



FRANCE

August 2025

FINANCIAL SECTOR ASSESSMENT PROGRAM

DETAILED ASSESSMENT OF OBSERVANCE—INSURANCE CORE PRINCIPLES

This paper on France was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on July 31, 2025.

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Price: \$18.00 per printed copy

International Monetary Fund
Washington, D.C.



INTERNATIONAL MONETARY FUND

FRANCE

FINANCIAL SECTOR ASSESSMENT PROGRAM

July 31, 2025

DETAILED ASSESSMENT OF OBSERVANCE

INSURANCE CORE PRINCIPLES

Prepared By
**Monetary and Capital
Markets Department**

This Detailed Assessment Report was prepared by (IMF) in the context of an IMF Financial Sector Assessment Program (FSAP) mission in France in December 2024. The FSAP was led by Charles Cohen (Mission Chief) and Jan Nolte (Deputy Mission Chief) and overseen by the Monetary and Capital Markets Department, IMF. Further information on the FSAP program can be found at <http://www.imf.org/external/np/fsap/fssa.aspx>

CONTENTS

Glossary	3
EXECUTIVE SUMMARY	5
ASSESSMENT OF INSURANCE CORE PRINCIPLES	8
A. Introduction and Scope	8
B. Information and Methodology Used for Assessment	8
C. Overview—Institutional and Macroprudential Setting	9
D. Preconditions for Effective Insurance Supervision	24
E. Recommendations to Improve Observance of the ICPs	36
DETAILED ASSESSMENT OF OBSERVANCE OF THE ICPs	39
A. Authorities' Responses to the Assessment	141
BOXES	
1. Supplementary Occupational Pension Funds (ORPSs)	14
2. Bancassurance Models	21
3. Climate Risk	22
FIGURES	
1. Number and Type of Insurance Entities	11
2. Investment Returns Offered by Life Insurers	13
3. Distribution Network	15
4. Premium Income	16
5. Profitability in the Insurance Sector	17
6. Assets Exposure	18
7. Aggregate Capital Requirements and Solvency	19
TABLES	
1. Insurance Density and Penetration	10
2. Summary of Observance with the ICPs	30
3. Summary of Observance Level	36
ANNEX	
I. Progress on the 2019 FSAP Recommendations	143

Glossary

ACPR	Autorité de Contrôle Prudentiel et de Résolution
ALFA	Agency for the Fight Against Fraud in Insurance
ALM	Asset-Liability Management
AMF	Autorité des Marchés Financiers
AML/CFT	Anti-Money Laundering/ Combating Terrorist Financing
ANC	L'Autorité des normes comptables (Accounting standards authority)
AMSB	The administrative, management or supervisory body
BdF	Banque de France
CEO	Chief Executive Officer
CMG	Crisis Management Group
COLB	Orientation Council for the fight against money laundering and terrorist financing
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
DGCCRF	Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes
DGT	Direction Générale du Trésor
EBA	The European Banking Authority
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Enterprise risk management
ESA	European supervisory authority
EU	European Union
FATF	Financial Action Task Force
FCC	French Commercial Code
FIC	French Insurance Code
FICOD	Financial Conglomerates Directive (2002/87/EC)
FMC	French Mutuality Code
FMFC	French Monetary and Financial Code
FSAP	Financial Sector Assessment Program
FSSC	French Social Security Code
FTE	Full-time employees
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GWS	Group-wide Supervisor
H2A	Haute Autorité de l'Audit
HCSF	Haut Conseil de stabilité financière
IAIG	Internationally Active Insurance Group

IAIS	International Association of Insurance Supervisors
ICP	Insurance Core Principle
ICS	Insurance Capital Standards
IDD	Insurance Distribution Directive
IFRS	International Financial Reporting Standard
IGT	Intra-group transaction
INSEE	Institut National de la Statistique et des Etudes Economiques
IORP	Institution for Occupational Retirement Provision
ISPV	Insurance Special Purpose Vehicle
IMF	International Monetary Fund
IRRD	Insurance Recovery and Resolution Directive
JRA	Joint Risk Assessment
LMA	La Médiation de L'Assurance (ombudsman service)
LTG	Long-Term Guarantee
MA	Matching Adjustment
MCR	Minimum Capital Requirement
MER	Mutual Evaluation Review
MoEF	Ministry of Economy, Finance, and Industrial and Digital Sovereignty
ML/TF	Money Laundering/Terrorist Financing
MMoU	Multilateral Memorandum of Understanding
MoU	Memorandum of Understanding
NRA	National Risk Assessment
ORPS	Organisme de Retraite Professionnelle Supplémentaire
ORIAS	Organisme pour le registre unique des intermédiaires en assurance, banque et finance (registering authority for intermediaries)
ORSA	Own Risk and Solvency Assessment
PII	Professional indemnity insurance
PPS	Policyholder Protection Schemes
PRP	Pre-emptive Recovery Plan
Q2PC	Questionnaire on business practices and consumer protection
QLB	Questionnaire on AML/CFT
RSR	Regular supervisory report
Solvency II	Solvency II Directive 2009/138/EC of 25 November 2009
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SRA	Sector Risk Assessment
STR	Suspicious transaction report
SPV	Special Purpose Vehicle
SRP	Supervisory Review Process
VA	Volatility adjustment

EXECUTIVE SUMMARY

This assessment of insurance supervision and regulation in France was carried out as part of the 2024 Financial Sector Assessment Program (FSAP). This assessment has been made against the Insurance Core Principles (ICPs) issued by the International Association of Insurance Supervisors (IAIS) in November 2019. The assessment includes the standards of the Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs) (ComFrame). It is based on the laws, regulations and other supervisory requirements, and practices that were in place at the time of the assessment in December 2024.

The insurance sector is one of the top five globally and the largest in the European Union (EU).

The sector is concentrated, with over 80 percent of life premiums and 50 percent of non-life premiums collected by the largest 15 insurers in each part of the market. There are 660 insurers in total, including mutual insurers and provident institutions, and eight IAIGs headquartered in France. Life insurance dominates, thanks to an extensive savings business that benefits from advantageous tax treatment. Insurers owned by banks within financial conglomerates (bancassurance groups) account for a large share of both premium income and distribution, especially of life insurance.

The Autorité de Contrôle Prudentiel et de Résolution (ACPR) is the supervisory and resolution authority for the sector. Its objectives include safeguarding financial stability and protecting policyholders. All regulation of the sector is enacted at EU level or by the government.

Macroprudential supervision of the financial sector, including insurance, is led by the High Council for Financial Stability (HCSF) chaired by the Minister of Economy and Finance.

The sector and its regulation have been shaped by major EU and national reforms in recent years. The implementation of Solvency II in 2016 was followed by EU reforms of insurance distribution. Domestically, the government legislated for a national insurance recovery and resolution regime and for reforms to health and other insurance business. Following EU reforms to the framework for occupational pensions in 2016, which set a new prudential framework differing in key aspects from Solvency II, the government legislated for the establishment of supplementary occupational pension funds (ORPS) subject to the revised framework. It allowed life insurers to transfer large amounts of existing retirement savings into them. ORPS are otherwise regulated in the same way as Solvency II insurers and have been included within the scope of this assessment.

The assessment found an overall high level of observance of the ICPs. 23 of the 24 ICPs were assessed as either Observed or Largely Observed. Despite significant revisions to the ICPs (and addition of ComFrame requirements) in 2019, the recent reforms have contributed to a much higher level of observance than was assessed in the 2013 FSAP. The one ICP assessed as Partly Observed (ICP 12 Exit from the market) sets high standards for a resolution framework for the most significant insurers which are not yet met, notwithstanding its initiative to establish a national regime. In particular, the ACPR lacks all necessary tools for effective resolution. Recently agreed EU legislation, which is due for implementation by early 2027, should greatly improve observance.

The assessment found the ACPR to have appropriate objectives as well as adequate powers and to be independent and currently well-resourced. It takes decisions free from undue government or industry interference while being accountable and transparent. It consults extensively with stakeholders. As in 2013, the assessment notes the large role in insurance regulation played by government. Its participation in the supervisory decision-making bodies of the ACPR has not been shown to compromise the independence of the authority. These arrangements as well as the government's broad veto powers in respect to resolution decisions should, however, be reconsidered. ACPR is financially autonomous, enabling it to recruit specialist staff and industry experts, and funded by industry levies. However, it is subject to parliamentary control of the amount and allocation of its levy income and the ACPR is having to plan for deficits and the exhaustion of its reserve by 2026. The government should ensure that the funding of the ACPR provides adequate resourcing, while respecting its financial autonomy. The assessment recommends a bottom-up review of funding needs focusing on the challenges of an increasingly complex regulatory environment.

Key financial regulatory and supervisory requirements based on Solvency II meet ICP standards and the only shortcomings arise from the regulation of ORPSs. Comprehensive requirements apply at group level as well as to individual insurers, covering valuation, investments and solvency. There are well-established requirements and supervisory practices (supported by specialist staff) on the use of internal models and Own Risk and Solvency Assessments (ORSAs). The ACPR focuses closely on insurers' management of their reinsurance programs. However, the requirements on valuation and solvency applying to ORPSs differ from Solvency II and are less well aligned to ICP requirements. They draw on the EU framework for occupational pension funds (IORPs) with the objective of tailoring requirements to their long-term risks. There are also some gaps in the extensive ICP standards applying to IAIGs.

There are comprehensive requirements on governance and risk management, although the suitability requirements need some strengthening. The ACPR holds Board and senior management responsible for compliance with regulatory requirements that also apply at group level. Insurers must also have independent, well-resourced control functions as part of their wider risk management and internal control frameworks. Supervisors assess the effectiveness of governance, taking into account the different types of insurers, including mutuals, and also focus on risks relating to outsourcing which is widely used by insurers. Suitability requirements apply to the appropriate range of persons (and significant owners), although there is a need to ensure that all members of the Board of directors are included within the notification and approval requirements.

Regulatory processes are also well-aligned with ICP expectations. While new license applications from insurers are rare, ACPR is well-equipped to assess and process them (and has experience from ORPS and captive reinsurance licensing in recent years). While it rarely rejects an application, its work does lead to voluntary withdrawals. There are well-established processes on portfolio transfers. All decisions are taken by the ACPR's Supervisory College, its governing body.

The ACPR uses supervisory and enforcement tools to assess risk and require insurers to take preventive and corrective actions in case of non-compliance. The supervisory risk assessment process has recently been improved. Supervisory tools now include annual meetings with the most

senior management (and Board members) of the large groups. Supervisors continue to undertake thorough inspections, supplemented by regular meetings with managers, including heads of control functions. Supervisory work is integrated with the supervisory college process for cross-border groups. ACPR uses follow-up letters to report the findings of supervisory work and require actions by insurers, escalating on occasions to the use of administrative powers, including formal notices and restrictions on business, where necessary (supervisory measures often suffice). ACPR may impose sanctions including financial penalties but does so rarely (twice for insurers in 2023). The process is lengthy and should be reviewed. ACPR will need to formalize and adapt its risk-based approach to ensure that the supervisory intensity on smaller insurers remains adequate to identify and assess all related risks and that these risks are adequately managed by those smaller insurers.

Intermediaries' supervision focuses appropriately on integrity and competence of the many non-bank brokers and agents but could be strengthened with more off-site supervision work.

Licensing and the oversight of professional qualifications and related requirements have been transitioning to a new institutional framework since 2022, giving ACPR-approved representative professional associations an important role. ACPR will review their effectiveness in 2025. Wider supervision of such intermediaries is limited to ACPR inspections and could be supplemented with closer off-site oversight of the larger intermediaries. Requirements on non-bank intermediaries' governance should be further developed.

The ACPR also carries out extensive supervision of business conduct. ACPR's supervision benefits from a specialist conduct supervisory function and close collaboration with prudential supervisors and with the European Insurance and Occupational Pensions Authority (EIOPA). It carries out risk assessment, based on reporting by insurers (but not also intermediaries) and other information, investigates concerns with individual insurers, products or practices, and issues recommendations and reports. Extensive work has been done on major sources of consumer detriment in insurance markets. Supervision is also focused mainly on products and processes, although prudential supervisors take into account conduct issues in their oversight of governance and compliance functions.

ACPR similarly benefits from a specialist AML/CFT supervisory function. It has implemented a comprehensive risk assessment system to inform its supervisory and enforcement work. There are also extensive regulatory requirements and effective cooperation with other agencies, including on the assessment of risks. ACPR's AML/CFT oversight contributes to efforts on countering insurance fraud. While an industry body supports insurers on the management of fraud risks, ACPR has regard to such risks, including also internal fraud at insurers, consistent with its risk-based supervisory approach.

The ACPR carries out wide-ranging and effective macroprudential supervision of the sector. It uses the extensive data reported by insurers to analyze and report on market developments, including emerging risks. It carries out stress tests, including on climate change risks in 2024, and publishes results. It has developed a framework for assessing systemic risks in the sector. ACPR benefits from a separate unit which specializes in insurance sector risks, coordinating also with the Banque de France (BdF).

The ACPR is strongly committed to international supervisory cooperation, cooperating effectively with other supervisors in the EU and elsewhere. It is empowered to share confidential information and does so with other authorities. It has established supervisory colleges for IAIGs and other cross-border insurance groups and participates in colleges established by other supervisors. It cooperates with banking supervisors on the cross-border bancassurance groups and participates actively in EIOPA's work.

ASSESSMENT OF INSURANCE CORE PRINCIPLES

A. Introduction and Scope

1. **This assessment of insurance supervision and regulation in France was carried out as part of the 2024 Financial Sector Assessment Program (FSAP).**
2. **This assessment has been made against the Insurance Core Principles (ICPs) issued by the International Association of Insurance Supervisors (IAIS) in November 2019.** The assessment includes standards of the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) included within the ICPs.
3. **In 2019, the International Monetary Fund (IMF) conducted an FSAP where a focused review of the insurance sector was undertaken rather than a full assessment against the ICPs.** A technical note was published, which contained several recommendations. Annex 1 contains a table of those recommendations along with the authorities' update on progress made in addressing them. Progress against those recommendations has been considered in this assessment.

B. Information and Methodology Used for Assessment

4. **The level of observance for each ICP reflects the assessment of its standards.** Each ICP is rated in terms of the level of observance as follows:
 - **Observed:** where all the standards are observed except for those that are considered not applicable. For a standard to be considered observed, the supervisor must have the legal authority to perform its tasks and exercises this authority to a satisfactory level.
 - **Largely observed:** where only minor shortcomings exist, which do not raise any concerns about the authorities' ability to achieve full observance.
 - **Partly observed:** where, despite progress, the shortcomings are sufficient to raise doubts about the authorities' ability to achieve observance.
 - **Not observed:** where no substantive progress toward observance has been achieved.
5. **The assessment is based solely on the laws, regulations and other supervisory requirements, and practices that are in place at the time of the assessment in December 2024.** While the assessment does not reflect new and on-going regulatory initiatives, key proposals for reform are summarized by way of additional comments in this report. The authorities provided a full

and comprehensive self-assessment, supported by examples of actual supervisory practices and assessments, which have enhanced the robustness of the ICP assessment.

6. The assessors are grateful to the authorities and private sector participants for their cooperation. The assessors benefitted greatly from the valuable inputs and insightful views from meetings with staff of the Autorité de Contrôle Prudentiel et de Résolution (ACPR), the MoEF, insurance companies and industry and professional organizations.

C. Overview—Institutional and Macprudential Setting

7. The ACPR is the integrated supervisor of the insurance sector, while regulation is issued by the government and the EU. ACPR carries out both prudential and business conduct supervision for all insurers. Its objectives are defined as safeguarding financial stability and the protection of clients, policyholders, members and beneficiaries of insurers subject to its supervision. Regulatory requirements on the insurance sector are enacted at EU level or by the government (mostly the MoEF) through laws, ordinance, decree and orders. The ACPR is responsible for taking actions in case of non-compliance with such requirements. It must take into account the objective of financial stability throughout the European Economic Area (EEA) as well as good practices and recommendations issued by the EU's supervisory systems such as the European Insurance and Occupational Pensions Authority (EIOPA).

8. Insurance intermediaries are also subject to supervision by the ACPR in cooperation with other bodies responsible for licensing and certain other requirements. The Organisme pour le registre unique des intermédiaires en assurance, banque et finance (ORIAS), a non-profit organization managed by the insurance sector under the supervision of the MoEF, is responsible for checking that intermediaries meet requirements for registration. In addition, insurance intermediaries (with certain exceptions including banks) have been required to join one of eight professional associations approved by ACPR which carry out initial checks on the conditions for operating as an intermediary. ACPR is empowered to exercise supervision over all insurance intermediaries and may carry out inspections at any time.

9. The overall macroprudential supervision of the financial sector, including insurance, is led by the High Council for Financial Stability (HCSF). Chaired by the Minister of the Economy and Finance and comprising the Governor of the BdF and heads of agencies including the ACPR as well as three independent members, the HCSF conducts a quarterly assessment of the risks and vulnerabilities in the financial system. It has certain intervention powers in respect to insurance such as the ability to restrict dividends. The BdF has a mandate, together with the ACPR, to protect national and European financial stability. It analyzes and assesses risks in the financial system in cooperation with the ACPR, which carries out macroprudential supervision of the insurance sector.

Industry Structure and Recent Trends

10. France is one of the world's five largest insurance markets and the largest in Europe.¹

Insurance density and insurance penetration is high and amongst the top 20 countries in the world, according to Sigma Swiss Re Institute Report 3/2024.

Table 1. France: Insurance Density and Penetration

Country	Insurance density ² USD	Insurance penetration ¹	
		Life percent	Non-life percent
United States	9 640	2.6	9.3
United Kingdom	4 759	7.1	2.6
France	3 867	5.6	3.2
Germany	2 910	2.1	3.4
Netherlands	5 216	1.2	7.2
Belgium	2 978	2.9	2.6

Source: Sigma: Swiss Re Institute Report, World Insurance, 2024

¹ Insurance penetration – ratio of premiums collected to Gross Domestic Product.

11. The insurance industry in France is concentrated and competitive. Over 80 percent of the gross earned life premiums are collected by 15 insurers. The non-life sector is less concentrated but is becoming notably more so. In 2023, around 50 percent of gross earned premiums were collected by 15 insurers compared with 40 percent in 2018. The market is characterized by diversified business models and product mixes.

12. The market has seen reducing numbers of licensed insurers, although many remain.

Insurance entities can be established in three ways: (i) incorporated companies, (ii) mutual companies, mutual insurance companies and mutual unions and (iii) provident institutions and unions of provident institutions. Most insurance business, 76 percent, is conducted by incorporated companies. There were 660 licensed insurance companies, including mutuals and provident associations³ at the end of 2023 compared with 713 as at the end of 2018 and 1,129 as at the end of 2010. The reduction over the last two decades was mainly due to the implementation of Solvency II and mergers. The introduction of a specific “resilience provision” in Article 6 of the 2023 Budget Act resulted in an increase in the number of captive insurers (five were licensed in 2023).

13. The insurance market has seen several reforms since the most recent FSAP. Those mainly affecting the life insurance sector included the Retirement Saving Plans reform (2019) (see

¹ Sigma: Swiss Re Institute

² Insurance density – ratio of premiums collected by insurance companies to the country's population.

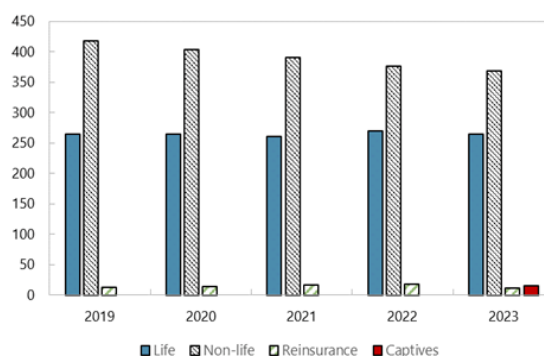
³ This include both Solvency II companies and companies which are not subject to Solvency II, but which carry out insurance business (e.g. small undertakings, small mutuals excluded from the scope of Solvency II and ORPSs).

more detail in Box 1). The Healthcare reform (also referred to as the “100 percent santé” reform), affecting both life and non-life sectors and introduced over a three-year period from 2019, has resulted in better claim coverage and a new distribution of coverage between the National Healthcare System and insurers. Reforms addressing climate risk included the Natural Disasters insurance reform (2021) accepting losses due to drought as well as the crop insurance reform (2022) improving farmers’ protection against loss due to climate events by creating a reinsurance pool among crop insurers.

14. The insurance market is dominated by life insurance business. Life insurance (including health) comprises 58 percent of the total gross premiums whilst non-life business comprises 32 percent and reinsurance business (both life and non-life) 10 percent. Insurers are not allowed to operate on a composite basis, i.e. conducting both life and non-life insurance business in one license but insurers may be “mixed” companies authorized to carry out both life and health as well as non-life and limited health business. Such companies account for 57.4 percent of total premiums (39.9 percent for life activity and 17.5 percent for non-life).

Figure 1. France: Number and Type of Insurance Entities

Number of insurers decreasing but reforms resulted in new types of insurers...



Source: IMF Staff

Incorporated insurers underwrite most of the insurance business with Life business the largest contributor....



Source: ACPR

15. Life business is dominated by savings and investment products whilst the largest line of non-life business is health and disability. Life business consists of policies where benefits are

payable in the case of death, i.e., whole life or funeral policies; and policies where benefits are payable during the life of the policyholder, i.e., annuities, linked and non-linked investment contracts and linked and non-linked retirement savings contracts. Life insurers are also allowed to write health policies. Health policies, individual or commercial, cover all or part of medical expenses borne by the policyholder after assistance from the social security system and supplement benefits of compulsory insurance regimes. In the non-life sector, other major lines of business include motor, fire and property damage. The reinsurers conduct traditional treaty business but against the background of rising interest rates coupled with the increased exposure of some life insurers to lapse risk, mass lapse reinsurance contracts have gained popularity.

16. Life insurance savings and investment products are mostly either unit-linked products⁴ or investment products where the capital amount is guaranteed but, in most cases, not the investment return (Euro contracts). Euro contracts are with-profit policies where the total return is usually not guaranteed but provided through the periodic allocation of profits made by the insurer. Euro contracts have long been popular investment contracts and made up 59 percent of the total gross life premiums as at the end of 2023. The market has, however, seen a shift from Euro contracts to unit linked contracts (the share of Euro contracts was 70 percent at the end of 2019) owing to the search for yield by policyholders during the low interest rate period. In addition, life insurers have transferred a large part of retirement savings products to the recently established occupational pension fund companies (see Box 1 below) and some reallocation between life insurance and retirement savings contracts took place.

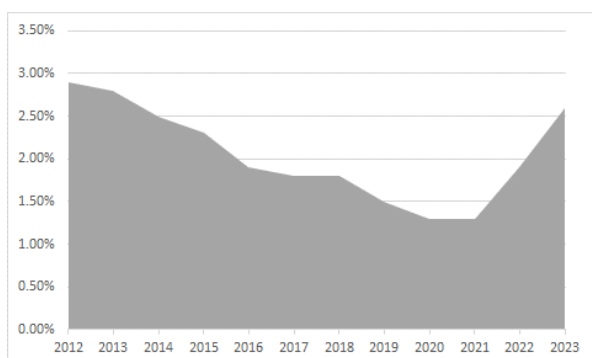
17. The allocation of bonuses to policyholders is subject to regulatory requirements (varying between the different types of insurers). For most life insurance guaranteed contracts, the minimum bonus (“revaluation rate”) is based on the yearly income statement of the insurer determined through a technical calculation⁵. This bonus is either distributed immediately to the policyholders or provisioned by the insurer for a period that cannot exceed eight years. Insurers can guarantee a rate, fixed for a period equal to at least six months and not more than two years within a prescribed ceiling. In practice, the ACPR observes that insurers, when deciding on the level of allocation of bonuses, follow the trend of the French 10-year sovereign bond. Figure 2 below reflects the investment returns offered by insurers over a 11-year period. This demonstrates how the life insurers were able to offer stable and competitive returns despite a low-interest rate environment, macroeconomic challenges and market volatility because of the provisioning of the profit sharing.

⁴ Unit-linked products are investment contracts where the value of the policy is determined by the value of the underlying assets.

⁵ Revaluation rate is an interest rate consisting of the guaranteed return (where relevant) and participation in the technical and financial profits with some adjustments as set out in Articles L.132-22 and A.132-7 of the FIC and Article L.223-21 in the FMC.

Figure 2. Investment Returns Offered by Life Insurers

Life insurers are able to offer competitive returns as they benefit from significant deferred profit sharing reserves....

**Alternative savings product yields in 2023**

Savings product	Yields	Maximum investment
Livret A	3 percent	€22 950
LDDS	3 percent	€12 000
Term accounts (> 2 years)	1.4 percent	No limit
PEL	2.25 percent	€61 200

Source: ACPR and IMF Staff

Box 1. Supplementary Occupational Pension Funds (ORPSs)

A major development in regulation since the 2019 FSAP has been the creation of a framework for occupational pension funds under EU regulations on IORPs (Institutions for Occupational Retirement Provision). Known as supplementary occupational pension funds (Organisme de retraite professionnelle supplémentaire (ORPS)), they are included within the scope of this assessment because of the history of their establishment, scope of their activities, nature of their contracts and risks.

Revised EU legislation (the IORPs II Directive) agreed in late 2016 provided an opportunity for the government to legislate for the establishment of ORPSs for the first time, one of several measures to promote retirement savings and the availability of long-term investment funds. At the same time, life insurers, which had been applying Solvency II since the start of 2016, were concerned about its impact on retirement savings insurance business developed and priced in a Solvency I environment, before the fall in interest rates (albeit guaranteed rates are lower than in some other EU countries). Competitor occupational pension funds in many other EU countries and the UK were not subject to Solvency II.

Subject to licensing by the ACPR, ORPSs may write occupational pensions business, certain benefits linked to death, disability and longevity and, since 2019, the new form of individual retirement savings products. Life insurers were permitted to establish an ORPS as a subsidiary and transfer existing portfolios, provided they did so by the end of 2022. All but one life insurer with relevant business did so and all but one of the 23 licensed ORPSs are parts of insurance groups. At end-2023, they held EUR 216 billion of assets (total life insurance sector assets were EUR 2,453 billion). Although their contracts transferred, there was limited change for policyholders as their products and benefits were unaltered.

The benefits to life insurers from the creation of an ORPS arose from the relief from Solvency II's market consistent valuation requirements that incentivize asset-liability matching and from the high capital requirements for equities. The impact was more severe when interest rates were low and returns on equities growing. Insurers identify reduced volatility of the Solvency Capital Requirements (SCR) as a continuing benefit. ACPR took care when licensing ORPSs to ensure that capital would be sufficient to cover needs in adverse conditions. The immediate life insurer parent companies of ORPSs must value their investments in the ORPS and hold capital on a Solvency II basis. However, parent insurers are also subject to group level solvency requirements that make the benefits of reduced capital in the ORPS available at group level. In practice, ORPSs have not yet generally shown a higher appetite for riskier investments than other life insurers.

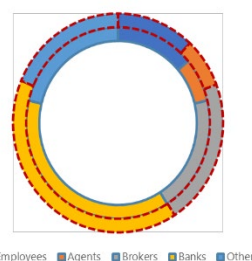
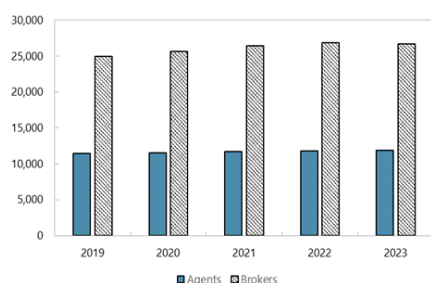
Drawing on the IORPs II Directive, the regulatory framework developed for ORPSs in other respects replicates requirements applicable to life insurers, including on governance, risk management and reporting. They are licensed as insurance companies, given the nature of their activities at present (though also clearly classified in the ACPR's public register as ORPS and differentiated from Solvency II insurers) and are subject to supervision by the ACPR's insurance supervision teams, reflecting their membership, in most cases, of insurance groups. The ACPR provided details of their regulation as input to this assessment.

Although specialist occupational pension providers under a distinct EU regulatory framework, the origins and the nature of the contracts of the ORPSs suggests that for the purposes of the ICPs, they can also be regarded as insurance.

18. Distribution models in France have remained stable with the largest share accounted for by the bancassurance channel. In fact, over two thirds of new life insurance policies are sold by banks acting as insurance intermediaries. During 2023, insurers started developing online sale capabilities particularly for damage insurance and about 30 percent of new damage non-life insurance policies are sold online. The average cost of distribution for life policies was 1.7 percent, 9 percent for health policies and 14 percent for non-life policies (other than health).

Figure 3. Distribution Network

The number of intermediaries remained fairly stable... Increasingly through bancassurance (2022 (inner) vs 2023)



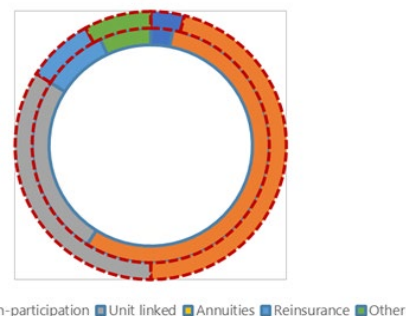
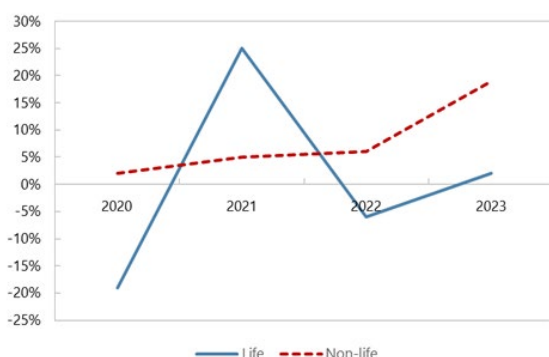
Source: IMF Staff

19. The insurance sector has been stressed by several adverse events over the past five years but has been resilient. Contributing factors to slow growth in the life sector includes the challenging macroeconomic environment, impact of COVID-19 and, for savings-related life insurance, competition from the alternative savings products with higher yields provided by banks and investment funds. (Savings-related life insurance products do, however, benefit from favorable treatments for income tax, where held for at least eight years, and inheritance tax). Despite these adverse conditions, life insurers have shown resilience, and the sector has been strongly recovering since 2024. The growth in the non-life sector was materially influenced by increases in premiums due to inflation as well as an increasing market share of the bancassurers who are targeting growth in non-life business as a strategic focus. The composition of the premiums in the life and non-life sector remained stable. However, as noted above, there has been a shift from the Euro investment contracts to unit-linked investment contracts (see Figure 4 below).

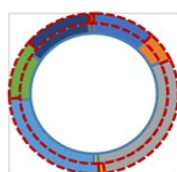
Figure 4. Premium Income

Life slow growth, but inflation helping non-life growth...

Savings still very popular in 2023 (outer) but shifting to unit-linked...



For non-life (2022/2023) no major changes in composition....



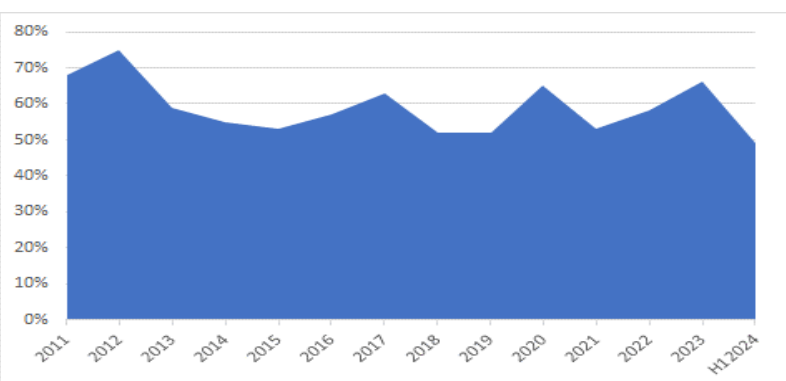
Source: IMF Staff

20. The insurance sector overall experienced positive net income over the last five years.

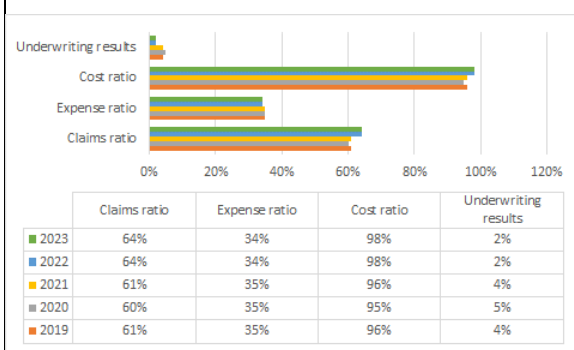
The COVID-19 pandemic, as elsewhere globally, had a negative impact on the net income of the insurance sector during 2020 but it has recovered to higher levels than before the pandemic (see Figure 5). The life sector's profitability has been assured by high levels of net written premiums, limited surrenders and constrained expenses as well as good levels of investment income. Some non-life insurance business lines are making low underwriting profits and showing poor profitability, but these results are offset by positive investment income. Claims in the non-life sector are affected by inflation as well as supply chain challenges.

Figure 5. Profitability in the Insurance Sector

Ratio: Surrenders to premiums in the life sector shows improvement.....

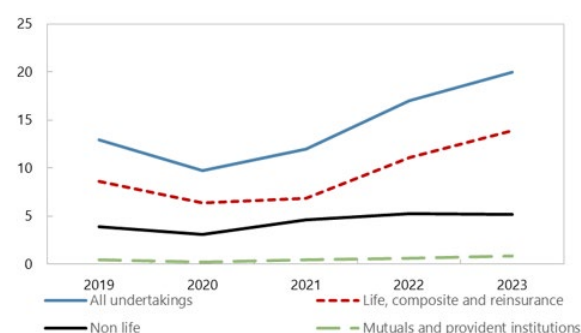


Non-life underwriting results.....



Source: ACPR and IMF Staff

Net income overall positive for all types of insurers



21. Liabilities (excluding unit-linked business) are predominantly denominated in Euros (life, 99 percent, non-life, 97 percent and reinsurance, 84 percent). The reinsurance sector is showing some exposure to US Dollar risks (10 percent).

22. The use of reinsurance remained relatively stable at between EUR 100 billion and EUR 140 billion of premiums since 2016. For the non-life sector, about 20 percent of premiums are reinsured. Reinsurance is mainly taken out for large exposures or risks such as marine, aviation, transport, and credit guarantee business (mostly trade credit insurance). Reinsurance is not so widely used in the life sector and between 7 and 8 percent of premiums are reinsured, mainly through intra-group reinsurance arrangements. Reinsurance by the French insurers is mainly placed with reinsurers licensed in France (95 percent), of which close to 40 percent is placed within the same insurance group.

23. The insurance sector's total assets, at market value, amounted to EUR 2,872 billion at the end of 2023. The life insurance sector's assets made up 82 percent of the total assets with the non-life sector representing 12 percent and the reinsurers 6 percent. Investments in bonds, i.e., sovereign bonds (26 percent for life and 15 percent for non-life) and corporate bonds (27 percent for

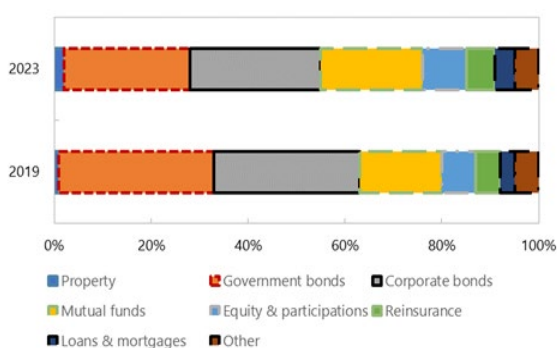
life and 18 percent for non-life) make up most of the assets. In the life sector there has been a shift from government bonds to mutual funds which coincides with the shift towards unit-linked business (see Figure 6 below).

24. Investments in real estate for both the life (3 percent) and non-life sector (10 percent) are limited and stable over time. Real estate exposure is mainly through mutual funds. Investments in Commercial Real Estate (CRE) are mainly held in the central part of France with half in Paris. The investments in real estate are usually held for the long-term (See Figure 6 below).

