ACPS Steering Committee:
Chairman, Yann Ménetrier.
- Medical Liability Committee:
Chairman, Michel Dumont.
- Statistics and Forecasts Committee:
Chairman, Luc de Lignières.

Transport insurance commission

Chairman: Patrick de La Morinerie.

Plenary commission of life and health Insurance

Chairman: André Renaudin.
• Professional Ethics Committee:
Chairman, Jean-François Debrois.
• Distribution Committee:
Chairman, Jean-Yves Hermenier.
• Group Committee:
Chairman, Gérard Ménéroud.
• Legal and Tax Committee:
Chairman, François Bertout.
• Illness and Accidents Committee:
Chairman, Gilles Johanet.
• Reinsurance Committee:
Chairman, Jean-Pierre Bongard.
• Life and Health Insurance Statistics Committee:
Chairman, Brigitte Dubus.
• Life Insurance Committee:
Chairman, Pierre de Villeneuve.

Plenary commission of economics and finance

Chairman: Antoine Lissowski.
• Real Estate Commission:
Chairman, Nathalie Robin.
• Asset Liability Matching Committee:
Chairman, Jean Vecchierini de Matra.
• Financial Statement Committee:
Chairman, Jacques Le Douit.
• Private Equity Committee:
Chairman, François Thomazeau.

Legal, tax and competition commission

Chairman: Philippe Giraudel.
• Legal Committee:
Chairman, Emmanuel Bus.
• Tax Committee:
Chairman, Olivier Brusson.

Distribution commission

Chairman: Jean-Laurent Granier.

Reinsurance commission

Chairman: François Vilnet.

Social affairs commission

Chairman: Germain Férec.

French Insurance Association

The French Insurance Association *(Association française de l'assurance)* was founded in July 2007 to examine issues related to the insurance business and to ensure that the industry achieves greater representation by publicly expressing the positions shared by all insurance professionals.
The French Insurance Association is chaired in rotation by the presidents of the FFSA and the GEMA. Daniel Havis is serving as its first president for a one-year term, while Gérard de La Martinière is the current vice president.
The board of the French Insurance Association is made up of six directors. For its inaugural term, they are the two presidents, the two vice-presidents of the FFSA (Jean Azéma and Jean-Philippe Thierry, then Gilles Benoist), and the two vice-presidents of the GEMA (Gérard Andreck and Gaël Flichy).

The issues examined by the association are primarily those pertaining to bodily injury, natural catastrophe, climate change and sustainable development, accounting and prudential framework reforms with the European Solvency II project, the projected European mutual status, ethics and compliance, gender equality, personal protection (in particular issues related to health and long-term care), taxation, and legal expense.

FFSA services

President

Managing Director

General Secretary **Gilles Wolkowitsch**

General affairs and budget departement	Legal, tax and competition department	Property and casualty insurance department	Life and health insurance department
Frédéric Loubière	**Philippe Poiget**	**Stéphane Pénet**	**Gilles Cossic**

Professionnal organizations

ORGANIZATION SET UP WITH THE GEMA

GPSA Professional management of insurance services
President: Jean-Luc de Boissieu • Director: Philippe Rulens

Agir: Association for the management of information on automobile risks
President: Claude Dumont • Director: Philippe Rulens

Alfa: Insurance anti-fraud Agency
President: Claude Haaser • Director: Frédéric Nguyen Kim

Aredoc: Bodily injury compensation research association
President: Pierre-Yves Thiriez • Managing Director: Dr Hélène Bejui-Hugues

Argos: Insurers' group supporting the search for vehicles and other stolen goods
President: Claude Haaser • Director: Jean-Louis Marsaud

BCF: French central Bureau
President: Gilles Brunet • Director: Françoise Dauphin

BCR: Central redistribution Office
President: Marie-Françoise Chaise

Gareat: Management of insurance and reinsurance coverage of terrorism risks
President: Jacques Deparis • General secretary: Christiane de Bondy

GCA: Management of insurance agreements
President: Stéphane Pénet • Director: Françoise Kowalczyk

GTREM: Temporary pool for medical reinsurance
President: Pierre Florin

MRN: Natural risks
President: Dominique Santini • Director: Roland Nussbaum

Orias: Organization for the registration of insurance intermediaries
President: Philippe Poiget • General secretary: Grégoire Dupont

SRA: Auto safety and repairs
President: Guillaume Rosenwald • Director: Michel Bournet

PREVENTION

La Prévention Routière
President: Bernard Pottier
Managing Director: Pierre Gustin

CNPP: National center for prevention and safety
President: Serge Magnan
Managing Director: Benoît Clair

PREVENTION

APS: Insurers, prevention, health
President: Alexis Lehmann
Director: Alain Rouché

Châtaigneraie functional rehabilitation center
President: Jean Flory
Director: Renaud Coupry

HEALTHCARE AND IT

Apria RSA: Management of mandatory and supplemental health insurance and business IT
President: Gilles Johanet
Managing Director: Jean-Marie Paulot

GIE Sintia (IT network)
Administrator: Alain Rouché

Gérard de La Martinière

Jean-Marc Boyer

Parliamentary affairs **Jean-Paul Laborde**

Public affairs department
Anne Morrier

Strategy, institutional relations and sustainable development department
Vincent Lidsky

Social affairs department
Éric Verhaeghe

Economic, financial and international affairs department
Bertrand Labilloy

Research, statistics and information systems department
Jérôme Cornu

TRAINING AND EMPLOYEMENT

IFPASS: Insurance industry training institute
President: Michel Villatte • Managing Director: Patrick Warin

École nationale d'assurances
President: Michel Villatte • Director: François Ewald

