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Analysis and synthesis

# The life insurance market in 2023



## OVERVIEW

Like other financial investments, savings flows into life insurance and pension savings contracted in 2023 and life insurance, excluding pension savings, posted a slightly negative net inflow of € -2.3 billion, albeit at a lower level than that the record low of €7 billion in 2020. Premiums were dynamic (€126.9 billion, the second highest year of gross inflows after 2021), but surrenders also rose sharply (€84.1 billion).

However, net inflows were contrasted across products: they remained negative at €-33.4 billion for euro-denominated products, but were dynamic for unit-linked products (+€31.1 billion), albeit decreasing after the unprecedented level reached in 2022 (€38.2 billion). It also varied between insurance undertakings: while they performed similarly in euro-denominated products, bancassurance groups posted a net inflow of €24.5 billion on unit-linked products, while it only amounted to €6.6 billion for other undertakings. Overall, total net inflows of bancassurance groups were positive (€8 billion), unlike those from other insurance undertakings (-€10.3 billion).

Inflation, the rise in both interest rates and the cost of financing mortgages are among the reasons behind the rise of surrenders. It may have induced households to mobilize their savings to finance current consumption expenditure or property purchases. In addition, the increase in interest rate paid, especially on fixed-term deposits, have drawn some savings into these instruments. However, the increase in surrender rates remained subdued in this context and the high premiums level demonstrated that households are still fully interested in this type of investment. Moreover, several factors should reduce the distortion of this type of savings with other investments and might improve the gross inflow: according to announcements made in late 2023-early 2024 regarding the revaluation rates of euro-denominated products in 2023, the average rate for the French market is estimated to reach 2.6%, 0.7 points higher than that of 2022, while the “Livret A” ratio, which is a reference ratio for households, has been capped at 3% since January 2023; inflation which already had started to decrease in 2023, is expected to be brought down to 2% by 2025, according to [Banque de France forecasts](#), and should contribute to support real life insurance returns.

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<sup>1</sup> This study is based on the ACPR's weekly collection of life insurance flows data (excluding death insurance) from around 70 insurance undertakings. It focuses on analyzing redeemable products (excluding pension savings), for which the ACPR has a history since 2011, and on the decomposition between products based on euro-denominated and unit-linked products.

## KEY FIGURES

### Life insurance redeemable contracts (unit-linked and Euro fund)

2023 premiums:

€126.9 billion 

2023 benefits:

€129.2 billion 

Of which 2023 surrenders:

€84.1 billion 

Of which 2023 claims:

€45 billion 

2023 net inflow :

-€2.3 billion 

Euro-denominated  
products  
-€33.4 billion 

Unit-linked products  
€31.1 billion 

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# Flows of life insurance declined like those of other financial investments.

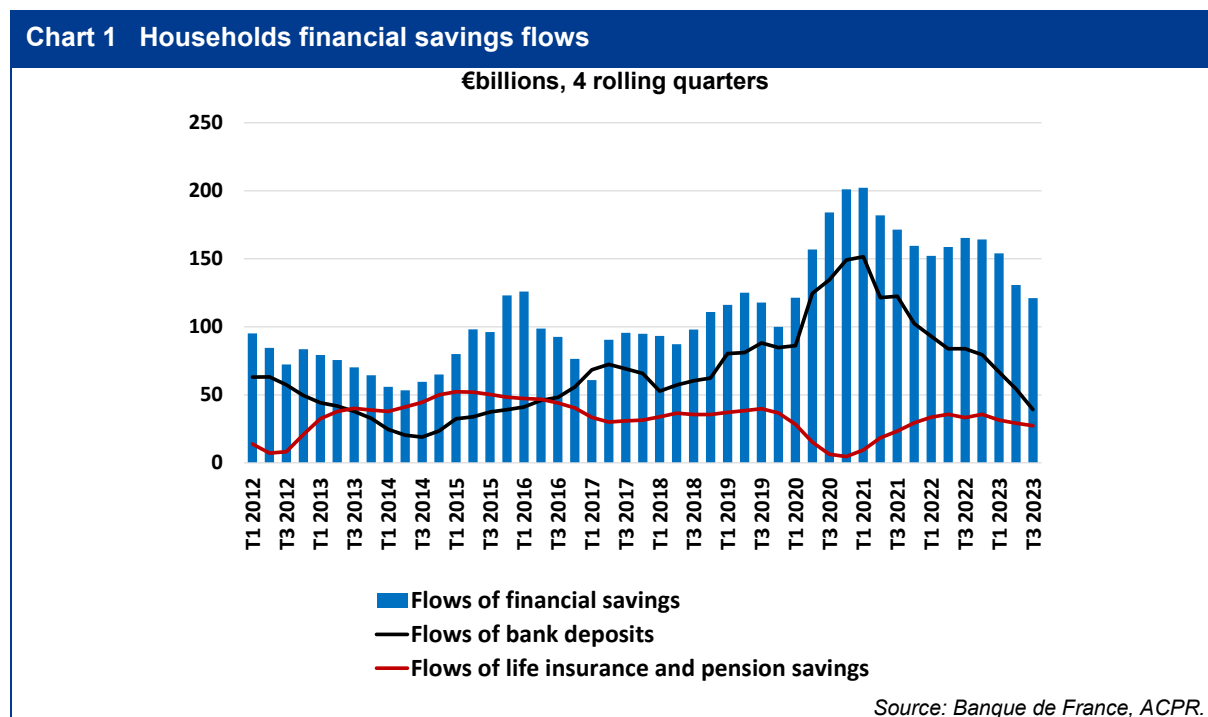
## 1. Households financial savings flows declined but remained at a high level<sup>2</sup>

In the third quarter of 2023, French household savings increased by €121.2 billion over four rolling quarters, after peaking at €202 billion in 2020 (see Chart 1). Despite its decline, the flow of financial savings of French households has remained dynamic since 2020 and above its pre-Covid level (on average +€100 billion between 2015 and 2019).