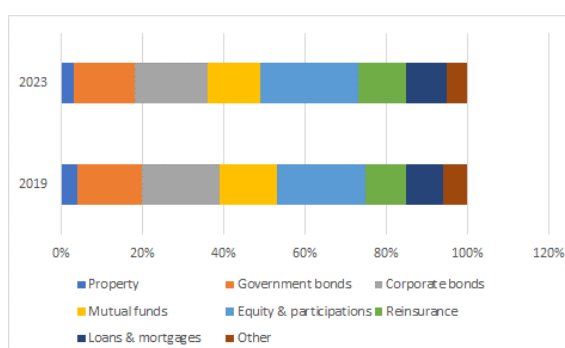
25. Insurers' exposure to alternative assets (excluding real estate) is limited (3 percent). Most such investments are held indirectly through mutual funds. Derivatives are mainly used by life insurers with a notional value of around 30 percent of the investments (excluding unit-linked) of the life insurers at the end of 2023. They are used mainly to hedge against interest rate changes (about 70 percent of the notional value of derivatives) and are mostly in the form of options. The call options are in the form of interest rate caps to hedge the risk of interest rate hikes above a predetermined level with an upfront payment of premium. Unlike other European insurers and pension funds, which mainly use interest rate swaps, French insurers have limited exposure to the risk of margin calls as the call options are not subject to them.

Figure 6. Assets Exposure

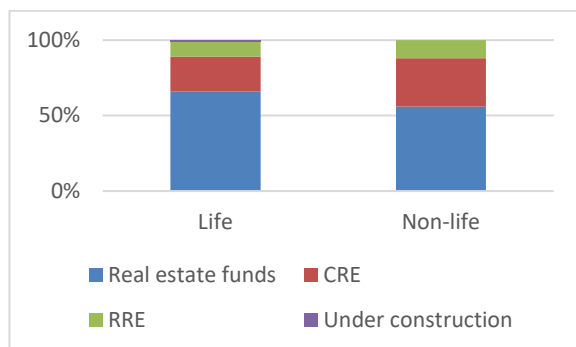
Life sector exposure (excluding unit-linked)....



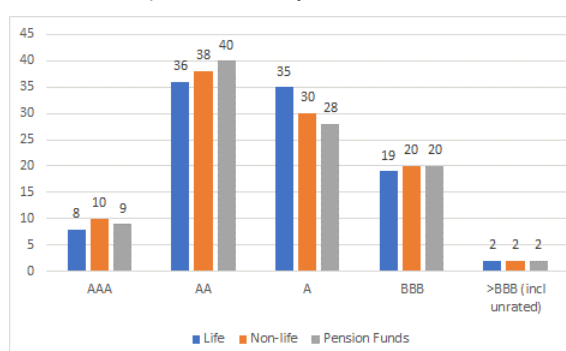
Non-life sector exposure....



Real estate exposure life sector...



Credit risk exposure is mainly.....



Source: ACPR and IMF Staff

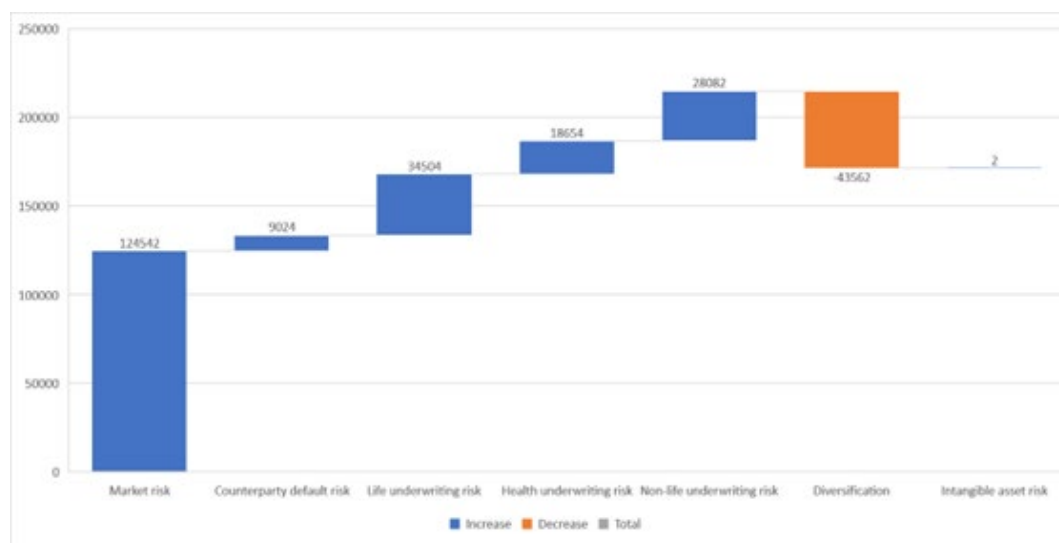
26. Market risk is the biggest component contributing to the Solvency Capital

Requirement (SCR) - see Figure 7. The basic SCR is reduced by 25 percent due to diversification. The ACPR has approved 11 solo insurers and one insurance group to use an internal model for calculating their SCR for regulatory purposes. It has also approved five solo insurers and six insurance groups to use a partial internal model. In general, for partial internal models, the non-life underwriting risk is calculated using the model. There are also eight insurers and two insurance groups that use User Specific Parameters (USPs) for their SCR calculation, mainly applied to non-life business, for example motor liability and fire and other property damage risks.

27. In 2023, 306 Solvency II insurers (69 percent of the total) had an SCR ratio⁶ above 200 percent (the minimum is 100 percent). Increased interest rates benefited the life insurers' SCR ratios by reducing their technical provisions more than their negative impact on the valuation of the investments. The non-life insurers' SCR ratios showed a slight decline, mainly as a result of underwriting performance.

Figure 7. Aggregate Capital Requirements and Solvency

Market risk is the biggest component with diversification benefits the second largest component determining the basic capital requirement (the orange bar is a negative).

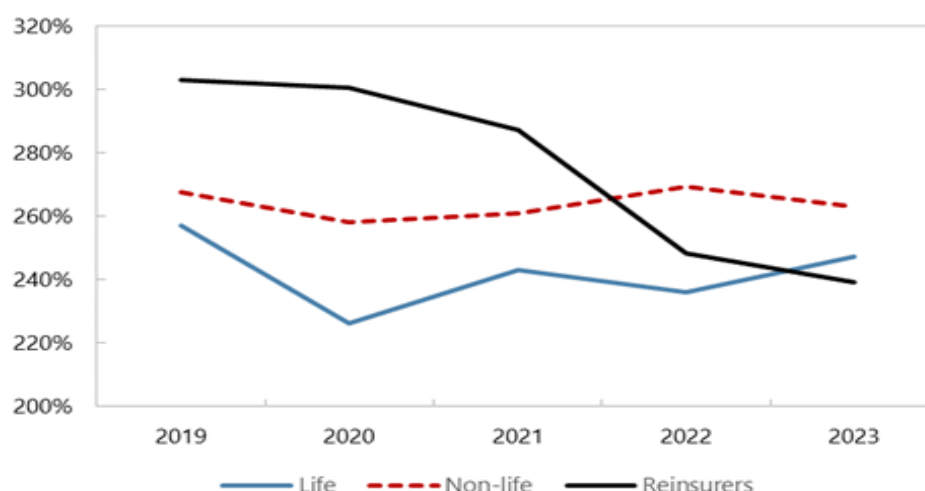


Source: IMF Staff

⁶ Eligible own funds divided by SCR.

Figure 7. Aggregate Capital Requirements and Solvency (concluded)

The non-life sector has a higher solvency ratio than the life and reinsurance sector, but all three sectors are overall well capitalized.



Source: IMF Staff

28. Life insurers show strong liquidity positions as they benefit from tax incentives that deter surrenders and lapses and the material amount of deferred profit-sharing reserves.

Although there are no contractual penalties payable for surrendering a savings contract, the tax incentives deter policyholders from early surrender. The average maturity term for the life sector's liabilities is 11 years, but half of all life liabilities fall within the 1-to-5-year maturity bucket (26 percent) followed by the 10 to-20-year bucket (24 percent).

29. There are 13 financial conglomerates⁷ which include insurance entities supervised by the ACPR (see Box 2 below). Of these, eight are bank-led with the bank's headquarters in France and two insurance-led, where the ACPR is the group-wide supervisor for the conglomerate. There are also three bank-led conglomerates whose bank headquarters are in other EEA jurisdictions.

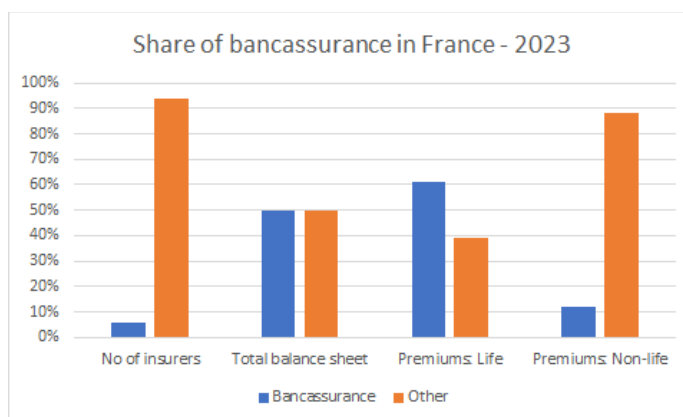
30. Investments in the financial sector by insurers are significant and have been stable.

Investments in mutual funds stand at 25 percent of total assets and direct investments in the bonds of financial sector issuers is around 15 percent. Investments in the banking sector account for 13 percent of the total investments of the insurance sector with most of the investments in bonds issued by banks (60 percent).

⁷ [eiopa.europa.eu/document/download/3955ba0b-c6ca-4831-98c6-ebe389ef28e0_en?filename=JC_2023_82_%28List of identified Financial Conglomerates 2023%29.pdf](https://eiopa.europa.eu/document/download/3955ba0b-c6ca-4831-98c6-ebe389ef28e0_en?filename=JC_2023_82_%28List%20of%20identified%20Financial%20Conglomerates%2023%29.pdf)

Box 2. Bancassurance Models

Bancassurance as a business model has been adopted by many significant financial sector groups in the European market, their insurance business accounting for about a fifth of total life insurance sector technical provisions. In France too, bancassurers dominate the life insurance market.



Bancassurance models gained popularity in France in the late 1980s. They have experienced the benefits of diversification, cross-selling and, for the banks, increased and stable profits, in particular an increase in non-interest income which reduces reliance on interest income. However, the bancassurance model also has its risks which include increased reputational and contagion risks and complexity in the governance and risk management systems necessary for such diversified groups. There are also market conduct risks which includes poor customer outcomes such as pressure selling and limited choice of products, in particular in the market for Credit Protection Products¹. Low claims ratios have also been noted indicating unawareness by the customers of the policies they have.

Within the ACPR, there is one Insurance Supervisory Division dedicated to the supervision of the insurance groups which are subsidiaries of banks. This team regularly meets with the banking supervisors within the ACPR to discuss issues and to review business performance and results of the insurance part of the financial conglomerates, liquidity positions and intragroup transactions.

As most of the bancassurance groups are bank-led financial conglomerates, the supervision of the financial conglomerate is led by the ECB. The insurance supervisors also participate in the financial conglomerate supervisory colleges and exchange information with the ECB and relevant competent authorities thanks to coordination agreements under the Financial Conglomerates Directive (FicoD).

¹ [Thematic Review on Credit Protection Insurance \(CPI\) sold via banks - EIOPA](#)

Key Risks and Vulnerabilities

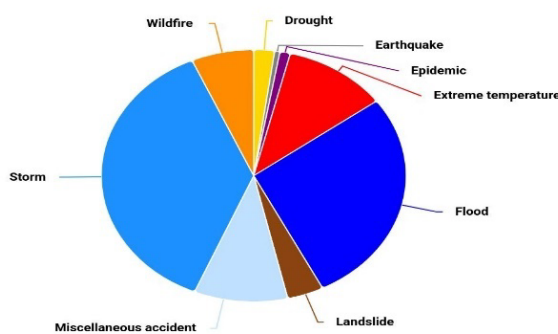
31. Inflation has had a negative impact on the insurance sector. For the life sector, an increase in surrenders was experienced resulting from the increase in interest rates in response to inflation, but it remained contained as insurers were able to use profit sharing provisions to increase bonus rates (see Figure 5 above). For the non-life sector, the increase in inflation mainly affected claim costs but that was compensated for by the increase in premiums. The French Government

encouraged non-life insurers to limit increases to premiums to not more than the inflation rate for 2022 and 2023. During 2023 the ACPR carried out a survey on the inclusion of inflation in the valuation of non-life insurers' technical provisions which confirmed that insurers take a forward-looking approach in the calculation of their technical provisions and take sector risks into account including macroeconomic developments.

Box 3. Climate Risk

According to *France Assureurs*, the annual cost of natural disasters in France will increase by 90 percent between now and 2039, rising from an average of EUR 1.86 billion a year over the period 1988-2014 to EUR 3.5 billion a year over the period 2014-2039. In France climatic events mainly relate to floods and storms according to the World Bank's Climate Change Knowledge Portal.

Average Annual Natural Hazard Occurrence for 1980-2020



Source: World Bank

Regulatory reforms to address climate risk management

- In 2022 a requirement was introduced that insurers include sustainability risks within their governance and risk management system. In 2024, the ACPR conducted a cross-industry study (covering 90 percent of the insurance market) to evaluate the integration of sustainability risks within risk management systems.
- Sustainability risks have been integrated in the prudent person principle (new Article 275a of the Commission Delegated Regulation (2015-35), introduced in 2021). Financial market participants (including insurers) shall publish on their website information about their policies on the integration of sustainability risks in their investment decision-making process.
- At national level, Article 29 of the Climate and energy law adopted in 2019 which took effect in 2021 requires financial market participants (including insurers) to consider in their investment policies climate change and biodiversity risks in a dedicated report. Life insurers must submit an annual report to the ACPR describing how they manage sustainability risk in investments. The ACPR, in 2023 published a summary of its assessments of these reports ([Loi Énergie Climat : les assureurs doivent poursuivre leurs progrès | ACPR \(banque-france.fr\)](https://www.banque-france.fr/fr/assureurs/assureurs-doivent-poursuivre-leurs-progres)).
- EIOPA's Application guidance on climate change materiality assessments and climate change scenarios in ORSA was published in 2022.

Box 3. Climate Risk (continued)

Supervisory work

The ACPR applies various supervisory tools in supervising climate-related and other environmental risks, including:

- Regular on-site inspections focused on climate-related risks (for example CatNat modelling in internal model) or on provisioning including climate-related risks (agricultural insurance, damage insurance).
- Stress testing: in 2023 and 2024, the ACPR carried out its second climate stress test. 15 insurance groups, representing almost 90 percent of the industry, participated. Three scenarios were applied to the insurers' balance sheets, combining physical risks (storms, droughts, floods, etc.) and transition risks. Two scenarios were long-term scenarios (by 2025) based on the NGFS's work, and two short-term scenarios aligned with the period of the insurers' strategic planning and one for a five-year period. The results show that insurers are significantly exposed, which has consequences both on their balance sheet and for policyholders (rising prices in some areas and protection gap risk).

ACPR has also carried out surveys: in 2024, it assessed insurance protection gap risk through a self-assessment questionnaire. The findings confirm the importance of having in place a natural disaster compensation scheme in France and provided evidence of the weight of climate change adaptation policies. Also, in 2024 the ACPR published a report on the risks of biodiversity loss for the sector, highlighting that such risks can be chronic (e.g. agricultural yield losses linked to the gradual decline of pollinator population) or acute (e.g. emergence of zoonotic diseases - infectious diseases of animal origin that are communicable to humans - and pandemic outbreaks as a result of deforestation).

New governance arrangements for climate risk in the financial sector

- In April 2021, the BdF created a Center on Climate Change (CCC), tasked with amongst others (i) coordinating the implementation of actions by the BdF and the ACPR to address climate-related issues and (ii) analyzing the risks associated with climate change on the financial sector. The CCC has various sub-structures including an Executive Committee, and a Climate Network.
- Within the ACPR a "Climate Competence Center" has been established for the insurance supervision teams to focus on climate risk supervision issues. The College of the ACPR has also established the Climate and Sustainable Finance Commission's (CCFD) whose main mission is to advise the ACPR on how to consider sustainable finance objectives and monitor the commitments made by financial intermediaries. Furthermore, the ACPR is also involved in various European working groups that are currently working on the introduction of transition plans, a risk differential, and the treatment of the risk of loss of biodiversity or the revision of Pillar 1. Internationally the ACPR is a member of the Sustainable Insurance Forum (SIF), an initiative launched by the United Nations as well as a member of the IAIS' Climate Risk Steering Group.

Public private partnerships

Natural catastrophes, in France, are split in two categories:

Box 3. Climate Risk (concluded)

(i) events insurable by the private market (wind, snow and hail); legislation requires property insurance to cover these perils; and

(ii) other events (flood and drought, among others⁸) for which a public intervention is necessary. Legislation requires that for property and motor business, flood and drought must be included and prescribes the premium rate to be charged for these perils (a percentage of the premium charged without these risks). Insurers may buy a reinsurance contract with the public reinsurer Caisse Centrale de Réassurance (CCR). Two kinds of reinsurance contracts are available, a quota share (50 percent of the entire portfolio), and a stop loss (currently at 200 percent of the entire portfolio). CCR is backed by the state.

For example, in 2022, the droughts in France costed more than EUR 3 billion of which more than 50 percent was covered by CCR.

32. Insurtech in France has mainly focused on distribution and back-office support.

Insurtech companies are used by insurers for new distribution channels or new tools to be more efficient like in the handling of claims. The insurance sector has seen five Insurtech entities authorized to conduct insurance business, but these insurers are still small. Their focus is mainly on non-life business and in particular health risk coverage, pet insurance and home insurance, with some climate risk coverage.

33. The ACPR also makes use of Suptech and has a Suptech Strategy which is part of the BdF strategic plan.

Within the ACPR, the Fintech-Innovation Hub (Pôle Fintech Innovation) coordinates the ACPR's Suptech strategy. In respect of insurance supervision various tools have been deployed to date which include tools for reading and checking compliance of narrative reports (such as the Solvency and Financial Condition Report (SFCR) and ORSA), analyzing non-life technical provisions and detecting suspicious and abnormal transactions among a large volume of transactions (e.g., for AML/CTF purposes). Another tool enables the calculation of the amount of carbon emissions financed by insurers' investments and comparing of the calculations with numbers declared by insurers in their publications or reporting to the ACPR.

D. Preconditions for Effective Insurance Supervision**Sound and Sustainable Macroeconomic and Financial Sector Policies**

34. There is a well-established framework for macroeconomic policy management. The MoEF is responsible within the Government for fiscal policy. Annual budget proposals are developed by the Council of Ministers and sent for debate and approval by Parliament. The MoEF is also primarily responsible within the government for policies on the financial sector and initiates legislative proposals for decision by Parliament as well as issuing regulations directly itself. The BdF, part of the European System of Central Banks together with European Central Bank (ECB), enjoys a

⁸ See Article L.125-1 of the FIC.

high degree of independence in its contribution to the formulation and operation of monetary policy in the euro area. The ECB sets a target for inflation (currently 2 percent per annum).

35. Macroprudential supervision and work to protect financial stability are shared by various bodies.

- The High Council for Financial Stability (HCSF) oversees the financial system with the objectives of safeguarding stability and ensuring a sustainable contribution of the financial sector to economic growth. It also aims to facilitate cooperation between its member institutions (it is chaired by the Minister of Economy and Finance and comprises the Governor of the BdF and heads of agencies including ACPR and the AMF as well as three independent members).
- The BdF has a mandate, together with the ACPR, to protect national and European financial stability. It analyzes and assesses risks in the financial system in cooperation with the ACPR, which carries out macroprudential supervision of the insurance sector, and publishes a Financial Stability Report annually. It is also responsible for the oversight of market infrastructure.

36. The ACPR and AMF have responsibility for supervision of financial sector participants and markets. The ACPR is the integrated regulator of the insurance sector, sharing supervisory responsibilities for banking supervision with the ECB. It carries out prudential oversight as well as business conduct and AML/CFT supervision for banking and insurance, participating with the ECB in the supervision of significant banks and leading on the supervision of others. It carries out macroprudential supervision of both sectors in cooperation with the BdF. The AMF is responsible for financial markets regulation. Its mandate includes ensuring that savings invested in financial products are protected and that investors are provided with adequate information; and supervising the orderly operation of markets. It regulates market participants and investment products.

37. EU institutions play a large role in financial sector policies and regulation, as well as in coordinating supervisory work. Much of the regulatory framework for banks, insurers, pension funds and capital markets is established at the EU level, mainly through directives, which require transposition into national legislation, and regulations, which have direct effect. Additional regulatory initiatives and supervision work are coordinated through the European System of Financial Supervision (ESFS), comprising the European Systemic Risk Board (ESRB), the three European supervisory authorities (ESAs) (the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA)), the Joint Committee of the ESAs and national supervisors.

38. The ESAs contribute to the development of a single EU rulebook and convergence of supervisory practices. They draft technical standards for adoption by the European Commission as delegated or implementing acts. In the case of the insurance sector, EIOPA issues guidelines, which must be implemented by each national authority through national measures, or the authorities must explain to EIOPA why they have not done so. ESAs also work to facilitate effective supervisory cooperation, for example in support of colleges of supervisors for cross-border financial groups.

Well-developed Public Infrastructure

39. There is a well-developed infrastructure comprising:

- a set of laws covering business and financial matters, including the French Commercial Code (FCC) (for business matters), the French Monetary and Commercial Code (for financial matters) and the French Consumer Code for general consumer protection provisions; other codes set out provisions on the financial sector;
- an independent judiciary system, comprising a judicial court system for private law cases (civil and criminal) including commercial and appeal courts headed by the Court de Cassation; and an administrative court system for public law cases, also including appeal courts, headed by the Conseil d'État; these provide for settlement of disputes as well an appeals mechanism for supervised firms who challenge the decisions of regulatory bodies;
- a set of national accounting standards (French national GAAP) issued by the accounting standards body, the l'Autorité des normes comptables (ANC); there are requirements for independent certification by auditors of annual financial statements prepared under French GAAP (mandatory for all banks and insurance companies); in addition, companies issuing instruments listed on a regulated market must prepare group consolidated accounts using IFRS as adopted for use within the EU (unlisted companies may opt to use IFRS on a voluntary basis);
- a profession of accountants, the Conseil National de l'ordre des experts comptables and auditors, the Compagnie nationale des commissaires aux comptes; auditors are appointed for a period of six years and the FCC requires that joint audits (i.e., two audit firms cooperating on the audit work, including certification) be conducted for all companies required to prepare consolidated financial statements, credit institutions, finance and investment companies and political parties;
- an independent body reporting to the Ministry of Justice, the Haute Autorité de l'Audit (known as H2A), which oversees the audit profession, carries out reviews of the quality of audit work and takes disciplinary action, if necessary, against auditors;
- a professional body for actuaries, the Institut des Actuaire, which works to promote the competency of actuaries (via a certification process) in accordance with ethical standards and helps them maintain their knowledge and skills; it issues practice notes on technical issues to support actuarial work and provides input to the government and ACPR on relevant policy and regulation; the profession has 5,200 members; and
- a national institution providing statistics on economic, financial or social matters, the Institut National de la Statistique et des Etudes Economiques (INSEE); the BdF and ACPR themselves provide national statistics on the economy and the financial sector.

40. Mortality tables are available for use by the insurance sector. The tables are developed in a process involving INSEE, the ACPR, the Institut des Actuaire and the insurance sector representatives. They were last updated around 10 years ago. Insurers must use these mortality tables to calculate technical provisions on relevant business. However, they may use their own tables where these have been certified by an independent actuary authorized by the ACPR for this purpose by an association of actuaries. Only the Institut des Actuaire is so authorized.

Effective Market Discipline in the Financial Sector

41. Legislation contains safeguards for disclosure and transparency. There are governance requirements applying to all companies in the FCC. They provide sound governance principles, clear allocation of duties and responsibilities in firms, prevention of conflicts of interest etc. as well as for disclosure of audited financial information. All companies are required to file their audited annual financial statements with the commercial courts, where they are available to the public. Companies which issue securities listed on a regulated market are subject to the disclosure requirements of the market.

42. Corporate governance standards apply to listed companies on a comply or explain basis. The AFEP-MEDEF Code of Corporate Governance, the latest version of which was issued in 2018, sets out good governance practices for companies with shares listed on a regulated market. It is a private sector initiative (AFEP is the French Association of Large Companies and MEDEF the largest employer representative organization, most of whose members are small and medium-sized enterprises). It is not enforced by supervisory bodies. A High Committee for Corporate Governance established by AFEP and MEDEF and comprising nine members with relevant expertise monitors implementation of the Code, makes recommendations for changes and publishes an application guide. French law gives all limited companies, including listed corporations, the choice between a unitary Board of Directors and a two-tier structure.

Mechanisms for Consumer Protection

43. There are various mechanisms for consumer protection, including policyholder protection schemes. In the event of the failure of an insurer, different schemes (guarantee funds) may cover policyholders and beneficiaries depending on the risks covered and the limits laid down in the regulations. Some funds operate in the event of the failure of the insurer, while others intervene in the event of the withdrawal of its authorisation (which is, however, likely to lead to its liquidation). Unlike for regulation, supervision and resolution, there is no European framework of requirements on insurance guarantee schemes.

44. The system is fragmented and provides incomplete coverage, in respect of types of insurance and cross-border business. There is no coverage of non-life insurance other than compulsory business or of all types of mutual insurers. Some funds compensate policyholders on all insurance operations in France, including the business of EEA insurers operating in France under the freedom of establishment and freedom to provide services (the “passport”). The scope of others is based on insurers incorporated in France, including their passported business elsewhere in the EEA.

45. The four protection schemes (with summarised coverage) are:

- The Insured Persons' Guarantee Fund protecting against the failure of life and health insurers (FGAP) — covering health and life insurance contracts (excluding inward passported business), with compensation – supplementary to the sums realized by the liquidator- up to the maximum of two ceilings: EUR 70,000 and EUR 90,000 for annuities.
- The Mandatory non-life insurance fund (FGAO) – covering compulsory insurance only (motor third party liability and construction insurance), French companies and inward passported business, limited to 90 percent of the compensation due from the failing insurer, except for motor vehicle accidents.
- The Fund for the guarantee of damage following acts of prevention, diagnosis or care provided by health professionals (FGAPDS) — covering (in the event of withdrawal of authorization) business with insurers operating in France including inward passported business but excluding outward passported business, in the medical research and development sector, with compensation limited to 90 percent of the compensation due (Article R. 427-12 of the FIC).
- The Joint Guarantee Fund of provident institutions (FPGIP) – covering benefits provided by provident institutions and their unions in case of failure including outward passported business but excluding inward passported business (Ordinance No. 2001-350 of 19 April 2001); the fund started operating in 2004 but has not had to operate since its inception.

46. There is provision in law for a fifth scheme, for mutuals subject to the mutual code. The Insured Persons Guarantee Fund against the failure of mutual insurers and unions carrying out insurance operations is intended to cover the failure of mutual insurers and unions covered by the FMC with limits of EUR 70,000 and EUR 90,000 depending on type of contract. Although provided for in legislation, it has not been established in practice yet.

47. The policyholder protection schemes that have been established are ex-ante funded. The FGAP, for example, levies contributions on insurers at 0.05 percent of insurers' mathematical provisions each year, half paid in cash to the fund and half to be held as a reserve by insurers, callable on demand.

48. There is also an alternative dispute resolution mechanism and rights of access to courts to address complaints by policyholders and others. The main service, Insurance Mediation (La Médiation de L'Assurance (LMA)), administratively attached to the trade association French Federation of Insurers (France Assureurs) but operationally independent, provides a mediation service for complaints from policyholders and beneficiaries against insurers (members of France Assureurs, most of the market) or intermediaries. It follows procedures in the French Consumer Code applicable to mediation services in general. These provide, for example, that the service be free to users and require that consumer has previously attempted to resolve the dispute with the subject of the complaint. The mediator is appointed for three years, and the charter of the service defines its

powers and the rules applicable to mediation. Insurers and intermediaries are not bound by LMA's decision. Complainants may take their case to the courts.

Financial Markets

49. France has large and liquid financial markets, including for equities and other corporate securities and insurers have access to foreign securities. The market in euro-denominated Government Bonds is one of the largest in the world with maturities at issuance extending to 40 years. Insurers also have access to liquid markets in euro-denominated corporate bonds and equities. There are also derivative markets available to insurers. Insurers may also invest in foreign financial instruments.

Table 2. France: Summary of Observance with the ICPs

Insurance Core Principle	Level	Overall Comments
ICP 1 - Objectives, Powers and Responsibilities of the Supervisor	O	Legislation clearly identifies the ACPR as the principal supervisory authority for the insurance sector, with appropriate objectives and a full range of powers to carry out supervision, including of intermediaries. Regulation is reserved to the government, but ACPR cooperates actively with the Tresor and other bodies on the development of laws and regulations, including the implementation of EU legislation, where necessary. New self-regulatory organizations have recently been established to support the oversight of the large number of non-bank insurance intermediaries, although ACPR retains supervisory powers and can carry out inspections at any time.
ICP 2 - Supervisor	LO	The ACPR takes decisions within the scope of its authority independent of undue government or industry interference. The government plays a large role, being responsible for almost all applicable national laws and regulations. Government representatives also participate in the decision-making bodies of the ACPR, although this has not been shown to compromise the independence of the ACPR. DGT has wide-ranging powers to veto resolution decisions. ACPR is financially autonomous, but Parliament should ensure that its funding provides adequate resourcing in the future, without undue interference. ACPR is highly transparent on most aspects of its supervisory work but could publish more on its approach to supervisory work.
ICP 3 - Information Exchange and Confidentiality Requirements	O	The ACPR has the necessary powers to exchange information with a wide variety of authorities at national, EEA and non-EEA level. A key requirement is for professional secrecy equivalent to that which applies to the ACPR. The ACPR has developed various tools to facilitate information exchange and does so extensively in practice. ACPR in general responds to information exchange requests in a timely manner.
ICP 4 - Licensing	O	There are comprehensive requirements on licensing of insurers and ACPR uses supervisory as well as specialist authorization experts to assess license applications against the clear criteria set out in the legislation. ACPR's early action to identify concerns with applications (often after requesting further information) means that withdrawals of applications are more common than formal rejections. ACPR cooperates with other authorities in respect of foreign insurers wanting to do business in France.

Insurance Core Principle	Level	Overall Comments
ICP 5 - Suitability of Persons	LO	There is an extensive framework of requirements covering Board and senior management, key persons in control functions and significant owners. Requirements apply at both group and insurer levels. The ACPR carries out extensive assessments on the persons required to be approved. It regularly finds applicants unsuitable, usually leading to voluntary withdrawals rather than formal rejections. The notification and approval requirements do not, however, apply to all members of the Board of directors of an insurer (or group). Legislative change is already planned to address this issue. ACPR has powers (and has used them) to require removal of any director where found unsuitable.
ICP 6 - Changes in Control and Portfolio Transfers	O	There are extensive provisions in law on both changes of control and portfolio transfers. The key requirement is that the ACPR approves transactions before they may be implemented. ACPR is equipped, in its Authorisation and Supervision Directorates, to assess transactions based on the criteria set out in the legislation after consultation with other authorities, where applicable. It processes multiple transactions each year and while formal rejections of a proposal are rare, it has raised concerns on transactions, causing proponents to withdraw them.
ICP 7- Corporate Governance	O	There is a full set of requirements on the governance of insurers that apply also to all insurance groups (there are no specific provisions on IAIGs). ACPR has been undertaking extensive supervisory work on governance and covers governance in detail in its supervisory work. The recent development of ACPR's supervisory approach, including annual meetings with senior management (see ICP 9) is further reinforcing ACPR's attention to corporate governance issues, especially at the larger groups, including the IAIGs.
ICP 8 - Risk Management and Internal Controls	O	There is a full set of requirements on risk management and internal controls that applies also to all insurance groups. ACPR undertakes extensive supervisory work on risk management and controls, including, for larger insurers and groups, regular meetings with heads of control functions. It uses supervisory work to ensure that issues such as ensuring an appropriate risk culture are addressed by insurers.
ICP 9 - Supervisory Review and Reporting	LO	ACPR has a detailed supervisory framework that is supported by the necessary powers and implemented in practice. The supervisory approach is risk-based and proportionate. A wide range of supervisory tools are used with extensive off-site monitoring (including sophisticated tools to analyze and interpret reported data) and on-site inspections, tailored to risk. The ACPR performs such on-site actions depending on the nature and scale of risks to which insurance companies are subject. However, the

Insurance Core Principle	Level	Overall Comments
		<p>framework specifying how the ACPR chooses which actions it carries out for small and low-risk profile insurers, depending on the outcome of its SRP assessment, is insufficiently formalized. ACPR carries out comprehensive supervision of groups and IAIGs.</p> <p>The French IAIGs did not report on the IAIS's ICS during the monitoring period,</p>
ICP 10 - Preventive Measures, Corrective Measures and Sanctions	LO	<p>The ACPR has extensive powers to require insurers to take preventive and corrective measures. The powers also apply to groups. In practice, ACPR is usually able to require insurers to take necessary actions using its supervisory powers. It uses formal intervention powers rarely and typically uses the power to issue a notice. ACPR occasionally imposes administrative sanctions such as financial penalties, but the process takes considerable time and actual sanctions on insurers are increasingly limited in number and scope of the offences. Financial penalties may be levied only on the effective manager of an insurer, although there are also powers under the suitability requirements for ACPR in effect to remove directors.</p>
ICP 12 - Exit from the Market and Resolution	PO	<p>Since 2017, the Government and ACPR have proactively put in place a national Recovery and Resolution framework that requires some insurers to develop crisis management plans and pre-emptive recovery plans and empowers the ACPR to develop resolution plans. The framework is, however, limited. It can be applied only where an insurer's assets exceed its liabilities. It does not include all the powers the ACPR needs to resolve insurers effectively. There are a number of Policyholder Protection Schemes (PPSs) in place, but these do not cover all policyholders as they provide targeted coverage. The implementation of the EU Insurance Recovery and Resolution Directive (IRRDR) into French legislation will greatly support future observance of this ICP.</p>
ICP 13 - Reinsurance and Other Forms of Risk Transfer	O	<p>There is a comprehensive set of requirements for insurers to manage their reinsurance arrangements. They cover both qualitative risk management requirements as well as how reinsurance can be considered for solvency calculations. The ACPR undertakes extensive supervision of reinsurance arrangements and risks.</p>
ICP 14 - Valuation	LO	<p>The regulatory framework for the valuation of assets and liabilities set out in the Solvency II framework and applied to close to 90 percent of the insurers in the market, is robust and observes the ICP standards. For most of the remaining 10 percent of the market, i.e., the ORPS (see Box 1), the valuation basis (French GAAP) only largely observes the ICP standards. It</p>

Insurance Core Principle	Level	Overall Comments
		is not a fully market consistent valuation basis applied on an economic balance sheet. However, in the case of ORPS, there are requirements to provide for certain unrealized losses. The assessment is Largely Observed only because of the valuation basis applied to the ORPSs.
ICP 15 - Investment	O	The principles-based requirements applied under Solvency II are appropriate. Supervisors use analytical tools and deep dive supervisory work to assess risks, including concentrations, intra-group exposures etc. based on the Solvency II prudent person approach. ICP 15.5 requires there to be quantitative requirements on complex and less transparent classes of assets and investments in markets or instruments subject to less governance or regulation, but only where appropriate. In the context of a principles-based approach to investments the assessors consider this is not required to observe the ICP.
ICP 16 - Enterprise Risk Management for Solvency Purposes	LO	Most of the standards are addressed through extensive ERM requirements and a well-established framework for insurers' ORSAs, including effective supervision by the ACPR. Supervisors already address liquidity risks, but implementation of the amendments to Solvency II following the recent review will enhance liquidity monitoring and supervision through a new requirement for liquidity risk management plans. ICP 16 has extensive ComFrame standards applying to IAIGs. The Solvency II regime is principles-based and does not explicitly address all the standards applying to IAIGs. The shortcomings can easily be addressed through further guidance. Not all IAIGs are covered by the recovery planning requirements.
ICP 17 - Capital Adequacy	LO	The capital adequacy framework, mostly implemented through Solvency II, is robust and appropriate to the nature, scale and complexity of the insurance sector. The use of internal models is adequately monitored by the ACPR, which has specialist expertise, via additional reporting requirements and on-site inspections including testing of parts of the models. The Largely Observed rating (as for ICP 14) reflects only the different approach applied to the ORPS entities. Their capital requirements differ from Solvency 2 and are not fully risk-based nor based on a total balance sheet approach.
ICP 18 - Intermediaries	LO	There are extensive requirements on intermediaries, drawing on EU regulations. In relation to licensing of many intermediaries, key functions have been performed, under ACPR oversight, since 2022 by professional associations. The new approach is still being implemented (the professional associations aim to do full checks on each member only every five years). There are no comprehensive requirements on the

Insurance Core Principle	Level	Overall Comments
		governance of non-bank intermediaries, although the EU framework on product oversight and governance imposes important relevant requirements. Banks and other financial institutions which also act as insurance intermediaries are exempt from professional associations' membership though still registered by ORIAS subject to meeting integrity and competence standards. ACPR, in cooperation with the BdF, carries out inspections and ORIAS and professional associations check compliance with registration requirements. There is no comprehensive risk-based system of off-site supervision applying to non-bank intermediaries.
ICP 19 - Conduct of Business	O	There is an extensive framework of requirements on business conduct in general consumer and insurance laws and regulations. ACPR carries out risk assessment, based on reporting by insurers (but not also intermediaries) and other sources of information, carries out inspections to investigate concerns with individual insurers, products or practices, and issues recommendations and reports. Together with the DGCCRF, it takes actions to enforce requirements on the fair treatment of customers. The more detailed regulatory requirements are concentrated on product origination and distribution. Firm-specific supervision extensively relies on the oversight by prudential supervisors, particularly of the governance and compliance functions of insurers and banks acting as intermediaries. The ACPR could consider supplementing this with firm-specific supervision by conduct supervisors, especially of larger insurers and intermediaries.
ICP 20 - Public Disclosure	O	Comprehensive requirements on disclosure have been introduced, based on Solvency II's SFCR, applying to insurers subject to Solvency II and ORPSs. To strengthen the reliability of information relating to the published prudential balance sheet, the recently agreed Solvency II review has introduced an obligation for certain prudential data published in the SFCR (and at the least the balance sheet) to be audited by an external auditor. The first audits should be carried out for the financial year 2027.
ICP 21 - Countering Fraud in Insurance	O	Insurance fraud is covered by criminal law and law enforcement procedures and there are legislative provisions to protect insurers from policyholder fraud. An industry body provides support to insurers on the management of insurance fraud risks. ACPR has regard to such risks in its sectoral risk assessment and supervisory framework, while supervisory focus on adequacy of internal controls (including AML/CFT measures) is likely to strengthen controls against fraud.