Opcassur: Joint organization authorized to raise funds for part-time and full-time training in insurance
President: Nadine Belœil • General secretary: Guy Spadari

Observatoire de l'évolution des métiers de l'assurance
President: Bruno Seydoux • General secretary: Gérard Lobjeois

Apesa: Association for employment in insurance companies
President: Jean-Claude Bourdeau • Director: Jean-Luc Vicherat

RETIREMENT AND PERSONAL PROTECTION

Groupe B2V: Retirement and personal protection group
Managing Director: Jean-Michel Mangin
General Manager: François Dez

B2V: Group summit association
President: Annick Nosny

B2V Gestion: Inter-division partnership
President: Jean-Louis Deroussen

Asarpa: Insurance retirement and personal protection monitoring association
President: Jean-Luc Leygonie

BCAC: Group insurance office
President: Gérard Ménéroud

Creppsa: Retirement and employee benefit fund for insurance company employee
President: Jacques Bisso

Iricasa: Agirc pension institution
President: Philippe Bellanger

Ciresa: Arrco pension institution
President: Jean-Paul Parat

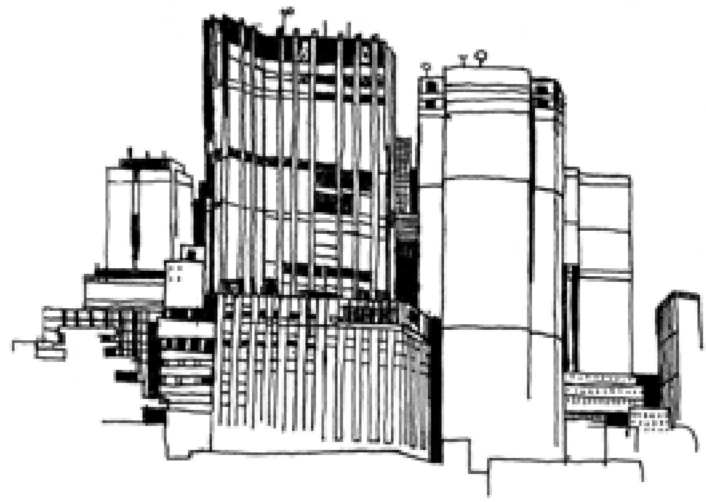
Sacra: Insurance company consolidating insurance industry retirement pensions
Chairman of the Supervisory Board: Claude Flament
Chairman of the Executive Board: Hubert Stoclin

COOPERATION

Acia: Agency for international cooperation in the insurance industry
President: Jacques Bourthoumieux

REINSURANCE

Apref: Association of French reinsurance professionals
President: François Vilnet



The FFSA's partners in prevention

Association Prévention Routière

La Prévention Routière is a private organization that was recognized as a public utility association in 1955. It was created to examine and implement all kinds of measures and encourage initiatives intended to reduce the frequency and magnitude of road traffic-related accidents.
www.preventionroutiere.asso.fr

PSRE *(Promotion et suivi de la sécurite routière en entreprise)*

PSRE is a non-profit organization whose mission is to help fight road traffic accidents related to business travel.
www.asso-psre.com

MRN *(Mission risques naturels)*

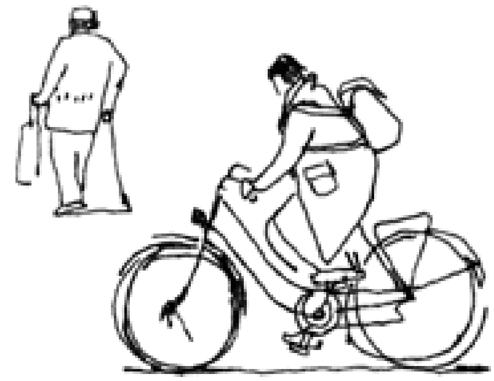
The MRN of insurance companies for the understanding and prevention of natural risks is an association that was founded in early 2000 to promote greater understanding of natural risks and make a technical contribution to prevention policies. It collects and analyzes data provided by public policymakers, and in particular risk prevention plans. It offers information to policyholders on the system for indemnifying natural catastrophes and strives to raise awareness of the importance of prevention.
www.mrn-gpsa.org

APS *(Assureurs, prévention, santé)*

The role of the APS is not only to promote preventive measures and raise public awareness of the risks that are a part of daily life and serious illnesses, but also to support medical research in these areas.
To this end, the association distributes free information via insurance companies, educational institutions, doctors' offices, pharmacies, social security offices, regional and departmental health education centers, family centers, and so on.
www.ffsa.fr

CNPP *(Centre national de prévention et de protection)*

Founded in 1956, the CNPP is a leading organization in the prevention and management of fire, explosion, theft, pollution and industrial and technological risks. It offers information and training, as well as research, testing, audit and certification services. It is also an insurance industry partner organization.
www.cnpp.com



Legislative and regulatory highlights of 2007

Principal European Community legislation passed in 2007

Directive dated September 5, 2007, amending directive 92/49 and directives 2002/83, 2004/39, 2005/68 and 2006/48, regarding procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector. The aim of the most recent directive is to improve legal safeguards, clarity and transparency by providing detailed evaluation criteria for prudential assessment, as well as an application procedure.

Regulation dated July 11, 2007 on the law applicable to non-contractual obligations, known as "Rome II," which sets forth the rules of conflict of law and of jurisdiction applicable to extra-contractual situations. In principle, the applicable law is that of the country where the direct damage occurs, but this rule is set aside in cases where the person who is alleged to be liable for the damage and the person who sustains it have their usual residence in the same country at the time the damage occurs. Specific provisions are applicable to the de facto liability for defective products.