Net payments on bank deposits (overnight deposits, fixed-term deposits and deposits redeemable at a period of notice of up to three months)

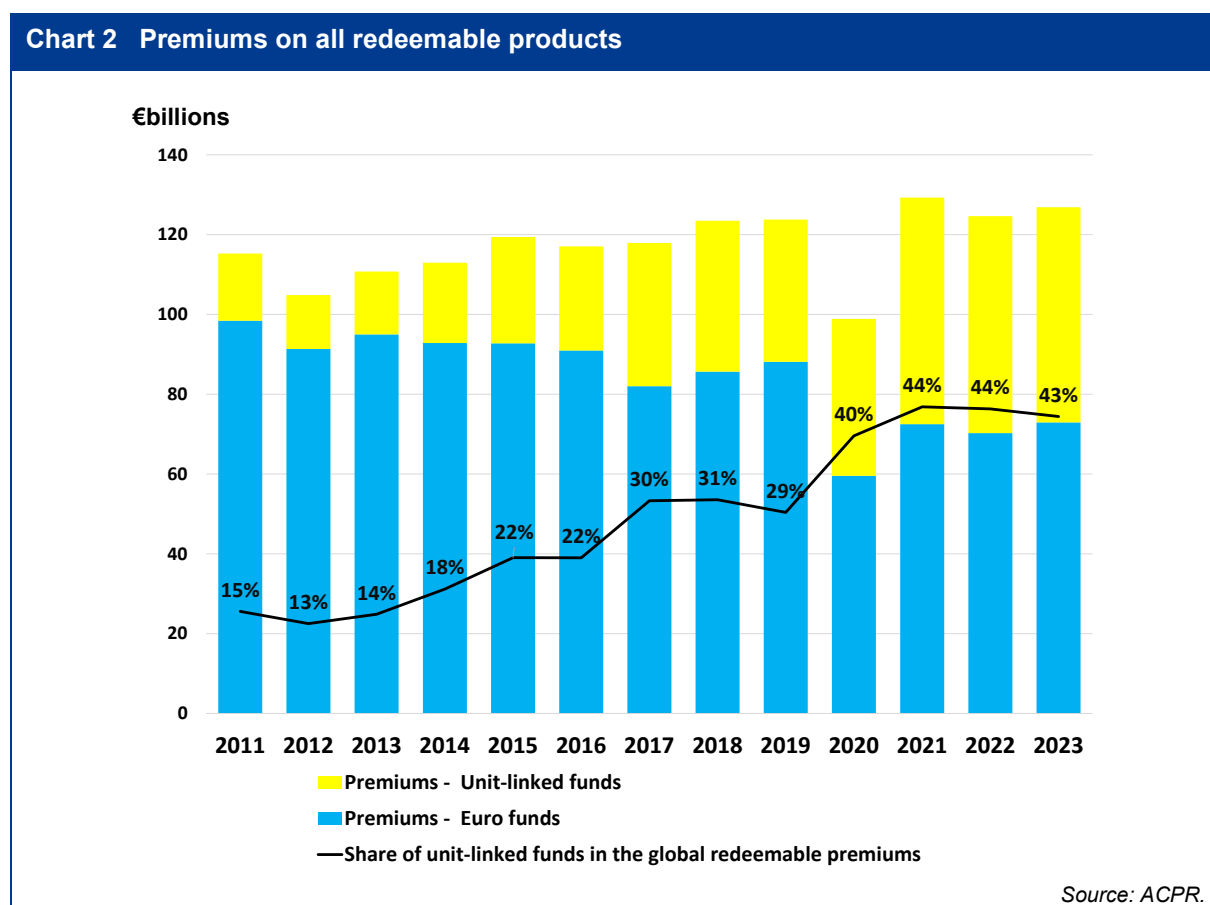
amounted to +€59 billion (-€34.6 billion compared with Q3 2022) cumulatively over four rolling quarters, while payments on life insurance and pension savings contracts amounted to €27.4 billion (-€2.8 billion compared with Q3 2022).

Life insurance and pension savings remained the main financial investments of French households, accounting for 31.5% of French households' financial wealth (€1,893 billion), ahead of remunerated bank deposits (21.9% of the financial wealth and €1,311 billion).



<sup>2</sup> The figures presented in this section are taken from the national financial accounts prepared by the Banque de France ([Epargne des ménages 2023T3 | Banque de France \(banque-france.fr\)](https://www.banque-france.fr/epargne-des-menages-2023t3)).

## 2. Gross premiums of life insurance grew but at a slower pace than benefits



Gross life insurance inflow (redeemable products, excluding pension savings) amounted to €126.9 billion at end-2023, up €2.3 billion on 2022. It represented the second highest year of gross inflow after 2021 (at €129 billion). The growth of gross inflow was based on euro-fund (+€2.7 billion), while it decreased slightly on unit-linked funds (-0.4 billion). Following strong growth in the 2010s, the share of unit-linked products in the total premiums amount decreased very slightly compared with 2022 and 2021 (-1 point) and represented 43% of total premiums (see Chart 2).