Insurance Core Principle	Level	Overall Comments
ICP 22 - Anti-Money Laundering and Combating the Financing of Terrorism	O	Insurers and brokers are subject to comprehensive AML/CFT requirements and AML/CFT supervision as part of a wider national regulatory framework. Laws and regulations are supplemented by ACPR guidelines. The latest FATF MER (2022) found that France's AML/CFT system was effective in many respects with a well-developed understanding of ML/TF risks. ACPR uses its sectoral risk assessment and the input of an extensive questionnaire to assess the risks at individual institutions, with a focus on life insurers. It carries out inspections and uses supervisory and enforcement powers as well as cooperating with law enforcement and other authorities.
ICP 23 - Group-wide Supervision	O	All insurance groups are mapped and no relevant entity is excluded from the group's scope for the purposes of group-wide supervision. Entities with contractual and financial interdependencies are scoped as an insurance group and supervised on a group basis. All IAIGs are appropriately designated with no exceptions.
ICP 24 - Macroprudential Supervision	O	ACPR's risk team performs detailed analyses, including on interconnectedness. ACPR publishes extensive results of its work as well as detailed data on the sector. There is a methodology to assess for systemically relevant institutions and critical functions. ACPR's supervisory approach considers the scale and systemic relevance of insurers. Implementation of the revisions to the Solvency II framework at the EU level will further add to ACPR's and HCSF's existing toolkit, by end-2026.
ICP 25 - Supervisory Cooperation and Coordination	O	The ACPR has established insurance group supervisory colleges where it is the group-wide Supervisor (GWS) in accordance with the EU and national legislative requirements and its commitment to effective cross-border supervision. It also participates in many supervisory colleges where it is an involved supervisor and in the colleges and CMGs for banking groups of which several IAIGs are a part. Colleges' discussions include crisis management issues. The ACPR has established one dedicated Crisis Management Group (CMG) for an IAIG and will review its approach to CMGs on the implementation of the IRRD (see ICP 12). The French IAIGs did not report on the IAIS's ICS during the monitoring period.

Table 3. France: Summary of Observance Level

Category	Number of CPs
Observed (O)	15
Largely observed (LO)	8
Partly observed (PO)	1
Not observed (NO)	0
Total	24

Source: IMF staff.

E. Recommendations to Improve Observance of the ICPs

Insurance Core Principle	Recommendations
ICP 2 - Supervisor	<p>It is recommended that:</p> <ul style="list-style-type: none"> to avoid any perception of a potential conflict of interest and to facilitate operationally independent functioning the government should recuse itself from supervisory decision making bodies and limit the scope of its veto power in the case of the resolution decision-making body so that it covers only decisions involving use of public funds and not also those which have significant consequences on the financial system or real economy; the government should ensure that the funding of the ACPR provides adequate resourcing while respecting its financial autonomy; it should conduct a bottom-up review of supervisory resources and needs, with a forward-looking focus on adequate capacity for managing an increasingly complex regulatory environment; ACPR issues a publication in due course (once the process has been fully tested) explaining its revised Supervisory Review Process; and ACPR ensure that all market-wide expectations placed by it on insurers are published.
ICP 5 - Suitability of Persons	<p>It is recommended that the Government and ACPR continue to cooperate on legislative changes that would make all members of the Board of directors subject to the same requirements and processes as those that effectively direct the business and key persons in control functions, ensuring that changes in Board members are notified to the ACPR in advance. The legislative change should also place an explicit requirement on insurers to notify the ACPR when they become aware of circumstances that may materially affect the suitability of persons covered by the requirements and significant owners.</p>

Insurance Core Principle	Recommendations
ICP 8 - Risk Management and Internal Controls	It is recommended that, notwithstanding its existing supervisory work, ACPR consider whether explicit requirements or published guidance in areas such as risk culture and external reviews of the effectiveness of internal controls would strengthen their ability to ensure insurers take appropriate measures to maintain effective controls.
ICP 9 - Supervisory Review and Reporting	It is recommended that the ACPR formalize and adapt its risk-based approach to ensure that the supervisory intensity on smaller insurers remains adequate to identify and assess all related risks and that these risks are adequately managed by those smaller insurers.
ICP 10 - Preventive Measures, Corrective Measures and Sanctions	It is recommended that ACPR review its approach to the use of powers with a view to making increased use of such powers. It should review its approach to the imposition of sanctions, considering the types of non-compliance (for example, failure to make accurate and timely reports or to take actions required by supervisors) where regular use of administrative sanctions may strengthen its ability to enforce requirements effectively. This may require reform of the Sanctions Committee process.
ICP 12 - Exit from the Market and Resolution	It is recommended that Government and the ACPR, when implementing the IRRD, develop the necessary legislation, processes, guidance (internal or published where needed) and tools to complete the comprehensive insurance resolution framework in line with ICP 12 requirements.
ICP 14 - Valuation	It is recommended that the ACPR and government reconsider the valuation basis applied to the ORPSs' insurance contracts.
ICP 16 - Enterprise Risk Management for Solvency Purposes	It is recommended that the ACPR: <ul style="list-style-type: none"> • review regulations and guidance on risk management for IAIGs to ensure ComFrame requirements are met; • require insurers and IAIGs to develop liquidity risk management plans taking into account the requirements of ICP 16.9 and CF16.9d; and • include all IAIGs in requirements on the development of recovery plans as required by CF16.15; and regularly reviews the need for significant non-IAIGs to develop recovery plans.
ICP 17 - Capital Adequacy	It is recommended that the ACPR explore ways of ensuring that capital adequacy requirements applied to ORPSs are based on a total balance sheet approach capturing all relevant risks.
ICP 18 - Intermediaries	It is recommended that ACPR: <ul style="list-style-type: none"> • develop recommendations on proportionate general governance requirements for intermediaries other than banks to supplement existing requirements in EU legislation focused on product governance; and • supplement the work of ORIAS and representative professional associations (as they do already through on-site supervision) by developing a system of risk-

Insurance Core Principle	Recommendations
	based off-site supervision, at least of the larger non-bank intermediaries, including reporting of appropriate business information and meetings with selected intermediaries to discuss strategy, business development, risks and related controls with regard to the distribution of insurance products.
ICP 19 - Conduct of Business	It is recommended that ACPR review whether to extend its Conduct Risk Appetite framework to enhance existing firm-specific supervision with increased supervision by specifically conduct supervisors, focused on the larger insurers and intermediaries, addressing the likely need for increased conduct supervisory resources.
ICP 21 - Countering Fraud in Insurance	While ACPR's focus has reasonably been on other risks in recent years under its risk-based approach, it is recommended that it consider reviewing the extent and nature of fraud risks and controls, for example through thematic work and closer cooperation with industry bodies.
ICP 25 – Supervisory cooperation	It is recommended that the ACPR continuously review the establishment and membership of CMGs for all designated IAIGs to ensure an appropriate set of participants attend, particularly for bank-led financial conglomerates.

DETAILED ASSESSMENT OF OBSERVANCE OF THE ICPs

ICP 1	<p>Objectives, Powers, and Responsibilities of the Supervisor</p> <p>Each authority responsible for insurance supervision, its powers and the objectives of insurance supervision are clearly defined.</p>
Description	<p><i>Insurance Authorities and their Objectives</i></p> <p>The ACPR is clearly identified in legislation as the supervisory authority for the insurance sector, including intermediaries. The ACPR is an administrative authority established under the French Monetary and Financial Code (FMFC), which has budgetary autonomy and acts independently in the performance of its tasks. It is operationally attached to the Bank of France (BdF), which provides it with financial and other resources, but has its own operating and governance arrangements (Articles L.612-1 and L.612-18 of the FMFC).</p> <p>The objectives of the Authority are defined as safeguarding financial stability and the protection of clients, policyholders, members and beneficiaries of firms subject to its supervision. Its functions include licensing, approval of transactions such as portfolio transfers, supervision of compliance with prudential, conduct of business and AML/CFT requirements and the implementation of crisis recovery and resolution measures (Article L.612-1 of the FMFC).</p> <p>Article L.612-2 of the FMFC lists the types of firm subject to ACPR supervision, including insurers and reinsurers, mutual companies, provident institutions, group holding companies, securitisation vehicles and ORPSs.</p> <p>Regulatory requirements on the insurance sector are enacted at EU level or by the Government of France through laws, ordinance, decree and orders. The ACPR carries out supervision and takes actions in case of non-compliance with such requirements. It must take into account the objective of financial stability throughout the EEA as well as good practices and recommendations issued by the EU's supervisory systems such as the European Insurance and Occupational Pensions Authority (EIOPA). It must cooperate with the authorities in other EEA Member States, including in relation to cross-border groups (Article L.612-1 of the FMFC).</p> <p>The macroprudential supervision of the financial sector including insurance is led by the High Council for Financial Stability (HCSF) chaired by the Minister of the Economy and Finance and comprising the Governor of the BdF and heads of agencies including the ACPR and AMF as well as three independent members. It has intervention powers in respect to insurance, enabling it to suspend dividend payments or lapses. It has not used these powers or otherwise recommended measures on the insurance sector to date.</p> <p>Certain other bodies participate in the supervision of insurance intermediaries. The Organisme pour le register unique des intermédiaires en assurance, banque et finance (ORIAS), a non-profit organization managed by the insurance sector under the supervision of the Direction Générale du Trésor (DGT), part of the Trésor within the Ministry of Economics and Finance, is</p>

	<p>responsible for checking that intermediaries meet requirements for registration (Article R.512-3 of the FIC and R.546-1 of the FMFC – see also ICP 18).</p> <p>In addition, since April 2022, insurance intermediaries (with certain exceptions including banks) have been required to join one of eight professional associations approved by ACPR (Law No. 2021-402 of the 8th of April 2021). Membership of a professional association is a requirement for registration by the ORIAS (Article L.512-1 of the FIC (FIC)). They act as self-regulatory organizations, carrying out initial checks on the conditions for operating in the different branches of insurance intermediation, although with no enforcement power other than the withdrawal of membership.</p> <p>ACPR is empowered to exercise supervision over all insurance intermediaries and can carry out inspections at any time. The BdF supports this work, mainly for inspections of smaller intermediaries and those located outside Paris, through its network of branches throughout the country. The work is carried out under the authority of the ACPR.</p> <p>ACPR is the AML/CFT supervisory authority for the insurance sector with powers to supervise and enforce requirements (Articles L.612-1, L.561-36 and L.561-36-1 of the FMFC). There is also a Financial Intelligence Unit (FIU), TracFin, an independent unit established within the MoEF, but its task is limited to receiving, analyzing and disseminating to law enforcement authorities reports submitted by insurers on suspicions of ML/FT.</p> <p>The Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes (DGCCRF), a public body reporting to the MoEF, has responsibilities that include the protection of consumers across the economy. It has occasionally used its powers to sanction insurance market participants.</p> <p>Powers</p> <p>The ACPR has extensive powers under the FMFC and the specific codes setting out requirements on different types of insurers:</p> <ul style="list-style-type: none"> • the French Insurance Code (FIC), for incorporated insurers and reinsurers and mutual companies; • the French Mutuality Code (FMC) for mutuals and mutual unions; and • the French Social Security Code (FSSC) for provident institutions and unions of provident institutions. <p>In each code, provisions are set out either as a Law (identified with an “L”), Regulation (with an “R”), order or decree (“A” or “D”) depending on where they originated.</p> <p>Article L.612-1 of the FMFC grants the ACPR powers to meet its objectives, including supervision, powers to issue and implement enforcement measures and powers to impose sanctions. The measures which the ACPR may take in practice are listed in, for example, in Article L.612-30 to 612-37 of the FMFC (enforcement measures) and Article L.612-38 to 612-42 (disciplinary measures/sanctions). Resolution and related powers on crisis prevention and</p>
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	<p>management are set out in Articles L.311-1 to 311-61 of the FIC and apply on the same basis, as do many other powers set out in the FIC, to insurers subject to the FMC and FSSC.</p> <p>ACPR has powers to take many specific measures in relation to solvency (for example requiring recovery plans in case of breaches of solvency requirements), under Articles L.351-3 and L.352-3 of the FIC.</p> <p>The ACPR has more limited powers over the branches in France (and cross-border business into France) of insurers incorporated in other member countries of the EEA, where they operate under the EU arrangements on freedom of establishment and freedom of services (the EU “passport”). ACPR may not require such entities to be licensed or to comply with prudential requirements, but other requirements apply and may be enforced (Article L.612-41 of the FMFC). ACPR is empowered to communicate and cooperate with responsible authorities in such insurers’ (and intermediaries’) home states.</p> <p>ACPR has extensive powers to supervise insurance groups, including IAIGs (provisions apply to groups with no additional requirements specifically for IAIGs). These include direct powers over insurance holding companies (Article L.612-2 of the FMFC).</p> <p>The ACPR can and does issue recommendations and guidelines and publishes information aimed at supporting compliance with regulatory requirements (sometimes referred to as “soft law”). This material does not have the same status as laws, regulations, decrees etc. issued by the government and can be enforced with the full range of ACPR’s powers only by reference to such laws and regulations. However, ACPR also has powers to issue enforceable instructions on detailed reporting requirements.</p> <p><i>Review and Request for Amendments to Insurance Laws etc.</i></p> <p>ACPR cooperates with the government (mostly the DGT, which has a unit specializing in insurance sector issues) on initiatives to develop and reform legislation on the insurance sector. These comprise measures to implement EU legislation, including EU instruments not having direct effect in France, in a matter appropriate to the French market and initiatives driven by domestic priorities. Examples of the latter in recent years include:</p> <ul style="list-style-type: none"> • the introduction of a resolution framework for insurers (legislation enacted in 2017); • reform of the licensing arrangements for intermediaries (2021); and • measures to require insurers to take collateral from certain reinsurers (2023). <p>Cooperation is facilitated by DGT’s attendance at meetings of the ACPR’s governing body (see ICP 2). ACPR also works with the Ministry of Labor, Health, Solidarity and Families (responsible for the FMC and FSSC) and with consultative bodies established by law to review draft new requirements etc. (see ICP 2).</p>
Assessment	Observed

Comments	<p>Legislation clearly identifies the ACPR as the principal supervisory authority for the insurance sector, with appropriate objectives and a full range of powers to carry out supervision, including of intermediaries. Regulation is reserved to the government, but ACPR cooperates actively with the Tresor and other bodies on the development of laws and regulations, including the implementation of EU legislation, where necessary. New self-regulatory organizations have recently been established to support the oversight of the large number of non-bank insurance intermediaries, although ACPR retains supervisory powers and can carry out inspections at any time.</p>
ICP 2	<p>Supervisor</p> <p>The supervisor is operationally independent, accountable and transparent in the exercise of its responsibilities and powers and has adequate resources to discharge its responsibilities.</p>
Description	<p>The ACPR is an administrative authority established under the FMFC. It acts independently in the performance of its tasks (Article L.612-1 of the FMFC). It has responsibilities, shared with the European Central Bank, for banking supervision as well as for insurance.</p> <p>Articles L.612-4 to L.612-11 of the FMFC set out the governance of the ACPR, which is comprised of:</p> <ul style="list-style-type: none"> • the Supervisory College (the governing body); • the Resolution College responsible for decisions on resolution; and • the Sanctions Committee, which decides on sanctions. <p>The Supervisory College meets in multiple formats, including an Insurance College which examines issues relating to individual supervised entities and general issues affecting the sector. It is chaired by ACPR's Vice Chair who is required by law to have insurance sector experience. A Restricted College, of which the ACPR's Vice-Chair is a member, deals with cross-sectoral issues (those affecting banking and insurance) and those with financial stability implications (it has examined issues arising at the largest insurers).</p> <p>The ACPR's senior management is headed by a Secretary General and First Deputy Secretary General, who must have complementary experience in banking and insurance.</p> <p><i>Independence from Undue Government Interference</i></p> <p>ACPR takes supervisory and resolution decisions in its Supervisory College and other bodies and no such decisions are reserved to the government.</p> <p>However, as noted in previous detailed assessments of observance of the ICPs, the Director-General of the Tresor (Head of DGT, part of the MoEF) and Director of Social Security (from the Ministry of Labor, Health, Solidarity and Families) can and do attend or send representatives to meetings of the ACPR's Supervisory College, including the Insurance College and Restricted College. They have no voting rights but may request a second deliberation of an issue (Article</p>

L.612-11 of the FMFC). No such request in respect of an insurance sector decision has been made in the period since the 2013 FSAP.

Article L.612-11 of the FMFC also provides for the Director-General of the Treasury and Director of Social Security (or representatives) also to attend meetings of the Sanctions Committee, except for its deliberative sessions, i.e. discussions of specific cases. DGT representatives noted in discussions for this assessment that they do not now attend any meetings of the Sanctions Committee and that the FMFC will be changed to reflect this practice in due course.

In addition, the Director-General of the Tresor is a voting member of the Resolution College and may veto any decision implying public funding or which may have significant consequences on the financial system or real economy (Article L.612-8-1 of the FMFC). No decision on resolution of an insurer has been taken by the College as yet.

The Director-General of the Treasury may also send a representative to meetings of the body responsible for the register of insurance intermediaries (ORIAS – see ICPs 1 and 18).

The ACPR's Supervisory College is responsible for establishing ACPR's organization and operation, its budget and internal regulations (Article L.612-12 of the FMFC).

ACPR has budgetary autonomy within the limits of allocations granted by the BdF (Article L.612-18 of the FMFC). ACPR is funded mainly by levies on supervised entities. For insurance companies, the levy is set as a percentage of premium income (0.23 percent in 2023) fixed by the Minister of the Economy and Finance within a range set by legislation (currently 0.15 to 0.25 percent) (Article L.612-20 of the FMFC). Small mutual insurers and intermediaries pay fixed amounts. Levies are paid to the BdF and allocated to the ACPR up to an annual cap set by the Parliament, the balance being paid to the State budget. Deficits and surpluses generated by the ACPR are met by a special reserve at the BdF. Financial penalties imposed by the ACPR are paid to the State budget.

The effects of these funding arrangements in recent years are that:

- the total levies raised for funding the ACPR have exceeded the cap set by Parliament resulting in significant transfers to the State budget (EUR 31 million out of total levies of EUR 231 million in 2023); and
- ACPR's expenditure has exceeded its total income after the operation of the cap (by EUR 22 million in 2023), resulting in the drawing down of most of the reserve at the BdF.

Although the cap was raised by Parliament for 2024 and spending is being constrained, ACPR is projecting continuing deficits and the exhaustion of the BdF reserve in 2026.

ACPR was formerly subject also to a cap on its total headcount. This was removed by Parliament in the 2024 Budget Act. Headcount is still subject to BdF controls.

Independence from Undue Industry Interference

	<p>There is no direct industry participation in the governance of the ACPR. College members with insurance expertise are appointed by the Minister of the Economy and Finance and must not also be employed by a supervised entity (Article L.612-10 of the FMFC).</p> <p>There is a wide range of industry consultative bodies. The Advisory Committee on Financial Legislation and Regulation, established under Articles L.614-1 to 614-3 of the FMFC, is responsible for providing an opinion on draft texts of laws etc. Chaired by the Minister of Economy and Finance, it also comprises representatives of Parliament, the financial sector including insurance, labour organizations and consumers as well as government departments and the BdF. Other consultative committees have been established by the ACPR under the provisions of Article L.612-14 of the FMFC to cover prudential affairs, business practices (conduct issues), AML/CFT and climate change and sustainability issues. They are comprised of members of the ACPR's Supervisory College as well as industry (and trade association) representatives.</p> <p>The ACPR consults the committees before issuing its opinions or guidance. It is not bound by the decisions of the committees. In the case of the Advisory Committee on Financial Legislation and Regulation, the Committee's opinions may be overridden by the Minister only after a second deliberation has been requested (Article L.614-2 of the FMFC).</p> <p>Legal Protection</p> <p>There is no specific provision in law concerning the protection of the ACPR or its staff. However, the ACPR (or in practice the Government, as the ACPR has no separate legal personality) may be held liable for damages caused by its actions or omissions only in case of serious negligence, as established under French administrative law, to which the ACPR is subject, and case law. Relevant jurisprudence includes the ruling of the supreme administrative court (the Conseil d'État) in a November 2001 case against an action by the then banking supervisor, the Banking Commission (case number 219562). Similarly, employees cannot incur personal liability for actions taken and/or omissions made while discharging duties in good faith.</p> <p>There have been no cases where the ACPR or staff have been subject to legal action for damages due to the exercise of supervisory powers.</p> <p>Appointment and Dismissal of Governing Body</p> <p>The Supervisory College is composed of 19 members (Article L.612-5 of the FMFC):</p> <ul style="list-style-type: none"> • the Governor of the BdF (or the Deputy Governor designated to represent the Governor), who chairs the College; • a Vice-Chair with expertise in insurance; • the Chair of the Financial Markets Authority (AMF); • two members designated for their financial and legal expertise by the Presidents of the two chambers of Parliament; • the Chair of the Accounting Standards Authority;
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- a member of the supreme administrative court (Conseil d'État), a judge of the supreme judicial court (Cour de Cassation) and a magistrate of the court of auditors (Cour des comptes);
- two members chosen for their expertise in consumer protection and quantitative techniques or any other expertise useful for the ACPR; and
- four members chosen for their expertise in insurance and four for expertise in banking, electronic money, payment services or investment services.

College members chosen for their expertise (except for those appointed by the Presidents of the chambers of Parliament) are appointed for five years by the Minister of Economy and Finance (renewable once subject to an age limit of 70). The Vice-Chair is appointed for the same term by a joint order of the Ministers of Economy and Finance and Social Affairs after consulting the Finance Committees of the two chambers of Parliament (Article L.612-5 of the FMFC). The Governor of the BdF is appointed by the Minister of the Economy and Finance for a term of six years.

College members may be dismissed only because of violations of their duties or incapacity (Article L.612-5 of the FMFC). Dismissal is by the person that appointed them, but it can occur only with the agreement of a majority of college members. While there is no requirement that the reasons for dismissing members of the College be disclosed, the reasons would be provided to the dismissed member. No such dismissal has occurred in the years since the establishment of the ACP (now the ACPR) in 2010.

There are similar provisions on the appointment and dismissal of members of the Resolution College and Sanctions Committee.

College members are subject to the ACPR code of ethics. They may not participate in deliberations on a case in which they have an interest (Article L.612-10 of the FMFC).

The Secretary General is appointed by the Minister of Economy and Finance on a proposal of the Chair of the ACPR (Article L.612-15 of the FMFC). No term is specified and the legislation does not require that there be particular reasons for dismissal. General administrative law provisions would apply (no dismissal has taken place in practice).

Accountability and Organization of the FSA

The ACPR is accountable to Parliament for the performance of its tasks and the outcomes in relation to its objectives. It makes an annual report to Parliament on its activities. Parliament or its committees can require members of the ACPR's Supervisory College or staff to appear before them in person. The Annual Report includes an assessment of activity and performance indicators based on the ACPR's broad tasks, including prudential supervision, oversight of AML/CTF compliance, customer protection etc.

The Secretary General is responsible for the organization and day-to-day functioning of the ACPR including the preparation of recommendations to the College. The ACPR's organization reflects its responsibilities for both banking and insurance sector supervision. Two directorates carry out supervision of insurers, supported by one directorate focusing on specialized issues

	<p>such as approvals of internal models. Other ACPR directorates cover insurance alongside banking sector work: Business Practices, which also carries out insurance intermediary inspections, Research and Risk Analysis, Legal, Authorization, AML/CFT Supervision, Resolution and International.</p> <p>All significant decisions are taken by the Supervisory College (or Resolution College and Sanctions Committee), but minor decisions may be delegated to the Secretary General or the Chair of the College, both being subject to ex-post reporting to the College.</p> <p>Staff are subject to a code of ethics applicable to all BdF employees and a separate code specific to ACPR staff, adopted under Article L.612-19 of the FMFC. The codes cover conflicts of interest, gifts and hospitality, private financial transactions and professional secrecy. Criminal sanctions may apply to any person found to have taken any interest in a company subject to their supervision.</p> <p>The ACPR's Supervisory College (but not the Sanctions Committee) may take decisions in case of an emergency, including by written procedure (Article L.612-13 of the FMFC). It can also take any enforcement measure without any prior hearing, if necessary, provided that a proceeding starts without delay after the measure has been decided (Article L.612-35). It has taken such decisions in practice.</p> <p>The College has established an Audit Committee. Internal audit work is undertaken by the BdF's audit function and covers supervision work. A report in 2022, for example, included significant recommendations on the practice of insurance supervision, which has resulted in changes (see ICP 9). All recommendations have now been closed.</p> <p><i>Application of Requirements Consistently</i></p> <p>The ACPR has no general power to issue waivers or modifications of the requirements set out in laws and regulations. It makes decisions on treatments to be adopted by individual insurers only as set out in regulations etc. (for example use of internal models for solvency purposes). It publishes the number of such treatments agreed (not the names of the affected insurers). It is required to exercise its functions in a proportionate manner.</p> <p>The ACPR relies on its governance arrangements to deliver consistent application of requirements. For supervisory judgments which do not go to the Supervisory College (including the annual risk assessment of insurers - see ICP 9), ACPR relies on directorate and divisional management to ensure consistency. A working group on the supervisory approach will, however, review the application in practice of the recently reformed supervisory methodology.</p> <p><i>Rights of Appeal</i></p> <p>ACPR's decisions can be appealed to the administrative courts (Conseil d'État) (Article R.311-1 of the Administrative Justice Code). Appeals must be lodged within two months of the decision being published (Article R.421-1). There are specific provisions on appeals, by the affected party or by ACPR itself, of any decision taken by the Sanctions Committee to the Conseil d'État (Article L.612-16 of the FMFC).</p>
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An appeal does not as a matter of course stay ACPR's actions. However, the Court can suspend the ACPR's decision pending its final decision, but only where the appellant proves urgency, that execution of the decision would cause damage that would be difficult to repair and that there is serious doubt as to the legality of the decision. In practice, the Court has granted such a stay only in exceptional cases. When it does so, the ACPR considers and may take other enforcement measures where necessary.

Appeals have been made in practice, including three in total in both 2022 and 2023. In respect to the insurance sector (but not the banking sector), the ACPR's decisions have been upheld in all cases to date.

Protection of Confidentiality

Article L.612-17 of the FMFC sets out professional secrecy requirements, which apply to staff and (without limitation as to time passed) to former employees, in respect to information they acquired while working at the ACPR. Any breach in the requirements is punishable by penalties (one year imprisonment and a fine of EUR 15,000) (Article L.641-1 of the FMFC). There have no been recent cases of such breaches. This requirement also applies to any third-party acting on the behalf of the ACPR (Article R.612-24 of the FMFC).

Transparency and Consultation

The ACPR publishes extensive information about its work, its activity and performance indicators, its budget and its key decisions in its Annual Report, which is also published on its website. Separately, it publishes a summary of its planned work program for each year.

It publishes relatively limited information other than broad principles on its supervisory approach, including its risk assessment methodology and basis for rating of insurers (some information is available from EIOPA's guidelines on supervisory review with which the ACPR's approach is consistent). Nor does it publish material on its approach to use of enforcement tools. It is, however, highly transparent in respect to the results of thematic exercises and studies, for example in recent years the results of stress testing and its research into the risks to insurers from biodiversity loss. It also published regular analysis of developments in the market as well as raw data on the insurance sector.

The ACPR also publishes on its website reference texts (codes applicable to the insurance sector as well as its own opinions, decisions, instructions, guidance, etc.). Legislation and official publications are also readily available on a government website Légifrance.

ACPR is not a regulatory authority and may not issue materials containing regulatory standards. It does occasionally adopt benchmarks or internal guidelines for supervisory assessment. One of these, discussed with ACPR for this assessment, a limit on certain intra-group exposure, had the characteristics of a regulatory requirement. Such benchmarks etc. may be communicated to the affected insurers (and were communicated in the case discussed with ACPR) but are not published.

	<p>It does, however, issue publications on how it interprets regulatory requirements. It has, for example, issued a set of six guidance papers, based on original internal guidance developed for supervisors, on how it interprets aspects of the Solvency II requirements.</p> <p>ACPR consults extensively with the industry and other stakeholders through the mechanisms of its consultative committees established under Article L.612-14 of the FMFC (see above). The ACPR consults before issuing its own opinions, guidance etc., including the papers mentioned above. For other measures, it coordinates with the relevant ministry (usually the MoEF) in support of consultation with the insurance sector and wider stakeholders, including through the Advisory Committee on Financial Legislation and Regulation.</p> <p>Resources</p> <p>Of the ACPR's around 1,100 total staff, an estimated 315 were engaged directly in insurance sector work at the end of 2023 (this figure excludes vacancies, which the ACPR note included 10 in the three supervision directorates, i.e., those units wholly engaged in insurance sector work).</p> <p>Staff resources are broadly adequate in numbers and skills, although ACPR is still building experience levels after recruitment in recent years. New recruits are given extensive training. The ACPR offers the terms and conditions available to BdF staff generally (which are independent of civil service remuneration arrangements) and the BdF is the employer of all ACPR staff. Around 80 percent of staff have at least the equivalent of a five-year university degree. ACPR estimates that by academic background, around 20 percent of insurance sector staff are actuaries (they are deployed in various roles rather than in a specialist team), around 20 percent lawyers and 10 percent accountants.</p> <p>The ACPR has powers to engage third parties such as auditors, experts or other competent persons to carry out supervisory work (Article L.612-23 of the FMFC). However, it does so only in exceptional circumstances. Where it does, it must follow requirements in the FMFC (Article R.612-24) on the conditions that contractual arrangements with the third party must include such as safeguards to ensure absence of conflicts of interest and that relevant persons comply with requirements on protection of confidential information applicable to ACPR staff (see above). It can engage third parties only at its own expense.</p> <p>ACPR relies on the BdF's infrastructure for many services including IT. It has extensive database and analytical capacity to support supervisory work, devoting around EUR 35 million of its total 2023 expenditure of EUR 232 million to IT.</p> <p>As noted above, most of its available financial resources are allocated to the ACPR by the BdF, subject to the cap set by Parliament, from the levies paid by supervised entities. While the cap was raised for 2024, the ACPR is facing potential difficulties in matching financial resources to the needs of its work program from 2026. It is already constraining headcount. Nonetheless, some increases in headcount devoted to key insurance sector priorities such as recovery and resolution work have been made. The ACPR notes that the BdF would be able to provide additional funding to the ACPR, if needed, in case the reserve on which the ACPR has been drawing were to be exhausted.</p>
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Assessment	Largely Observed
Comments	<p>The ACPR takes decisions within the scope of its supervisory authority independent of undue government or industry interference. In respect to insurance regulation, the government plays a large role, being responsible for almost all applicable national laws and regulations. Government representatives also attend ACPR governing body meetings, although there is no evidence that they influence decisions (other than on resolution matters, where the DGT has voting and wide-ranging veto rights), while the arrangements appear to reinforce close collaboration between ACPR and government on insurance issues.</p> <p>ACPR is financially autonomous by law and funded mostly by industry levies, but government control of the amount and allocation of levy income provides a potential channel for undue interference, while currently also putting at risk ACPR's ability to match available financial resources to the needs of its growing work program in the coming years. ACPR is highly transparent on most aspects of its supervisory work and, together with the government, consults and communicates extensively with the insurance sector. It could publish more on its approach to supervisory work including details of its recently revised risk assessment framework. ACPR occasionally places expectations on insurers for supervisory purposes that are not published.</p> <p>It is recommended that:</p> <ul style="list-style-type: none"> • to avoid any perception of a potential conflict of interest and facilitate operationally independent functioning, the government should recuse itself from supervisory decision making bodies and limit the scope of its veto power in the case of the resolution decision-making body so that it covers only decisions involving use of public funds and not also those which have significant consequences on the financial system or real economy; • the government ensure that the funding of the ACPR provides adequate resourcing while respecting its financial autonomy; it should conduct a bottom-up review of supervisory resources and needs, with a forward-looking focus on adequate capacity for managing an increasingly complex regulatory environment; • ACPR issue a publication in due course (once the process has been fully tested) explaining its revised Supervisory Review Process; and • ACPR ensure that all market-wide expectations placed by it on insurers are published.
ICP 3	<p>Information Sharing and Confidentiality Requirements</p> <p>The supervisor obtains information from, and shares information with, relevant supervisors and authorities subject to confidentiality, purpose and use requirements.</p>
Description	<p>The FMFC provides for the exchange of information by the ACPR with (i) other national authorities (Article L.631-1); (ii) EEA members (Article L.631-2) including EU institutions (Article L.632-6-1) such as EIOPA, ECB, ESRB; and (iii) other authorities outside of the EEA (Articles L.632-7, and L.632-13). The ACPR may exchange public and non-public information.</p>

National Authorities

Information exchange is allowed with national authorities which includes the BdF, Haute Autorité de' Audit (H2A), the DGCCRF and other authorities responsible for AML/CFT supervision. All information exchanges are subject to professional secrecy. The legislation further stipulates that for the other regulatory authorities, the information may be used only for the performance of their tasks and, for the other entities mentioned in the FMFC, the information exchanged may only be used for the purposes for which it was communicated to them, unless consent is given for another purpose.

EEA Authorities

Information exchange with EEA counterparts including the EU Institutions mentioned above is allowed if it is necessary for these counterparts to fulfil their objectives. The ACPR can also, in case of emergency or risks posed to any EEA member state's financial stability, exchange relevant information with ministries of finance.

Non-EEA Authorities

The FMFC provides for the conclusion of cooperation agreements for the exchange of information. The FMFC also specifies the authorities with whom the ACPR can conclude such agreements which include, amongst others, authorities responsible for the supervision of financial institutions, insolvency proceedings of these named financial institutions, their auditors, independent appointed actuaries of insurers or reinsurers and managers of deposit guarantee schemes and investor compensation schemes. Similarly, the exchange of information must be relevant to the authorities' objectives. The information may be exchanged only if professional secrecy provisions apply similar to those applying to the ACPR.

Article L.632-15 of the FMFC provides for information to be shared on an ad-hoc basis with non-EEA countries where the ACPR is comfortable that the relevant authority's professional secrecy is at least equivalent to that applying to the ACPR. In practice, this assessment is carried out by means of a questionnaire sent by the ACPR to the competent authority. This includes several questions to determine whether the authority fulfils this equivalence criterion including whether the concerned authorities are signatories to the IAIS MMoU.

Where the requesting authority or a signatory to any bilateral or multilateral memorandums of understanding does not have equivalent professional secrecy provisions, the ACPR will consider such a request on a case-by-case basis and will provide a response but providing public information only.

Information Requests

The legal powers are wide enough to enable the ACPR to request or share information that includes the information listed in ICP 3.1.1.