Principal French legislation passed in 2007

Insurance enterprises

Act no. 2007-1774 dated December 17, 2007 contains various adaptation provisions for community law in matters related to the economy and finance, transposing directive 2004/113 on the principle of equal treatment of men and women in terms of access to goods and services. Article 12 inserts article L. 111-7 into the French Insurance Code, which stipulates that any form of direct or indirect discrimination based on the consideration of gender for the calculation of premiums and benefits, the effect of which is differences in terms of these premiums and benefits, is prohibited. However, the option of making an exception to this principle by way of government order is left open, provided that relevant actuarial data demonstrate that gender is a decisive factor in assessing the risk.

Government orders dated December 19, 2007, which stipulate that if the data mentioned in article L. 111-7 of the French Insurance Code justify it, the factoring in of gender can lead to proportionate differences in terms of premiums and benefits in the areas of automobile insurance and some lines of life and health insurance.

Government order dated February 19, 2007 on the information to be submitted to the CEA *(Comité des entreprises d'assurance)*. This relates to the information that must be submitted to the CEA with respect to persons authorized to direct insurance enterprises, in connection with an application for licensing or an extension of licensing, and in the event of a change in executive management.

Property and casualty insurance

Article 22 of Act no. 2007-127 dated January 30, 2007 ratifies order no. 2005-1040 dated August 26, 2005 on the organization of certain healthcare fields that require insurance companies covering medical malpractice to provide the Acam *(Autorité de contrôle des assurances and des mutuelles)* with accounting, prudential or statistical data, and sets at three months the minimum deadline for notifying the insured in the event that the insurer decides to terminate a medical liability policy.

Government decree no. 2007-1118 and government order dated July 19, 2007 partially transpose the fifth automobile directive dated May 11, 2005. This legislation increases the minimum amount of coverage and modifies the obligation to deliver the loss certificate: the latter must be delivered at the request of the insured or when the policy is terminated; also, the conditions of casualty insurance for trucking rigs and border insurance are modified.

Articles 1 and 2 of Act no. 2007-1774 dated December 17, 2007 contain various provisions for the adaptation of community law with respect to economic and financial matters, which complete the transposition of the fifth automobile directive dated May 11, 2005 with respect to direct action, the definition of a motorized land vehicle, temporary stays within the European Union, and the definition of parking place.

Life and health insurance

Act no. 2007-131 dated January 31, 2007 relates to access to credit for individuals with aggravated health risks. This Act enshrines the existence of the Aeras Convention in the Public Health Code; it contains a number of procedural precisions related to the Convention in several new articles contained in the Public Health Code.

Act no. 2007-308 dated March 5, 2007 reforms legal protection for non-minors. Article 30 inserts article L. 132-3-1 into the French Insurance Code, pertaining to the conditions under which life insurance policies are written and administered for individuals placed under guardianship or subject to other protective measures.

Act no. 2007-1223 dated August 21, 2007 promoting work, impact and purchasing power. The promise made by the President of the French Republic to exempt 95% of all households from estate taxes gave rise to a series of measures, including:

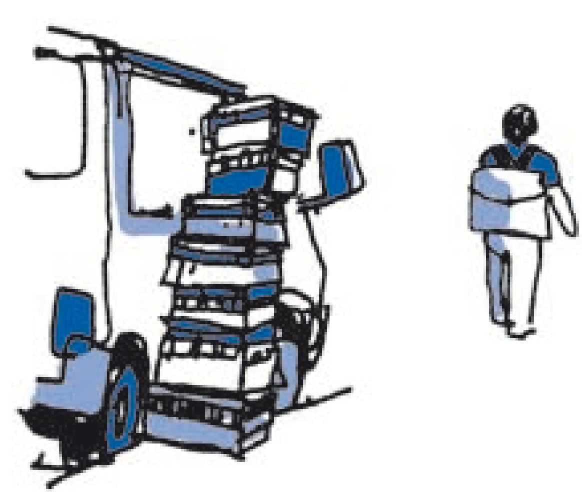
- Total exemption from inheritance taxes for the surviving spouse's portion as well as for the surviving partner under a Pacs civil union contract;
- Total correlative exemption of the 20% tax due on the portion exceeding the first 152 500 euros of the death benefit for the surviving spouse, the partner under a Pacs civil union contract, and beneficiaries in the event of the death of a life insurance policyholder.

In life insurance, the system of taxation on premiums paid after the age of 70 is automatically aligned with the new system of taxation on inheritance and estate taxes.

Act no. 2007-1775 dated December 17, 2007 authorizes the search for beneficiaries of unclaimed life insurance policies and guarantees the rights of insured persons. In particular, this legislation authorizes insurers to consult death data that is compiled in the national register of physical persons and also requires them to search for the beneficiary and, as the case may be, to inform the latter of the relevant policy stipulation when they are informed of the death of the holder of a life insurance policy.

Act no. 2007-148 dated February 2, 2007 on modernizing public service, government decree no. 2007-1373 dated September 19, 2007, and government orders dated December 19, 2007, which stipulate that public persons (the national government, regions, departments, communes and their public agencies) may contribute to the financing of supplemental personal protection plans to which the agents they impact have subscribed, provided that the policies or plans in question guarantee the practice of solidarity between beneficiaries, active workers and retirees.

Act no. 2007-1786 dated December 19, 2007 and government decree no. 2007-1937 dated December 26, 2007 on the financing of social Security call for an annual deductible payable by the policyholder on some services or healthcare costs, effective as of January 1, 2008, capped by government decree at 50 euros per beneficiary in the course of a given calendar year; the role of the Unocam in the governance of health insurance is strengthened.



