5 The French Insurance Market: Background and Trends

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5.1 INTRODUCTION

The French insurance market is in the top four worldwide in terms of its annual insurance premiums. This is not surprising because the country is also the fifth world economic power in terms of gross domestic product. This economic position and the size of the insurance market are sufficient to stress the importance of covering the French insurance market. In addition, the business of insurance in France has a long history.

In the last 20 years, the French insurance market has experienced important changes. For example, the creation of the European Union (EU) brought new regulations affecting the insurance industry. Furthermore, the insurers faced increased competition due to the entrance of various economic actors, most importantly foreign companies and banks. Indeed, bancassurance is a phenomenon in France because the banks have the most important market share of the life insurance market.

This chapter is in six parts: the history of insurance; some key elements of the regulations; a general description of the French insurance market, presenting both life and P&C markets; the main economic actors of the French insurance market; the financial results of insurance companies in France; and bancassurance. Most of the article is based on secondary data, which relies on existing literature on the market. However, the author conducted some interviews to provide the point of view of various market observers.

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5.2  A BRIEF HISTORY OF FRENCH INSURANCE

The French insurance market is rooted in the country’s vast history. Over centuries, the French insurance industry has grown steadily, as shown in Table 5.1. An important factor of the actual French insurance market history is the prominence of the State. Before the creation of any State, however, the starting point of the insurance sector was the emergence of the need for protection.

Indeed, the need for protection against the hazard in human life is certainly as old as the first human community. For example, the Celtic culture (which was dominant in France 2,500 years ago) emphasized solidarity among its members and with the environment. The Catholic Church collected compulsory payment from the French population (called the dime, in French *dîme*¹⁵⁴) to fund its activities, such as providing help to the poor. Therefore, the church organized the first “social security” in the country. Starting in the fourth century, various hospitals, *Hôtels-Dieu* (literally hostels of God), were created, including hospitals in Lyon in 542 and Paris in 650. Indeed, the words “hostel” and “hospital” come from “hospitality.”

However, the first type of insurance in France was certainly maritime insurance (Richard 1956). In Greek civilization, it was possible to insure merchandise with the “Nauticum Phoenus” (*prêt à la grosse*), under which ship owners covered their goods and their boats (nowadays cargo and hull insurance) against any risk during transport. This was used in most Greek ports such as Marseille (a French city founded by the Greeks circa 600 BCE). In this system, the ship owners received the price of the goods before transport and had to give back the money with significant interest if the transport succeeded. Therefore, this was a loan plus insurance for the boat owner.

The Roman Empire copied this type of risk coverage from the Greeks. The Roman Emperor Claudius (born in Lyon, France, 10 BCE–54 CE) decided to insure the food supply of the Romans. According to historian Caius Suetonius Tranquillus (*Suétone*), Claudius guaranteed certain profits to Roman traders and covered damages in case of destruction during maritime transport (Caius Suetonius Tranquillus 1975). It is during this period that the first table of mortality was designed by the Roman lawyer Domitius Ulpianus (second century CE). Some authors acknowledged the creation of the first term life insurance (life insurance in case of death) with the “cum moriar” contract (Richard 1956:8). Ulpianus was one of three lawyers chosen by the Emperor Severus (Lucius Septimius Severus, 146–211 CE) to codify Roman law.

The Middle Ages retained most of the insurance tradition of the Roman Empire. For example, historians have found a term life insurance contract dated 1228, signed by a *bourgeois* of the town of Tournai, in the north of France (Lambert 1999:28).

However, maritime insurance was the most prevalent insurance in France for many centuries. The French publication of the *Rôles d’Oléron* (regulation decided on the French island of Oléron) in 1150 is one of the earliest French legal documents explaining the different rules governing the sea trade in France (Ripert 1929). The main “insurance” product was still the “Nauticum Phoenus.”

¹⁵⁴ In this chapter, most French words will be written in italic.