By law the ACPR may use information it has received only in the performance of its functions. It may not disclose information it has received from another authority without the consent of that authority. There are a few exceptions covering circumstances where the ACPR cannot guarantee

	<p>such confidentiality, for example in the case of legal proceedings such as liquidations, a commission of inquiry, or where a request is made from Parliament and ACPR is obliged to transmit the information. Even under these exceptions, the ACPR must still consult the requested supervisor. In cases where consent to disclosure is not given, the ACPR will use all reasonable means to resist the demand and to protect the confidentiality of the information. (Articles L.631-1, L.632-1, L.632-7, L.632-13 and L.632-15 of FMFC).</p> <p>Information Exchange Arrangements</p> <p>The ACPR is a signatory to the IAIS MMoU. In addition, it has concluded several standard MoUs under which it can exchange information with jurisdictions that are members of the EEA, jurisdictions with whom EIOPA has signed an MoU and certain other individual non-EEA jurisdictions.</p> <p>Article L.612-47 of the FMFC established a joint unit between the ACPR and the AMF for cooperation and information exchange on joint issues on life insurance products. The workings of this Joint Unit are set out in an annual report that is published.</p> <p>In supervisory colleges, coordination agreements are entered into between college members (also see ICP 25). These arrangements include the regular exchange of information (including non-public information) between members of colleges. The ACPR is a signature to a number of these coordination arrangements either as a home supervisor or an involved supervisor. The FMFC also specifies which information the ACPR must share and which information the ACPR can require where it is the GWS. The ACPR, where it is the GWS, has set up secure exchange platforms to exchange information, where it grants access to all the involved/host authorities. ACPR aims to respond in a timely matter to all information exchange requests.</p>
Assessment	Observed
Comments	<p>The ACPR has the necessary powers to exchange information with a wide variety of authorities at national, EEA and non-EEA level. The legislation provides for detailed requirements and addresses almost all scenarios. At the heart of the ACPR's information exchange lies the requirement for professional secrecy equivalent to that which applies to the ACPR. The ACPR has developed various tools to facilitate information exchange and does so extensively in practice. ACPR in general responds to information exchange requests in a timely manner.</p>
ICP 4	<p>Licensing</p> <p>A legal entity which intends to engage in insurance activities must be licensed before it can operate within a jurisdiction. The requirements and procedures for licensing must be clear, objective and public, and be consistently applied.</p>
Description	<p>License applications are processed by ACPR's Authorisation Directorate, which also makes recommendations to the Supervisory College, with the input of supervisory areas as necessary. Applications for new licenses are rare. Most cases in recent years have been for</p>

ORPSs (see below) and, following changes to tax treatment in the 2023 Budget Act, captive insurers (typically reinsurance companies that provide cover for the sponsoring corporate via an insurance company). The Authorisation Directorate has around 18 staff covering insurance sector issues, including other types of regulatory transaction (see ICPs 5 and 6). All decisions on licensing are taken by the Supervisory College.

Definition of Insurance for the Purposes of Licensing Insurers

Insurers may be licensed under the three different codes (legislative frameworks) applying to the types of insurers (see ICP 1): the FIC, for incorporated insurers and reinsurers and certain mutual companies; the FMC, for mutuals and mutual unions; and the FSSC, for provident institutions and unions of provident institutions.

The main differences between the codes relate to the insurance classes for which insurers may be licensed (for example, provident institutions may be licensed only for life and health business) and corporate governance requirements. All prudential requirements are set out in the FIC to which both other codes refer. The ACPR is the licensing authority for all types of activities and for each code.

ORPSs may also be licensed under specific provisions in the FIC (Article L.381-3), FMC (L.214-3) or SCC (L.942-3). While such pension funds are subject to a different legislative framework at EU level (the IORPs II Directive), they are regulated and supervised (and licensed) in broadly the same way as other insurance companies, reflecting the nature of the contracts entered into by pension funds and the application of the three codes (see Box 1).

Article L.310-1 of the FIC (and Article L.111-1 of the FMC and Article L.931-1 of the FSSC) defines the three types (or branches) of insurance activities which are subject to licensing requirements (life, health and non-life insurance) and other provisions of each code list the classes of insurance which can be included in the license scope. Reinsurance business is subject to licensing as well as primary insurance. Insurers may not be licensed for both life and non-life insurance activities but may combine life and health business – these are known as mixed companies (Article L.321-1 of the FIC).

Article L.310-27 of the FIC and equivalent provisions in the other codes make it a criminal offence to carry on insurance activities without authorization (see also ICP 10).

Exceptions to the Requirement for a License to Conduct Insurance Business

As mentioned under ICP 1, the branches in France (and cross-border business into France) of insurers incorporated in other member countries of the EEA do not have to be licensed by the ACPR provided they are licensed by their home state authority. The ACPR must have received notification with the required information from the home supervisory authority before such business may be undertaken (Articles L.362-1 to 362-2 of the FIC). Insurers incorporated in Switzerland are subject to similar provisions.

Reinsurers incorporated outside France may carry on reinsurance in France without being licensed (Article L.310-1-1 of the FIC) subject to a requirement for those incorporated in non-

EEA and non-OECD member countries to provide collateral where the home solvency regime is not deemed equivalent to that of the EU (see ICP 13).

Licensing Requirements

Requirements are set out in the FIC for all three codes, including pension funds (Articles L.321-10 and L.382-2 of the FIC).

The ACPR is required to consider the adequacy of technical and financial resources of the applicant with regard to its planned activities; the suitability of relevant persons (see ICP 5); the distribution of its capital and the quality of the shareholders. For companies subject to the Solvency II requirements, ACPR assesses likely compliance with applicable minimum solvency requirements and governance requirements.

It also assesses whether there are close links between the applicant and other persons (natural persons and corporations – including, therefore, a group structure), which could hinder effective supervision, or the existence of provisions in national laws, where these persons are located, which could hinder effective supervision (Articles L.321-10 and L.382-2 of the FIC).

The information which insurers must submit with their license application is set out on the ACPR's website, which also lists the procedures to be followed. They must submit a business plan covering at least three years of planned operations.

Authorisation Directorate staff analyze the business plan, financial information etc. in cooperation with supervisors, for example to support detailed financial analysis or where the application is part of an intragroup reorganization. The same process is followed for all types of application including pension funds and captives. In the case of reinsurance captives, the ACPR has published guidance on how it assesses applications in practice, taking into account the characteristics of these insurers, the scope of outsourcing permitted etc. Captive insurers are defined as insurers for the purposes of regulation and supervision in Article 350-2 of the FIC.

Licensing Process

ACPR has six months to take decisions after a complete application has been received. In practice, it can take many months to get to the stage when the application is regarded by ACPR as complete and licensing staff ask for more material when needed. ACPR must notify applicants of any rejection and provide reasons (absent a reply from the ACPR, it is considered to have rejected the application). Before rejecting an application, the ACPR must send a formal notice to the applicant and invite it to submit any observations within 15 days (Article R.321-4 of the FIC for insurers and similar provisions for reinsurers and pension funds).

In practice, ACPR most often keeps an applicant informed of its consideration of an application for a license and any concerns that arise. Its experience is that applicants withdraw the license application before it gets to the stage of formal rejection (or notice of

	<p>intended rejection).</p> <p>ACPR has not rejected an insurance license application in the last five years. In one case the ACPR's Supervisory College decided, on the recommendation of staff, to start the process of rejecting the application, but the applicant then took the necessary actions (in relation to solvency and the adequacy of staff resources) and the application was agreed.</p> <p>The Supervisory College may agree to a license application subject to conditions – but these concern matters to be settled by staff (typically within two months) before granting the license, which is then issued without conditions. Authorisation Directorate staff cooperate with staff of the relevant supervision directorate in monitoring whether the conditions are met.</p> <p>Article L.321-10 does, however, provide that a license can be subject to conditions with which the applicant commits to comply. In such cases, the applicant must resubmit the application to include this commitment such that the application is effectively new.</p> <p>Under Article L.321-1 of the FIC (and Article L.382-1 for ORPSs), a license is granted only for the classes of insurance business specified in the license.</p> <p><i>Publication of a List of Licensed Insurers</i></p> <p>Every license granted by the ACPR is published in the Official Journal of the French Republic (Article R.321-18 of the FIC). Under Article L.612-21 of the FIC, the ACPR is required to keep a register of all licensed entities and the licensing classes granted. This is available on a dedicated website, with a link from the ACPR's general website: https://www.refassu.fr/</p> <p><i>Licensing of Branches and Subsidiaries of Foreign Insurers</i></p> <p>As mentioned, the branches in France of insurers incorporated in other member countries of the EEA do not have to be licensed but only when authorized in their home state and after the required information has been provided to the ACPR. In the case of an insurer wanting to establish in France as a subsidiary of an insurer based in the EEA, the application is treated in the same way as all others. ACPR is required to and does in practice consult the home supervisory authority (Article R.321-1 of the FIC).</p> <p>Branches of insurers incorporated in countries outside the EEA are subject to licensing requirements. There are currently only four such branches, two of which are from Switzerland. The ACPR prefers non-EEA insurers to establish as subsidiaries, but this is not a requirement. ACPR is not required by law to consult the home supervisory authority in the case of a non-EEA application but would do so in practice.</p> <p><i>Cross-Border Business (Without a Local Presence)</i></p> <p>EEA insurers may undertake cross-border business into France without being licensed by the ACPR but only on the same conditions as apply to EEA branches (see above). For insurers incorporated in France, the same requirements apply when they want to operate on a cross-border basis in other EEA member states (Article L.321-11 of the FIC). Exchanges of</p>
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	<p>information between EEA authorities are handled through an EIOPA protocol and website.</p> <p>Insurers incorporated in non-EEA countries are not permitted to provide services into France on a cross-border basis without a local presence (Article L.329-1 of the FIC).</p>
Assessment	Observed
Comments	<p>There are comprehensive requirements on licensing of insurers and ACPR uses supervisory as well as specialist authorization experts to assess license applications against the clear criteria set out in the legislation. Licensing activity has increased in recent years owing to changes in regulatory and fiscal provisions that have encouraged the creation of new pension funds and captive insurers, particularly reinsurance captives, all of which are licensed under the same legislative provisions as other insurers. ACPR's early action to identify concerns with applications (often after requesting further information) means that withdrawals of applications are more common than formal rejections. ACPR publishes information to assist applicants, while all licensed insurers are listed on a dedicated website. ACPR cooperates with other authorities in respect of foreign insurers wanting to do business in France.</p>
ICP 5	<p>Suitability of Persons</p> <p>The supervisor requires Board Members, Senior Management, Key Persons in Control Functions and Significant Owners of an insurer to be and remain suitable to fulfil their respective roles.</p>
Description	<p>General Framework</p> <p>Requirements on suitability are set out in legislation: the EU's 2015/35 Delegated Regulation (supplementing the Solvency II Directive), which has direct effect in France, and the FIC, FMC and FSSC. For insurers subject to Solvency II, the ACPR has published guidance on how it supervises firms' compliance with suitability requirements (Designation of effective managers and those responsible for key functions under Solvency II, December 2022). ACPR provides guidance on its interpretation of the scope of the requirements on its website.</p> <p>Assessment of suitability is carried out, for example where a new appointment is proposed by an insurer, by staff of the ACPR's Authorisation Directorate in cooperation with supervision staff, while supervisors also review suitability including insurers' own processes on an ongoing basis, taking a risk-based approach. All ACPR decisions on suitability are taken by the Supervisory College.</p> <p>Scope (Board, Senior Management and Key Persons in Control Functions)</p> <p>In EU law, Article 258 of the 2015/35 Delegated Regulation requires that all members of an insurer's administrative, management or supervisory body (AMSB) collectively possess the necessary qualifications, competency, skills and professional experience in the relevant areas of the business to effectively manage and oversee the insurer in a professional manner. No definition is provided for the AMSB, a term designed to encompass different governance</p>

	<p>models (i.e., both single tier and two-tier Board systems).</p> <p>Other references in EU legislation (Article 273 of the 2015/35 Delegated Regulation on how suitability is to be assessed by insurers, and Solvency II itself (Article 42)) refer to suitability of persons who effectively run the insurer or hold other key functions.</p> <p>In French law, the requirement in the FIC and other codes is on those who administer or manage an insurer, are members of a collegiate body controlling an insurer or hold a key function to not have criminal convictions etc. The key functions are defined in Article L. 354-1 of the FIC: the risk management function, the compliance verification function, the internal audit function and the actuarial function. The same Article also requires that persons who manage an insurer or exercise a key function possess the integrity, competence and experience necessary for their functions (Articles L.322-2 of the FIC, L.114-21 of the FMC and L.931-7-2 of the FSSC).</p> <p>The above requirements apply to all insurers. In addition, for insurers subject to Solvency II requirements (and ORPS), individuals who effectively direct the insurer, being at least two persons, including a CEO or equivalent role, and individuals who are responsible for key functions must meet suitability requirements (Articles L.322-3-2 of the FIC, L.211-13 of the FMC and L.931-7-1 of the FSSC). Provisions of the FIC allow insurers to include the Chair of the Board of directors as being included in the scope of those who effectively direct the business subject to conditions.</p> <p>ACPR's guidance on its website advises that for insurers subject to the FIC, the general manager and all deputy general managers, or where applicable all members of the management Board must be notified as effective managers.</p> <p>Article 273 of the 2015/35 Delegated Regulation provides that insurers establish policies and procedures to ensure that all persons who effectively run the undertaking or have other key functions are at all times fit and proper.</p> <p>The requirements apply also to agents who manage branches of insurers incorporated in other EEA countries and operating in France under the freedom establishment provisions (Article L.322-2 of the FIC).</p> <p>Scope (Significant Owners)</p> <p>The suitability of shareholders is assessed as part of the licensing of a new insurer. Article L.321-10 of the FIC, for example, requires that ACPR consider the quality of the shareholders and whether they provide for sound and prudent management. Otherwise, ACPR is required to check the financial soundness of shareholders in case of acquisition of a significant shareholding (see ICP 6 for the definition of thresholds) (Article R.322-11-2 of the FIC).</p> <p>Assessment of Suitability and Resulting Actions</p> <p>Insurers subject to Solvency II requirements must notify the ACPR of the appointment (and renewal) of persons who are effectively running the company and holding key functions within 15 days of appointment (Articles L.612-23-1 and R.612-29-3 of the FMFC). Insurers not subject to Solvency II must notify ACPR of the appointment and renewal of senior managers including</p>
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	<p>the CEO (Article L.612-23-1 of the FMFC).</p> <p>ACPR then has two months to consider and, if necessary, refuse its approval for an appointment or renewal where the person is assessed as not meeting the requirements on suitability. As with the licensing requirements, the ACPR must first give notice of an intended objection and allow the insurer one month to respond (Article R.612-29-3 of the FMFC).</p> <p>The legislation provides that in assessing competence, the ACPR should take into account training and experience proportionate to the person's duties as well as the competence, experience and duties of the other members of the body to which they belong. It may also take into account the training they may benefit from while in office (Article L.322-3-2 of the FIC, with similar provisions in L.211-13 of the FMC and L.931-7-1 of the FSSC).</p> <p>In practice, when assessing applications for approval of individuals falling within the requirements, ACPR evaluates integrity by reference to criminal records etc., and focuses particularly on competence. CVs must be provided, together with extensive information in response to a detailed questionnaire. ACPR assesses whether the person is not just qualified in general but appropriate for the particular role. ACPR does not conduct interviews.</p> <p>The ACPR has set out extensive guidance on how it assesses competence (for effective managers and key function holders) as well as generally applicable criteria on the assessment of integrity in its 2022 Guidance, applicable to Solvency II insurers.</p> <p>In case of concerns over suitability (ACPR described examples for the purposes of the assessment), ACPR typically informs the insurer and in almost all cases, the application for approval is withdrawn. Persons have a right to be heard by the ACPR in case of objections. ACPR may impose conditions that have to be met prior to approval, for example additional training.</p> <p>However, the requirements and processes described above do not apply to members of the Board of directors of an insurer, unless the person is also effectively running the company or holding a key function. There is therefore no requirement to notify all new Board members or for them to be approved by ACPR. (Under Article L.612-23-1 of the FMFC, insurers may seek ACPR's advice on a proposed appointment of a member of the Board of directors, but this voluntary process is not used in practice).</p> <p>ACPR does, however, receive annual reports from insurers on all Board members and may consider the suitability of Board members (individually and collectively) as part of supervisory work. In addition, under Article L.612-23-1 of the FMFC, the ACPR may object to the continued appointment of a member of the Board of directors or the supervisory Board of an insurer (which have approval for the exercise of their activity) when they no longer meet the suitability requirements. The person must leave the role within 15 days after the ACPR has notified its decision to the insurer (Article R.612-29-3 of the FMFC). ACPR has issued such a decision on one occasion.</p> <p>ACPR's other enforcement powers (see ICP 10) may also be exercisable in case of a person (or significant owner) no longer meeting suitability requirements set out in the law. These powers</p>
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include the temporary or permanent removal, by decision of the ACPR's Sanctions Committee, of any of the individuals subject to suitability requirements (Article L.612-39 of the FMFC). In the case of significant owners, where no longer satisfied with the quality of shareholders, ACPR may withdraw the license (Article L.325-1 of the FIC). These powers have not been used to date.

Obligation on Insurers to Assess Suitability and Identify Unsuitable Persons

As noted above, for insurers subject to Solvency II, Article 273 of the 2015/35 Delegated Regulation provides that insurers must establish, implement and maintain policies and procedures to ensure that all persons who effectively run the undertaking or have other key functions are at all times fit and proper. It sets out expectations on the assessment (by insurers) of both their integrity and competence. ACPR may assess compliance as part of its supervisory work.

The ACPR's guidelines applicable to insurers subject to Solvency II requirements clarify that the ACPR should be informed when an effective manager or a key function holder ceases their duties, whether this occurs during the term of office or is a non-renewal. There is no explicit requirement on insurers to notify the ACPR when they become aware of circumstances that may materially adversely affect the suitability of persons covered by the requirements and significant owners.

Exchanges with Other Authorities

The ACPR has powers to exchange information with other authorities necessary for the execution of its missions, subject to confidentiality requirements (see ICP 3). These may be (and are in practice regularly) used to support assessments of suitability, including of persons and significant owners. In recent years, such exchanges have taken place only with authorities in other EEA countries using the EIOPA protocol (see ICP 4) but could also occur with non-EEA authorities subject to adequate confidentiality provisions.

ACPR is also specifically empowered by Articles L.322-2 of the FIC (and similar provisions in the other codes) to exchange information with the relevant supervisory authorities when relevant persons have other mandates in the same insurance group.

Groups

There are no special provisions for IAIGs, but suitability requirements apply to all insurance groups. For Board members, the requirements apply also to Board members of holding companies heading insurance groups (Article L.322.2 of the FIC and equivalent provisions in the other codes). For insurers subject to Solvency II requirements, Article 258 of the 2015/35 Delegated Regulation specifies that the collective and individual suitability of the Board and Board members is proportionate to the nature, scale and complexity of the risks of the group.

Similarly, the requirements on senior management and function holders apply also at group level (Article L.356-18 of the FIC). The ACPR's 2022 guidance also specifies that the suitability of persons who effectively run a group is assessed in light of the risk profile of the group and, where relevant, its international footprint.

Assessment	Largely Observed
Comments	<p>There is an extensive framework of requirements covering Board and senior management, key persons in control functions and significant owners. Key requirements apply to all insurers with others applying to insurers subject to Solvency II requirements, on which the ACPR has also issued guidance. Requirements apply at both group and insurer levels. The ACPR carries out extensive assessments on the persons required to be approved, taking into account the proposed role. It regularly finds applicants unsuitable, usually leading to voluntary withdrawals rather than formal rejections.</p> <p>The notification and approval requirements do not, however, apply to all members of the Board of directors of an insurer (or group). Non-executive directors generally fall outside the definition of those who effectively direct the business (only notification and not approval is an ICP 5 requirement, however). ACPR has powers (and has used them) to require removal of any director where found unsuitable.</p> <p>It is recommended that the Government and ACPR cooperate on legislative changes (as are already planned) that would make all members of the Board of directors subject to the same requirements and processes as those that effectively direct the business and key persons in control functions, ensuring that changes in Board members are notified to the ACPR in advance. The legislative change should also place an explicit requirement on insurers to notify the ACPR when they become aware of circumstances that may materially adversely affect the suitability of persons covered by the requirements and significant owners.</p>
ICP 6	<p>Changes of Control and Portfolio Transfers</p> <p>The supervisor assesses and decides on proposals:</p> <ul style="list-style-type: none"> to acquire significant ownership of, or an interest in, an insurer that results in a person (legal or natural), directly or indirectly, alone or with an associate, exercising control over the insurer; and for portfolio transfers.
Description	<p>General Framework</p> <p>Requirements on changes of control and portfolio transfers are set out in legislation. The assessment of proposed transactions is carried out by the ACPR's Authorisation Directorate, which makes recommendations to the Supervisory College, in cooperation with supervision staff. Portfolio transfers may also be imposed by the ACPR as a resolution measure (see ICP 12).</p> <p>There are regular change of control transactions and there were 26 portfolio transfers in 2022 and 10 in 2023, most in connection with mergers of insurers and intra-group reorganizations including transfers to newly established supplementary occupational pension fund subsidiaries. A small number involve cross-border transfers. All decisions, including on portfolio transfers, are taken by the Supervisory College.</p>

Key Change of Control Requirements (Incorporated Companies)

For accounting purposes (for incorporated companies), there are definitions of control, subsidiary and participations in the FCC (Articles L.233-2 to L.233.3).

The FIC sets out provisions on the notification and approval of changes of control. There are several significance thresholds (10 percent, 20 percent, 33 percent, and 50 percent), based on the definitions in the FCC (Articles R.322-11-1 and R.322-11-2 of the FIC). ACPR is required to approve changes of control (including acquisition, extension, diminution or divestment of a participation).

When a transaction triggers one of the thresholds, the operation must be notified to the ACPR. The person proposing to make the transaction must make notification prior to its completion (Article R.322-11-1 of the FIC). In addition, insurers are required to inform the ACPR as soon as they become aware of acquisitions or disposals of holdings in their capital that trigger the thresholds (Article R. 322-11-4 of the FIC). Insurers are also required under the same Article to notify the ACPR annually of their shareholders who hold at least 10 percent of voting rights or capital and the amount of their holdings.

Key Change of Control Requirements (Mutuals and Provident Institutions)

The framework for incorporated companies is not relevant or applicable to mutuals and provident institutions. However, similar provisions on change of control apply, based on the concept of “dominant influence” over decisions of one company by another, which is effectively the same as exclusive control.

The ACPR oversees the contractual arrangements which set or unset a dominant influence of a mutual-type company over another, leading to change of control and the creation of a group of companies (see ICP 23) (Articles L.322-1-4 of the FIC, L.11-4-2 of the FMC and L.931-2-2 of the FSSC). In addition, where such a relationship exists de facto (i.e. without contractual arrangements), the ACPR has powers to deem that the companies tied by such a relationship form an insurance group subject to its supervision.

Supervisory Approval of Changes of Control

The ACPR has two months to approve or reject a proposed transaction under the provisions of the FIC. It must consider (Articles R.322-11-1 and R.322-11-2 of the FIC):

- the reputation of the proposed purchaser;
- the reputation and experience of persons who, following the proposed transaction, will provide the management of the company;
- the financial strength of the proposed acquirer, taking into account in particular the type of activities carried out and planned at the company that is the subject of the planned transaction;
- the target company's ability to continue to meet prudential requirements and any issues arising from the group structure;

- whether there are grounds to suspect a ML/TF transaction in connection with the proposed transaction.

In some cases, the ACPR has decided that it is minded to reject a proposed transaction. However, as with decisions on licensing and suitability (ICPs 4 and 5), the proposal has most often been withdrawn without need for a formal rejection decision.

Changing Status from Mutual to Stock Company

There are no explicit provisions in French law providing for demutualization or mutualization. Such operations are possible only indirectly through the creation and licensing of a new insurer into which the portfolio of the original mutual or incorporated company would be transferred, subject at both stages to ACPR approval. There are limitations on the scope of portfolio transfers out of a mutual. Surpluses (i.e. own funds) of a mutual may be transferred only to other mutual-type companies.

Transfers of Portfolios of Insurance Contracts

Transfers are subject to prior authorization by the ACPR. It must assess whether the interests of creditors and policyholders would be protected (taking into account all policyholders of both transferee and transferor insurers, including in both cases the interest of policyholders not part of the transfer) (Articles L.324-1 of the FIC, L.212-11 of the FMC and L.931-16 of the FSSC).

The transfer proposal must be brought to the attention of creditors and policyholders by a notice published in the Official Journal, which also gives them two months to submit comments. There is no requirement for policyholders to be informed directly by the parties to the transfer.

The ACPR may approve the transfer only if it considers that the transfer does not prejudice the interests of creditors and policyholders.

In the case of cross-border transfers, the transfer may be authorized only if the supervisory authorities of the home state of the transferee certify that after the transfer it will have the necessary eligible own funds etc. If the transfer is from the branch of a French insurer established in another EEA member state, the ACPR must obtain the agreement of the supervisory authority where the branch is located. It must do the same when the transferred risks are located in another EEA Member State.

There are no requirements on the time within which ACPR must approve a transfer proposal. In practice, for more complex cases such as those involving life insurance portfolios with accumulated provisions for profit sharing, the ACPR may take considerable time, involving work by supervisors as well as the Authorization Directorate, to establish whether the interests of policyholders will be protected. It may conduct an inspection as part of this work. (It can, as noted in the assessment of ICP 2, engage external experts to advise but does not do so in practice).

The ACPR checks that the assets to be transferred allow for the adequate financial condition of the portfolio transferred to be preserved over time in an equivalent manner as if the portfolio were not transferred.

	<p>Approval makes the transfer enforceable against policyholders etc. and creditors. Policyholders have the right to terminate their contract within one month (Articles L.324-1 of the FIC and equivalent provisions in the other codes).</p> <p>Transfers of portfolios of reinsurance contracts may also be approved by the ACPR (Articles L.324-1-2 of the FIC). In such cases, the transfer is enforceable only against the cedant insurers which have not expressed their opposition within three months.</p>
Assessment	Observed
Comments	<p>There are extensive provisions in law on both changes of control and portfolio transfers. The key requirement is that the ACPR approves transactions before they may be implemented. ACPR is equipped, in its Authorisation and Supervision Directorates, to assess transactions based on the criteria set out in the legislation, which focus on the implications for financial soundness and policyholder protection, and according to the set timeframes, after consultation with other authorities, where applicable. It processes multiple transactions each year and while formal rejections of a proposal are rare, as is the case with its decisions on licensing and suitability, it has raised concerns on transactions, causing proponents to withdraw them.</p>
ICP 7	<p>Corporate Governance</p> <p>The supervisor requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the insurer's business and adequately recognizes and protects the interests of policyholders.</p>
Description	<p>General Framework</p> <p>Key requirements are set out in:</p> <ul style="list-style-type: none"> • the FCC (which applies to all corporate entities in France) establishing core requirements such as the responsibilities of the Board; • EU legislation, particularly (for insurers subject to Solvency II) the 2015/35 Delegated Regulation (supplementing the Solvency II Directive), of which Articles 258 to 275 set out extensive requirements on the system of governance; and • national legislation, where the FIC, FMC and FSSC set out certain requirements, which generally apply to all insurers subject to the relevant code (many requirements of the FIC also apply by reference to insurers subject to other codes). <p>In general, the requirements applying to individual insurers also apply at group level (to all groups with none applying specifically and only to IAIGs).</p> <p>To establish the scope of group governance, insurers must map the group and report on its structure as part of the annual report (see ICP 20) and in the prudential reporting templates (QRT – see ICP 9), covering the list of members of the group and qualitative information such as the relationship with the parent company. As part of its extensive supervision of the governance of insurers, ACPR uses these reports to ensure that group structures and governance</p>

arrangements are appropriate to the group.

Board Role and Responsibilities

The FCC (Title II of Book II) sets out core requirements on different forms of commercial company, including those applying to the governance of incorporated companies (Articles L.225.2 to L.225.70). It sets out requirements on the structure and high-level responsibilities of the Board (or Boards where the two-tier governance framework is adopted). For example, Article L.225-35 provides that the Board determines the orientations of the company's activity and ensures their implementation.

The 2015/35 Delegated Regulation requires (for Solvency II insurers) that the system of governance is based on an appropriate and transparent allocation of oversight and management responsibilities to provide for effective decision making, to prevent conflicts of interest and to ensure effective management of the insurer. Article 258 requires insurers to have a clear organizational structure indicating reporting lines etc.

Similar requirements are set out in the FIC. For example, Article L.354-1 requires that insurers have an effective system of governance providing an adequate and transparent organisational structure, with a clear allocation and segregation of responsibilities, and an effective system for ensuring the transmission of information. The same article prescribes key functions, i.e., the four control functions (see ICPs 5 and 8).

Core requirements on other forms of insurer are set out in the FIC (which covers certain mutual insurance companies as well as commercial companies), the FMC and FSSC.

For groups, including IAIGs, equivalent requirements are set out in Article L.356-18 of the FIC. There are no explicit requirements on the Board of the group to ensure that the business objectives and strategies take into account all the items in CF 7.2a. However, ACPR addresses group level governance through its supervisory focus on the group board and senior management. This is carried out on a risk-based approach, resulting in more focus on the largest groups, in practice including all the IAIGs.

In particular, for the large groups, ACPR meets every year with group senior management to discuss strategy as well as the ACPR's risk assessment (see ICP 9), which reflects its supervisory view of governance, and risks to implementation of the strategy. Follow-up letters are then sent to the Board. They meet with senior management to discuss new group strategies (usually once every three years or more often if the strategy is revised).

Board Composition and Requirements on Individual Board Members

For Solvency II insurers, Article 258 of the 2015/35 Delegated Regulation mandates the individual and collective competence of the members of the AMSB (see ICP 5). It also sets out various requirements applicable to the insurer rather than explicitly to the Board.

- They must put in place efficient decision-making processes and ensure effective prevention of conflict of interests.
- As noted in the assessment of ICP 5, they must ensure the individual competence of persons

	<p>effectively running the insurer and key function holders and their integrity, including in respect to behavior and professional conduct.</p> <ul style="list-style-type: none"> • They must have processes to identify, manage and prevent conflicts of interest. <p>In practice, ACPR holds Boards and those who effectively direct the insurer responsible for compliance in line with the overall responsibility allocated by law to Boards.</p> <p>The governance requirements in Article 258 of the 2015/35 Delegated Regulation also apply to insurance groups, requiring that the group's system of governance, including the collective and individual fitness of the Board, is proportionate to its nature, scale and risks. The suitability requirements of Board members and senior management of parent and group holding companies take account of their responsibilities at group level (Article L.322-2 of the FIC – see ICP 5).</p> <p><i>Remuneration Requirements</i></p> <p>Article 258 of the 2015/35 Delegated Regulation requires insurers (and groups) to adopt a written remuneration policy. Article 275 requires that the Board oversee the design of the remuneration policy and practices, which must take account of risk, their implementation and operation and be implemented and maintained in line with the insurer's business and risk management strategy, its risk profile, objectives, risk management objectives. The remuneration policy should promote sound and effective risk management and not encourage risk-taking that exceeds the firm's risk appetite.</p> <p>The policy must also cover the Board and senior management, key persons in control functions and other persons whose activities have a material impact on the risk profile. There are also requirements on variable remuneration, including that any such remuneration of the staff engaged in key functions is independent from the performance of the operational units and areas submitted to their control.</p> <p><i>Oversight of Financial Reporting and the External Audit</i></p> <p>Insurers are required to have appropriate structures and systems to comply with financial and regulatory reporting requirements, as well as a written policy approved by the Board (Article L.355-4 of the FIC). They must also have appropriate structures and systems to comply with disclosure requirements (Article L.355-6).</p> <p>All insurers are required to appoint at least one external auditor (two in the case of consolidated accounts) (Article L.225-218 of the FCC). There are exceptions for mutual insurers which are totally reinsured and to mutual companies which are substituted. The requirement also applies to branches of insurers incorporated in non-EEA countries (Article L.329-3 of the FIC).</p> <p>Insurers required to appoint external auditors must also establish a Board committee (such as an audit committee) to oversee the work of the external auditors as well as the oversight of financial controls including internal audit. It must oversee the selection of external auditors, subject to Board approval, ensuring the independence of external auditors (Article L.823-19 of</p>
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the FCC). Insurers which are parts of an insurance group may rely on a group level audit committee to meet this requirement subject to the audit committee reporting to the Board of the insurer (Article L.823-20 of the FCC).

Timely and Effective Communications with the Supervisor on Governance

In addition to the requirements on financial and regulatory reporting (Article L.355-4 of the FIC), Solvency II insurers are required to report to the ACPR the regular supervisory report (RSR), which includes a section on the system of governance, including reporting lines and the allocation of functions (Articles 308 of the 2015/35 Delegated Regulation). The RSR is submitted at least every three years. Insurers must also report annually on material changes to their governance or risk profile (Article 312 of the Regulation).

The requirements on reporting apply also to insurance groups (Article 304 to 314 of the 2015/35 Delegated Regulation).

Role of Senior Management

Insurers are required to identify individuals who effectively run the company ("dirigeants effectifs"). They are responsible for ensuring the execution of Board decisions, the implementation of the insurer's strategy, day-to-day operations, the functioning of the system of governance and the independence of control functions (Article L.322-3-2 of the FIC and equivalent provisions in other codes).

For insurers subject to Solvency II, Article 258 of the 2015/35 Delegated Regulation requires insurers to ensure that at least two persons effectively run the business. ACPR notes that the Board generally appoints another one or more senior executives with delegated powers to act in the name of the company.

Supervisory Work

ACPR supervisors assess governance arrangements, using the framework of the risk assessment process (SRP - see ICP 9). The assessment criteria cover the organization and functioning of Boards and senior management, but supervisors also assess effectiveness through the program of regular meetings and on-site work including special audits etc. They review off-site reports and Board minutes, where they have identified an area of potential concern which requires monitoring. They have also undertaken "deep dive" on-site work, where there was evidence of serious concerns, and required remedial action.

ACPR has adapted its approach to take account of the characteristics of types of insurers.

- For the larger groups, they make use of the continuous supervisory process (meetings with senior management, heads of control functions etc.) to assess the effectiveness of governance. In the nature of this process, board members etc. are expected to account to ACPR for group wide as well as individual insurer governance.
- For groups headed by banks ("bancassureurs"), supervisors expect an appropriate depth of group-wide understanding and accountability also at the parent bank's Board etc.
- They ensure that the governance of subsidiaries of foreign insurers is aligned to that of

	<p>domestic companies, for example in regard to independent board members.</p> <p>They tailor their approach to mutual insurers, for example for smaller mutuals where Boards comprise many non-professional members, to ensure that Boards are aware of their responsibilities, in particular to exercise effective oversight of management.</p>
Assessment	Observed
Comments	<p>There is a full set of requirements on the governance of insurers that apply also to all insurance groups (there are no specific provisions on IAIGs). ACPR has been undertaking extensive supervisory work on governance, especially since the changes introduced with Solvency II, and covers governance in detail in its supervisory risk assessment and associated work program. It uses supervisory work to ensure that issues such as Board responsibilities to ensure appropriate corporate culture are addressed by insurers. The recent development of ACPR's supervisory approach, including annual meetings with senior management (see ICP 9) is further reinforcing ACPR's attention to corporate governance issues, especially at the larger groups, including the IAIGs.</p>
ICP 8	<p>Risk Management and Internal Controls</p> <p>The supervisor requires an insurer to have, as part of its overall corporate governance framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters and internal audit.</p>
Description	<p>General Framework</p> <p>Key requirements on risk management are set out in:</p> <ul style="list-style-type: none"> • EU legislation, particularly (for insurers subject to Solvency II) the 2015/35 Delegated Regulation, of which Articles 258 to 275 set out extensive requirements on risk management and key functions (the term used for control functions) as part of the overall system of governance; and • national laws, where the FIC, FMC and FSSC set out certain requirements, which generally apply to all insurers subject to the relevant code (many requirements of the FIC also apply by reference to insurers subject to other codes). <p>The ACPR has in some cases issued guidelines to inform insurers on how it interprets the requirements in practice, including its 2022 publication Designation of effective managers and those responsible for key functions under Solvency II.</p> <p>In general, the requirements applying to individual insurers also apply at group level (and to all groups with none applying specifically and only to IAIGs).</p> <p>Risk Management Framework and Risk Appetite</p> <p>Insurers must put in place a risk management system proportionate to the nature, scale and complexity of their risks (Article L.354-1 to L.354-2 of the FIC). The system must comprise</p>

strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on a continuous basis the firm's risk at individual and aggregated level and their interdependencies (Article R.354-2 of the FIC).

Insurers must also have documented policies, covering at least risk management, internal controls, internal audit and outsourcing. These must be reviewed and approved by the Board at least on a yearly basis (Articles L.354-1 and R.354-1 of the FIC). The policies must cover at least underwriting and reserving, asset-liability management, investments (including the use of derivatives) and management of liquidity risk, concentration risk and operational risk and reinsurance and other risk mitigation techniques (Articles R.354-2 of the FIC and 260 of the 2015/35 Delegated Regulation). Solvency II insurers are required to define a risk management strategy consistent with the business strategy. They must establish tolerance limits for each material risk. The risk management strategy must feed their decision-making process (Article 259).