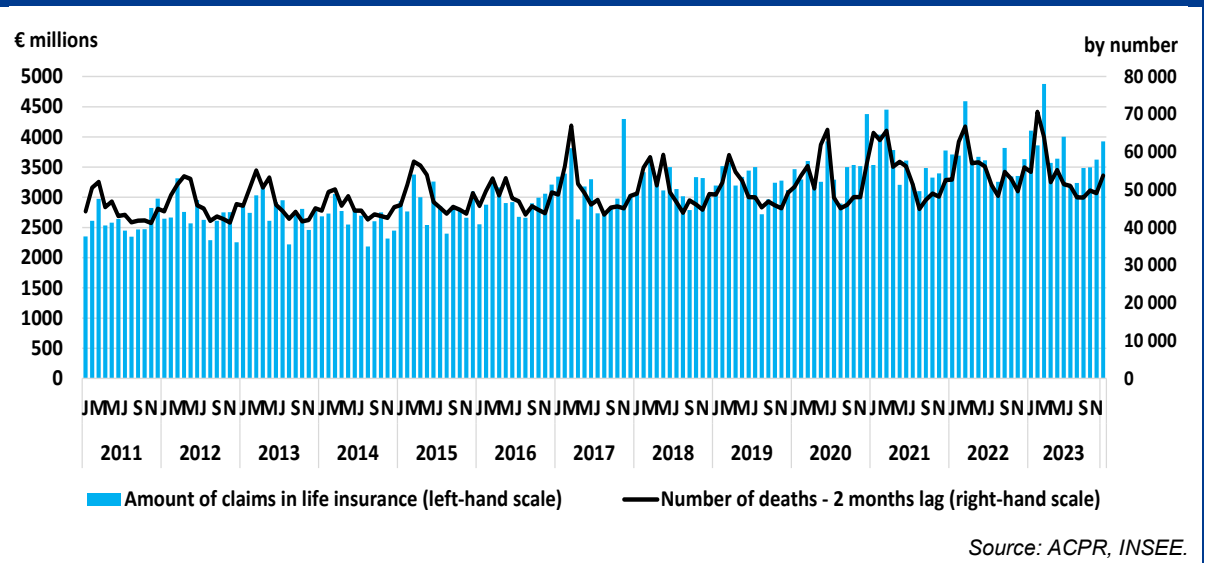
The benefits paid by insurance undertakings to households in 2023 (€129 billion) were up 11% compared with 2022.

Surrenders, which made up the largest component of benefits (€84.1 billion), sharply increased compared with 2022 (+16%), while claims (€45 billion) grew more moderately (+€1.4 billion; i.e. a 3% increase). The upward trend in claims (an average of +3% per year since 2011) could be explained by both the increase in capitalized outstanding amount and the ageing of the population (the population aged over 60 represented 27% of the total population in 2023 compared with 23% in 2011<sup>3</sup>). The number of deaths thus increased between 2011 and 2023 by an average of 1.2%, with several spikes linked in particular to Covid. However, the median age of life insurance holders was 59 years and, among the households which held life insurance in 2020 (40.51% of the total population), people aged 60 and older represented 48.7% of holders<sup>4</sup>.

<sup>3</sup> <https://www.insee.fr/fr/outil-interactif/5014911/pyramide.htm#!y=2011&a=60,100&v=2&q&c=0>

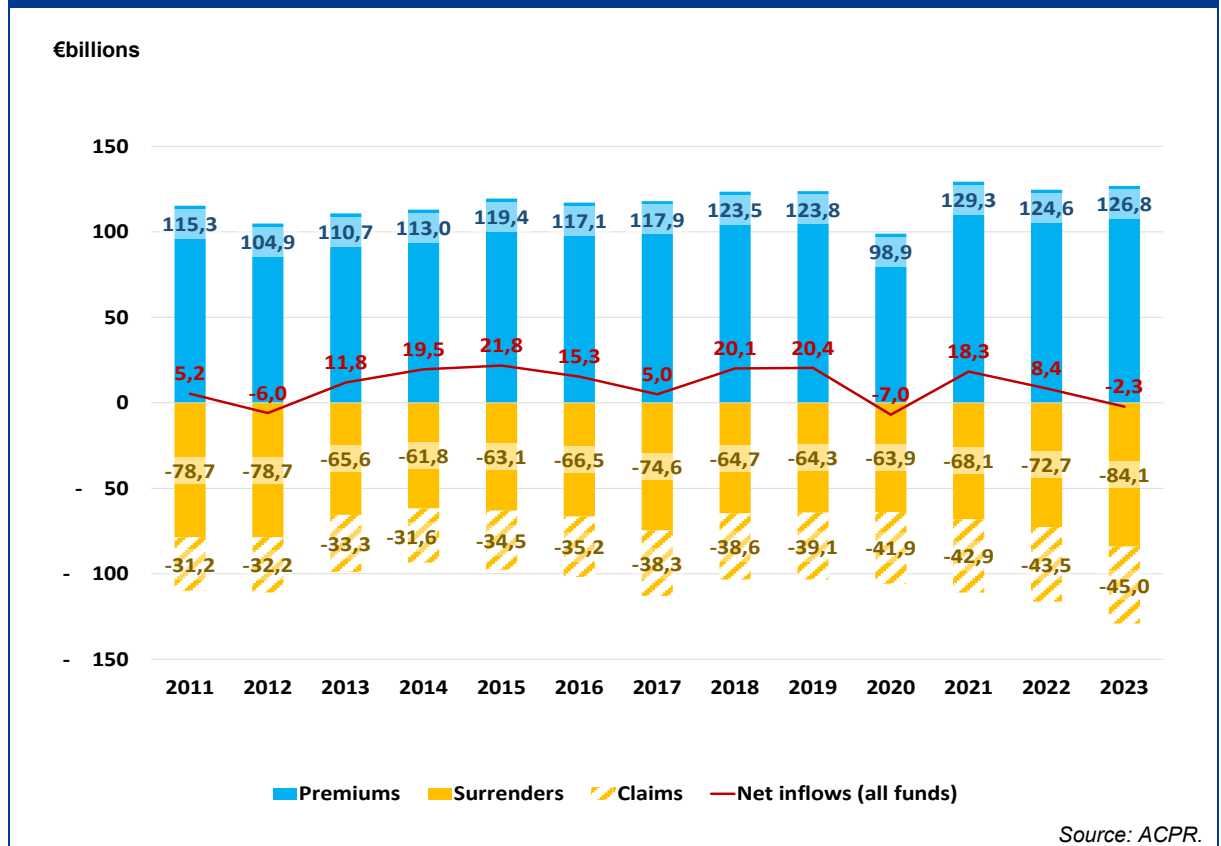
<sup>4</sup> Source: [ACPR calculations based on the HVP survey, INSEE, 2020.](#)