Government decree no. 2007-67 and government order dated January 18, 2007 in application of the order dated March 23, 2006 relating to supplemental retirement and pension income. They concern the conditions under which group retirement and pension institutions may offer their services within the territory of a European Union member state or any other member state that is a party to the agreement on the European Economic Area (EEA).

Government decree no. 2007-1206 dated August 10, 2007, whose article 5 amends article R. 142-14 of the French Insurance Code pertaining to diversified life insurance contracts, and completes the list of assets admissible to represent regulated obligations.

Taxation

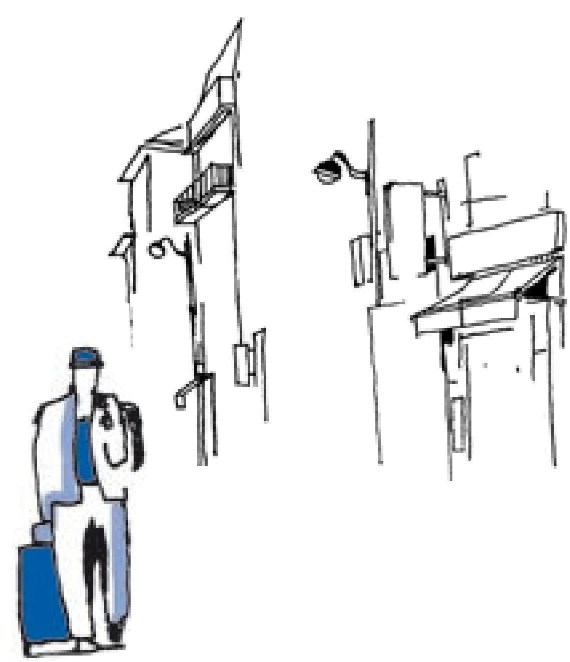
Act no. 2007-1822 dated December 24, 2007 (finance act for 2008), which contains several provisions that pertain to the insurance industry:
- The cap on the rate of withholding for payment into the major natural disasters fund *(Fonds de prévention des risques naturels majeurs)* is raised from 4% to 8%;
- French departments will now have access to two additional resources from the insurance industry: the proceeds of the tax on insurance agreements that is collected on fire insurance policies, and the proceeds of taxes collected on insurance policies protecting against all perils for boats used for sport or pleasure on the sea or inland waters;
- The base of taxation for the research tax credit is extended, up to 60 000 euros per year, to premiums and contributions related to legal expense insurance policies that call for the coverage of costs incurred for litigation involving a patent or plant certification;
- The system of taxation on capital gains and losses on equity securities held by businesses subject to corporate income tax in companies that are mainly involved in real estate has been amended: capital gains and losses resulting from the sale of private equity securities in predominantly real estate companies realized as of September 26, 2007 are now included in the common law tax basis, while equity securities in listed companies whose primary business is real estate are maintained under the long-term capital gains system;
- The tax on stock market transactions is rescinded.

Amended Finance Act for 2007 no. 2007-1824 dated December 25, 2007 which also contains several provisions that relate to insurance:
- It calls for a period of adaptation to satisfy the supplemental condition of non-coverage of the new medical deductible so that health insurance policies can be considered to meet the definition of "responsible" and, as such, continue to qualify for favorable tax treatment;
- It postpones by one year the date on which the provisions pertaining to corporate income tax exemptions for solidarity and responsible health insurance business and the option for insurance organizations to set aside an equalization reserve for some group personal protection plans will go into effect.
- It exempts taxpayers from the application of VAT invoicing rules for their transactions that are VAT exempt, in application of the provisions of articles 261 to 261 E of the General Tax Code (insurance transactions fall within the scope).
- It excludes from taxation under the solidarity tax on wealth the redemption value of annuities and indemnities paid to the victim prior to his or her death and passed on to the surviving spouse.

Government decree no. 2007-562 dated April 16, 2007 on the application procedures for the exceptional tax levied on the compensatory indemnity paid to tied insurance agents when they retire from the profession. As a reminder, this tax is levied to offset the benefit of the exemption from taxation of the capital gain realized as a result of the payment of this indemnity.

Government order dated October 31, 2007, setting the rate of contribution to the fund that was set up to cover the victims of terrorism and other acts of violence *(Fonds de garantie des victimes des actes de terrorisme et d'autres infractions)* for 2008, which remains as before at 3.30 euros per contract.

Government order dated November 7, 2007, increasing by 0.10 % (to 0.60 %) the rate of contribution for automobile insurance policyholders to the fund set up to cover mandatory property coverage *(Fonds de garantie des assurances obligatoires de dommages)*, applicable to premiums issued as of January 1, 2008.



Definitions

Life and health insurances

Contracts and coverage

Pure endowment insurance and capital redemption bonds

Pure endowment insurance
An insurance policy, taken out directly by an individual or through an employer or association, which builds up deferred entitlements that are subsequently paid out in the form of a lump-sum benefit or annuity if the insured outlives the term of the policy. It is based on the notion of using and investing the premiums paid in to fund annuities. These policies are usually combined with counter-insurance to cover the event of death.

Capital redemption bond
A savings contract that invests and increases built-up savings, guaranteeing a fixed lump-sum benefit at maturity. Contrary to life insurance policies, these contracts do not designate insured persons.

Diversified life insurance policy
A life insurance contract that is backed by a segregated insurance company asset and that includes a guarantee at maturity. This guarantee is always covered or “represented” by a policy reserve. The difference between the fair market value of the segregated assets and the policy reserve is also part of the individual entitlements attached to the contract and is represented by a “diversification” reserve.