Groups are required to establish a group-wide risk management system complying with all requirements applicable at individual insurer level, including that the system is subject regular review (though not explicitly annually as in CF8.1d) and applying to all entities subject to group supervision. Establishing the group-wide risk management system is a responsibility of the head of the group and must be applied to all entities in scope of the group, in a consistent manner (Articles L.356-18 to 356-20 of the FIC).

There are no explicit requirements that the group has in place policies and processes for promoting a sound risk culture (CF 8.1c). ACPR considers that the general requirements on risk management (and on governance such as those on remuneration – see ICP 7) cannot be met without such a risk culture. It assesses risk culture in its supervision work and can require improvements indirectly by addressing non-compliance in affected areas.

Internal Controls

Insurers must establish an internal control system which encompasses administrative and accounting procedures, internal controls, reporting arrangements at all levels and a compliance function (Articles L.354-1 to 354-2 and R.354-4 of the FIC).

Solvency II insurers are required to have an internal control system that ensures compliance with applicable laws etc., the efficiency of the firm's operations and the availability and reliability of financial and non-financial information. Their controls must also ensure that the valuation of assets and liabilities is reliable and compliant with regulations, including adequate documentation and segregation of responsibilities in the valuation process (Articles 266-267 of the 2015/35 Delegated Regulation).

Groups are subject to the same requirement under Article L.356-19 of the FIC. They must have a group-wide internal control system implemented in a uniform manner in all companies subject to group supervision. There is no explicit requirement for periodic external review of the internal controls of the group (CF 8.2b). ACPR considers this the responsibility of group internal audit. There is no requirement for external review of internal audit itself. ACPR notes that the

	<p>largest groups engage external parties to review their internal controls system including the internal audit function.</p> <p>Control Functions – General (Including Groups)</p> <p>The establishment of key (i.e., control) functions, defined as the risk management function, the compliance verification function, the internal audit function and the actuarial function is required of insurers (Article L.354-1 of the FIC) and groups (L.356-18).</p> <p>Solvency II insurers are required to provide that their organizational structures and reporting lines ensure that the key functions are free from influence that may compromise their ability to perform their duties in an objective, fair and independent manner. They must have the necessary authority, resources and expertise to carry out their responsibilities as well as unrestricted access to all relevant information and have direct access to the Board (Article 268 of the 2015/35 Delegated Regulation).</p> <p>Groups are required (Article L.356-18 of the FIC) to have two levels of control functions, which do not overlap with each other:</p> <ul style="list-style-type: none"> • group functions, responsible for risk management and controls at group level, ensuring that these systems are correctly implemented in all entities in the group (via functional reporting lines from local functions to group functions which oversee the former), and taking charge of group-specific risks; and • local functions, responsible for risk management and controls at individual entities. <p>The tasks and responsibilities of the group key functions are defined in Articles 269-272 of the 2015/35 Delegated Regulation and Articles L.356-18 to L.356-21 of the FIC.</p> <p>For example, the group internal audit function (required under Article L.356-18 and R.356-49 of the FIC and Article 271 of the 2015/35 Delegated Regulation) must evaluate the adequacy and effectiveness of group internal controls subject to the same requirements, on an audit plan and reporting as internal audit functions as individual insurers (see below), as well as a responsibility to define a methodology to assess risks across the group and in local entities.</p> <p>Article L.356-18 of the FIC allows for the persons holding the key function responsibility to be appointed in any of the entities in scope of the group – and the function itself can be outsourced within the group. Some groups have only a group-wide function. ACPR supervisors may check that group internal audit plans cover both the risks from local entities and the group, that resources are adequately allocated etc.</p> <p>The only requirement on combinations of control functions (with one key person) is in the 2015/35 Delegated Regulation. Article 271 states that persons carrying out the internal audit function must not have responsibility for any other function, except in limited circumstances relating to proportionality. The ACPR's 2022 guidance paper (see above) states that several key functions may be combined where proportionate, in particular for smaller insurers, setting out conditions (paragraphs 82-83 and 90-93).</p>
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The ACPR does not permit a large group such as an IAIG to combine functions.

Risk Management Function

Insurers and groups must have a risk management function responsible for implementing the risk management system and structured to enable the risk management system to identify, measure, monitor, manage and report risks on a continuous basis (Articles L.354-1 and L.356-18 and Articles R.354-2-3 and R.356-38 of the FIC).

Solvency II insurers are required to ensure the risk management function monitors the risk management system and assists the Board and senior management in effective risk management, including reporting on risk exposures and identifying and assessing emerging risks (Article 269 of the 2015/35 Delegated Regulation).

Compliance Function

Insurers must establish a compliance function (Article L.354-1 of the FIC). It must be part of the internal control system and responsible for advising senior management and the Board on compliance with laws etc., the legal environment and on the identification and assessment of compliance risk (Article R.354-4 of the FIC).

Solvency II insurers must ensure that the compliance function leads on establishing a compliance policy (defining its responsibilities and reporting duties) and a compliance plan setting out its activities (Article 270 of the 2015/35 Delegated Regulation).

Actuarial Function/Responsible Actuary

Insurers must establish an actuarial function (Article L.354-1 of the FIC). Its role is defined (in Article R.354-6 of the FIC) to include coordinating the calculation of technical provisions, ensuring the appropriateness of the methodologies, models and assumptions made in the calculation of technical provisions and comparing best estimates of technical provisions against experience. It must inform senior management and the Board of the reliability and adequacy of the calculation of technical provisions.

The function also must express an opinion on the overall underwriting policy, i.e. covering whether the level of premiums is sufficient to cover future claims and expenses, the impact of options and guarantees, the effect of inflation etc., and on the adequacy of reinsurance arrangements. It contributes to the Solvency Capital Requirement calculation and the ORSA process (ICPs 16 and 17) (Article 272 of the 2015/35 Delegated Regulation).

The function is also required to produce a written report, at least annually, for the Board on its tasks and their outcome, including any deficiencies identified and recommendations to address them (Article 272 of the 2015/35 of the Delegated Regulation).

Internal Audit Function

Insurers are required to establish an internal audit function (Article L.354-1 of the FIC). Its role is defined (in Article R.354-5 of the FIC) to include evaluating the adequacy and effectiveness of the internal control system and other elements of the system of governance. It must be

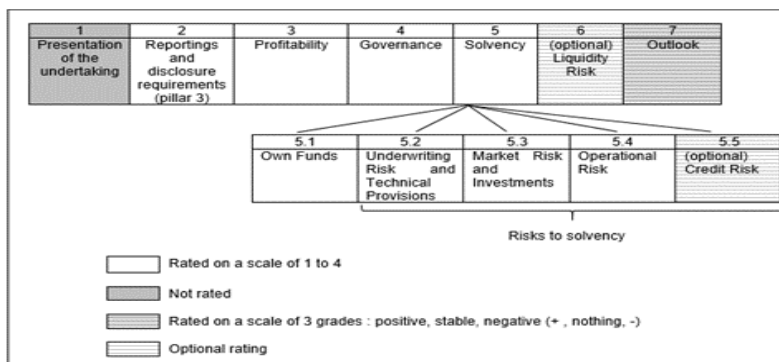
	<p>objective and independent from operational functions. The CEO is required to report to the Board the function's findings and recommendations.</p> <p>Under Article 271 of the 2015/35 of the Delegated Regulation, the internal audit function of Solvency II insurers must have an audit plan covering all the insurer's activities under a risk-based approach (and be able to perform ad-hoc audits). It must report annually to the Board and verify compliance with the Board's decisions on its recommendations.</p> <p>Outsourcing</p> <p>Insurers make extensive use of outsourcing for their important or critical activities. ACPR published a report in 2023 showing that activities most frequently outsourced were contract and claims management, investments, asset management and information systems management.</p> <p>Insurers are required to establish an outsourcing policy (Article L.354-1 of the FIC). Article L.354-3 of the FIC provides that firms remain responsible for discharging their obligations when they outsource functions or any insurance activities. They are also prohibited from outsourcing critical functions or activities when doing so would materially impair the quality of governance, ACPR's supervision or services to policyholders and beneficiaries.</p> <p>Before outsourcing any important or critical function or activity, insurers must notify the ACPR, as well as before any subsequent material development. (Article R.354-7 of the FIC sets out criteria to determine whether a function or activity is critical.) ACPR has published guidance on the notification process.</p> <p>In all cases, firms which outsource any function or activity must ensure that the third-party provider cooperates with the ACPR and that supervisors have access to data and information related to the outsourced function or activity.</p> <p>Article 274 of the 2015/35 Delegated Regulation specifies requirements of outsourcing policies and the contractual arrangements for critical functions or activities. They must include, for example, the service provider's commitment to comply with applicable laws etc. (and to cooperate with the ACPR) and an appropriate notice period for termination. The insurer must also ensure that the service provider avoids conflict of interests, has the capacity to provide the outsourced function or activity and an adequate contingency plan.</p> <p>Supervision Work</p> <p>ACPR's supervisors assess the adequacy of risk management, internal controls and of the control functions as part of their risk assessment process (the SRP – see ICP 9) and through inspections and other on-site or off-site work. Where they identify concerns, they may investigate them through meetings or inspections and require remedial actions. They have taken such action in practice, for example in the case (described to the assessors for the purposes of this assessment) of a large group where problems were identified with operational risk management in the business unit and the risk management function.</p> <p>Supervisors also meet with the heads of control functions of the larger insurers on a regular</p>
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	<p>basis, for updates on risk management and to assess the activity and the effectiveness of the functions. They check whether the functions have adequate plans and resources and have reported adequately on their work to the Board. In the case of the audit function, they check whether the insurer has established a quality assurance unit responsible for the consistency and quality of audit processes.</p> <p>For smaller insurers, supervisors have, for example, reacted to concerns arising from analysis of supervisory reports by investigating the causes of the issues and whether they originate in weaknesses in control functions or other internal controls.</p>
Assessment	Observed
Comments	<p>There is a full set of requirements on risk management and internal controls that applies also to all insurance groups (as for governance requirements, there are no specific provisions on IAIGs). ACPR undertakes extensive supervisory work on risk management and controls, including supervisory risk assessment and, for larger insurers and groups, regular meetings with heads of control functions. It uses supervisory work to ensure that issues such as ensuring an appropriate risk culture are addressed by insurers.</p> <p>It is recommended that, notwithstanding this existing supervisory work, ACPR consider whether explicit requirements or published guidance in areas such as risk culture and external review of the effectiveness of internal controls would strengthen their ability to ensure insurers take appropriate measures to maintain effective controls.</p>
ICP 9	<p>Supervisory Review and Reporting</p> <p>The supervisor uses off-site monitoring and on-site inspections to examine the business of each insurer, evaluate its financial condition, conduct of business, corporate governance framework and overall risk profile, and assess its compliance with relevant legislation and supervisory requirements. The supervisor obtains the necessary information to conduct effective supervision of insurers and evaluate the insurance market.</p>
Description	<p><i>Supervisory Approach</i></p> <p>The ACPR's supervisory framework is based on Solvency II and is based on three stages:</p> <ul style="list-style-type: none"> • Determine the impact of the insurer⁹ on its policyholders, the insurance sector, financial stability, and the economy. This is generally an automatic calculation based on annual turnover and technical provisions). • Determine and assess the risks the insurer is exposed to and how it manages/mitigates those risks. • Decide on the supervisory measures most applicable to that insurer.

⁹ Insurer in this context means a solo insurer or reinsurer and an insurance group.

The ACPR has developed a "Supervisory review process" (SRP) methodology that acts as internal guidance for its supervisors. This guidance is comprehensive and provides the supervisory staff with sufficient information to perform their functions. The ACPR has also established a permanent dedicated working group (the SRP Working Group) regularly to assess the implementation of the SRP methodology and to review its adequacy.

A risk assessment is performed on each insurer. The frequency of the risk assessment is at least between one and every three years based on the last risk assessment rating of the insurer. The risk assessment is based on seven areas with additional sub-areas as follows:



Source: ACPR

To determine the overall risk rating of an insurer, the impact rating and the risk ratings are combined. The following diagram is a guide in determining the overall risk rating:

IMPACT	4	3	4	4	4
	3	2	3	3	4
	2	1	2	2	3
	1	1	1	1	2
	1	2	3	4	
	RISK				

Source: ACPR

The overall risk assessment will determine the level of supervisory intensity (a higher score will lead to more supervisory interventions).

In the light of the SRP assessment, a work program for each insurer is developed annually. It consists of the activities that will apply to that insurer with two components, on-site inspections; and on-going supervision.

The SRP provides guidance as to the different types of activities that can be included in the work plan. This does not include cross-cutting activities. The SRP also provides for a baseline of activities, depending on the overall risk rating of an insurer that must be conducted as part of the annual work plan. For example, for on-site inspection, the following baseline applies:

- Supervisory intensity rating 4 = an on-site inspection every year;

- Supervisory intensity rating 3 = an on-site inspection every 5 years;
- Supervisory intensity rating 2 = an on-site inspection every 50 years; and
- Supervisory intensity rating 1 = no minimum commitment.

The annual work plan of an insurer can be adjusted depending on the agreed supervisory priorities for the ACPR which is influenced by the strategic priorities of EIOPA. For example, the 2024 ACPR cross-cutting supervisory priorities included monitoring of reinsurance programs, a questionnaire on the integration of sustainable risk in the ORSA, a survey on the modelling of life insurance and a survey on data quality and information systems.

The ACPR also performs a group risk assessment based on the SRP methodology. In its group assessment, the following are considered:

- Group structure and intragroup transactions
- Risks to solvency (including underwriting risks, operational risk and how risks are mitigated)
- Solvency including the capital management of the Head of the group
- Governance (including overall risk management, internal control, and group steering)

The SRP methodology clearly indicates that the supervisor must integrate in its assessment clear elements on how a group and its component entities impact or interact with each other.

Outsourcing

Outsourcing is defined in the FIC (Article L.310-10-1-13) and includes both intragroup and external arrangements between an insurer and a service provider (regulated or non-regulated) whereby the service provider performs, either directly or by outsourcing itself, a procedure, service or activity, which would otherwise be performed by the insurer itself.

An insurer as part of its risk management system should put in place an outsourcing policy. The FIC places further requirements on outsourcing, including a requirement on notification to the ACPR and for ACPR to have access to service providers (see ICP 8 for the full requirements).

The ability of the ACPR to review outsourced functions at the same level as non-outsourced functions is further supported by Article 38 of Solvency II. Articles L.354-3 and R.354-7 of the FIC provides for the ACPR to have powers to access the premises of the service provider, conduct on-site inspections or delegate the on-site inspection to another supervisor authority if the service provider is not based in France (another EEA state). Furthermore Article 274 of the Delegated Regulation implementing Solvency II sets out the insurer's obligation to assess the service provider as well as the relevant matters that should be addressed in the written outsourcing agreement.

In 2023, the ACPR conducted a thematic review on insurers' outsourcing activities and concluded that formal requirements, such as the formation of contracts or written policies were in place, but some weaknesses remain in the effectiveness of risk management.

Off-Site Supervision

	<p>Article L.612-24 of the FIC provides the ACPR with the powers to request information from insurers in the appropriate manner, form and frequency. The powers are wide such that the ACPR can request any information it needs in fulfilling its duties. The FIC extends the information request powers of the ACPR also to include companies that are in the same group of companies as the insurer as well as any outsourced service provider.</p> <p>Insurers are required to provide information on a regular basis, including:</p> <ul style="list-style-type: none"> • Solvency and financial conditions report (SFCR); • Regular supervisory report (RSR); • ORSA report; • Additional reports as required by D.533-16-1 of the FMFC relating to an insurer's ESG objectives which includes information on its investment activities, the insurer's internal resources and other information related to ESG. This report is known as the LEC 29 report; • Annual and quarterly quantitative reports (L. 355-1 of the FIC): these reports are also further specified by several ACPR "instructions" (notably instructions 2023-I-14 and 2016-I-17); and • Any additional reporting required by the ACPR. <p><i>Published annual financial statements</i></p> <p>The accounting bases to be applied to the annual financial statements of insurers are set out in Article L.341-1 of the FIC, which refers to the accounting requirements defined by the Accounting Standards Authority. Insurers can be exempted from complying with the accounting requirements defined by the Accounting Standards Authority if they draw up and publish their accounts in accordance with international accounting standards (IFRS).</p> <p><i>Regulatory reporting</i></p> <p>If errors or omissions are identified in the reporting, the ACPR can request the insurer to rectify them. The ACPR has increased its efforts to improve reporting data quality. These efforts include monitoring that reports are submitted on time, performing more validation and feedback to insurers to ensure that data quality issues are remediated, focusing primarily on key data points.</p> <p>A Chief Data Officer position within the ACPR has been created to oversee and monitor the ACPR data quality strategy and a dedicated cross sectoral centralized team is responsible for monitoring of data quality. Additional activities, some still in progress, have been instituted.</p> <ul style="list-style-type: none"> • Strengthening of the reporting monitoring process, to keep improving the punctuality of returns; • Identification and definition of indicators to measure insurance data quality; • Identification and centralization of actions undertaken by supervisors in the insurance supervision directorates; and
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- Launch of mass/transversal corrective actions to improve data quality.

The ACPR has several internal tools it uses to analyze, interpret, and report on the off-site reports submitted. These tools include:

- Key Risk Indicators (KRIs), including the solvency ratio (the SCR coverage ratio), the net results and the breakdown of investments by asset category, etc.;
- Weekly monitoring of life insurance flows;
- Quarterly monitoring dashboard for the insurance sector;
- Quarterly liquidity survey led by EIOPA; and
- Risk dashboard.

The ACPR also uses projections and stress tests to inform its off-site monitoring.

On-Site Inspections

On-site inspections can be categorized into:

- general on-site inspections where all the activities, risks and processes of an insurer are covered; and
- thematic on-site inspections which are focused and can be conducted at one insurer or several insurers focusing on issues ranging from a specific line of business to a specific risk.

Other forms of regular in person interactions (while formally part of off-site supervision work) introduced by the ACPR include:

- in-depth reviews - on-site visits lasting up to one week focused on a specific activity, issue or risk or visits lasting up to several months, by a team of between three to six staff (on average) which are focused on operations to identify deficiencies or risks. These reviews are conducted through a series of pre-defined meetings to allow for direct discussion with the persons in charge, operational teams or for demonstrations of tools, etc.
- annual meetings - with each individual insurer, usually with one of the top executives and the head of the risk management function. In general, the annual meetings cover the financial and solvency position of an insurer, business strategy, its ORSA and governance structure and framework. The meeting also allows for discussion of potential sources of risk which have been identified or, where there is no issue, for discussion of one or more topics/risks from the ACPR's annual work plan (e.g. outsourcing, climate risks etc.).
- frequent and specific meetings with large insurers/insurance groups; these include engagements with senior management, heads of control functions, Chair of the Audit Committee and or the Board and external auditors. These meetings can cover a wide range of topics, including asset and liability management, capital management, recovery planning, business planning or the reinsurance strategy or specific reinsurance projects. These meetings also include a dedicated "senior management meeting" during which the ACPR's

	<p>annual risk and strategy assessment is discussed and where the ACPR's top management and the insurer's/insurance group's senior management and Board Chairs are present.</p> <p>For the largest entities, those that are listed or part of listed groups (e.g. bancassurance groups), meetings also take place ahead of the public announcement of yearly and half-yearly results.</p> <p>Unplanned on-site inspections also take place, or in emergency situations.</p> <p>Various on-site inspections have been conducted on cross-border issues (for example, branches or foreign subsidiaries of French entities) where the ACPR was either the group-wide supervisor or the involved supervisor.</p> <p>The on-site inspection process has several stages:</p> <ul style="list-style-type: none"> • Preparation of the on-site inspection; • On-site investigation and assessment; • On-site report with key findings and observations; • Corrective (supervisory) measures; and • Follow-up to the supervisory measures and implementation by the undertaking. <p>The key findings and observations are communicated to insurers in a draft report, which is open for comments, following which a final report, considering factual comments from the insurer, is shared with the senior management of the insurer.</p> <p>There are three kinds of follow-up after an on-site inspection, depending on the findings:</p> <ul style="list-style-type: none"> • Follow-up letters addressing corrective measures to be taken within a defined timeline; • Administrative enforcement which can include a warning ("mise en garde"), formal notice ("mise en demeure"), a recovery plan; or appointment of a provisional administrator (see ICP 10); or • Disciplinary proceedings and sanctions by the ACPR's Sanctions Committee ("procédure disciplinaire") (see ICP 10). <p>The ACPR does not use external resources to conduct on-site inspections on its behalf.</p> <p>The French IAIGs did not report on the IAIS's ICS during the monitoring period.</p>
Assessment	Largely Observed
Comments	<p>ACPR has a detailed supervisory framework that is supported by the necessary powers and implemented in practice. The supervisory approach is risk-based and proportionate. A wide range of supervisory tools are used with extensive off-site monitoring (including sophisticated tools to analyze and interpret reported data) and on-site inspection approaches tailored to risk. APCR carries out comprehensive supervision of insurance groups and IAIGs.</p> <p>The baseline of on-site inspections for smaller and low risk rated entities is many such entities</p>

	<p>are unlikely ever to have any on-site inspection, thematic or in-depth.</p> <p>The French IAIGs did not report their ICS results during the IAIS's monitoring period and are therefore not observing CF9.4a.</p> <p>It is recommended that the ACPR formalize its risk-based approach to ensure that the supervisory intensity on smaller insurers remains adequate to identify and assess all related risks and that these risks are adequately managed.</p>
ICP 10	<p>Preventive Measures, Corrective Measures and Sanctions</p> <p>The supervisor requires and enforces preventive and corrective measures and imposes sanctions, which are timely, necessary to achieve the objectives of insurance supervision, and based on clear, objective, consistent, and publicly disclosed general criteria.</p>
Description	<p><i>Actions Against Individuals or Entities that Conduct Unlicensed Insurance Activities</i></p> <p>ACPR is alert to cases of unlicensed insurance activities. When it becomes aware of cases, it reports them to the Public Prosecutor (Article 40 of the French Criminal Procedure Code requires all public bodies to report illegal activities), who would initiate criminal proceedings. It has made reports (including once in 2024), but ACPR noted they are rare.</p> <p><i>Preventive and Corrective Measures</i></p> <p>National laws give ACPR preventive powers:</p> <ul style="list-style-type: none"> • When it observes practices that may be detrimental to policyholders' interests, it may issue a warning against such practices (Article L. 612-30 of the FMFC). • When the practices observed may endanger policyholders' interests or jeopardize solvency or liquidity, it may take a wide range of "administrative police measures" (Article L. 612-33 of FMFC); for example, it may place the insurer under specific supervision, limit its activities (such as new business or new branches etc.) or restrict disposal of assets. It may also prohibit or limit dividend payments. It may also order a transfer of activities or require an insurer to undertake a portfolio transfer. • When ACPR considers that the insurer is likely to breach regulatory obligations within twelve months, it may require the submission of a recovery plan (Article L.612-32 of the FMFC and R.355-1 of the FIC). The plan must include all appropriate remedial measures, including required improvements in management or organization. <p>All these powers apply also to all groups (there are no special measures for IAIGs).</p> <p>ACPR also has powers to require corrective measures, also applicable to all groups.</p> <ul style="list-style-type: none"> • It may require an insurer to take actions in its follow-up letter after an inspection (Article L.612-27 of the FMFC) or in a meeting with management (see also ICP 9). • It may issue a formal notice ("mise en demeure") to an insurer to take any measure to bring it into compliance with the requirements (Article L. 612-31 of the FMFC).

- It can object to the appointment of persons subject to suitability requirements and to the continued appointment of a member of the Board of an insurer (which have approval for the exercise of their activity) when they no longer meet the suitability requirements (Article L.612-23-1 of the FMFC - see ICP 5).

ACPR may also issue injunctions, to terminate non-compliant passporting arrangements (Article L.363-4 of the FIC) or to increase technical provisions (L.351-3); it may impose a capital add-on (L.352-3 and R.352-26); or mandate use of an internal model or specific parameter (see ICP 17) when the standard formula is inadequate (L.352-2 and R.352-11).

For groups, ACPR also has specific powers (Article L.356-9 of the FIC) to require them to take remedial measures where entities within the scope of group supervision fail to comply with group capital requirements or where solvency is otherwise jeopardized.

Intervention Based on the Solvency Margin (see also ICP 17)

The ACPR may take specific measures in case of a breach of capital requirements.

- Where a breach of the SCR is observed or is expected to occur within three months, it may require the insurer to provide an ad-hoc recovery plan (distinguished from the general preemptive recovery plan mentioned above) within two months and to take necessary measures within six months (Articles L.352-7, R.352-33 and R.355-10 of the FIC).
- Where the MCR is breached, the insurer is required to submit a short-term funding plan within one month (Articles L.352-8, R.352-33 and R.355-10 of the FIC).

Escalation and Follow-Up

ACPR's typical process on finding that a requirement has been or may be breached is to inform the insurer through a follow-up letter requiring corrective action. In case the insurer does not agree to take the action, or if the shortcomings identified are significant and need to be rectified quickly, ACPR (after considering any representations) will escalate its response by issuing a formal notice.

In case an insurer fails to take required action or in more serious cases, the ACPR may use its powers under Article L.612-33 of the FMFC (see above), for example to require a recovery plan or restrict the business. It may at any time initiate the sanctions process (see below), including for non-compliance with measures imposed under Article L. 612-33. In severe cases, it may place an insurer under temporary administration (Article L.612-34).

The need for preventive and corrective actions is assessed (and follow-up letters etc. prepared) by supervisors, supported by ACPR's Legal Affairs Directorate. Supervisors make recommendations to the Supervisory Board. Supervisors are also responsible for monitoring the response to required actions and escalating the ACPR's interventions as necessary. ACPR follows the same approach in the case of groups. Article L.356-21 of the FIC enables it to take follow-up actions in respect to a wide range of group and related entities.

Sanctions

The sanctions process is initiated by a decision of the ACPR's Supervisory College supported by the Legal Affairs Directorate but is then carried out by the Sanctions Committee with its own staff (the Secretary of the Sanctions Committee) (Article L.612-1 of the FMFC).

For each case, the President of the Committee appoints one of its members to lead the procedure. ACPR and the affected party are summoned to a hearing, after which the Committee (excluding the member leading on the case) deliberates and, if it considers the breaches well-founded, imposes a sanction, taking into account the need for penalties to be proportionate. There is no process for settlement before the final Committee decision.

The average time to process a case and determine sanctions (across all ACPR's responsibilities) in recent years has been around one year.

Sanctions may take the form of warnings, limitations and suspensions of business, temporary or permanent removal of any person subject to suitability requirements and any director (see ICP 5) or financial penalties (Article L.612.39 of the FMFC). They must be published, unless to do so would risk seriously disrupting the financial markets or causing disproportionate harm to the parties involved. The Committee may decide that they are removed from the record after a period, typically five years.

Financial penalties (which are paid to the State budget) may not exceed:

- for an insurer, EUR 100 million or 10 percent of the net annual turnover; and
- for a person effectively directing the business, EUR 5 million or ten times the amount of the benefit derived from the breach, if calculable.

ACPR may impose sanctions directly on the parent company of a group, including an insurance holding company (Article L. 612-2 of the FMFC).

Information Exchange with Other Supervisors

For cross-border groups, ACPR uses the supervisory college arrangements (see ICP 25) to share information about their supervisory and enforcement work. Where group-wide supervisor, it is required to inform other supervisors of the measures it takes, including significant preventive and corrective measures and sanctions (Article L.356-9 of the FIC). Where it becomes aware of a breach of the group's required solvency or of the risk of a breach within the next three months, ACPR must inform the other members of the college (Article L.356-15 of the FIC).

ACPR must also cooperate with the other supervisors to ensure that measures and sanctions on the head of a group are correctly implemented (Article L.356-10 of the FIC).

In case the head of group is not within its jurisdiction (for example, because the group's main activity is in a different jurisdiction) the ACPR is required to designate, after consultation with the group or the supervisory authorities concerned, an insurer in France to act as head for the purposes of the imposition of requirements aimed at the head of the group (Articles L.356-15 of the FIC). ACPR would also in practice work through the college of supervisors (see ICP 25) to agree actions to be taken by other supervisors in support of group-wide supervision.

	<p><i>Use of Powers in Practice</i></p> <p>The ACPR can most often rely on supervisory powers and procedures to require remedial measures to be taken by insurers. It makes extensive use of follow-up letters, particularly after inspections, to direct insurers to take action. These letters are sent to the Board of directors and senior management. Other supervisors are informed, where the ACPR is group-wide or an involved supervisor.</p> <p>ACPR uses formal powers rarely. It issued formal notices to insurers (Article L.612-31 of the FMFC) 10 times in both 2021 and 2022 and four times in 2023. It required a general recovery plan four times over the same period. It rarely imposes special supervision measures. It has imposed limits on insurers' activity seven times over 2021-23. These figures are published in the Annual Report.</p> <p>The imposition of sanctions is particularly rare and, at least since 2019, has always been associated with breaches of AML/CFT and business conduct requirements. Insurers noted, in discussions with the assessors, that they would expect ACPR to impose sanctions where necessary. Two insurers were subject to a sanction in 2023, both for AML/CFT violations. The maximum penalty on an insurer to date (in 2014) is EUR 50 million. Sanctions against individuals are imposed only for serious breaches of requirements. Financial penalties were, however, imposed on the managers of an insurance broker for business conduct issues in 2022.</p>
Assessment	Largely Observed
Comments	<p>The ACPR has extensive powers to require insurers to take preventive and corrective measures, for breach of regulatory requirements or, in specified cases, where a breach is likely in the future. The powers apply to all groups (with no special provision on IAIGs) as well as individual insurers and ACPR must share details of its measures with other supervisory authorities, which it does through the supervisory colleges.</p> <p>In practice, ACPR is usually able to require insurers to take necessary actions using its supervisory powers, particularly via its follow-up letter following an inspection or other supervisory work. It uses formal intervention powers rarely and typically the power to issue a notice, often requiring an insurer to limit business, a requirement which it has found powerful in practice. ACPR occasionally imposes administrative sanctions (where its powers include but are not limited to the imposition of financial penalties), but the process takes considerable time and actual sanctions on insurers are increasingly limited in number and scope of the offences. Financial penalties may be levied only on the effective manager of an insurer, although there are also powers under the suitability requirements for ACPR in effect to remove directors.</p> <p>It is recommended that ACPR review its approach to the use of powers with a view to making increased use of such powers. It should review its approach to the imposition of sanctions, considering the types of non-compliance (for example, failure to make accurate and timely reports or to take actions required by supervisors) where regular use of administrative sanctions</p>

	may strengthen its ability to enforce requirements effectively. This may require reform of the Sanctions Committee process.
ICP 12	<p>Exit from the Market and Resolution</p> <p>Legislation provides requirements for:</p> <ul style="list-style-type: none"> • the voluntary exit of insurers from the market; and • the resolution of insurers that are no longer viable or are likely to be no longer viable and have no reasonable prospect of returning to viability.
Description	<p><i>Voluntary Exit from the Market</i></p> <p>Article L.321-10-2 of the FIC requires insurers to advise the ACPR immediately of its intention to stop underwriting any classes or all its insurance business, following which the ACPR will place the insurer in run-off and publish such run-off. The insurer in run-off will provide the ACPR with a run-off plan and remain under the ACPR's supervision until all its policyholders' obligations have been met.</p> <p><i>Objectives of the Resolution of Insurers</i></p> <p>The current resolution framework applies only where the insurer's assets still exceed its liabilities. This is because it is not presently possible in law for an administrative body (the Resolution Authority in this case) to infringe on private property rights. Insurers that are insolvent can currently be resolved only through insolvency proceedings.</p> <p>Article L.311-22 of FIC sets out the objectives of resolution which include:</p> <ul style="list-style-type: none"> • ensuring the continuity of the critical functions; • avoiding or reducing any negative effects on financial stability; • protecting the State's resources from recourse to exceptional public financial aid; and • protecting policyholders. <p><i>Resolution Planning</i></p> <p>Under Article L.311-8 of the FIC, the ACPR must draw up resolution plans for those insurers which, due to their size or activities, pose specific risks to policyholders or financial stability. The insurers are those whose assets exceed EUR 50 billion in market value. The scope of the requirement for resolution plans coincides with the scope for recovery plans (Article L.311-5 of FIC).</p> <p>According to Article L.311-12 of the FIC, if the ACPR is of the view that for an insurer within the scope of resolution planning, there are significant obstacles to implementing resolution measures or insolvency proceedings (judicial liquidation), it must notify the insurer of this finding. The insurer must then, within four months, propose measures aimed at reducing or eliminating the obstacles identified.</p>

	<p>If the ACPR is not satisfied with the proposed measures, it can:</p> <ul style="list-style-type: none"> • Order a review of the financing arrangements within the group as well as the fungibility of own funds within the group; • Order a review of the means put in place to ensure the exercise or provision of critical functions; • Order a review of the level of concentration of its individual or aggregated exposures, on the assets and liabilities side of its balance sheet; • Require additional reporting; • Require the sale of certain assets; • Limit or stop any ongoing or planned activities including sales of new or existing policies; • Order a review of the reinsurance arrangements in place; or • Require a restructuring of the legal or operational structures to reduce complexity or the separation of critical functions, legally or operationally, from other functions. <p><i>Cooperation and Coordination</i></p> <p>At the time of the assessment only one resolution plan of an IAIG has been discussed at an IAIG CMG or supervisory college. The ACPR has the powers (i) to obtain the necessary information from the IAIG to develop the resolution plan; (ii) to require the IAIG to put in place the necessary measures to remove any obstacles; and (iii) to ensure that the IAIG has in place and maintains a group-wide management information system for the purposes of resolution planning and actions.</p> <p>Within France the roles and responsibilities of relevant authorities involved in the exit of insurers are clearly defined:</p> <ul style="list-style-type: none"> • Where an insurer exits voluntarily from the market, the ACPR remains responsible for its supervision until all insurance obligations have been met. • Where the resolution college of the ACPR decides to open a resolution procedure, the ACPR is the authority responsible for the resolution. • Where an insurer is placed under liquidation: <ul style="list-style-type: none"> • The ACPR appoints a liquidator, who shall be responsible for verifying insurance claims and making an inventory of assets directly related to the insurance liabilities (i.e. claims of policyholders, cedants, reinsurers and co-insurers); • The court appoints a 'judicial' liquidator, who shall be responsible for making an inventory of other assets and for liquidating the operations; and • The court also appoints a 'juge-commissaire' responsible for supervising the liquidation assisted by one or several staff appointed by the ACPR. <p>The general provisions for information exchange and the exchange of information as part of the</p>
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coordination agreement of a supervisory college apply.

Triggers and Powers for Resolution of an Insurer

Article L.311-18 of FIC lists the criteria for initiating resolution proceedings. The ACPR will initiate resolution proceedings when the APCR is of the opinion that:

- an insurer's failure is demonstrated, it has failed or is likely to fail, or its failure is foreseeable. Article L.311-18 defines this as (i) the insurer no longer complying with its licensing conditions; or (ii) the recovery plan to restore compliance with the SCR or reduce the risk profile of an insurer, after two months, not having made significant progress; or (iii) the insurance group no longer meeting its group SCR; or (iv) the insurer being likely to be unable to settle its debts other than its policyholder obligations; or (v) where exceptional government funding is required;
- the failure cannot be avoided other than implementing resolution proceedings; or
- risk to meeting the resolution objectives (mentioned above) and that risk can only be avoided by implementing resolution proceedings.

As noted above, the ACPR may implement resolution proceedings only when the value of the insurer's assets exceeds that of its liabilities. This restricts the use of the full resolution toolkit.

Liquidation

The liquidation of an insurer may only be initiated either through the request of the ACPR or after approval of the ACPR if the liquidation is requested through the Court (Article L.310-25 of the FIC).

Liquidation proceedings are initiated once the ACPR has decided to withdraw an insurer's license. An insurer's license may be withdrawn in cases of non-compliance with its MCR and where the short-term recovery plan is not complied with or seems inadequate (Article L.325-1 of the FIC, read with Article 139 of Solvency II). The sanctioning power of the ACPR also allows it to withdraw a license. The ACPR has never withdrawn a license without the insurer being clearly insolvent.

Articles L.327-1 to L.327-5 of the FIC set out the ranking of insurance claims in case of liquidation. In practice only employees' claims, taxes, social security claims, claims on encumbered assets and the expenses arising from the liquidation procedure rank above insurance claims. The policyholder protection schemes (PPSs) also subrogate to policyholders claims in order to provide them with immediate compensation (within legal limits), which results in granting protected policyholders a higher priority than unprotected policyholders.