**Chart 3 Number of monthly deaths (delayed by 2 months) and monthly claims amounts on redeemable life insurance contracts**



The faster rise in benefits (+11%) compared with premiums (+2%) resulted in a slight net negative inflow in life insurance of €-2.3 billion in 2023.

**Chart 4 Premiums, benefits (surrenders and claims) and net inflows on all redeemable products**



# Net inflows evolved differently depending on the type of product and undertaking

## 1. Differences in performance between euro-denominated and unit-linked contracts

Despite positive net inflows in the first half of the year, life insurance recorded a net negative balance of -€2.3 billion in 2023. It contrasted with the strong positive net inflows observed in 2022 (€8.4 billion) and 2021 (€18.3 billion), and was mainly due to the increase in surrenders (+€11 billion between 2022 and 2023).

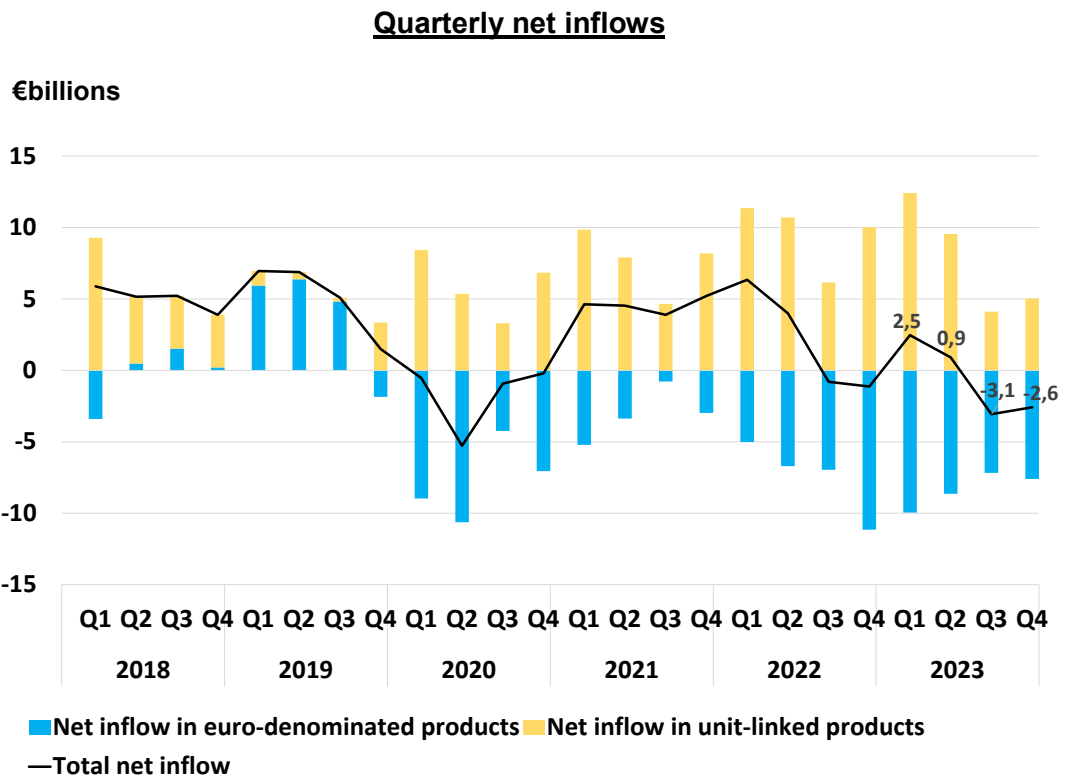
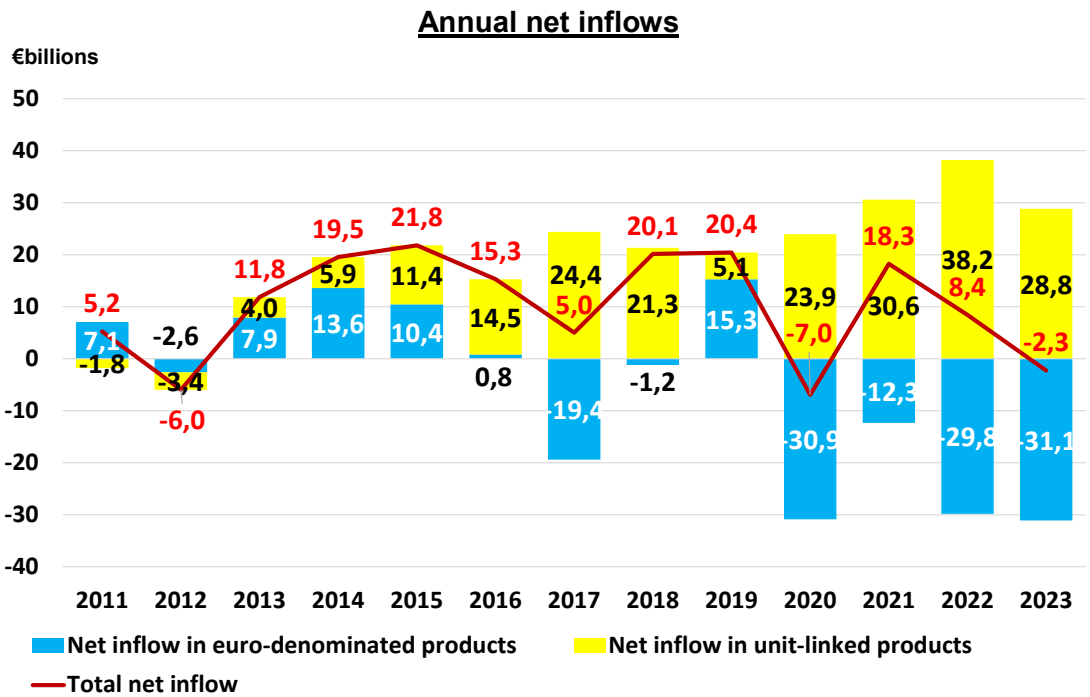
In addition, after an exceptional year in 2022, unit-linked products recorded a decrease in net inflows, from €38 billion in 2022 to €31.1 billion in 2023, i.e. a decrease of 18%. Nevertheless, its amount is higher than those observed between 2011 and 2021.