Unit-linked contract
A life insurance policy or capital redemption bond in which benefits and premiums are not expressed in euros but in units of an investment vehicle, such as shares of a mutual fund or a real estate partnership. Contract benefits fluctuate directly with the market values of these units or shares.

Multi-investment vehicle contract
A contract in which benefits are expressed in terms of one or more unit-linked investment vehicles and one investment vehicle in euros. Nearly all unit-linked contracts currently available on the market are invested in multiple vehicles.

Minimum guarantee
Unit-linked contracts may offer a minimum guarantee in the event of the insured’s death or survival. With these contracts, the insured is guaranteed a minimum payout determined at the time the policy is taken out (e.g. total amount of premiums paid, amount of accumulated savings if higher than premiums), regardless of the value of the unit-linked fund on the date of the event that leads to benefit entitlement.

Participation in profits
Mechanism by which life insurance and capital redemption companies share operational and investment profits with policyholders. The French Insurance Code (Code des assurances) requires insurance companies to distribute at least 90% of their operating income and 85% of their investment income. Individual policies may provide for a higher percentage of investment income to be distributed.

Personal protection insurance (death, illness, accident)

Life or health insurance policies offering guaranteed benefits in the event of death, occupational disability, long-term disability or sickness and the reimbursement of covered healthcare costs.
Health and accident insurance is written under designated policies (individual insurances against accidents, supplementary health or hospital care insurance policies, long-term care insurance, non work-related accidents, etc.) or as supplemental coverage generally attached to life insurance polices (e.g. long-term disability, occupational disability).

Term life insurance
Insurance policies taken out by individuals, through an employer or association or when contracting a loan, which guarantee the payment of a lump-sum benefit or annuity to a designated beneficiary in the event of death prior to the term of the policy, regardless of the cause of death. This type of coverage may be supplemented by bodily injury coverage that offers increased benefits in the event of accidental death or additional benefits in the event of long-term or occupational disability due to sickness or accident.
A life insurance, composite, or property and casualty insurance company may write coverage that supplements a life insurance policy.

Accident and health insurance
Insurance policies taken out individually or through an employer or association, which guarantee the reimbursement of health and medical care costs due to sickness or accident (often to supplement coverage from mandatory social security plans), payment of compensation in the event of occupational or long-term disability, or payment of a lump-sum benefit in the event of accidental death.
Bodily injury insurance policies guarantee the payment of lump-sum benefits or compensation and, in some cases, the reimbursement of medical costs in the event of an accident leading to disability or death. Liability insurance (particularly automobile liability) also provides compensation to victims of bodily injury. This insurance falls within the scope of property and casualty insurance. Bodily injury policies under the heading of life and health insurance provide:
• Coverage of non work-related accidents, including those that occur during school activities or while engaging in other activities such as certain sports;
• Coverage of work-related accidents suffered by certain individuals not covered by social security (in particular, municipal government personnel and practicing professionals);
• Supplemental coverage of work-related and non work-related accidents and occupational illnesses suffered by farm operators.

Credit insurance
Group insurance policy, generally written or sold by a lending institution, which protects its borrowers in the event of death, occupational or long-term disability and, in some cases, unemployment.

Long-term care insurance
Insurance policies under which benefits are paid as annuities or a lump sum in the event of loss of autonomy.

Unemployment insurance
Insurance policies under which benefits are paid in the event of unemployment. In some credit insurance policies, unemployment coverage may consist of deferred loan repayments.

Open group
Group or association created for the purpose of taking out life and health insurance policies and open to individual enrollees, as opposed to other group insurance contracts, which are restricted to defined groups (such as the employees of a certain company or industry or the borrowers of a particular lending institutions).

Technical reserves (policy reserves, insurance reserves)
Allowances and reserves established by insurers to cover all the benefits provided for in policies. Actuarial or policy reserves, which account for the majority of technical reserves, are calculated using mortality tables and a technical interest rate.

Life insurance techniques
Life insurance is based on the constitution of retirement annuities, which requires the use of two parameters: an actuarial parameter (the mortality table) and a financial parameter (the technical interest rate).

The actuarial parameter: the mortality table
The payment of life insurance policy benefits is contingent on the death or survival of the insured person. Entitlement to benefits arises from the occurrence of one of these events—death of the insured within a determined period, for term life insurance, or survival of the insured at a set date, for pure endowment insurance. The probability of each of these events occurring is evaluated using mortality tables that indicate, for a given number of individuals bo rn on a given date, the number of survivors at each age.
In France, these tables are based on data gathered by the *Institut national de la statistique et des études économiques* (Insee) on French mortality in general. Insee has established two mortality tables from the statistical data on male and female mortality, TF 00-02 and TH 00-02. They are used to calculate rates and establish reserves for both pure endowment policies and term life policies, for women and men, respectively. It is also possible to use experience tables, provided that they have been certified by an independent actuary, or to use adjustment factors with group policies. Mortality tables are used to determine, for each age (x) of life, the probability of survival to a later age (x + n). Insee statistics are also used in predictive tables called generation tables. These are used to price life annuity contracts, taking into account the observed trend toward lower mortality rates. New prospective tables, TGF 05 and TGH 05, were certified in 2006.

The financial parameter: the technical interest rate
The financial aspect of life insurance entails taking into account the investment income earned on assets that cover the insurer's obligations to its policyholders. This income can be used to increase guarantees (upward readjustment of entitlements) or to reduce premium payments when they are integrated into pricing using the technical interest rate. The terms and conditions governing its use are set forth in the French Insurance Code. The Code sets the maximum interest rate with respect to the average government-borrowing rate (*Taux moyen des emprunts d'État*, or TME). These terms and conditions vary with the policy (e.g., single or regular premiums) and the duration of the insurer's liability.