Safeguards (See also the Preconditions)

There are several PPSs in place. Each covers specific types of insurers and or specific classes of business. The compensation provided by these PPSs range from EUR 70,000 to EUR 90,000 per policyholder/insured person in the case of life and health business to up to 90 percent of the claim amount payable by the insurer (except motor vehicle accidents) in the case of compulsory

	<p>non-life insurance with some variations and some exceptions.</p> <p>In general, these PPSs do not cover cross-border business sold in France by other EEA insurers.</p> <p>Group and Branch Issues</p> <p>Article L.311-18 of the FIC gives the ACPR the powers to implement resolution measures against insurance groups including non-regulated entities within the insurance group if they provide an essential service.</p> <p>The branches of EEA insurers in France are subject to the home state framework on insolvency, resolution etc. just as they are subject to the home state prudential supervision (see ICP 4). In respect of branches of insurers incorporated in non-EEA countries (third-country branches), the ACPR does not have the power to implement resolution measures. Currently there are only four such branches (including two from Switzerland).</p>
Assessment	Partly Observed
Comments	<p>Since 2017, the Government and ACPR have proactively put in place a national Recovery and Resolution framework that require some insurers to prepare recovery plans and empowers ACPR to develop resolution plans. The Recovery and Resolution framework is, however, limited. It can be applied only where an insurer's assets exceed its liabilities (ICP 12.2).</p> <p>The current framework does not include all the powers the ACPR needs to resolve insurers effectively (ICP 12.7), including the resolution of an IAIG as set out CF12.7a. ICP 12.13 is not observed as the branches of non-EEA insurers are not subject to the resolution framework, although only two of the four such branches operating in France are still active.</p> <p>The authorities are commended on the proactive implementation of a recovery and resolution framework which provides a wide range of powers for an orderly resolution of insurers or insurance groups. The forthcoming implementation of the EU Insurance Recovery and Resolution Directive (IRRDR) into national legislation will greatly support observance of this ICP.</p> <p>It is recommended that Government and the ACPR develop the necessary legislation, processes, guidance (internal or published where needed) and tools to complete the current insurance resolution framework in line with ICP 12 requirements.</p>
ICP 13	<p>Reinsurance and Other Forms of Risk Transfer</p> <p>The supervisor requires the insurer to manage effectively its use of reinsurance and other forms of risk transfer. The supervisor takes into account the nature of reinsurance business when supervising reinsurers based in its jurisdiction.</p>
Description	<p>Risk Management and Internal Controls</p> <p>Article R.354-2 of the FIC requires that in managing its reinsurance and other forms of risk transfer activities an insurer has an effective risk-management system comprising strategies, processes, policies and reporting procedures necessary to monitor and manage on a</p>

continuous basis the risks to which they are exposed and should at least cover reinsurance and other risk-mitigation techniques. The FIC also requires insurers to have in place a risk management policy on reinsurance and other insurance risk mitigation techniques.

Article 260 of the Solvency II Delegated Regulation (2015/35) requires insurers to consider their reinsurance and other insurance risk mitigation techniques by:

- the selection of suitable reinsurance and other risk mitigation techniques;
- assessing which types of risk mitigation techniques are appropriate according to the nature of the risks assumed and the capabilities to manage and control the risks associated with those techniques; and
- conducting its own assessment of the credit risk linked to the risk mitigation techniques.

Overarching requirements are in place which require insurers to have in place an effective internal control system (covering all levels within the insurer) that is effective and efficient with available and reliable financial and non-financial information.

Capital and Liquidity Management

When calculating their SCR, insurers must consider the impact of risk mitigation techniques, providing that the credit risk and other risks inherent in the use of such techniques are adequately considered in the SCR (see Article R.352-2 of the FIC).

The Solvency II Delegated Regulation (2015/35) further specifies the conditions that risk mitigation techniques must fulfil to qualify as a risk mitigation technique. They include matters such as the legal enforceability of the contract, effectiveness and risks of the arrangement and the ability of the insurer to monitor the effectiveness. No double counting of arrangements is allowed and in the case of insolvency of the reinsurer, the insurer would have a direct claim. Liquidity management is not explicitly covered, but Article 260 of the Solvency II Delegated Regulation requires insurers to cover in their risk management system their liquidity risks that addresses:

- short- and long-term liquidity risk (including all sources of liquidity risk);
- the appropriateness of the composition of the assets in terms of their nature, duration and liquidity in order to meet the insurer's obligations as they fall due (this will include reinsurance recoverables); and
- a plan to deal with changes in expected cash in-flows and out-flows.

Cross-Border Reinsurance Arrangements

Article 172 of Solvency II provides that the European Commission (EC) can decide whether the prudential regime of a non-EEA (third country) jurisdiction is equivalent to Solvency II with regards to reinsurance activities performed by insurers/reinsurers located in the third country. If a third country has been considered equivalent, reinsurers will be treated as if they were EEA reinsurers. The EC to date has granted Bermuda, Japan and Switzerland equivalence status and

	<p>in addition, the EU-US covered agreement provides similar arrangements for US reinsurers.</p> <p>In the case of non-equivalence, an amendment to the FIC was made that became effective on 1 January 2024 introducing a collateral obligation for reinsurance provided by the third-country reinsurers. Article R.332-17 of the FIC specifies that the collateral:</p> <ul style="list-style-type: none"> • should be placed in a securities account with a credit institution authorized in the EEA; • should be valued as prescribed (see Article R.343-11 of the FIC); and • should be sufficient to cover the entire amount of the technical provisions relating to the risks ceded. <p><i>Risk Transfer to Capital Markets</i></p> <p>Article L310-1-1 of the FIC defines a “securitization vehicle” SPV and Article R.214-239 of the FIC sets out the authorization process for SPVs. It goes further to state that where an SPV assumes insurance risk it does not constitute insurance contracts.</p> <p>The use of SPVs by French insurers is limited, representing a transfer of provisions of between EUR 2.5 billion and EUR 3 billion per year since 2020. Currently there is one SPV authorized in the market, managed by an asset management company. The risks transferred to this SPV are proportional retrocession covering natural catastrophe related risk. The risks are transferred for one year. On-going supervision of the SPV takes place including reporting requirements.</p> <p><i>Reporting and Role of the Actuarial Function</i></p> <p>Article R354-6 of the FIC requires the head of the actuarial function to provide the board of directors with a report which includes his or her opinion on the adequacy of the reinsurance arrangements. The head of the actuarial function in providing his or her opinion should consider the risk profile and underwriting policy of the insurer, the reinsurer’s credit rating, and impact of stress events to name a few.</p> <p>Insurers reports on their reinsurance arrangements publicly through the SFCR as well as confidentially to the ACPR as part of the regulatory reporting requirements.</p> <p><i>Supervision</i></p> <p>In 2024 the ACPR undertook a thematic review on reinsurance programs. The outcome of the exercise indicated that several insurers experienced price increases together with reduced capacity for adverse risks. Reinsurance is mostly used intragroup by the larger groups.</p> <p>Supervisory focus is on the analysis of the reported data both at a micro and macro level. The reporting requirements include extensive data collection. The focus in the analyses is mainly on high-risk areas such as climate risk and riot cover.</p>
Assessment	Observed
Comments	There is a comprehensive set of requirements for insurers to manage their reinsurance arrangements. They cover both qualitative risk management requirements as well as how

	reinsurance can be considered for solvency calculations. The ACPR undertakes extensive supervision of reinsurance arrangements and risks.
ICP 14	<p>Valuation</p> <p>The supervisor establishes requirements for the valuation of assets and liabilities for solvency purposes.</p>
Description	<p>Article L351-1 of the FIC sets out the general principles that apply to the valuation of assets and liabilities for solvency purposes:</p> <ul style="list-style-type: none"> • Assets: valued at the amount for which they could be exchanged in the context of a transaction concluded, under normal conditions of competition, between a willing buyer and a willing seller; • Liabilities: valued at the amount for which they could be transferred or settled in the context of a transaction concluded, under normal conditions of competition, between a willing buyer and a willing seller. When valuing these liabilities, no adjustment is allowed for a company's own credit quality. <p>The Solvency II Delegated Regulation (2015/35), in Article 9, specifies that assets and liabilities (other than technical provisions) shall be valued according to international accounting standards (IFRS), at fair value (arm's length transactions) unless specified otherwise.</p> <p>Article 10 of Solvency II Delegated Regulation (2015/35) goes on to specify the following valuation hierarchy:</p> <ul style="list-style-type: none"> • Quoted market prices; • Where quoted market prices are not available, quoted market prices of similar assets but taking into account differences; and • Alternative valuation methods which include a market approach (prices for market transactions and can include matrix pricing), income approach (converts future amounts into a single current amount) or cost approach (current replacement cost). <p>This hierarchy of methods should ensure reliable, decision-useful valuations. Article 267 of the Solvency II Delegated Regulation (2015/35) requires that firms document their processes and procedures adequately, define roles and responsibilities, provide sufficient resources, and have effective checks and balances in place.</p> <p>Article 11 of the Solvency II Delegated Regulation (2015/35) stipulates that contingent liabilities that are material should be recognized on the balance sheet.</p> <p>In terms of Article 12 of the Solvency II Delegated Regulation (2015/35) the following assets should be valued at zero: goodwill and Intangible assets except where the intangible asset can be sold.</p> <p>Article 13 of the Solvency II Delegated Regulation (2015/35) determines the valuation criteria</p>

	<p>for related parties.</p> <p>Technical Provisions</p> <p>The recognition and derecognition of technical provisions are covered in Article 17 of the Solvency II Delegated Regulation (2015/35).</p> <p>Article R.351-1 of the FIC specifies that the value of the technical provisions is equal to the sum of the best estimate and the risk margin. The FIC goes further to say that the best estimate is the probability-weighted average of future cash flows given the time value of money estimated on the basis of the relevant risk-free yield curve, i.e. the expected present value of future cash flows.</p> <p>The risk-free interest rate term structure is further defined, and the calculation method is prescribed by rules laid out in the Solvency II Delegated Regulation (2015/35) (Articles 43 to 54). EIOPA publishes monthly risk-free interest rate term structures.</p> <p>The best estimate shall be calculated in a transparent manner and in such a way as to ensure that the calculation method and the results that derive from it are capable of review by a qualified expert. The choice of actuarial and statistical methods for the calculation of the best estimate shall be based on their appropriateness to reflect the risks which affect the underlying cash flows and the nature of the insurance and reinsurance obligations. The actuarial and statistical methods shall be consistent with and make use of all relevant data available for the calculation of the best estimate.</p> <p>The requirements relating to technical provisions require that all assumptions are consistent over time, can be explained and justified, validated, and documented. The Solvency II Delegated Regulation (2015/35), Articles 19-21, sets requirements in term of data quality; Articles 22-26 set out requirements in terms of the underlying assumptions; Article 264 deals with validation; and Article 265 covers documentation.</p> <p>In calculating the technical provisions, information shall be credible only where an insurer can provide evidence of credibility considering the consistency and objectivity of that information, the reliability of the source of the information and the transparency of the way in which the information is generated and processed.</p> <p>In terms of the risk margin, the FIC states that the risk margin shall be calculated in such a way as to ensure that the value of the technical provisions referred to in Article L.351-2 is equivalent to the amount that another insurer would charge to take over and honor the insurance and reinsurance commitments.</p> <p>The Solvency II Delegated Regulation (2015/35) provides that the economic valuation of insurers relies on the estimate of the expected present value of insurance liabilities, taking account of financial guarantees and options in (re)insurance contracts. The valuation of options and guarantees is then further described in Article R.351-10 of the FIC.</p> <p>The valuation requirements apply differently depending on the kind of with-profit life policy as well as the legal form of the insurer selling those policies (mutuals/companies).</p>
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	<p>For a major part of the life insurance capital guaranteed contracts, the regulatory minimum bonus is based on the yearly income statement of the insurer according to certain principles. It is either distributed immediately to the policyholders or provisioned by the insurer for a period that cannot exceed eight years. The provisions for profit sharing count for own funds in the solvency calculation.</p> <p>Insurers can guarantee a rate, fixed for a period equal to at least six months or no more than two years. For the life capital guaranteed contracts, other than death insurance contracts, the guaranteed rate cannot exceed a prescribed limit. Insurers also define a technical rate, fixed for the lifetime of the contract. The technical rate¹⁰ can be positive or null. In practice, the ACPR observes that insurers, when deciding on the level of allocation of bonuses, follow the trend given by the French 10-year sovereign bond.</p> <p><i>Long-Term Guarantee Measures and Transitionals</i></p> <p>The transitional provisions will be gradually phased out by 2032. The impact of the transitional measure applied was +4.7pts on the SCR ratio by year-end 2023.</p> <p><u>Volatility adjustment (VA)</u></p> <p>The VA is widely used and does not require prior authorization from the ACPR. The ACPR monitors both ratios with VA and without VA as part of its ongoing supervision. The aggregated Solvency ratios of the VA users with and without the VA, respectively, were 250 percent and 240 percent.</p> <p><u>Matching adjustment</u></p> <p>The MA is not used.</p> <p>Insurers also prepare valuations for reporting under various other bases. Insurers are required to prepare their annual financial statements on the local valuation basis, French GAAP (FGAAP). There are 13 insurance groups that report their consolidated financial statements on an IFRS basis, representing 70.2 percent of the market at end 2023.</p> <p><i>ORPS (See Background in Box 1)</i></p> <p>For the 23 ORPSs the valuation of assets and liabilities is based on French GAAP. The main difference between French GAAP and Solvency II is:</p> <ul style="list-style-type: none"> • Assets - In the general fund at cost. If the investments show unrealized losses of a lasting nature (for equity instruments) or a credit risk (interest rate instruments) at the balance sheet date, a provision must be recorded except for interest rate instruments. For assets backing unit-linked contracts, assets must be valued at fair value. To cover the solvency margin, the ACPR can allow an insurer to take into account unrealized profits if they are not exceptional (R.385-1 of the FIC).
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¹⁰ The technical rate reported on individual contracts is the maximum rate at which the insurer's commitments to policyholders are discounted. It is fixed at the time of purchase and limited by the regulations applicable at that date (A.132-1 of the Code des assurances).

	<ul style="list-style-type: none"> • Technical provisions - <p>(i) Life policies (excluding unit-linked) are valued at a discounted cash flow method, but the discount rate is prescribed in the FIC which is a cap calculated from bond index. ORPSs can use standard mortality tables and experience mortality tables. No provisions are made for surrenders because in practice the right to surrender is reduced to extreme cases and the proportion of surrenders is low. The technical provisions are calculated on a policy-by-policy basis with a prescribed floor, i.e., the technical provisions cannot be negative or less than the surrender value. The assumptions used in the valuation are those used at the pricing of the contract. There is allowance for recognition for certain profits or losses (for example, depreciation or unrealized profit or losses on equities). Some provisions are required to compensate the gap between the guaranteed interest rate and the economic return on assets (Provision pour Aléa financier) or to compensate the insufficiency of future expenses (Provision Globale de Gestion).</p> <p>(ii) Non-life policies: the Technical Provisions will include a provision for unearned premiums, outstanding claims and claims payable (claims reported but not yet settled, claims incurred but not yet reported and recoveries). In the FIC, disability claim provisions are calculated with a discounting rate of future cash flows and use special disability tables. It is possible to use experience tables. The IBNR provisions are calculated with statistical methods identical to those used in Solvency II calculations.</p> <p>Supervision</p> <p>The ACPR's annual supervisory plans for both 2023 and 2024 included work on valuation: a survey on modelling of life insurance (2024) and a survey on provision of profit sharing (2023).</p> <p>Several off-site and on-site activities are carried out on the valuation of technical provisions. They include surveys on various topics and the use of analysis tools. The ACPR has also established an internal working group dedicated to these topics (life and non-life). The outcome of its analyses is reported to various forums nationally as well as at EIOPA level. The ACPR also participates in an annual conference for the insurance industry where it communicates findings from its work.</p> <p>In respect of an alternative valuation methodology applied for real estate investments the ACPR developed internal guidance to its supervisors as to what to expect for the valuation for alternative assets.</p>
Assessment	Largely Observed
Comments	The regulatory framework for the valuation of assets and liabilities set out in the Solvency II framework and applied to close to 90 percent of the insurers in the market, is robust and observes the ICP standards. As it relates to most of the remaining 10 percent of the market i.e., the ORPSs (see Box 1), the change in the regulatory requirements introduced in 2017 which took effect for most ORPSs in 2022 resulted in the valuation bases applied to these entities

	<p>(French GAAP) only largely observing the ICP standards. The valuation basis is not fully market consistent applied on an economic balance sheet. The assessment of observance of this ICP is a rating of Largely Observed only because of the valuation basis applied to the ORPSs.</p> <p>It is recommended that the ACPR and Government reconsider the valuation basis applied to the ORPSs' insurance contracts.</p>
ICP 15	<p>Investments</p> <p>The supervisor establishes regulatory investment requirements for solvency purposes in order for insurers to make appropriate investments taking account of the risks they face.</p>
Description	<p>All investment requirements apply to legal entities as well as insurance groups. Insurers are required to invest all their assets in accordance with the "prudent person" principle (Article L.353-1 of the FIC), under conditions which are set out in Articles R.353-1-353-5 of the FIC, which include:</p> <ul style="list-style-type: none"> • Investment only in assets where the risks can be identified, measured, monitored, managed, controlled and reported on and which can be taken into account in the assessment of the overall solvency; • A requirement that assets held for the purpose of covering the technical provisions are appropriate to the nature and duration of the insurance obligations and are invested in the best interests of all policyholders and in line with the insurer's published investment policy. • The use of derivatives is allowed provided it reduces risk or promotes efficient portfolio management. • Investments and assets that are not admitted to trading on a regulated financial market must be kept at prudent levels. • Any conflict of interest between an insurer and entities managing assets on its behalf shall be managed to ensure that the investments made are in the best interests of policyholders. • Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose an insurer to excessive concentration risk. <p>Article R,353-1 to R.353-5 of the FIC go further to state that all assets are invested in a way that:</p> <ul style="list-style-type: none"> • ensures the safety, quality, liquidity, and profitability of the entire portfolio. In addition, the location of these assets must ensure their availability i.e. being transferable and fungible. • It is appropriately diversified and to avoid excessive accumulation of risks across the portfolio. <p>Article R.131-1 of the FIC lists the assets which can cover unit-linked contracts.</p> <p>In managing its investment activities, Articles L.354-2 and R.354-2 of the FIC require insurers and reinsurers to have in place an effective risk-management system comprising strategies, processes, policies and reporting procedures necessary to monitor and manage on a</p>

	<p>continuous basis the risks to which they are exposed.</p> <p>It is further required that an insurer's risk-management system should cover at least the following areas and have policies in place: (i) asset-liability management, (ii) investments, (iii) liquidity and concentration risk management, (iv) operational risk management and (v) reinsurance and other risk-mitigation techniques. The scope of risks related to investment decisions has been further extended by Article 29 of the Climate and Energy Law, 2019, which came into effect in 2021, and which requires financial market participants (including insurers) to consider in their investment policies climate change and biodiversity risks.</p> <p>Guideline 27 of EIOPA's Guidelines on system of governance sets out an expectation that insurers not solely depend on the information provided by third parties, such as financial institutions, asset managers and rating agencies. An insurer should develop its own set of key risk indicators in line with its investment risk management policy and business strategy.</p> <p>Supervision</p> <p>The ACPR, in 2022, introduced additional reporting requirements to monitor the valuation of real estate by insurers. These new requirements provide a breakdown of each asset held to determine the way it is held (i.e. direct or through investment funds), the type (commercial or retail), as well as the geographical location. The objective is to identify current and emerging vulnerabilities linked to the commercial real estate sector, notably on risks linked to price variation. This risk is monitored regularly by several committees including the Financial Stability Hub.</p> <p>The ACPR carries out several off-site analyses as well as on-site inspections on investments. These are done on both an insurer basis and at an industry level. For example, the ACPR does an annual analysis on the bond portfolio strategies of insurers. The ACPR also performs detailed analyses on higher risk investments separately and for the bancassurance models an analysis is done on the interconnectedness.</p> <p>All the qualitative requirements applying to the Solvency II insurers also apply to the ORPSs.</p>
Assessment	Observed
Comments	<p>The principles-based requirements applied under Solvency II are appropriate. Supervisors use analytical tools and deep dive supervisory work to assess risks, including concentrations, intra-group exposures etc. based on Solvency II prudent person approach.</p> <p>The wording of ICP 15.5 requires quantitative requirements on complex and less transparent classes of assets and investments in markets or instruments subject to less governance or regulation, but only where appropriate. In the context of a principles-based approach to investments the assessors consider that hard quantitative requirements in relation to these higher risk investments are not necessary for observance of that standard.</p>
ICP 16	Enterprise Risk Management for Solvency Purposes

	The supervisor requires the insurer to establish within its risk management system an enterprise risk management (ERM) framework for solvency purposes to identify, measure, report and manage the insurer's risks in an ongoing and integrated manner.
Description	<p>ERM Framework</p> <p>Insurers are required to have in place an effective risk-management system covering the risks to be included in the calculation of the SCR as well as risks are not fully included in its calculation (Articles 44(1) and (2) of Solvency II and Articles L.354-2 and R.354-2 of the FIC) (see also ICP8).</p> <p>The Solvency II Delegated Regulation (2015/35), in Article 260, further requires that an insurer have in place risk management policies covering at least (i) underwriting and reserving, (ii) asset-liability management, (iii) investment risk management, (iv) liquidity risk management, (v) concentration risk management, (vi) operational risk management, (vii) reinsurance and other insurance risk mitigation techniques.</p> <p>The EIOPA Guidelines on ORSA also provide some elements on the content of the ERM Framework. There are consistent links between risk management and capital management throughout the Solvency II legislation, rules and guidelines.</p> <p>For groups, it is a requirement that the risk management, internal control systems and reporting procedures be implemented consistently in all entities included in the scope of the group and that these systems and reporting procedures be controlled at the level of the group (Article 246 of Solvency II read with Article L.356-19 of FIC). It further requires that the insurance group's risk management frameworks consider the specificities of entities in the scope of the group, their complexity, their sophistication, the legal framework of their jurisdiction, etc.</p> <p>Article L.356-20 of FIC requires that for insurance groups (including IAIGs), the risk management system covers all material risks at the level of the group and is applied to all entities (consistently) in the scope of the group. The group's risk management system relies on the overall solvency needs which are assessed as part of the group ORSA (see Article R.356-41 of FIC) in order to cover all material risks including those not reflected in the group SCR calculation.</p> <p>The EIOPA Guidelines on the System of Governance also specifies that the group risk management system covers the risks and their interdependencies stemming from conducting activities in different entities and in different jurisdictions.</p> <p>Risk Identification</p> <p><u>Intragroup transactions</u>¹¹</p> <p>Article 245 of Solvency II provides for the supervision of intragroup transactions. This includes</p>

¹¹ Defined in the FIC as transactions by which an insurer relies, directly or indirectly, on another entity within the same group or on any natural or legal person linked to any entity within the insurance group by for the fulfilment of any obligation, whether or not contractual, and whether or not for payment.

reporting requirements (at least annually or more frequent if material¹²) and the responsibility of the GWS to review the intragroup transactions.

In practice the ACPR has defined four levels to determine which intragroup transactions are material and should be reported annually. The levels are determined based on the SCR of the smallest insurer that is party to an intragroup transaction or for non-insurance entities the insurance group SCR is used. The levels are:

Levels (SCR of smallest insurer)	Threshold per single transaction
EUR 0 to 20 million	EUR 5 million
EUR 20 to 100 million	EUR 10 million
EUR 100 to 1,000 million	EUR 25 million
>EUR 1,000 million	Minimum: EUR 100 million Maximum: 1% of Group SCR or EUR 25 million

**For what are defined as "very significant" intragroup transactions (where the amount is five times the threshold), the insurance group must report those immediately after the completion of such a transaction.*

Risk Measures

Article 259(3) of Solvency II Delegated Regulation (2015/35) requires insurers including insurance groups to perform stress testing and scenario analysis on the relevant risks faced by the insurer as in their risk-management system. Also see further details under the ORSA below.

Risk Appetite/Limits and Capital Adequacy

Article 259 of Solvency II Delegated Regulation (2015/35) states that insurers shall have a risk management system that includes written policies, which effectively ensure the definition and categorization of the material risks to which the insurer is exposed and the approved risk tolerance limits for each type of risk.

The EIOPA Guidelines¹³ on the system of governance further state that the Board of directors are ultimately responsible for setting an insurer's risk appetite and overall risk tolerance limits, as well as approving the main risk management strategies and policies (Guideline 17). Guideline 17 also addresses the risk management system of the group, which should include the definition of the group's risk appetite and overall risk tolerance limits. Guideline 18 specifies that the risk management policy of an insurer should describe the link between the overall solvency needs assessment as identified in the ORSA, the regulatory capital requirements and the insurer's risk tolerance limits.

Solvency II addresses the operationalization of the risk appetite statement with the business

¹² Material intragroup transaction refers to those that can materially influence the solvency or liquidity position of the group or one of the entities involved in these transactions.

¹³ ACPR has agreed to apply all EIOPA Guidelines to the French insurance sector.

strategy and day to day operations mainly through the risk management policies of an insurer, which should ensure that the policies implement the insurer's risk strategy, facilitate management over these risks and consider the nature, scope, and time periods of the business of the insurer and the associated risks (see Article 259(1.c)).

The above requirements also apply to an insurance group's ERM Framework. There is, however, no explicit requirement for an IAIG to communicate its risk appetite internally and externally although it would normally be done either through its published annual financial statements or within the SFCR.

Risk Management Policies

ALM policy

The EIOPA Guidelines on the System of Governance, in Guideline 24, provide that an insurer's ALM policy should at least cover: (i) a description of the procedure for identification and assessment of different natures of mismatches between assets and liabilities (at least covering terms and currency); (ii) a description of mitigation techniques to be used and the expected effect of relevant risk-mitigating techniques on asset-liability management; (iii) a description of deliberate mismatches permitted; and (iv) a description of the underlying methodology and frequency of stress tests and scenario tests to be carried out.

Article 132(2) of Solvency II also states that "Assets held to cover the technical provisions shall also be invested in a manner appropriate to the nature and duration of the insurance and reinsurance liabilities."

There is no explicit requirement for the ALM policy to include the extent to which ALM activities relate to product development and pricing. However, the underwriting and reserving risk management policy should include the process for designing a new insurance product and the premium calculation and considering the constraints related to investments (Guideline 20 of EIOPA's Guidelines on the System of Governance).

Investment policy

Solvency II requires insurers to have a risk management policy that covers investment risk management and counterparty risk (Article 44(2)). This investment policy should include an insurer's own internal assessment of the credit risk of investment counterparties, including where the counterparties are central governments.

The Solvency II Delegated Regulation (2015/35) requires that insurers invest only in assets whose risks the insurer can properly identify, measure, monitor, manage, control and report, and appropriately consider in the assessment of its overall solvency needs (Articles 32 and 45(1)(a)).

Guideline 25 of the EIOPA Guidelines on system of governance provides further requirements as to what should be included in the investment policy (see also ICP 15 above).

In relation to insurance groups (including IAIGs), Solvency II requires that the risk management system should be consistently applied within the scope of the insurance group and that the risk

	<p>management system and reporting procedures be controlled at the head of the insurance group (see ICP 8).</p> <p>There is no explicit requirement for any insurance group to have a counterparty risk appetite statement as a standalone statement, but counterparty risk appetite is covered in the investment policy.</p> <p>Solvency II is a principles-based regime so in general does not include specific rules or criteria. In relation to intragroup transactions. There are no regulatory restrictions on transfers of liquidity within a group nor any requirements that intragroup transactions should be done at market terms and conditions. Intragroup exposure is mainly supervised by the ACPR through reporting requirements (more frequent reporting for “significant intragroup transactions”¹⁴) as well as ongoing supervision where intragroup transactions are assessed including in supervisory colleges (see ICP 25).</p> <p><u>Underwriting policy</u></p> <p>Article 272(6) of the Solvency II Delegated Regulation (2015/35) requires an insurer’s underwriting policy to at least include assessments on (i) the sufficiency of the premiums to be earned to cover future claims and expenses, taking into consideration the underlying risks (including underwriting risks), and (ii) the impact of options and guarantees included in insurance and reinsurance contracts on the sufficiency of premiums.</p> <p>Further requirements for the underwriting policy are set out in Guideline 20 of the EIOPA Guidelines on system of governance. One area that is not explicitly covered is the link between the risks to be underwritten and the macroeconomic conditions. The assessors are of the view that this is implicitly covered in that the underwriting policy includes pricing and product development which needs to take into account macroeconomic conditions.</p> <p><u>Actuarial policy</u></p> <p>With respect to the actuarial function, there is no explicit requirement for an IAIG to establish and maintain a group-wide actuarial policy. The EIOPA Guidelines on system of governance, however, prescribe the tasks that the actuarial function should perform. These Guidelines (Section 9) covers those areas mentioned in ICP CF 16.7d and 16.7e apart from the requirement of the group-wide actuarial function to report to the IAIG’s Board annually on consideration of non-insurance legal entities and non-regulated legal entities.</p> <p><i>Liquidity Risk Management</i></p> <p>As mentioned, an insurer is required, under Solvency II, to have in place various risk management policies including a liquidity and concentration risk management policy. This policy must contain strategies, policies, and processes to maintain adequate liquidity to meet</p>
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¹⁴ Significant intragroup transactions are those that can materially influence the solvency or liquidity position of the group or of one of the undertakings involved in these transactions.

liabilities as they fall due in stressed conditions. More specifically, the policy should cover the actions taken considering both short and long-term liquidity risk; the appropriateness of the composition of the assets to meet the insurers' obligations as they fall due and the development of a plan to deal with changes in expected cash inflows and outflows.

Guideline 26 of the EIOPA Guidelines on the system of governance requires that the liquidity risk management policy should also cover: (i) the procedure for determining the level of mismatch between the cash inflows and the cash outflows of both assets and liabilities; (ii) consideration of an appropriate liquidity buffer to guard against a liquidity shortfall; (iii) consideration of the level and monitoring of liquid assets, including a quantification of potential costs or financial losses arising from an enforced realization; (iv) identification and costs of alternative financing tools; and (v) consideration of the effect on the liquidity situation of expected new business.

Various Guidelines in EIOPA's Guidelines on system of governance deal with liquidity risk management covering areas such as security and as well as the timing mismatch between claims' payments and reinsurance recoverables.

The Solvency II Delegated Regulation (2015/35) covers the performance of stress tests and scenario analysis covering all relevant risks faced by the insurer, in their risk-management system (Article 259(3)).

The ACPR is doing extensive supervisory work on liquidity risk, as mentioned under ICP 9. Since 2021 large insurers in Europe are expected to develop specific liquidity reporting prepared by EIOPA. This is in addition to the information related to liquidity required as part of the ORSA. In France, the pre-emptive Recovery Plan for large insurers provides extensive and more in-depth information on the liquidity risk management.

ORSA

Solvency II requires insurers to conduct their own risk and solvency assessment regularly and without any delay following any significant change in their risk profile (Article 45).

The AMSB (see ICP 7) should approve an ORSA policy which should include at least: (i) the processes and procedures in place to conduct the ORSA; (ii) the link between the risk profile, the approved risk tolerance limits and the overall solvency needs; (iii) the methods and methodologies including information on: (a) stress tests, sensitivity analyses, reverse stress tests or other relevant analyses to be performed, (b) data quality standards; (c) the frequency of the assessment itself; (d) justification of the adequacy of the assessment considering the insurer's risk profile and the volatility of its overall solvency needs relative to its capital position; and (e) the timing for the performance of the ORSA and the circumstances for an out of cycle ORSA.

The technical details of the ORSA Report are dealt with in the Solvency II Delegated Regulation (2015/35) as follows:

- the ORSA supervisory report should present the qualitative and quantitative results and the conclusions drawn by the insurer, the methods and main assumptions used, information on

	<p>the insurer's overall solvency needs and a comparison between those solvency needs, the regulatory capital requirements and the undertaking's own funds, and qualitative information (Article 306);</p> <ul style="list-style-type: none"> • the performance of stress tests and scenario analysis with regard to all relevant risks faced by the insurer, in their risk-management system (Article 259(3)); and • a forward-looking assessment of an insurer's overall solvency needs that should include: (i) risks the insurer could be exposed to, considering potential future changes in its risk profile due to the undertaking's business, strategy or the economic and financial environment, including operational risks; and (ii) the nature and quality of own fund items or other resources appropriate to cover the risks identified (Article 262(1)). <p>EIOPA has also issued Guidelines on ORSA which provides further requirements on the content and update of the ORSA:</p> <ul style="list-style-type: none"> • Guideline 6 - insurer to communicate to all its relevant staff at least the results and conclusions of the ORSA. • Guideline 7 – performing an assessment of the overall solvency needs including stress tests or scenario analyses. • Guideline 10 – Continuous compliance with the Solvency II regulatory capital requirements considering: (i) the potential future material changes in the insurance group's risk profile, (ii) the quantity and quality of the group's own funds over the whole of its business planning period, and (iii) the composition of own funds across tiers and how this composition may change. • Guideline 13 - ORSA results to at least consider: (i) capital management, (ii) business planning and (iii) product development and design. <p>Solvency II places the ultimate responsibility on the Board to ensure compliance, including the ORSA. Solvency II requires that the ORSA be an integral part of the business strategy of the insurer including strategic decisions.</p> <p>Groups</p> <p>An insurance group should design the group ORSA to reflect the nature of the group structure and its risk profile.</p> <p>The insurance group's internal control mechanisms should include mechanisms to identify and measure all material risks incurred and to appropriately relate eligible own funds to risks for solvency purposes; and sound reporting and accounting procedures to monitor and manage the intragroup transactions and the risk concentrations (Articles 246 (1) – (3) of Solvency II Delegated Regulation (2015/35)).</p> <p>The EIOPA Guidelines on ORSA further include:</p> <ul style="list-style-type: none"> • Guideline 5 - each ORSA should include a description on how the following factors were taken into consideration for the assessment of overall solvency needs: (i) sources of capital
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within the group and potential needs for additional capital; (ii) the availability, transferability or fungibility of capital; (iii) any envisaged transfer of capital within the group (material to any entity) and its consequences; (iv) alignment of individual strategies with the strategy of the group; and (v) specific risks the group could be exposed to.

- Guideline 15 -The insurance group should cover in the group ORSA the material risks arising from all the entities that are part of the group.
- Guideline 17 –assess the impact of all group specific risks and interdependencies within the group and the impact on the overall solvency needs.
- Guideline 18 - Group specificities on the continuous compliance with regulatory capital requirements 1.34.
- Guideline 19 – An insurance group can apply to perform a single ORSA for the group. In France this is not allowed and the ACPR receives ORSA's for each insurer as well as for each insurance group.

Supervision

The review of the ORSA and the ERM Framework forms part of the ACPR's supervisory review process. Both offsite and onsite supervision is applied (see ICP 9). Furthermore The [EIOPA Guideline on Supervisory Review Process](#) provides direction and recommendations in identifying the manner in which a risk-based, prospective and proportionate approach to supervision may be achieved within the supervisory review process. In addition, the ACPR has also issued its own Guidance paper supplementing the EIOPA Guideline on the ORSA.

The ACPR has a tool that analyzes the ORSAs submitted by insurers to ensure that all the requirements are addressed. In addition, as part of its ORSA assessments, the ACPR also identifies any emerging risks and trends as reported by insurers.

Recovery Planning

The ACPR has proactively introduced legislation, applicable only to large insurers¹⁵, to design and keep an updated Preemptive Recovery Plan (Plan Préventif de Rétablissement (PRP) (Article L311-5 of the FIC). A PRP must include (Article L.311-3 of the FIC):

- the list of the critical functions and interconnected activities;
- measures necessary for the operational continuity of the company, including infrastructures and IT systems as well as communication towards customers and intermediaries;
- systemic and idiosyncratic crisis scenarios;
- defined indicators that trigger the recovery governance;
- options and measures available to preserve and / or recover the financial viability and reduce the exposure to risk; and

¹⁵ Insurers (including insurance groups) whose assets exceed €50 billion.