As regard to euro-denominated products, negative net inflows were accentuated (-€33.4 billion in 2023, a drop of -€3.6 billion compared with 2022). Thus, while net positive inflows of unit-linked products offset outflows of euro products in the first half of the year, it was no longer the case in the second half of the year, when the net inflow of unit-linked products deteriorated to €9.1 billion in the second half of 2023, i.e. a €12.8 billion decrease compared to the first half-year of 2023.

Overall, outflows in 2023 were nevertheless lower than in 2012 (-€6.0 billion) and 2020 (-€7.0 billion).



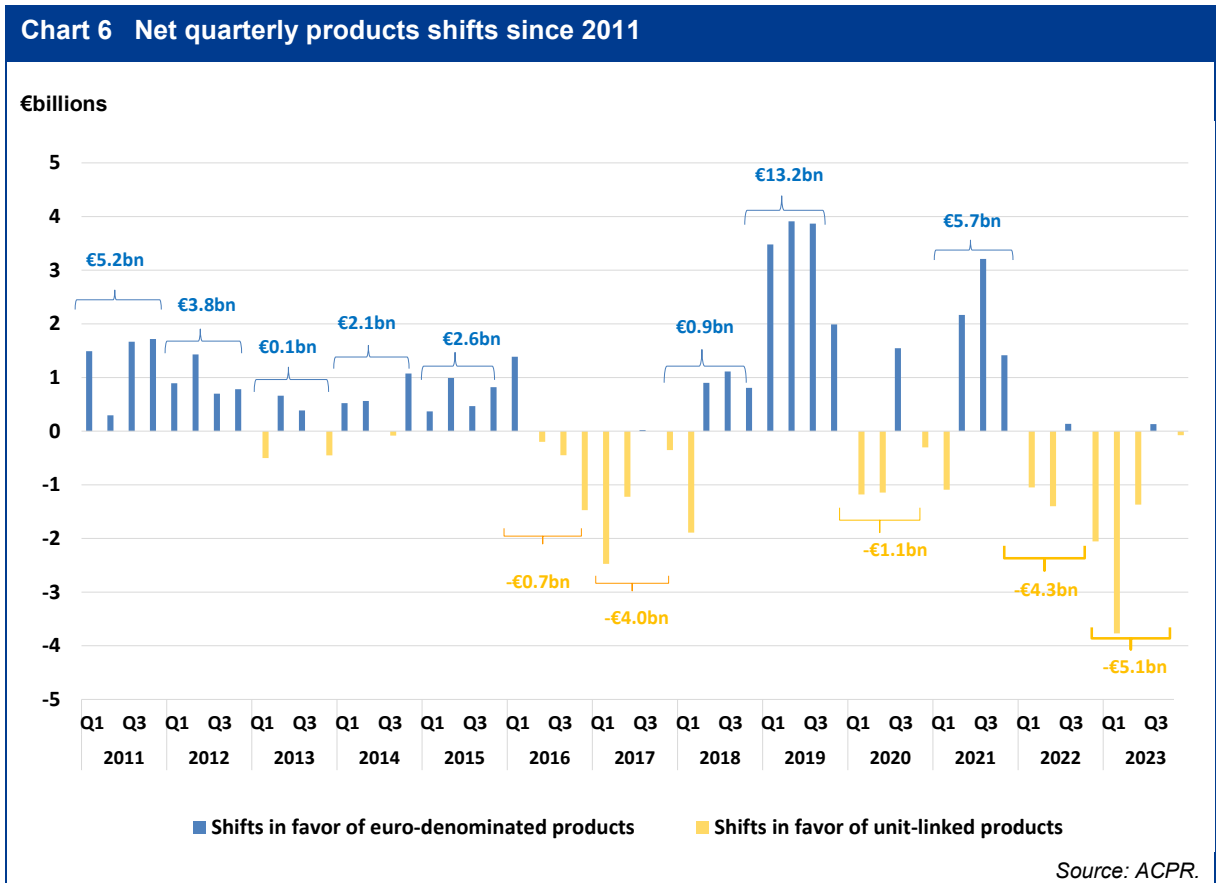
**Chart 5 Annual and quarterly net inflows across all redeemable products**



Source: ACPR.