Property and casualty insurance

Automobile insurance: types of coverage

Driver's liability
This is the only mandatory automobile insurance. It covers bodily injury as well as material damage to others caused by an insured driver.

Driver's collision coverage
Provides compensation for bodily injury that the driver of a vehicle may sustain in an accident for which a third party is not liable.

Material damage coverage
Covers the repair of material damage to the insured's vehicle, when this damage is caused by an accident, a fire or theft.

Commercial property insurance: various types of risks

This market covers very different types of risk:
- Major industrial and commercial concerns are covered by comprehensive (all-risk) contracts or by a combination of special contracts;
- Mid-sized companies or companies whose business poses specific risks are covered by customized contracts;
- Like individuals, self-employed trades people, retail shopkeepers, service providers, municipal governments and certain small businesses are generally covered by comprehensive insurance policies that are adapted to their particular business activity.

Construction insurance: two types of coverage

Construction insurance primarily involves two types of insurance: completed operations insurance coverage, which enables project owners to receive immediate compensation, and decennial liability insurance, which covers builder liability.

Legal expense insurance

Legal expense insurance helps policyholders–both private individuals and professionals–who find themselves in situations of conflict enforce their rights and cover the related costs.

Transport insurance (MAT)

Marine, aviation and transport insurance covers four main classes of business:
- The insurance of vessels, including vessels under construction, commonly referred to as hull insurance, which includes merchant ships, fishing and pleasure boats (yachts), watercraft on inland waterways, and energy and offshore risks;
- The insurance of goods in transit (also called cargo insurance), regardless of the means of transportation, including land and air transport;
- Aviation insurance, which covers all risks related to carrying passengers and carrier liability for merchandise, airport services, and the construction, operation and repair of aircraft, including light aircraft, recreational flying and air shows;
- Space insurance, including space launch vehicles and commercial satellites.

Investments, accounting and financial management

Balance sheet carrying value
Total investments shown on insurance company balance sheets, carried at their purchase or cost price, less amortization and depreciation where applicable.

Realizable value of investments
Fair market value of investments: the most recent trading price for listed assets, or the market value of unlisted securities, or the appraised value for real estate assets, or the redemption value of mutual fund units.

Representation of regulated liabilities

In property-casualty insurance, regulated obligations are chiefly made up of insurance reserves, which represent the insurer's best estimate of its probable liabilities to policyholders and contract beneficiaries, as well as what it owes to its highest-ranking creditors (the state, social welfare organizations, personnel).
In life insurance, reserves are made up mainly of actuarial or policy reserves, which represent the difference between the present value of the obligations assumed by the insurer (to pay out benefits) and by its policyholders (to pay a premium), respectively.
Prudential regulations require insurance companies to hold assets (investments and receivables) that are at least equal to their regulated liabilities. This is the notion of representation of regulated liabilities. This

requirement is consistent with the logic of liquidation: if the insurance company is forced into liquidation, it must have sufficient assets to honor its commitments to policyholders and other contract beneficiaries. Given that its commitments are often long or even very long term—particularly for life insurance and retirement annuity products—the ability to honor them over periods that are just as long is one of the key functions of life insurance. The French Insurance Code provides an exhaustive list of the assets, and the conditions and limitations under which they can be used to cover regulated liabilities.
Furthermore, life insurance companies also seek to provide policyholders with a certain level of return each year. The predominance of bonds (government or corporate) in their asset portfolios addresses this issue in particular. Similarly, the development of unit-linked contracts partly explains the increasing percentage of equities and mutual fund units in life insurance investments.
As for the investment policy of property-casualty insurers, it tends to be driven by the need to manage cash flows that results from collecting premiums and settling claims.

Provisions and reserves

Resilience reserve (PAF)

An allowance established to offset a decline in the return on assets in the investment portfolio compared with the insurer's guaranteed rate obligations to policyholders on contracts other than unit-linked contracts.

Allowance for other than temporary impairment in value (PDD)

A valuation allowance established when the insurance company estimates that the depreciation of an asset can be considered as other than temporary in light of its potential holding and that its market or realizable value is significantly less than its replacement or recovery cost.

Liquidity risk (or credit) reserve (PRE)

An allowance that is intended to enable the insurer to meet its obligations in the event of a capital loss of all non-amortizable assets, equity securities and property.

Investment reserve

Reserve intended to lessen the impact of impairment in the value of the company's assets and lower returns on these assets. This reserve is provisioned or reversed automatically in the event of realized capital gains or losses on the sale of amortizable securities. The rationale behind this reserve, for all types of amortizable assets (bonds, negotiable debt securities, etc.), is to ensure that the net return that was estimated when the assets were acquired (fair market value at purchase) will be maintained in spite of financial market fluctuations. The investment reserve is one of the components of capital adequacy (or solvency margin).

Asset-liability management

Asset-liability management is a global and coordinated method that allows insurance companies to manage the composition of and match between their assets and liabilities, as well as their off-balance sheet commitments. Executive, underwriting and investment managers use this method for planning and steering purposes. It provides useful support for decision-making and risk management, in strategic and sometimes tactical matters. It generates elements of information and forecasts that help to determine investment and reinsurance policy, new product features (coverage, rates, innovations) and contract return policies.
To protect themselves from certain market risks, insurers have established elaborate techniques for the coordinated management of their assets and their liabilities. Since 2001, they have also been conducting simulations for the insurance and mutual supervisory authority Acam *(Autorité de contrôle des assurances et des mutuelles)* whose aim is to periodically verify the adequacy of their asset-liability matching in light of financial market trends.
Insurance companies may make use of sophisticated investment instruments and techniques, particularly derivatives, which they use to protect themselves against future changes in the financial markets.
The new financial instruments now available will help insurance companies enhance their financial management, such as the securitization of insurance risks and the issue of super-subordinated securities and non-cumulative preferred stock.