	<ul style="list-style-type: none"> analyses of the potential limits of the recovery options and the potential impacts on customers, intermediaries, and financial stability. <p>The legislative requirements also provide that the insurer should be able to produce information on a timely basis, with enough resources and a secured access to information systems relating to critical functions (see Article L.311-6 of the FIC).</p> <p>The legislation also requires the ACPR to review the insurance group's information systems. The information systems must be able to produce, in a short time, accurate and complete data relating to activities representing a significant source of income or profit and critical functions, which are necessary for the preparation and implementation of a resolution procedure by the ACPR. The ACPR is also required to review any testing results on the information systems.</p> <p>A PRP, submitted to the ACPR, is required every second year or more frequently if necessary.</p> <p>ComFrame Requirements</p> <p>While the regulatory and supervisory framework observes many of the requirements for IAIGs, there are also some gaps.</p> <ul style="list-style-type: none"> CF16.2c, where there is no explicit requirement on the independent review (at least once every three years) of the group-wide ERM framework. The internal audit function of an insurance group might in practice cover elements of the group-wide ERM framework in its annual internal audit plan. CF16.7a regarding reliability of data: there is no clear requirement addressing data quality in the context of reinsurance as required by the standard. CF16.7b (group-wide claims management policy): there is no explicit requirement for a feedback mechanism into the group-wide reinsurance policy from the claims management process. CF16.7c (group-wide strategy for reinsurance): there is no explicit requirement for the interaction of group-wide reinsurance strategies with group-wide capital management strategies (although there is evidence of IAIGs making this connection in their SFCRs and other disclosures); there is also no requirement on insurers specifically to address the autonomy of subsidiaries to enter into their own reinsurance arrangements. CF16.7e (the group-wide actuarial function): the requirements on reporting to the IAIG board on certain matters make no explicit reference to the need to consider non-insurance legal entities or non-regulated legal entities, although there are explicit requirements for this to be addressed by the risk management function. CF16.9d (reporting to the supervisor on liquidity risk): there is no requirement for what amounts to a liquidity management plan as set out in the standard; however, there is ample evidence of supervisors focusing on liquidity risk and therefore deriving the same information via supervisory processes
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	<ul style="list-style-type: none"> CF16.12b (detailed requirements for the IAIG's group-wide ORSA): there is no requirement on groups to apply scenario analysis and stress testing to aggregate exposures across the group.
Assessment	Largely Observed
Comments	<p>Most of the standards are addressed through extensive ERM requirements and a well-established framework for insurers' ORSAs, including effective supervision by the ACPR. Supervisors already address liquidity risks, but implementation of the amendments to Solvency II following the recent review will enhance liquidity monitoring and supervision through a new requirement for liquidity risk management plans. They will also introduce a new power for authorities to suspend redemptions in the event of a liquidity crisis.</p> <p>ICP 16 has particularly extensive and detailed additional ComFrame standards applying to IAIGs. The Solvency II regime is principles-based, and many detailed expectations are set through guidelines issued either at EIOPA level or by the ACPR. Some of the standards applying to IAIGs are not explicitly addressed by the Solvency II framework, although some may be reflected in the practices of groups. The shortcomings can easily be addressed through further guidance. Not all IAIGs are covered by the recovery planning requirements (see also ICP 12).</p> <p>It is recommended that the ACPR:</p> <ul style="list-style-type: none"> review regulations and guidance on risk management for IAIGs to ensure ComFrame requirements in ICP 16 are met; require insurers and IAIGs to develop liquidity risk management plans taking into account the requirements of ICP 16.9 and CF16.9d; and include all IAIGs in requirements on the development of recovery plans and regularly review the need for significant non-IAIGs to develop recovery plans.
ICP 17	<p>Capital Adequacy</p> <p>The supervisor establishes capital adequacy requirements for solvency purposes so that insurers can absorb significant unforeseen losses and to provide for degrees of supervisory intervention.</p>
Description	<p>Legislative Basis</p> <p>Section 45 of the Introduction to Solvency II states that solvency requirements should be based on an economic valuation of the whole balance sheet. Article 101 of Solvency II further provides that the SCR is calibrated to "ensure that all quantifiable risks to which an insurance or reinsurance undertaking is exposed are taken into account".</p> <p>These principles are also covered in Articles L.352-1, R.352-2 and R.352-10 of the FIC.</p> <p>Capital Requirements</p> <p>Article 64 of the introduction to Solvency II provides that the SCR corresponds to "the Value-at-</p>

	<p>Risk of the basic own funds of an insurance or reinsurance undertaking subject to a confidence level of 99.5 percent over a one-year period". This is set out in Article R.352-2 of the FIC.</p> <p>The calculation of the SCR can be performed either through a prescribed standard formula or through a full or partial internal model (Article 100 of Solvency II and Article L.352-1 of the FIC). The standard formula is prescribed in Articles 101 and 103 to 109 of Solvency II (and Articles R.352-2 to R.352.10 of the FIC). The technical details, i.e., the calculation method and parameters of the standard formula, are further prescribed in the Solvency II Delegated Regulation (2015/35), Articles 83 to 217.</p> <p>An insurer must also calculate a MCR which is prescribed in Articles 128 and 129 of Solvency II (see Articles L.352-5 and R.352-29 of the FIC read with Articles 248 to 253 of the Solvency II Delegated Regulation (2015/35)).</p> <p>The SCR must be calculated based on the assumption of a going concern and it is required that:</p> <ul style="list-style-type: none"> • all quantifiable risks to which the insurer is exposed are taken into account; • it covers the current portfolio (covering only unexpected losses), as well as the new portfolio (business expected to be underwritten in the next twelve months); • it covers at least the following risks: non-life underwriting, life underwriting, health underwriting, market, credit and operational risk, which includes legal risks but does not include risks arising from strategic decisions or reputational risks; and • it considers the impact of risk mitigation techniques, provided that the credit risk and other risks inherent in the use of such techniques are adequately considered. <p>With regards to the aggregation of risks, for the standard formula, the aggregation approach is based on a variance-covariance aggregation approach with pre-defined correlation parameters (see Article 87 of the Solvency II Delegated Regulation (2015/35)).</p> <p>If the standard formula is not adequate to the risk profile of an insurer, the ACPR has powers to impose User Specific Parameters (USPs) to replace some of the standard formula's parameters or to impose the use of an internal model to adequately assess and reflect all the risks.</p> <p>Furthermore, insurers using the standard formula must assess the appropriateness of its use as part of the insurer's ORSA.</p> <p>Capital Add-Ons</p> <p>Article 26 of Solvency II provides for a capital add-on to the regulatory capital requirement (this requirement is also in the FIC). Capital add-ons can only be imposed under exceptional circumstances, i.e., as a last resort and when other supervisory measures are ineffective or inappropriate. Capital add-ons apply to a single entity for a specified period following a supervisory review process.</p>
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The ACPR can impose a capital add-on if an insurer's risk profile deviates significantly from the assumptions underlying the SCR or if there is a significant deviation from the governance requirements. Since 2017 the ACPR has imposed capital add-ons on nine insurers.

Group-Wide Capital Adequacy

Article 100 of Solvency II provides that the solvency is calculated at an insurance group level. The group solvency is calculated the same way as for individual insurers but based on consolidated accounts. Therefore, each entity within the insurance group must ensure that their eligible own funds are available in the group to at least equal the group SCR. These requirements have been transposed in the FIC.

Internal Models

The use of an internal model is subject to prior approval of the ACPR (Article R.352-13 of FIC). Article 122 of Solvency II (and Article R.352-20 of FIC) allows insurers to use internal models that have a different period or risk measure than the standard formula as long as the outputs of the internal model can be used to calculate the SCR in a manner that provides policyholders and beneficiaries with a level of protection equivalent to the prescribed SCR under the standard formula.

Article 121 of the Solvency II Directive and Article R.352-19 of FIC set out the principles and expectations underlying the use of internal models which include:

- the methods used to calculate the forecast probability distribution shall be based on adequate, applicable and relevant actuarial and statistical techniques and consistent with the methods used to calculate the technical provisions;
- the data used are accurate, comprehensive and appropriate;
- the internal model is widely used, and it plays an important role in the governance system of the insurer, and in particular its risk management system and decision-making processes, as well as in the allocation of its capital;
- diversification effects may be taken into account i.e. the dependencies within given risk categories, as well as between risk categories, provided that the ACPR is satisfied with the system used;
- full account of the effect of risk mitigation techniques may be taken into account provided that credit risk and other risks arising from the use of risk mitigation techniques are adequately taken into account in the internal model;
- the internal model should assess specific risks associated with financial guarantees and material contractual options;
- management action can be taken into account;
- insurers must consider all payments to policyholders, policyholders and beneficiaries whether or not such payments are contractually guaranteed.

	<p>The modelling criteria, to ensure consistency amongst insurers, are set out in Articles 222-247 of the Solvency II Delegated Regulation (2015/35) supplemented by ACPR guidance.</p> <ul style="list-style-type: none"> • A use test, whereby insurers must demonstrate that the internal model is widely used and plays an important role in its systems of governance. • Statistical Quality Standards, which set out for example the requirements in respect to the methods, assumptions, data used, and risks covered by the model. • Further technical standards on topics such as financial guarantees, policyholder options, diversification effects, risk-mitigation techniques, and future management actions. • Calibration Standards, where an insurer may use a different period or risk measure than the 99.5th percentile value-at-risk over one-year measure. • Profit and Loss Attribution, where an insurer demonstrates how the internal model can be used to explain the sources of profits and losses. • Validation Standards, which sets out a requirement for insurers to have a regular cycle of validation, e.g., to demonstrate the resulting capital requirements are appropriate. • Documentation Standards, which requires insurers to document the design and operational details of the internal model. • External Models and Data, which sets out that all the above requirements apply for models or data obtained from a third party. <p>The Statistical Quality Standards require insurers to demonstrate that the methods used (in the calculation of the probability distribution forecast) are based on adequate, applicable, and relevant actuarial and statistical techniques; based upon current and credible information and realistic assumptions and consistent with the methods used to calculate technical provisions.</p> <p>Data quality standards required that data used for the internal model must be accurate, complete, and appropriate; and that insurers update the data sets used in the calculation of the probability distribution forecast at least annually.</p> <p>The use test requirements include:</p> <ul style="list-style-type: none"> • the embeddedness of the internal model and its outputs into the system of governance, risk management system, capital allocation and decision-making processes; and • the empowerment of the AMSB to control and be accountable for the model and its use, and to have sufficient understanding of its design and limitations. <p>Changes to the internal model are governed by a model change policy approved by the ACPR. The policy should define the major changes which will be subject to prior approval by the ACPR and minor changes which are subject to regular reporting to the ACPR. Internal model changes that have been approved in practice by the ACPR include scope extensions, particularly in the case of mergers, changes to the treatment of operational and market risks as well as improvements in correlations.</p>
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The process of approval for models and changes to models includes the assessment of documentation, on-site inspections and sensitivity tests.

The ACPR receives regular information to monitor and supervise the use of internal models, through the RSR and the ORSA report. Both these reports include information on how the model is used and embedded in the insurer's risk management system. The ACPR also receives the updated model documentation for each model change (and, as relevant, requests the full consolidated documentation).

Capital Resources

Article 47 of the Introduction to Solvency II provides that an insurer's capital requirements should be covered by own funds¹⁶ (on or off balance-sheet i.e. letter of credit) tiered into three tiers (quality criteria) meeting eligibility requirements. The different types of capital resources should be valued according to a total balance sheet approach.

Articles 87 to 99 of Solvency II (see Articles L.351-6 and R.351-18 to R.351-26 of the FIC) specifies the tiering of the own funds and the eligibility criteria.

Basic own funds include the excess of assets over liabilities (reduced by the amount of own shares held by the insurer); and subordinated liabilities.

Ancillary own funds need prior approval of the ACPR and includes:

- unpaid share capital or initial fund that has not been called up;
- letters of credit and guarantees;
- other legally binding commitments received by the insurer; and
- in the case of a mutual or mutual-type association with variable contributions, any future claims which that association may have against its members by way of a call for supplementary contribution, within the following 12 months.

Articles 69 to 79 of the Solvency II Delegated Regulation (2015/35) provide for criteria used to classify elements of own funds and Article 82 the quantitative limits used for their eligibility.

The treatment of participations is set out to ensure that no double counting of regulatory capital occurs between entities in different financial regulated sectors (such as banking and insurance).

The group capital regime builds on the solo tiering structure and limits on tiering. It also has detailed requirements as to how the group balance sheet shall be calculated, how adjustments to group capital shall be made to reflect such things as minority interests and availability of own funds held in one part of the group to absorb losses elsewhere in the group (transferability and fungibility of own funds). No Ancillary Own Funds can be recognized for group purposes.

Solvency Control Levels

¹⁶ Own funds = Basic own funds + Ancillary own funds.

	<p>Article 60 of the Introduction to Solvency II mentions that there should be in place a risk-sensitive requirement, which is based on a prospective calculation to ensure accurate and timely intervention by supervisory authorities (i.e., SCR), and a minimum level of security below which the amount of financial resources should not fall (i.e., MCR).</p> <p>A breach or likely to breach SCR, an insurer must:</p> <ul style="list-style-type: none"> • immediately inform the ACPR as soon as it observes that the SCR is no longer complied with, or where there is a risk of non-compliance within the next three months; • within two months from the observation of non-compliance with the SCR, submit a realistic recovery plan for approval by the ACPR; and • take the measures necessary to achieve, within six months (or such longer period as the ACPR may determine) from the observation of non-compliance with the SCR, the re-establishment of the level of eligible own funds covering the SCR or the reduction of its risk profile to ensure compliance with the SCR. <p>The breach or likely breach of MCR requires an insurer:</p> <ul style="list-style-type: none"> • inform the ACPR immediately where it observes that the MCR is no longer complied with or where there is a risk of non-compliance within the next three months; and • within one month from the observation of non-compliance with the MCR, submit, for approval by the ACPR, a short-term realistic finance scheme to restore, within three months of that observation, the reestablishment of eligible own funds at least to the level of the MCR or to reduce its risk profile to ensure compliance with the MCR. <p>In addition, Article 69 of Solvency II provides that where a breach of the MCR cannot be restored within a short period of time the authorization of insurer should be withdrawn. Article L.321-10-2 of the FIC provides the powers to the ACPR to withdraw an insurer's license.</p> <p>There are also requirements as to what the solvency recovery plan must at least include.</p> <p>ORPS (See Box 1)</p> <p>The ORPS entities are exempted from applying the Solvency II requirements and are subject to the EU IORPs II Directive inspired by the (much less risk-based) Solvency I approach.</p> <p>The required solvency margin is calculated in accordance with Article 7 of the IORP II Directive. The ACPR also applies several mandatory and regulatory stress tests. In the event of a stress test failure, a capital add-on must be added. Lastly, in the factor-based approach not all risks are captured, for example operational risk and concentration risk.</p>
Assessment	Largely Observed
Comments	The capital adequacy framework, implemented through Solvency II, is robust and appropriate to the nature, scale and complexity of the insurance sector. The use of internal models is adequately monitored by the ACPR, which has specialist expertise, via additional reporting

	<p>requirements and on-site inspections including testing of parts of the internal models.</p> <p>The Largely Observed rating reflects only the different approach applied to the ORPSs entities whose capital requirements are not fully risk-based nor based on a total balance sheet approach.</p> <p>It is recommended that the ACPR explore ways to ensure that ORPSs' capital adequacy requirements applied are based on a total balance sheet approach capturing all risks.</p>
ICP 18	<p>Intermediaries</p> <p>The supervisor sets and enforces requirements for the conduct of insurance intermediaries, in order that they conduct business in a professional and transparent manner.</p>
Description	<p>General Framework</p> <p>The requirements draw on EU legislation. The Insurance Distribution Directive (IDD - Directive 2016/97) sets the general framework for insurance intermediation with requirements applying to distributors generally (i.e., covering both insurers and intermediaries). It has been transposed into national law (Book V, Articles L.511-1 to L.522-7 and R.511-1 to D.522-2 of the FIC). The IDD Delegated Regulations (2017/2358 and 2017/2359) apply directly.</p> <p>ACPR has issued various recommendations, often based on supervisory work, on how it interprets requirements applicable to intermediaries, which also fall within ACPR's general supervisory and enforcement powers.</p> <p>Reinsurance brokers as well as insurance agents and brokers are covered, including banks and other financial institutions involved in insurance intermediation. Ancillary intermediation is also covered by the framework – i.e., entities who distribute products as a complement to and not as part of their principal professional activity.</p> <p>The framework focuses particularly on ensuring adequate professional knowledge and skills (including continuous professional development) of those individuals and their management involved in the distribution of insurance products as well as their integrity.</p> <p>ACPR's Business Practices Directorate includes an Intermediaries Supervision Division, responsible for inspections, coordination with other bodies such as ORIAS, professional associations and the BdF (see below) and oversight of the professional associations. In addition, where banks or other financial institutions carry out insurance intermediation activities, the relevant authority (ACPR and the ECB for banks) may review intermediation activities in their supervisory work.</p> <p>In 2023, banks accounted for around 40 percent of total distribution (and 75 percent in life insurance), while agents and brokers accounted for 7 percent and 22 percent, insurers' own staff 12 percent and other channels (increasingly online for non-life insurance) 19 percent.</p> <p>Licensing</p> <p>Intermediaries meeting the definition in the FIC (Article L.512-1) are required to register with</p>

the Single Registry of Insurance, Banking and Financial Intermediaries maintained by ORIAS, a non-profit organization managed by representatives from the industry under the supervision of the MoEF (see ICP 1). The Register is open to the public. ORIAS has 12 staff and is financed by fees paid by registered entities.

Intermediaries can register under four categories: insurance or reinsurance broker, general insurance agent, insurance representative and insurance intermediary representative (acting upon a mandate of one of the other categories) (Article R.511-2 of the FIC).

ORIAS may not register intermediaries unless they have provided information on any criminal record and evidence of applicable academic and professional qualifications. They must also show evidence that they hold professional indemnity insurance (PII) and that if they handle customers' money, they have guarantees (see below) (Article L.512-1 of the FIC). Registration by ORIAS is subject to an annual renewal requirement (Article R.512-3).

Since April 2022, certain intermediaries must also have been registered by one of eight professional bodies approved by ACPR (Article L.513-3 of the FIC). They carry out initial checks on the registration requirements and are subject to supervision by ACPR. These professional associations vary in size and have up to around 10 staff engaged in this work. They are financed by fees paid by members.

This new layer of registration was a response to the challenges posed by growing numbers of intermediaries (in banking as well as insurance) which might be met by bringing regulation closer to the market (the professional associations generally developed out of existing professional bodies). (Numbers rose from 35,000 in 2010 to almost 70,000 in 2023, with intermediaries being licensed both as bank and insurance intermediaries). Professional associations' membership is a condition of registration by ORIAS, which does, however, take its own registration decisions in its Registration Committee.

Banks, finance companies, portfolio management companies, investment firms, certain general insurance agents and agents of insurance intermediaries are exempt from this requirement but still need to be registered by ORIAS where they act as insurance intermediaries (Article L.513-3 of the FIC).

ACPR itself does not license intermediaries, but ORIAS is required, as part of its registration procedure, to exchange information with ACPR on the integrity and professional knowledge and skills of intermediaries. Insurers using the services of an intermediary must check that it is listed on the register (Article L.513-3 of the FIC).

Similarly to insurers, intermediaries providing services using the EU passport are exempt from licensing requirements other than those of their home supervisory authority but are subject to regulations other than prudential requirements (Article L.612-41 of the FMFC).

Supervision

The professional associations carry out verification work on compliance with the registration requirements (integrity, training and competence and the required coverage of PII and

guarantees) by their members. This work is carried out on an off-site basis only. Their objective is to carry out detailed work on all members once every five years. They must make an annual report on their activities to the ACPR (Article L.513-5 of the FIC).

ORIAS does checks on other intermediaries, including banks, as well as making a second round of checks on professional associations' members.

For all intermediaries, the ACPR may carry out inspections, including of banks and other intermediaries exempt from professional associations' membership, at any time. Inspections may cover any issue, including registration requirements. Following the establishment of the professional associations, ACPR now focuses mainly on business conduct requirements applicable to intermediaries such as the duty to advise and the product oversight governance standards (see also ICP 19).

ACPR uses information provided in its regular contacts with ORIAS and from other sources, including supervisory work on the sector, to identify intermediaries for inspection. It requests information from professional associations before relevant inspections. It is supported, mainly for inspections of smaller intermediaries and those located outside Paris, by the BdF (see ICP 1), whose staff (around 30 in total) receive training from the ACPR.

The ACPR carried out inspections of 81 intermediaries in 2022 and 83 in 2023. Around 70 per year were delegated to the BdF. It has taken a risk-based approach in practice, targeting for example most large intermediaries distributing insurance products to the public (wholesale brokers) in the past five years. ACPR includes intermediaries in thematic work, for example in recent years on sales and performance of products such as credit and funeral insurance (see ICP 19).

In the case of banks acting as intermediaries, staff from the Business Practices Directorate cooperate with banking supervisors in supervisory work. This includes participation in meetings with banks as part of risk assessment work and cooperation on projects such as that recently covering credit protection insurance (see ICP 19).

ACPR does not, however, require any reporting directly by intermediaries (the only reporting is to the professional associations and ORIAS based on registration requirements) and does not conduct regular off-site supervision.

Training and Competence Requirements

As well as requirements relating to integrity (Article L.511-3 of the FIC), intermediaries are subject to detailed requirements on competence. Depending on the type of intermediary, different levels of professional capacity are required, by reference to educational qualifications, work experience or specific training. Different requirements apply to managers and staff and to intermediaries providing services ancillary to their main business (Articles L.512-9 to L.512-13 and R.512-9 to R.511-13 of the FIC). Staff carrying out insurance distribution work must undertake continuing training and development of at least 15 hours per year (Article L.512-13).

The professional associations are required to provide guidance to members about compulsory

	<p>training and to recommend a selection of specific training offers.</p> <p>Governance</p> <p>Banks acting as insurance intermediaries are subject to detailed governance and internal control requirements in the regulations applying to banks as well as the IDD and related guidelines issued by the ECB and EBA and EIOPA. These require them, for example, to address compliance risks, including those arising in their capacity as insurance intermediaries. They should include such risks within their risk appetite framework and internal control procedures and have an independent compliance function etc.</p> <p>For other intermediaries, there are no specific requirements on governance providing for sound and prudent management of all aspects of the business. Incorporated intermediaries are, however, subject to the generally applicable governance requirements of the FCC. Elements of the regulatory framework, including the requirements on integrity and on conduct of business, contribute to effective governance.</p> <p>There are also extensive requirements specifically on product oversight and governance in the Delegated Regulation (2021/2358).</p> <ul style="list-style-type: none"> • Intermediaries which do not simply distribute existing products but decide on the essential features and main elements of a product, including the coverage, costs, risks etc., are required (as are insurers) to have a product approval process (Article 4). • Insurers and insurance distributors must have product distribution arrangements that aim, for example, to manage conflicts of interest and ensure that customers' interests and characteristics are considered. Their governing body (or structure responsible for insurance distribution) is responsible for establishing, implementing and reviewing the product distribution arrangements (Article 10). <p>ACPR's Recommendation 2024-R-01 (on the implementation of certain provisions arising from Directive (EU) 2016/97 on insurance distribution) sets out further detail on how these requirements can be met, by intermediaries as well as insurers. In addition, ACPR's Recommendation 2024-R-03 of 23 November 2024 details best practice in respect to the requirement on intermediaries to provide advice (see ICP 19).</p> <p>Disclosure to Customers</p> <p>There are general requirements on all distributors. Before concluding a contract, they must specify in writing the policyholder's requirements (based on information obtained from them) and provide objective information on the proposed insurance product in a comprehensible, accurate and non-misleading form (Article L.521-4 of the FIC). All information sent to a potential policyholder must be clear, accurate and not misleading (Article L.521-1).</p> <p>There are also specific requirements (Articles L.521-2, L.521-3 R 521-1 of the FIC) to disclose before the conclusion of a contract:</p> <ul style="list-style-type: none"> • information on the distributor's identity, address, registration, complaints procedures and the contact details of the mediation service (the insurance ombudsman); and
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- financial links with insurers (any holding of 10 percent or more of voting rights or capital held by an insurer in the intermediary or vice versa); intermediaries subject to a contractual obligation to work exclusively with one or more insurer (or which accounts for over 33 percent of premium) must disclose those insurers' names.

Intermediaries are required to disclose the basis of their remuneration. The remuneration arrangements must not give rise to conflicts of interest nor affect their obligation to act in the best interests of policyholders etc. When the customer is to pay fees, the intermediary must disclose the amount or method of calculation (Article L.521-2 of the FIC).

Client Money

Intermediaries who handle customers' monies must obtain a guarantee from a bank or insurer covering their repayment obligation up to the higher of (i) an amount equal to double their monthly cash receipts and (ii) EUR 115 000 (Art. L.512-14 of the FIC). Where the intermediary acts under a written mandate of the insurer, the insurer is responsible for the monies held on its behalf and a guarantee is not required.

Intermediaries must also hold PII with coverage appropriate to the size and characteristics of their activities (Art. L 512-15 of the FIC).

Supervisory and Enforcement Measures

Professional associations are responsible for taking action when a member does not meet its obligations, for example by failing to provide information or not meeting the registration requirements. Professional associations have disciplinary committees for this purpose. The only sanction available to the professional associations, other than to issue a warning, is to cancel membership, at which point the professional association would inform ORIAS, which would remove its registration, barring it from all insurance distribution, as well as the ACPR. The professional associations' sanctions are not published and there is no mechanism for ensuring that an intermediary whose membership is cancelled by one professional association cannot immediately join another.

The ACPR's enforcement powers also apply to intermediaries, including the administrative police measures and sanctions (see ICP 10).

As for insurers, ACPR typically writes to intermediaries which have been the subject of an inspection requiring actions based on its findings. For serious issues and where the intermediary fails to take action, ACPR may send a formal notice specifying actions that must be taken and the timeframe (Article L.612-30 of the FMFC). ACPR may impose a temporary ban on distribution activities (Article L.612-33) or initiate sanctions proceedings (see ICP 10). Article L.612-41 provides, as a sanction available to ACPR, for the removal from the register of an intermediary doing business in France on a passported basis.

In practice, ACPR regularly requires action as a result of inspection work and has used intervention powers, mainly restrictions on the activities of intermediaries, a measure which it finds especially powerful. It has imposed sanctions on three insurance brokers in the years

	<p>2019-2023 (reprimands with either a ban on distribution activity or a financial penalty), including one case where penalties were imposed on managers of the broker. In all cases, the sanctions were for breaches of conduct of business requirements.</p> <p>The DGCCRF, the general consumer protection authority (see ICP 1), has also used its powers to sanction an insurance intermediary in recent years.</p> <p>Unlicensed Business</p> <p>Similar procedures apply as to those for unlicensed insurance (see ICP 10). When it becomes aware of substantiated cases, ACPR reports them to the Public Prosecutor (Article 40 of the French Criminal Procedure Code requires all public bodies to report illegal activities), who would initiate criminal proceedings. ACPR will normally seek first to establish whether ORIAS registration is pending and, if not, it will require the entity to seek registration or cease its activities.</p> <p>ACPR may also issue a press notice and list the entity on the ABEIS public information website (shared with AMF and the BdF) (see ICP 19). Cases are rare.</p>
Assessment	Largely Observed
Comments	<p>There are extensive requirements on intermediaries, drawing on EU regulations. In relation to licensing of many intermediaries, key functions have been performed, under ACPR oversight, since 2022 by professional associations. The new system was a response to growth in intermediary numbers and the challenges of ensuring high levels of integrity and competence, a key focus of their licensing and ongoing supervisory work. The new approach is still being implemented (professional associations aim to do full checks on each member only every five years). The professional associations will be reviewed by ACPR in 2025.</p> <p>There are no comprehensive requirements, backed by supervision, on the governance of intermediaries other than banks acting as intermediaries, although the EU framework on product oversight and governance imposes important relevant requirements. Banks and other financial institutions which also act as insurance intermediaries are exempt from professional associations' membership though still registered by ORIAS subject to meeting integrity and competence standards. ACPR, in cooperation with the BdF, carries out inspections in response to identified concerns or as part of conduct-related thematic work (see ICP 19) and ORIAS and professional associations check compliance with registration requirements. There is no system of off-site supervision, although in the case of banks, who account for 40 percent of insurance distribution, the regulation and supervision by the ECB and ACPR includes requirements applicable to insurance intermediation activities.</p> <p>It is recommended that ACPR:</p> <ul style="list-style-type: none"> • develop recommendations on proportionate general governance requirements for intermediaries other than banks to supplement existing requirements in EU legislation focused on product governance; and

	<ul style="list-style-type: none"> • supplement the work of ORIAS and professional associations (as ACPR already does through on-site supervision) by developing a system of risk-based off-site supervision, at least of the larger non-bank intermediaries, including reporting of appropriate business information and meetings with selected intermediaries to discuss strategy, business development, risks and related controls with regard to the distribution of insurance products.
ICP 19	<p>Conduct of Business</p> <p>The supervisor requires that insurers and intermediaries, in their conduct of insurance business, treat customers fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.</p>
Description	<p>General Framework</p> <p>The requirements are set out in EU and national legislation, particularly:</p> <ul style="list-style-type: none"> • Book V of the FIC (Articles L.511-1 to L.522-7 and R.511-1 to D.522-2), which applies to insurance distributors as covered by the IDD, which can be insurers or intermediaries (the requirements also apply to insurers subject to the FMC and FSSC); and • the Delegated Regulations 2017/2358 on product oversight and governance requirements, which applies to insurers and insurance distributors, and 2017/2359 on information requirements and conduct of business rules for the distribution of insurance-based investment products (IBIPs) apply directly. The EU PRIIPs Regulations (packaged retail and insurance-based investment products) 1286/2014 and 2017/653 also have requirements. <p>ACPR has an objective to ensure compliance by supervised entities with rules on the protection of their customers as well as with codes of conduct approved at the request of a professional association and good practices of a profession that it notes or recommends (Article 612-2 of the FMFC). ACPR also has powers to supervise compliance with relevant provisions of the French Consumer Code (Article 612-1 of the FMFC).</p> <p>In addition to supervising business conduct, ACPR issues recommendations, often based on supervisory work, on how it interprets requirements. There are no requirements on insurers to obtain approval from ACPR or any other body for their insurance products or restrictions on premiums that may be charged. The focus is on retail business, but their powers apply to all insurance lines.</p> <p>The ACPR's Commercial Practices Directorate carries out supervision to assess compliance with regulations. The Directorate, which also supervises banks, had an estimated 49 staff at end-2023 (with a mix of skills, including actuarial expertise, and market experience) involved in insurance sector work, including oversight of intermediaries (ICP 18). This compares with a total of 165 staff in the three prudential supervision functions.</p> <p>Due Skill, Care and Diligence and Fair Treatment of Customers</p> <p>Insurance distributors are required to act honestly, impartially and professionally in accordance</p>

	<p>with the best interests of their customers; to provide fair, clear and not misleading information (including marketing communications); and to adopt remuneration practices that do not conflict with their duty to act in accordance with the best interests of their customers (Article L.521-1 of the FIC).</p> <p>There are other provisions on the fair treatment of customers. Under the Delegated Regulation 2017/2358 on product oversight and governance, insurers and intermediaries must ensure that the design of insurance products takes into account the objectives, interests and characteristics of customers, does not adversely affect customers and prevents or mitigates customer detriment (Article 4).</p> <p>Conflicts of Interest</p> <p>Insurance distributors are required not to have remuneration arrangements or to assess employees' performance in a way that conflicts with their duty to act in accordance with the best interests of their customers (Article L.521-1 of the FIC). They must not, for example, have sales targets or other incentives to recommend a particular product when they could offer a different product which would better meet the customer's needs.</p> <p>Distributors have also to provide the customer with information on potential conflicts of interest related to distribution (see ICP 18).</p> <p>The extensive provisions of the Delegated Regulation 2017/2358 on product oversight and governance include requirements that approval processes and distribution arrangements support proper management of conflicts of interest (Articles 4 and 10). Manufacturers of products (who may include intermediaries - see ICP 18) have to provide the distributor with information on any circumstances which might cause a conflict of interest to the detriment of the customer (Article 8).</p> <p>There are similar provisions specifically for distributors of IBIPs (certain life insurance products) in the Delegated Regulation 2017/2359 (Articles 4 and 5) and the FIC. They must implement an effective policy, procedures and measures to identify and manage conflicts of interest (Articles L.522-1 and L.522-2 of FIC).</p> <p>The ACPR's Recommendation n°2024-R-01 on the implementation of IDD contains guidance on the implementation of these requirements, including recommendations on remuneration arrangements (section 4.2.2).</p> <p>Arrangements Between Insurers and Intermediaries</p> <p>There are requirements in the Delegated Regulation on product oversight and governance. Manufacturers of insurance products are required to provide distributors with appropriate information on the product, the target market and suggested distribution strategy etc. to enable distributors to understand the product and target market and distribute it in accordance with the best interests of their customers. Manufacturers must monitor that distributors act in accordance with the objectives of the product approval process (Article 8 of the Delegated Regulation 2017/2359).</p>
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Distributors are required to provide manufacturers with relevant sales information, including information on their regular reviews of product distribution arrangements. When they become aware that a product is not in line with the interests, objectives and characteristics of its target market, they must promptly inform the manufacturer (Articles 10 and 11 of the Delegated Regulation 2017/2359).

Where an intermediary and an insurer are both manufacturers of products (see ICP 18), they must sign a written agreement on their collaboration and compliance with requirements (Article 3 of the Delegated Regulation 2017/2359).

New Products and Consumer Interests

Under Articles 4 and 10 of the Delegated Regulation 2017/2358 on product oversight and governance, the manufacturers and distributors of insurance products must implement a product approval process and distribution arrangements that take into account the objectives, interests and characteristics of customers and ensure they are maintained throughout the whole lifecycle of the product, including significant adaptations of existing insurance products. Their processes must cover the designing, monitoring, reviewing and distributing of products as well as for corrective action for products detrimental to customers.

There are detailed requirements on identifying target markets for each product and group of customers where a product(s) is not suitable or does not meet the customer's needs; and on ensuring that the distribution strategy is consistent with the identified target market. These requirements apply to both insurers and intermediaries (including the requirement for a product approval process applying to intermediaries which decide on the essential features and main elements of a product – see ICP 18).

Articles L.516-1 and L.516.2 of the FIC set out similar requirements on product oversight and governance. They create an exemption for certain wholesale insurance products.

ACPR's Recommendation n°2024-R-01 provides guidance on how to meet the requirements of the IDD, Delegated Regulations and requirements of Book V of the FIC. For example, it includes (in section 4) recommendations on criteria for use in identifying and assessing the target market for a product.

Promotions

The French Consumer Code prohibits the promotion of any product or service in an unclear, inaccurate or misleading way (Articles L.121-1 to L.121-5). For life insurance, there are further provisions on advertising and information relating to contracts (Article L.521-1 and L.132-27 of the FIC).

The ACPR has established a team to monitor promotions including digital media, focusing on life insurance. It intervenes with insurers and intermediaries around 30 times per year (out of more than 1,000 reviews) when it identifies non-compliant promotions, also citing the Delegated Regulation 2017/2358 on product oversight and governance (i.e., seeking to identify underlying governance and process failures as well as flagging individual non-compliant

	<p>promotions).</p> <p>ACPR has also issued recommendations to insurers on good practices (Recommendations 2019-R-01 on life insurance advertising and 2022-R-02 on the presentation of sustainability features in life insurance products' advertising).</p> <p><i>Pre-Contractual and Other Information</i></p> <p>For life insurance contracts, insurers must provide detailed information, especially about guarantees and fees. Distributors must provide customers with a key information document (KID) setting out the main features (risks, performance scenarios etc.) and costs of the contract and of the investment vehicles (PRIIPs Regulations). This requirement supplements the general provisions on submission of an information note in French law (Article L.132-5-2 of the FIC). For unit-linked contracts, distributors must provide details on the performance and fees of the units (L.522-5 of the FIC).</p> <p>For non-life contracts, distributors must provide a standardized information document on the product developed by the product designer, including the type and scope of the insurance and coverage, exclusions etc. (Article R.112-6 of the FIC). This covers . details on obligations at the time of subscription, during the term of the contract and in the event of a claim and the methods of termination of the contract.</p> <p>Intermediaries are also subject to disclosure requirements, including whether they provide a recommendation service with respect to the insurance contracts it distributes (Article L.521-2 of the FIC) (see also ICP 18).</p> <p><i>Advice</i></p> <p>The authorities chose when implementing the IDD to make it a requirement that distributors provide advice on the sale of any insurance product. They must explain to the customer why the selected product (and options within the contract) meet their needs and why they were chosen from alternative products and options available in the market. They must provide advice that is clear and intelligible, accurate and not misleading (Article. L. 521-4 of the FIC).</p> <p>Specifically, for IBIPs, the distributor must enquire into the customer's financial position (including loss bearing capacity), investment objectives (including risk tolerance and possible sustainability preferences), financial knowledge and experience (Article 9 of Delegated Regulation 2017/2359 and Article L.522-5 of the FIC). They must provide the customer with a statement of suitability together with the advice (Article 14 of Delegated Regulation 2017/2359).</p> <p>If the customer does not provide the required information, the distributor must provide a warning before concluding the contract (Article L.522-6 of the FIC).</p> <p>ACPR's Recommendation 2024-R-03 of 23 November 2024 details best practices in respect to the requirement to advise. This applies to all insurance distributors (insurers and insurance intermediaries – see ICP 18) and covers issues such as verification that products meet clients' needs and objectives over time.</p>
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Service Through the Policy Life

When the insurer initiates a proposed change, it must obtain the agreement of the policyholder and provide a contract addendum. Policyholders may refuse a change (Article L.112-3 of the FIC). Specifically, for IBIPs, the distributor must inform the customer that a periodic assessment has been performed to assess the suitability of the recommended investment products over the life of the contract. The assessment must include an updated statement of how the product meets the preferences etc. of the policyholder (Article 9 of Delegated Regulation 2017/2359).