The pattern of net portfolio shifts between products<sup>5</sup> changed over the course of the year: net shifts were strongly in favor of unit-linked products in the first half of the year, before turning slightly in favor of euro-denominated products in the second half of the year.

However, over the year as a whole, shifts were globally more in favor of unit-linked products, to the tune of €5.1 billion.



## 2. Net inflows from redeemable products were driven again by bancassurance groups in 2023

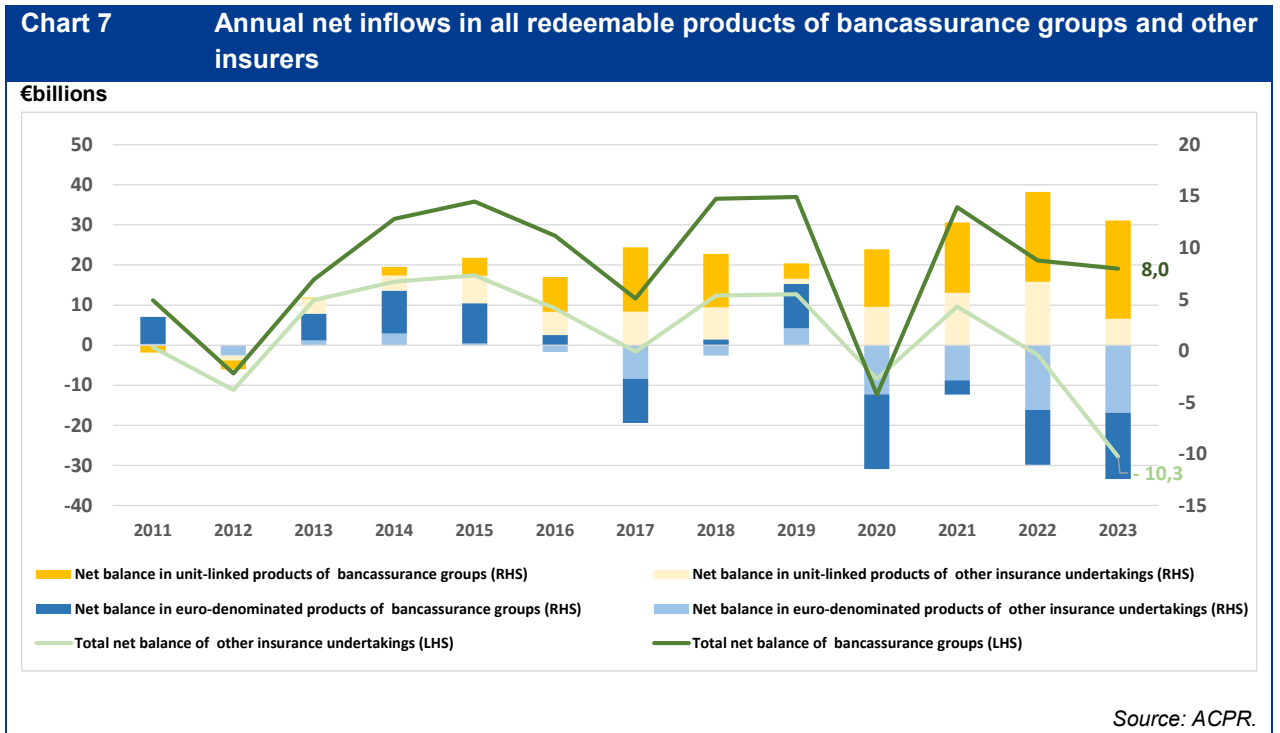
Aggregated net inflows masked very different situations across undertakings. Bancassurance groups benefited from a positive net inflow of €8 billion, while other insurers recorded a deterioration of their net inflows to €-10.3 billion in 2023 from €-0.4 billion in 2022.

Net positive inflows from bancassurance groups were driven by dynamic unit-linked products, with a balance reaching €24.5 billion which offset the deterioration in the euro balance (€-16.5 billion). By contrast, the net inflow of unit-linked products from other insurers decreased to €6.6 billion, from €15.8 billion in 2022. Overall, they recorded net outflows, with net outflows resulting from a worsening net balance for euro-denominated products (€-16.8 billion) compared with 2022 (€-16.1 billion).

<sup>5</sup> Sum of the balances between each institution's gross shifts from unit to unit to unit.

This difference in dynamics between bancassurance groups and other insurance undertakings stemmed from the collection of gross premiums on unit-linked products.

As a result, bancassurance groups have benefited from an unprecedented premium payment in unit-linked products since 2011 totaling €33.8 billion (i.e. 63% of unit-linked premiums collected in 2023, compared with 54% in 2022).