Regulations governing insurance company investments

Underwriting reserves must be backed or evidenced at all times by equivalent assets. Insurance companies are under a permanent obligation to justify any changes in them.

Admissible assets

In response to considerations that are both general (public policy orientations set forth by governments) and security-related (investment diversification, limiting the concentration of risk on a single issuer), the quantitative restrictions placed on admissible assets apply to total regulated liabilities less "technical assets" (which are not investments), which yields "assets admissible as cover for regulated liabilities."
Insurance industry regulations provide a detailed list limiting the assets that may be used to back regulated liabilities. The list includes the following asset classes: marketable securities and similar assets, real estate assets, loans and deposits and guaranteed receivables.

Limitations placed on each asset class are designed to reduce the impact of market and liquidity risks. The requirements have been simplified: 65% for equities, 40% for property assets, 10% for loans and guaranteed receivables (there is no cap on bonds and other negotiable debt instruments).
Finally, assets that back policyholder liabilities must also meet requirements related to the counterparty risk spread. Insurance companies may not invest more than 5% of their assets matched to policyholder liabilities with a single counterparty, although in certain cases this threshold may rise to 10%. The risk spread ratio is 10% for real-estate assets. A decree enacted in November 2004 raised the ratio from 0.5% to 1% for private equity investments, which may not represent more than 10% of all investments matched to liabilities.

A qualitative approach
In addition to these quantitative regulations, current discussion is focused on two areas:
• The importance of considering asset quality, which should be an important complement to quantitative yardsticks;
• The need for insurance companies to demonstrate that they have set up effective internal control and audit mechanisms with individual responsibilities clearly defined.
French regulators have already made an initial set of decisions on this issue, requiring issuers to publish an annual solvency report and practice asset/liability management.

Valuation rules for insurance company assets

European Community legislation pertaining to insurance companies (excluding the application of IFRS) provides for the double valuation of assets, on the basis of historical cost and market or realizable value. While insurance companies must disclose both of these valuations, they may choose which value to record in the balance sheet. In the United Kingdom, assets are recorded at their market value, while in Germany they are recorded at their acquisition cost.

In France, the situation is as follows:

General guideline
Insurance company assets are recorded in the balance sheet at their acquisition value or cost price, less any depreciation and amortization. This holds for all assets, both those that cover obligations to policyholders (underwriting reserves) and those that represent shareholders' equity.

Disclosure of realizable value
Assets are also measured at their market values: trading price on the inventory date; redemption price for mutual funds; for real-estate assets, appraisal by an expert approved by the *Autorité de contrôle des assurances et des mutuelles*. Insurance companies disclose such values in a special note to the financial statements.

Valuation allowance
No allowances are established for securities that may be written down (bonds, equity securities, negotiable debt securities) in the event of an unrealized capital loss (realizable value less than the acquisition value net of amortization or depreciation), unless there is an observed counterparty credit or default risk.

International accounting standards: IAS/IFRS

The descriptions below correspond to the use of standards during a transition period that will run until definitive standards are established.

IAS 32, Financial instruments: disclosure and presentation
This standard seeks to enhance the understanding of financial statement users of the significance of financial instruments to an entity's financial position, performance and cash flows. Financial instruments are classified and recorded as a financial asset, a financial liability or as shareholders' equity instruments. The standard also prescribes the conditions under which assets and liabilities can be offset in the balance sheet, and requires the disclosure of information concerning the use of these financial instruments by an entity, as well as their economic purpose, the related risks and the accounting rules that apply to them.

IAS 39, Financial instruments: recognition and measurement
The aim of this standard is to measure and recognize financial assets and liabilities. The standard specifies the conditions under which the value of a financial asset or liability can be measured based on fair market value. The fair value option may be used to reduce or eliminate the problem of asset-liability mismatch or, if it is already being used, to measure the performance of the entity's portfolio of assets or liabilities.
In its current form, IAS 39 defines four types of financial assets on the basis of the purpose for which they are held: loans and debt, financial instruments held to maturity, financial instruments in the trading portfolio, and assets held for sale.

Insurance contracts and investment contracts

The classification and recognition of contracts as insurance contracts or investment contracts is made on the basis of two standards: IAS 39 and IFRS 4. Insurance contracts are defined in terms of a minimum insurance risk threshold (IFRS 4). This definition pertains to personal protection and life insurance contracts with a dominant savings component and participation in profits. Savings contracts that do not share profits, and which do not account for a significant portion of insurance reserves, are considered to be investment contracts, and as such are subject to IAS 39.

Solvency: regulatory framework

The solvency requirement placed on insurance companies is one of the three pillars of policyholder protection. It supplements regulations pertaining to the calculation of insurance reserves, which reflect insurance company liabilities to policyholders, and the various regulations governing investments.
Regulations in France and in Europe require that insurance companies maintain, in addition to their insurance reserves, a minimum level of shareholders' equity. The regulatory solvency margin, as it is called, is calculated on the basis of policyholder obligations.

Adjusted solvency for insurance groups

The directive on the supplementary supervision of insurance (98/78/CE) introduced the calculation of adjusted solvency calculation for insurance undertakings that belong to larger groups. For each insurance undertaking concerned, this calculation takes into account the financial position of its related insurance and/or reinsurance organizations (notional solvency).

Reinsurance

Acceptance

Operation whereby a reinsurer agrees to assume part of a risk that has already been written or accepted by an insurer. This is the opposite of cession.