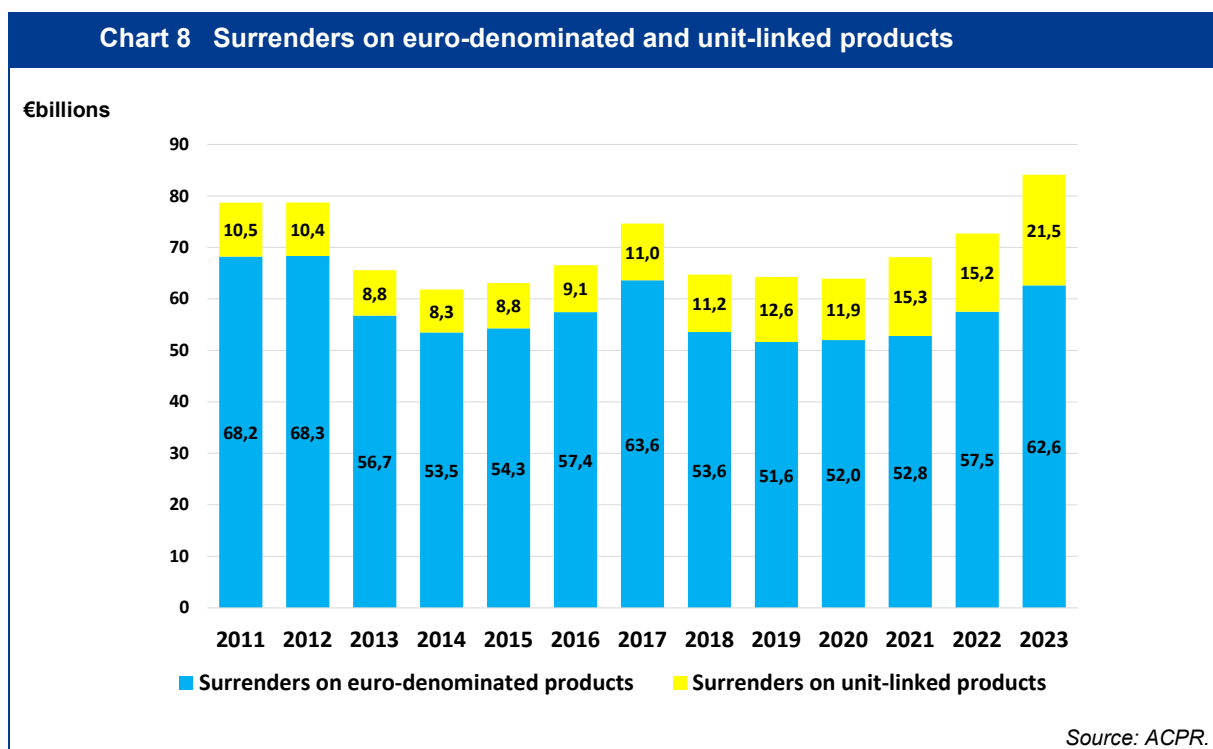


# Surrenders were on the rise but remained contained

## 1. Surrenders showed a marked increase on both products

The amount of surrenders stood to €84.1, a €11 billion increase compared with 2022.

Unlike last year, this increase was driven by unit-linked products (€21.5 billion), for which surrenders rose by 41% (+€6.3 billion). Surrenders on euro-denominated products amounted to €62.6 billion (+€5.1 billion).



The increase in commercial bank interest rates, and notably in interest rates of new housing loans (from 1.07% in January 2022 to 2.31% in January 2023, and then to 4.04% at end-2023) resulted in reducing households<sup>6</sup> ability to purchase property.

This may partly explain the rise in surrenders as households had to draw on their savings to purchase a real-estate, or to contribute to the funding of real estate for their descendants.

<sup>6</sup> [Overview of household housing loans | Banque de France \(banque-france.fr\)](https://www.banque-france.fr/en/overview-of-household-housing-loans)

Indeed, the borrowed share of the value of acquired real estate “Loan to Value”<sup>7</sup>, which was on average 83.4% at end-December 2022, dropped to 76.6% in September 2023, meaning that the share of personal contributions to real estate purchases has increased.

Furthermore, the increase in interest rates resulted in a higher return on investment and hence a greater attractiveness of bank savings. Accordingly, the average remuneration rate of regulated savings accounts increased from 2.2% at end-December 2022 to 3.3% at end-December 2023, and the average rate for households’ term deposits of less than 2 years rose from 1.7% at end-2022 to 3.6% at end-2023<sup>8</sup>. Finally, inflation may have also forced some households to mobilize their savings to finance current consumption expenses. In 2020 “purchases and leisure” were ranked as the third motive for holding a life insurance policy (18.2%), behind “precautionary savings” (31.6%) and “preparation for retirement” (26.6%)<sup>9</sup>.

In this competitive environment, euro-denominated contracts, whose returns have eroded in recent years due to low-interest rates, were revalued in 2022 and 2023. Thus, based mainly on the statement made by insurers at the beginning of 2024, the revaluation rate of individual euro-denominated life insurance contracts is expected to increase by 70 basis points on average, weighted by the amount of mathematical provisions in the contracts. This increase would thus be slightly higher than that observed in 2022 (+63 bps). The revaluation rate is estimated to be around 2.6% in 2023, compared with 1.9% in 2022.

Nevertheless, when looking at the long term, and in relation to the average holding period of life insurance, the performance of euro-denominated products is still higher than that of savings accounts (1.76% on a geometric average over eight years, compared with 1.04% for the “Livret A”). Moreover, the revaluation rate varies from one insurer<sup>10</sup> to another and is frequently adjusted to reflect the share of unit-linked products held by policyholders.

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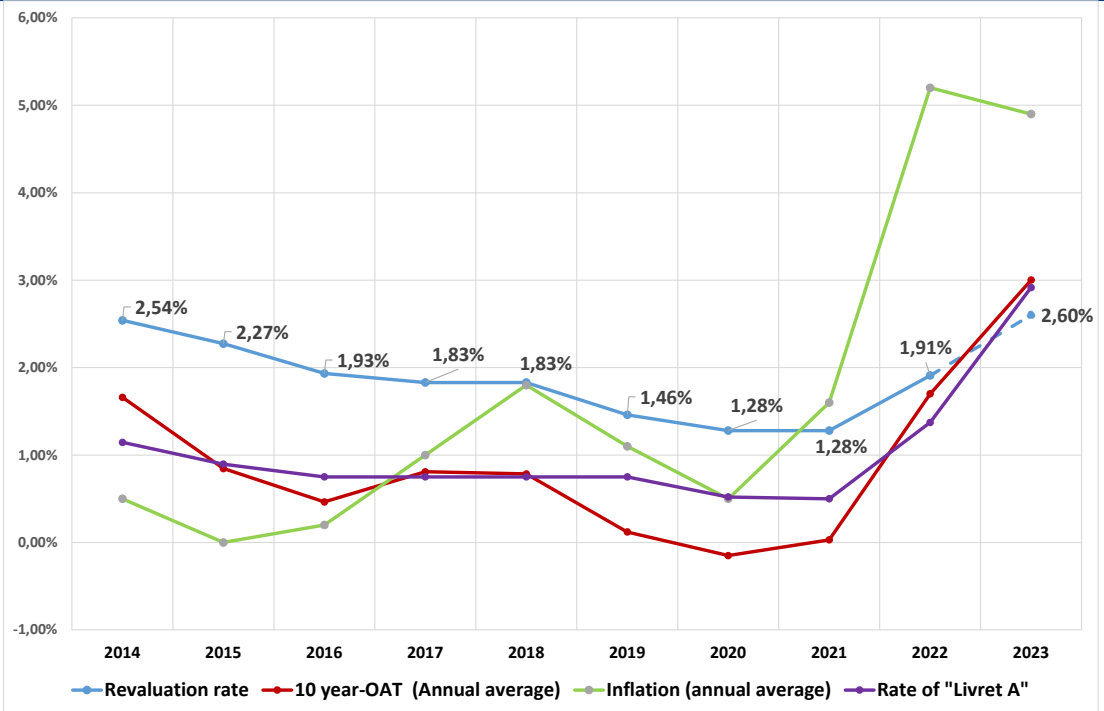
<sup>7</sup> Monthly monitoring of the production of housing loans | ACPR (banque-france.fr)

<sup>8</sup> [Bank deposit remuneration rates Dec 2023 | Banque de France \(banque-france.fr\)](#)

<sup>9</sup> Source: [ACPR calculations based on the Household Wealth and Heritage Survey survey, INSEE, 2020.](#)

<sup>10</sup> The initial estimates of the revaluation rate reveal a significant dispersion among insurers: one quarter would support a revaluation rate below 2.2%, and one quarter a rate above 2.8%. Given the differences between the statements made by insurers and the figures ultimately submitted to the ACPR, the final figures on the revaluation rate will be published in July in the A&S dedicated to [individual](#) and [collective](#) contracts.

**Chart 9 Contract revaluation rate in euro-denominated contract**



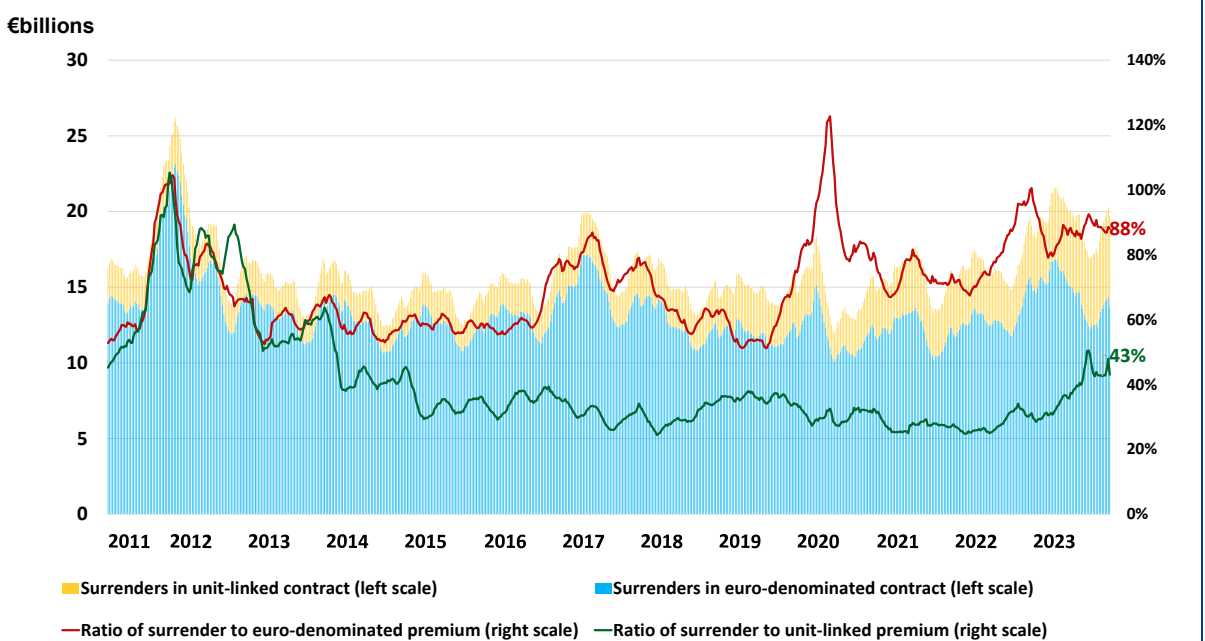
Source: ACPR.

**2. The increase in surrender rates was contained in 2023**

Premium over surrender ratios increased in 2023 on both euro-denominated and unit-linked products.

However, the ratio of premium surrenders overall did not reach the historical levels of 2012 or 2020.

**Chart 10 Surrenders and premium surrenders ratio on euro-denominated products and unit-linked products over 12 rolling weeks**



Source: ACPR.

The surrender rate (surrenders relative to provisions) increased slightly on euro-denominated products and stood at 5.4% in 2023, compared with 4.9% in 2022. It went from 3.9% in 2022 to 4.9% in 2023 on unit-linked products.

However, this increase in surrender rates remained contained in the light of some past episodes, notably during the sovereign debt crisis in the Eurozone in 2011-12.