Cession

Operation whereby an insurer (the cedant or ceding company) transfers part of its risk to a reinsurer. Can be mandatory or optional. This is the opposite of acceptance.

Reinsurance

Operation whereby an insurer takes out insurance coverage from a third party (the reinsurer) for all or some of the risks that it covers, in exchange for payment of a premium.

Retention

Portion of the risk that the insurer or reinsurer retains.

Run-off

The cessation of writing new business in a particular risk portfolio which, over time, leads to the exhaustion of all technical provisions. Depending on the line, run-off can take several years for long-tail business.

Useful addresses

Agira
Recherche des bénéficiaires en cas de décès
1, rue Jules-Lefebvre
75431 Paris Cedex 09

Association française de l'assurance
1, rue Jules-Lefebvre
75431 Paris Cedex 09
www.associationfrancaisedelassurance.fr
or **www.assfass.fr**

Association paritaire pour l'emploi dans les sociétés d'assurances (Apesa)
51, rue Saint-Georges – 75009 Paris
Tel.: +33 (0) 1 53 20 43 53 – Fax: +33 (0) 1 45 26 52 64
www.emploi-assurance.com

Assureurs, prévention, santé (APS)
26, boulevard Haussmann – 75311 Paris Cedex 09
Tel.: +33 (0) 1 42 47 90 00 – Fax: +33 (0) 1 42 47 94 82
www.ffsa.fr

Autorité de contrôle des assurances et des mutuelles (Acam)
61, rue Taitbout – 75436 Paris Cedex 09
Tel.: +33 (0) 1 55 50 41 41 – Fax: +33 (0) 1 55 50 41 50
www.ccamip.fr

Centre national de prévention et de protection (CNPP)
Route de la Chapelle-Réanville
BP 2265 – 27950 Saint-Marcel
Tel.: +33 (0) 2 32 53 64 00 – Fax: +33 (0) 2 32 53 64 66
www.cnpp.com

Chambre syndicale des courtiers d'assurances (CSCA)
91, rue Saint-Lazare – 75009 Paris
Tel.: +33 (0) 1 48 74 19 12 – Fax: +33 (0) 1 42 82 91 10
www.csca.fr

Comité européen des assurances (CEA)
Square de Meeûs, 29 – B-1000 Bruxelles
Tel.: +32 2 547 58 11 – Fax: +32 2 547 58 19
www.cea.assur.org

Fédération nationale des syndicats d'agents généraux d'assurances (Agea)
104, rue Jouffroy-d'Abbans – 75847 Paris Cedex 17
Tel.: +33 (0) 1 44 01 18 55 – Fax: +33 (0) 1 55 02 14 20
www.agea.fr

Institut de formation de la profession de l'assurance (Ifpass)
8, rue Chaptal – 75009 Paris
Tel.: +33 (0) 1 44 63 58 00 – Fax: +33 (0) 1 45 26 28 16
www.ifpass.fr

La Prévention Routière
6, avenue Hoche – 75360 Paris Cedex 08
Tel.: +33 (0) 1 44 15 27 00 – Fax: +33 (0) 1 42 27 98 03
www.preventionroutiere.asso.fr

Médiation assurance
1, rue Jules-Lefebvre – 75431 Paris Cedex 09
Tel.: +33 (0) 1 45 23 40 71 – Fax: +33 (0) 1 53 21 50 35

Observatoire de l'évolution des métiers de l'assurance
1, rue Jules-Lefebvre – 75431 Paris Cedex 09
Tel.: +33 (0) 1 53 21 51 20 – Fax: +33 (0) 1 53 21 51 26
www.metiers-assurance.org

Orias
Registre des intermédiaires en assurance
1, rue Jules-Lefebvre – 75431 Paris Cedex 09
Tel.: +33 (0) 1 53 21 51 70 – Fax: +33 (0) 1 53 21 51 95
www.orias.fr

Risques
Seddita
17, rue Henri-Monnier – 75009 Paris
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e-mail: **risques@ffsa.fr**

The illustrations

Because insurance lies at the heart of community life, and because the FFSA works daily on behalf of its members to reach all audiences, we wanted to illustrate this annual report with scenes from ordinary life. The sketches of people that illustrate every page of this document were captured in motion by Rozenn Brécard. “I see my creative approach as a graphic take on the ideas put forth by Georges Perec in his book entitled *Espèces d'espaces*. Here are some significant excerpts: ‘Observe the street, from time to time, perhaps making an effort to be somewhat systematic. Apply yourself. Take your time. [...] Jot down what you see. The noteworthy things that happen. Do we know how to see what is noteworthy? Is there something that strikes us? [...] People in the street: where are they coming from, where are they going? Who they are. People in a hurry, people taking their time. Packages. Cautious people, who grabbed their raincoat.’”

Rozenn Brécard was born in 1974 and educated in Bordeaux and Brussels. She exhibits her work regularly in Paris.

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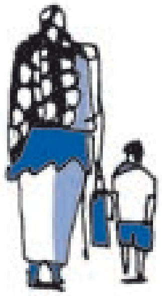

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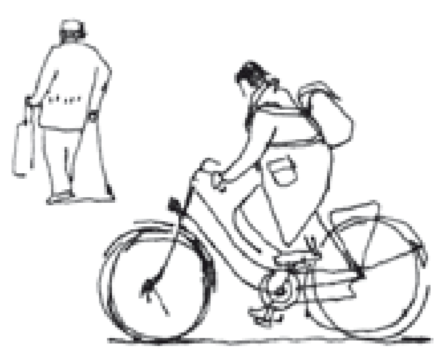

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