Claims Handling

There are no explicit requirements in law and regulations that insurers handle claims in a timely, fair and transparent manner. However, there are general requirements that insurers and intermediaries treat customers fairly, which extend to all parts of the product life cycle (see above). ACPR notes that requirements are covered in insurance contract law (such as L.113-1 and L.113-5 of the FIC) and the requirements of general contract law (the civil code provisions on contract execution) which require contracts to be executed.

In practice, ACPR exercises close supervision of claims handling, mainly in the context of its oversight of claims that takes place in the context of risk assessment and supervision for prudential supervisory purposes as part of the evaluation of governance, underwriting and the valuation of technical provisions, which regularly includes sample testing of claims files. It takes action when it identifies shortcomings, for example using the provisions in the regulatory framework related to effective risk management (L.354-2 of the FIC and Article 260 of the Solvency II Delegated Regulation 2015/35).

Inspections carried out in recent years by prudential and conduct supervisors have included reviews of claims management, including some of the ACPR's recent thematic business conduct initiatives (see below).

Complaints handling

Insurers are required by law to inform their customers of the process to be followed and the possibility to call for mediation (handling of complaints by an independent body). The French Consumer Code provides for the right to a free mediation (Article L. 612-1).

The ACPR has issued extensive recommendations on good practices for fair handling of complaints and on corrective measures and mediation. They include the need for insurers to consider corrective actions based on the deficiencies identified by complaints (Recommendation n°2024-R-02).

The recommendations also include the need for internal processes to identify and handle complaints, for adequately trained staff and clear communications with the complainant. An appendix helps insurers and intermediaries distinguish between a complaint and an enquiry.

These recommendations are regularly updated, and their compliance may be assessed during on-site reviews. In a 2022 revision of the recommendations, the ACPR required insurers and intermediaries to shorten response times for addressing complaints to two months. This has

resulted in more complaints being submitted to independent mediation services, particularly Insurance Mediation (La Médiation de L'Assurance (LMA)) that covers complaints against insurers subject to the FIC. LMA received over 35,000 complaints in 2023 and provided mediation rulings on around 7,100. Most complaints concern motor insurance, home insurance and affinity insurance (sold with mobile phones, for example).

ACPR collects data on the complaints received by insurers as part of its conduct-related reporting requirements (see below).

Protection of Customer Information

Insurers and intermediaries are subject to the EU General Data Protection Regulation (2016/679) and national legislation on the use of data (Law No. 78-17 of 1978 on IT, files and freedoms (known as the “informatique et libertés” law).

The Commission Nationale de l'Informatique et des Libertés (CNIL) is the national authority for the protection and use of information on customers with objectives to raise awareness on data protection culture. It has powers to issue advice, conduct on-site and off-site investigations and impose administrative sanctions.

Disclosures by the Supervisor in Support of Customer Protection

The ACPR regularly publishes information about relevant developments on a dedicated platform (ABEIS – or Assurance Banque Epargne Info Service).

The website is managed in coordination with the AMF and the BdF. It includes various advice on consumers on issues such as fraud prevention and scams. In addition, the ACPR meets regularly with consumer protection associations to discuss and raise awareness on legislative or supervisory developments related to consumer protection.

Supervision Work

ACPR has developed a framework (known as the Conduct Risk Appetite Framework) for monitoring and responding to risks related to business conduct. It specifies risk indicators (drawing on EIOPA work and the data from prudential as well as conduct reporting - by insurers only). Key inputs are the submissions in response to a questionnaire on business practices and customer protection (known as Q2PC) and analysis of requests for information received by the BdF and ACPR via the online MODAC platform (the BdF and ACPR receive over 5,000 requests each year, which provide information on the insurer or intermediary concerned and the rationale for the complaint).

The Q2PC comprises a general questionnaire for all insurers and tailored additional questions – directed at around 80 percent of the market - by type of insurance (life, health and non-life). It has been submitted annually since 2011 and is periodically revised, most recently in 2022 to simplify the reporting. Data collected includes activity information by product and distribution channel, information on remuneration etc. and the number of complaints handled by the insurer or third-party mediator.

The risk indicators are used to identify, measure and monitor the risks of misconduct at each

	<p>stage of a product's life. They include business volume indicators as well as lapses in life insurance and loss ratios on non-life products.</p> <p>Findings from the indicators are complemented by the results of inspections, input from prudential supervisory teams and market surveillance in the form of questionnaires to the main insurance groups, mystery shopping and the monitoring of promotions. The ACPR also takes information from external sources, including government bodies such as DGT and DGCCRF, facilitated by regular meetings and complaints submitted directly to the ACPR and whistleblowers' information.</p> <p>Using these inputs, the ACPR develops a supervisory plan (for decision by the Supervisory College), including inspections, thematic work and use of other tools such as mystery shopping.</p> <p>In practice, much recent supervisory activity has been thematic, reflecting the product focus of the ACPR's approach, and targeted at products and practices where concerns have been identified, in particular product complexity and poor value to customers; however on-site reviews are targeted at entities which have been singled out for their size/importance in the products, customer requests, whistleblowing or negative information passed over by other authorities.</p> <p>ACPR has, for example, reviewed credit protection insurance (focusing on low loss ratios), unit-linked policies (value for money), ancillary insurance products, especially affinity insurance (mobile phone and travel insurance) and funeral insurance (a mystery shopping exercise). They have also undertaken inspections of multiple insurers to assess compliance with new or recently introduced requirements such as the product oversight and governance standards, the subject of supervisory work in 2021-2023.</p> <p>Many of these initiatives have been multi-year projects covering a large part of the market (around 80 percent, for example, in the case of the survey of providers of unit-linked products). Insurers mentioned in discussions for this assessment that ACPR has increased the scale and effectiveness of its activity on conduct issues in recent years. Some initiatives, including that on value for money of unit-linked products, have been carried out in cooperation with EIOPA.</p> <p>As in the case of prudential supervision, ACPR typically writes to insurers and intermediaries which have been the subject of an inspection requiring actions based on its findings. It can and has issued formal notices specifying actions to be taken (see ICPs 9 and 18). It can and has imposed administrative police measures and sanctions (ICP 10).</p> <p>Conduct supervisors coordinate with prudential supervisors. They may, for example, attend the regular meetings with the compliance key function holders (or senior management -see ICP 9), where conduct issues are covered. They may be invited to supervisory colleges (ICP 25) to present on conduct work.</p>
Assessment	Observed
Comments	There is an extensive framework of requirements on business conduct in general consumer and

	<p>insurance laws and regulations, many of the insurance-specific elements originating in EU legislation. ACPR undertakes supervision, benefiting from a specialist conduct supervisory function as well as close collaboration with prudential supervisors and on certain projects with experts at EIOPA. It carries out risk assessment, based on reporting by insurers (but not also intermediaries) and other sources of information, carries out inspections to investigate concerns with individual insurers, products or practices, and issues recommendations and reports. Together with the DGCCRF, it takes actions to enforce requirements on the fair treatment of customers.</p> <p>The more detailed regulatory requirements are concentrated on product origination and distribution. Supervision is also focused mainly on products and processes and supervision of individual insurers and banks acting as intermediaries relies extensively on the oversight by prudential supervisors, particularly of their governance and compliance functions. The ACPR could consider supplementing this with firm-specific supervision by conduct supervisors, especially of larger insurers and intermediaries. This would be consistent with the separate reporting and risk assessment framework already applied in business conduct supervision. It would be likely to require additional conduct supervisory resources, which are limited in relation to those available to prudential supervisors and conduct supervisors in some other jurisdictions.</p> <p>It is recommended that ACPR review whether to extend its Conduct Risk Appetite framework to enhance existing firm-specific supervision with increased supervision by specifically conduct supervisors, focused on the larger insurers and intermediaries, addressing the likely need for increased conduct supervisory resources.</p>
ICP 20	<p>Public Disclosure</p> <p>The supervisor requires insurers to disclose relevant and comprehensive information on a timely basis in order to give policyholders and market participants a clear view of their business activities, risks, performance and financial position.</p>
Description	<p><i>Audited Financial Statements</i></p> <p>Article L.232-23 of the FCC requires all incorporated companies to submit their audited annual financial statements to the commercial courts where they are publicly available.</p> <p>The FIC (Article L.341-3) also requires all licensed insurance companies to publish or make available their accounts, annual report and external auditors report at both solo and group level. This requirement also applies to branches of non-EU insurers. The same requirement is also placed on mutual companies and mutual holding companies (see Article L.114-46-2 of the French Mutuality Code) and for provident institutions and provident holding companies (see Article L.931-33 of the French Social Security Code).</p> <p>For listed insurance companies, Article L.451-1-2 of the FMFC requires the publication of annual financial statements. The AMF also provides guidance as to public disclosure requirements for listed companies.</p> <p><i>Regulatory Disclosure Requirements</i></p>

Solvency II requires that all insurers within scope of the directive (both companies and mutual and mutual-like companies) to publish an annual Solvency and Financial Condition Report (SFCR). ORPSs must do the same. The structure of the SFCR is as follows:	
Summary	
A. Business and Performance	A.1 Business
	A.2 Underwriting Performance
	A.3 Investment Performance
	A.4 Performance of other activities
	A.5 Any other information
B. System of Governance	B.1 General information on the system of governance
	B.2 Fit and proper requirements
	B.3 Risk management system including the ORSA
	B.4 Internal control system
	B.5 Internal audit function
	B.6 Actuarial function
	B.7 Outsourcing
	B.8 Any other information
C. Risk profile	C.1 Underwriting risk
	C.2 Market risk
	C.3 Credit risk
	C.4 Liquidity risk
	C.5 Operational risk
	C.6 Other material risks
	C.7 Any other information
D. Valuation for Solvency purposes	D.1 Assets
	D.2 Technical provisions
	D.3 Other liabilities
	D.4 Alternative methods for valuation
	D.5 Any other information

	<p>Additional information to be provided in the SFCR is prescribed in the Solvency II Delegated Regulation (2015/35) and the FIC, including.</p> <p><i>Business and Performance</i></p> <p>Regarding the company's objectives and strategies, the information disclosed should be high-level. It should include an earnings analysis, including:</p> <ul style="list-style-type: none"> • qualitative and quantitative information on the underwriting performance (including the analysis of claims against premiums, i.e., an analysis on pricing and reserving adequacy), at an aggregate level and by material line of business and material geographical areas, and changes from previous reporting period; • qualitative and quantitative information on the performance of investments, including income and expenses arising from investments by asset class, gains and losses recognized directly in equity, and information on investments in securitization, and their changes from previous reporting period; and • information on other material income and expenses (and their changes from previous reporting period). <p><i>System of Governance</i></p> <ul style="list-style-type: none"> • A description of the corporate structure, the remuneration principles, the fitness and propriety policy, the risk management framework, the internal controls framework, the outsourcing policy, and how they are implemented. • An assessment of the adequacy of the system of governance (including the risk management system) to the insurer's risks. • A description of the risk management system and how it can effectively identify, measure, monitor, manage and report, on a continuous basis, the risks to which the insurer is exposed, on an individual and aggregated level (and their interdependencies) as well as a description of the process used by the insurer to conduct its ORSA. • A description of metrics and methods applied to assess (all) risks, including risks arising from off-balance sheet items. • A description of the techniques used to mitigate risks (i.e. reinsurance and risk transfers) and the processes to monitor these mitigation risk techniques and ensure that they are effective on a continuous basis. <p><i>Valuation for Solvency Purposes</i></p> <p>There are detailed requirements on what must be published.</p> <p><i>Technical Provisions:</i></p> <ul style="list-style-type: none"> • at the level of each material line of business the value of the best estimate of liabilities and the risk margin;
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- a description of the bases, methods and main assumptions used for the valuation for solvency purposes;
- explanations of material differences between the bases, methods and main assumptions used for the valuation of technical provisions in financial statements (i.e. accounting statements);
- a description of the level of uncertainty associated with the value of technical provisions;
- a description of the adjustments used to the discount rate curve prescribed by the Solvency II Delegated Regulation (2015/35) and published by EIOPA (see ICP 14);
- how the recoverability of reinsurance or securitization (or any other type of risk transfer) is valued.

In its public guidance¹⁷, the ACPR has also specified that this section must incorporate a description of:

- assumptions for determining future cash flows;
- the risk adjustment methodology (i.e. the volatility adjustment) if used; and
- any other relevant information to describe the methodologies used for determining the technical provisions.
- Assets

The publication must include the value of assets, for each material class of assets, and a description of the bases, methods and main assumptions used for their valuation for solvency purposes, as well as explanations of material differences between the bases, methods and main assumptions used for the valuation of assets in financial statements (i.e. accounting statements).

It must also describe all material risk exposures, including investment risk exposures, the measures to assess them, and changes in these exposures from a reporting period to another, as well as material risk concentrations.

ALM

Insurers must publish a description of how the investment strategy fits with the characteristics of liabilities.

ACPR has published additional public disclosure guidance that requires the section on market risk to include information on asset-liability management. The guidance also specifies that this section should include information on asset-liability management, in particular the methodology used and key assumptions used for valuing assets and liabilities for balance sheet management purposes (at the level of the whole balance sheet or at the level of segregated parts of the balance sheet as relevant, i.e. ring-fenced funds), including the consequences of any mismatch on the capital and solvency position.

¹⁷ [Unauthorized Access | Prudential Supervision and Resolution Authority](#)

	<p>Capital Adequacy</p> <p>Insurers must publish a description of:</p> <ul style="list-style-type: none"> the objectives, policies and processes for managing the insurer's own funds, over the horizon of the business planning; the adequacy of capital, i.e. nature, structure, amount, quality of own funds to cover the capital requirements (SCR and MCR) including the amount of these requirements split by risk module or risk category; and where an internal model is used, a description of the purposes for which the internal model is used; the scope of the model by business lines and risk categories; the main features and underlying principles of the model; the technical aspects such as the aggregation method; the appropriateness of data used; and the differences between the methodologies and assumptions underlying the model and those underlying the standard formula.
Assessment	Observed
Comments	Comprehensive requirements on disclosure have been introduced, based on Solvency II's SFCR, applying to insurers subject to Solvency II and ORPSs. To strengthen the reliability of information relating to the published prudential balance sheet, the recently agreed Solvency II review has introduced an obligation for certain prudential data published in the SFCR (and at the least the balance sheet) to be audited by an external auditor. The first audits should be carried out for the financial year 2027.
ICP 21	<p>Countering Fraud in Insurance</p> <p>The supervisor requires that insurers and intermediaries take effective measures to deter, prevent, detect, report and remedy fraud in insurance.</p>
Description	<p>Insurance Fraud as a Criminal Offence</p> <p>There is no specific offense of insurance fraud in the criminal law. However, the Penal Code punishes forgery in writing and scams, which can be referenced in cases of insurance fraud where the offence is actions designed to deceive the insurer (typically over the value of a claim). The offence is punishable by up to five years in prison and a fine of up to EUR 375,000 (Article L.313.1 of the French Penal Code).</p> <p>There are additional specific sanctions for insurance fraud in the FIC.</p> <ul style="list-style-type: none"> In the event of fraud at the time of underwriting, Article L.113-8 provides for the nullity of the insurance contract and for reimbursement of the insurer for any claims. In the event of fraud during a claim, Article L.113-1 provides that the insurer is not liable for losses and damages and may refuse the claim. <p>ACPR is required to report cases of actual fraud to the public prosecutor, in accordance with</p>

Article 40 of the Code of Criminal Procedure. As with cases of unlicensed insurance (see ICP 10), it does so, but rarely.

Understanding and Assessment of Fraud

The ACPR undertakes regular reviews of the risks in the insurance sector (see ICP 24) which include consideration of risks related to insurance fraud. It reflects the results of supervisory work as well as its observation of developments in the market from a wide range of sources.

ACPR has not recently identified fraud as amongst the key risks facing the insurance sector. It considers the risks to be mitigated by effective insurance company controls and features of the markets such as the need for claimants to provide evidence of any insurance claim rather than simply declaring a loss.

The Agency for the Fight Against Fraud in Insurance (ALFA), undertakes a wide range of work on insurance fraud. ALFA is an association established by insurance sector participants to support work to combat fraud. It issues a wide range of guidance and instructions for the use of its members, who account for a large share of the insurance sector. ALFA also facilitates the exchange of information between insurers, carries out awareness-raising activities and manages a network of certified investigators. The ACPR holds discussions with ALFA on insurance fraud developments.

ALFA is well-placed to monitor trends in the sector and report them to insurers (with whom it communicates on a confidential basis) and the ACPR (although it does not share circulars with ACPR). It reports on its public website that in 2022, EUR 587 million in fraud was identified, including nearly EUR 440 million for non-life insurance.

Supervisory Work

ACPR includes insurance fraud issues within the scope of its supervision work. For insurers only, its risk assessment framework, for example, requires supervisors to consider a wide range of risks of fraud (internal to the insurer as well as external from fraudulent claims, scams etc.) as part of their assessment of operational risks. Insurers and intermediaries are subject to inspections, as part of which ACPR may focus on measures taken to deter, prevent, detect, report and remedy fraud. It may, for example, assess whether insurers are aware and taking account of ALFA's materials.

ACPR also addresses insurance fraud risks and controls also through its requirements on insurers to establish appropriate internal control systems and independent, adequately resourced control functions, including risk management and compliance functions, with broad mandates (see ICP 8).

ACPR may use its supervisory and enforcement powers (see ICPs 9 and 10) to investigate whether insurers have established effective internal controls in practice, including against fraud, and require them to take preventive or corrective actions. It rarely does so specifically for insurance fraud, although it regularly requires insurers to strengthen aspects of risk management or internal controls that would cover fraud (see ICP 8). In 2022, however, ACPR

	<p>took action following an inspection focused on the corporate governance of an insurer that led prosecutors taking on a case of possible fraud. The ACPR also followed up the issues in an inspection focused on that insurer's group.</p> <p>External fraud is also addressed through AML/CFT regulation and supervision (see ICP 22).</p> <p>ACPR has not issued recommendations or guidance on insurance fraud issues, although ALFA does so regularly for the benefit of its members (its material is not published).</p> <p>Cooperation with Other Authorities</p> <p>The ACPR has the legal authority and power to exchange supervisory information with the relevant authorities (see ICP 3). In relation to insurance fraud, ACPR cooperates with ALFA and law enforcement agencies.</p>
Assessment	Observed
Comments	<p>Insurance fraud is covered by criminal law and law enforcement procedures and there are legislative provisions to protect insurers from policyholder fraud. An industry body provides support to insurers on the management of insurance fraud risks. ACPR has regard to such risks, including also internal frauds at insurers, in its sectoral risk assessment and supervisory framework, while supervisory focus on adequacy of internal controls (including for AML/CFT purposes) is likely to strengthen controls against fraud. While ACPR's focus has reasonably been on other risks in recent years under its risk-based approach, it could consider reviewing the extent and nature of fraud risks and controls, for example through thematic work and closer cooperation with industry bodies.</p>
ICP 22	<p>Anti-Money Laundering and Combating the Financing of Terrorism</p> <p>The supervisor requires insurers and intermediaries to take effective measures to combat money laundering and terrorist financing. The supervisor takes effective measures to combat money laundering and terrorist financing.</p>
Description	<p>General Framework</p> <p>The general AML/CFT requirements are set out in the FMFC (Title VI of Book IV), which implements the EU Directive 2015/849 on the prevention of the use of the financial system for the purposes of ML/TF.</p> <p>The FMFC provides that the ACPR is the competent authority for the supervision of compliance with AML/CFT requirements by the insurance sector, covering life insurance (and ORPS), health and non-life insurance (Articles L.612-1, L.561-36 and L.561-36-1 of the FMFC). Insurance brokers are also subject to the requirements, but agents and other types of intermediaries (see ICP 18) "who act under the full responsibility of the insurance organization or broker" are not covered (Articles L.561-2 of the FMFC). AML/CFT regulation of insurers covers them indirectly.</p>

ACPR has specific powers of supervision and enforcement for AML/CFT (Article L.561-36-1 of the FMFC), although these broadly mirror or refer to ACPR's general powers over insurers, including a provision for imposition of financial penalties on managers (see ICPs 9 and 10). It sets reporting requirements (through an AML-CFT questionnaire) and uses a dedicated risk assessment framework for assessing ML/FT risks.

Since 2021, ACPR has had a separate Directorate responsible for AML/CFT supervision of banks and the insurance sector (Fight against Money Laundering and Terrorist Financing Directorate). Eight staff (full time equivalent) are involved in work on the insurance sector. The information collected during prudential supervision may also be used by the AML/CFT supervisors to assess the ML/FT risks to the insurance sector.

The FIU, TracFin, an independent unit established within the MoEF, is tasked with receiving, analyzing and disseminating to law enforcement authorities suspicious transaction reports (STRs) submitted by insurers and others. It also publishes reports on trends in ML/FT risks.

An inter-ministerial Advisory Board, the Orientation Council for the fight against money laundering and terrorist financing (COLB) oversees national AML/CFT work. Established by ministerial decree, its mandate includes coordination of agencies and supervisory authorities concerned with AML/CFT, strengthening exchanges of information, promoting consultation with entities subject to AML/CFT requirements and establishing and regularly updating a national ML/TF risk assessment (NRA) (Article D.561-51 of the FMFC). COLB's members include the MoEF, ACPR, AMF, Tracfin, other supervisory and law enforcement authorities. The DGT provides the secretariat.

In addition, ACPR has established a Consultative Committee on AML/CFT matters. It issues formal opinions on materials prior to their adoption by the Supervisory College. The committee is chaired by a member of the College and includes private sector representatives, ACPR and other authorities, including the FIU. It has provided opinions on the ACPR's questionnaire (see below) and its guidelines on the application of AML/CFT requirements to the insurance sector.

Understanding of AML/CFT Risks

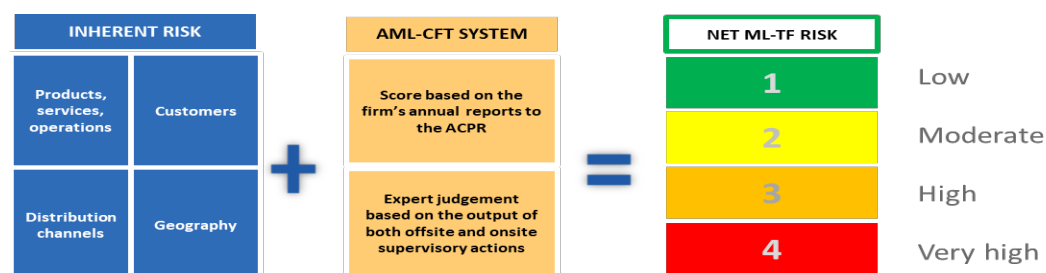
There is a well-defined process for developing and publishing the NRA, led by the COLB with input from the private sector. The most recent NRA (January 2023) included summary assessments of the risks in insurance. All AML/CFT obliged entities must take the NRA into account as well as other sources of information on risks (Article L.561-4-1 of the FMFC).

ACPR also conducts and publishes its own sectoral risks analysis (SRA) of ML-FT risks, taking account of the NRA, with the objective of informing its risk-based supervisory approach and supporting financial sector participants' risk management and controls. The most recent SRA was published in June 2023. It assessed the risk of money-laundering in the life insurance sector, after mitigation measures, as moderate; and in non-life insurance as low, except for ransom insurance (a small part of the market) where risk was assessed as moderate.

AML/CFT Requirements

	<p>AML/CFT requirements are set out in the FMFC (Title VI of Book IV) and in the Decree of January 6, 2021, relating to the system and internal control in the fight against money laundering. Article L.561-2 of the FMFC sets out the types of persons subject to obligations in respect of AML/CFT measures and subsequent articles set requirements on customer due diligence, reporting obligations and internal controls.</p> <p>The ACPR uses its general power to issue instructions (Article L.612-24 of the FMFC) to set out requirements on the information which insurers must report to support off-site supervision. The key requirement is annual reporting of answers to a detailed AML/CFT questionnaire.</p> <p>ACPR also publishes guidelines, sectoral application principles and positions. These set out good practices for insurers and intermediaries, for example on customer identification, identity verification and customer knowledge (2021) and on the consolidated management of the AML/CFT system of groups (2020), covering expectations of AML/CFT controls at the group level. Its main guidelines for insurers are in its sectoral application principles paper, originally published in 2015. ACPR also publishes results of thematic supervisory exercises. It posts "calls for vigilance" to warn of emerging risks.</p> <p>Supervision</p> <p>ACPR adopts a risk-based approach, as required under the FMFC. Supervisory authorities for AML/CFT are required to have access to all necessary information and to assess the ML/FT risk profile of supervised entities, including the risks of non-compliance with regulations (Article L.561-36 of the FMFC). Supervisory activities must be carried out based on the assessed risk profiles.</p> <p>In practice, ACPR uses the analysis in the SRA, input from other bodies such as Tracfin (its reports and data on STRs), whistleblowers (if any), information collected from the AML/CFT questionnaire and experience from off-site and on-site supervision as input to its risk assessment.</p> <p>The questionnaire (known as QLB), which is regularly revised to reflect new risks, changes in regulation and supervisory experience, includes statistical information (including the percentage of staff trained on AML/CFT, numbers of STRs filed, number of Politically Exposed Persons ((PEPs) etc.) and information on risk management and controls. The QLB has tailored questions for types of insurance, life insurance savings products in particular. Supervisors follow up with questions on aspects of the answers, as necessary. The QLB is submitted annually.</p>
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ACPR's ML/TF risk assessment includes an evaluation of inherent risks and the adequacy of the system of controls (see Figure below). The approach combines automatic scoring based on QLB responses and input of expert judgement, in particular for the assessment of inherent risk. ACPR has a dedicated IT system for handling the assessment and recording results.



Source: ACPR

The net risk rating is then used to determine the supervisory intensity, which comprises the frequency of the risk assessment and the number of supervisory actions. The size of the institution is also taken into account in determining the actual amount of supervisory engagement.

Key drivers of high-risk ratings in practice are weaknesses in internal controls. AML/CFT supervisors coordinate and share reports with prudential supervisors to identify wider concerns with the insurer's governance etc. AML/CFT issues are included in the agenda for the annual meetings with insurers' senior management (see ICP 9).

The most recent review of France by the Financial Action Task Force (FATF), published in 2022 (the Mutual Evaluation Report), considered the risk-based supervision of French authorities over financial institutions to be comprehensive and thorough and the relevant legal and regulatory framework governing their supervisory powers for AML/CFT as Largely Compliant and Compliant with the FATF standards.

ACPR undertakes several AML/CFT inspections each year on insurers (15 in 2021, 12 in 2022 and three in 2023). It issues follow-up letters, notices and imposes sanctions (two in 2023) using the same powers and processes as for other interventions (see ICPs 9 and 10). It also undertakes cross-sectoral thematic work (i.e., across banking and insurance), including recently on PEPs and proliferation financing, although the number of insurers involved in such work is small. It seeks to identify emerging risks and issues, for example the increasing use by financial institutions of AI (Artificial Intelligence) tools to screen their transactions for ML/TF.

Insurance brokers (i.e., those insurance intermediaries subject to AML/CFT requirements) are not required to submit responses to a questionnaire nor are they subject to individual ML/TF risk assessment. Their ML/TF risks are assessed in the SRA (as moderate for life insurance brokers in line with the assessment of life insurance products). They may be subject to

	<p>supervision work (inspections) where concerns arise, for example because of significant numbers of STRs being submitted.</p> <p>Cooperation with Other Agencies</p> <p>The FSA engages with other bodies with AML/CFT responsibilities. As mentioned, it is a member of the COLB, whose mandate, in addition to the production of the NRA, includes coordination between and enhancing the effectiveness of government agencies etc. The ACPR also communicates with other agencies through the Consultative Committee on AML/CFT. It cooperates with foreign authorities, including through the mechanism of supervisory colleges (see ICP 25), where appropriate.</p> <p>ACPR regularly exchanges information with Tracfin. It submits STRs itself when it becomes aware of an issue during an inspection which had not already been reported by the financial institution. It has access to individual STRs, if necessary, and aggregate data, and discusses trends etc. with Tracfin.</p>
Assessment	Observed
Comments	<p>There is a comprehensive set of AML/CFT requirements and supervisory processes covering insurers and brokers as part of a wider national regulatory framework. Laws and regulations are supplemented by ACPR guidelines, including on issues arising from group level AML/CFT controls.</p> <p>The latest FATF MER (2022) found that France's AML/CFT system was effective in many respects with a well-developed understanding of ML/TF risks among competent authorities and financial institutions. It commented that the supervisory strategy of the ACPR was based on a robust methodology. However, on AML/CFT supervision and the application of AML/CFT preventive measures, France was found to be only moderately effective based on an assessment of the approach to all types of institutions covered by AML/CFT requirements and not specifically insurance.</p> <p>ACPR uses its sectoral risk assessment and the input of an extensive questionnaire to assess the risks at individual institutions, with a focus on life insurers, evaluating both controls and inherent risks. It carries out a program of inspections and uses supervisory and enforcement powers as well as cooperating with law enforcement and other authorities. ACPR coordinates its AML/CFT supervision with the prudential and business conduct supervision of the insurance sector (including cross-border supervision) while benefiting from the recent establishment of a dedicated Directorate for AML/CFT work.</p>
ICP 23	<p>Group-Wide Supervision</p> <p>The group-wide supervisor, in cooperation and coordination with other involved supervisors, identifies the insurance group and determines the scope of group supervision.</p>

Description	<p>Groups</p> <p>There are 70 insurance groups which include five sub groups within wider insurance groups where the GWS is a non-EEA country, three sub-groups where the group-wide supervisor is an EEA member country, eight insurance groups that are part of a financial conglomerate, ten other insurance groups formed by capital ties (i.e., ownership links), 17 mutual or mutual like insurance groups and 25 insurance groups established through financial or operational dependence (see below).</p> <p>Scoping of Insurance Groups</p> <p>Article L.356-1 of the FIC defines an insurance group as a group of companies which (i) either consists of a participating undertaking, its subsidiaries, participations, and related undertakings or (ii) is based on the establishment, on contractual grounds, of strong and sustainable financial relationships between these undertakings, provided that one of these undertakings exerts a dominant influence over the decisions of the others, through a central coordination, and that the ACPR approves the establishment and the termination of such relationships (also referred to as "SGAM-like" ("société de groupe d'assurance mutuelle") insurance groups).</p> <p>Article L.356-1 of the FIC (read with Article 212 of Solvency II) further defines the head of the group, subsidiaries, participations, and related undertakings (either through shareholding or share of a majority of board members or is managed in a unified basis based on statutory or contractual arrangements).</p> <p>The ACPR also has powers to identify the head of an insurance group which in the opinion of the ACPR exerts a dominant influence over another undertaking (which, in this case, is identified as a subsidiary) as well as identifying a participating undertaking an undertaking which has capital ties with another (but not owning more than 20 percent of voting rights) and exerts, in the ACPR's view, a significant influence over that undertaking (which, in this case, is identified as a participation).</p> <p>The head of an insurance group can be either (i) a regulated insurance company, (ii) a regulated insurance holding company or (iii) a mixed financial holding company or (iv) a company, whose main activity is not to own subsidiaries and participations from the financial sector (e.g., an industrial firm).</p> <p>In the case of (i), the ACPR will scope the full insurance group. For (ii), (iii) or (iv) the head of the group can be either a regulated entity (e.g., in the case of bank-led financial conglomerates) or a non-regulated entity. The ACPR will scope the insurance group at the level of the entity that controls all the insurers of the group. However, the ACPR will supervise the exposure to the rest of the group through reporting and supervision of intragroup transactions at the ultimate holding company level.</p> <p>Non-insurance legal entities controlled by the head of the group are always within the scope of the group. The risks they may pose to insurance undertakings within the group are considered in the group solvency calculation, the group risk management system (including the ORSA), and through reporting of intragroup transactions. The ACPR has powers to receive information</p>
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directly from the head of the insurance group or through the banking supervisor where the insurance group is a sub-group of a banking group or bank-led financial conglomerate.

Article L.365-2 of the FIC also provides ACPR with powers to exclude an undertaking in the scope of group supervision if: (i) the undertaking is located in a third country where legal boundaries prevent the communication of mandatory information; (ii) the undertaking has a negligible interest with regard to the group supervision objectives (except where a large number of exclusions would present a non-negligible collective interest); or (iii) the inclusion of the undertaking could lead to a danger of confusion with regard to group supervision objectives. Currently there is no undertaking excluded from any group for group supervision purposes.

“SGAM-Like” Insurance Groups

The ACPR also has powers to consider the influence an undertaking exerts over another, either in practice or on contractual grounds (Article L.356-1 of the FIC). This influence is characterised by governance ties, financial or operational dependencies, or brand sharing. These ties or dependencies requires financial solidarity meaning that if there are solvency challenges i.e. a SCR ratio of below 140 percent at one entity in the group, other entities within the group need to provide funding to restore the SCR ratio provided that the entity providing the funding does not risk its own policyholders. In practice a solidarity fund at the SGAM (coordinating entity) is held. For SGAM-like groups the underlying entities are regarded as subsidiaries.

Under French regulation, the coordinating undertaking is either called “SGAM” for mutual insurance companies, “UMG” (union mutualiste de groupe) for mutuals, and “SGAPS” (société de groupe d’assurance de protection sociale) for provident institutions. Together, these groups are referred to as SGAM-like groups.

For SGAM-like groups, the ACPR grants authorization before the establishment of the influence ties and the scope of the groups is monitored this way.

Determination of IAIGs

The ACPR has identified (originally in 2020) eight IAIGs (four insurance-led insurance groups and four bank-led financial conglomerates, where the IAIG is an insurance sub-group). The ACPR informed all the members of the supervisory colleges as well as the groups themselves. The list of identified IAIGs remains unchanged since 2020.

The ACPR performs its analysis as to whether a group is an IAIG on a yearly basis, based on reported and public information. It may use national discretion to determine the list of IAIGs but has not done so to date. The ACPR has published the list of IAIGs on its website:

<https://acpr.banque-france.fr/europe-et-international/assurances/instances/association-internationale-des-contrôleurs-dassurance-iaig>.

Monitoring and Reporting

The ACPR updates the list of identified insurance groups as part of ongoing supervision. Most changes to groups are identified through regulatory applications such as changes of control or

	<p>mergers or change of scope to a SGAM-like group. Changes can also be identified through regular supervisory engagement with the insurance groups. The ACPR also receives a dedicated reporting template which enables it to verify the scope of an insurance group.</p> <p>As part of its supervisory powers, the ACPR receives regular quantitative and qualitative reporting which allows effective insurance group supervision. In addition, the ACPR can request the head of an insurance group (including an IAIG) for any additional information it deems relevant at group level or at the level of any of the subsidiaries. Where relevant, the ACPR can also ask information from other involved supervisors as part of the supervisory college cooperation and information exchange.</p>
Assessment	Observed
Comments	All insurance groups are mapped, and no relevant entity is excluded from the group's scope for the purposes of group-wide supervision. Entities with contractual and financial interdependencies are scoped as an insurance group and supervised on a group basis. All IAIGs are appropriately designated with no exceptions.
ICP 24	<p>Macprudential Supervision</p> <p>The supervisor identifies, monitors and analyses market and financial developments and other environmental factors that may impact insurers and the insurance sector, uses this information to identify vulnerabilities and address, where necessary, the build-up and transmission of systemic risk at the individual insurer and at the sector-wide level.</p>
Description	<p>Data Collection</p> <p>The FIC provides the ACPR with wide powers to determine the information, format and frequency of reported information. Data are collected mainly through regulatory reporting requirements but supplemented with other data sources such as ESCB data and data from the BdF. The ACPR also relies on the EIOPA Guideline on reporting for financial stability purposes to determine the information needed to be collected for macroprudential supervision purposes.</p> <p>The ACPR collects data for national, EU level and IAIS exercises. In addition, it performs ad hoc analyses such as liquidity assessments for the larger insurers to identify trends and in support of macroprudential supervision.</p> <p>The ACPR has developed several tools to perform analyses. These use both qualitative and quantitative information and include:</p> <ul style="list-style-type: none"> • analysis based on historical data and applying expert judgement for a prospective view to complete a national and European risk dashboard; • qualitative assessments, including views from economists and supervisors; • stress test exercises; and

- simulation tools for example, simulation of the Solvency II balance sheet in a stressed environment, or projection of insurers' return on assets in a low yield environment.

Insurance Sector Analysis

Ongoing supervision of insurers is supported by analysis of the sector by the ACPR. This includes weekly monitoring of life insurance inflows and outflows and reporting to the governing body of the ACPR a quarterly dashboard combining individual information and sector level indicators. In times of stress, the framework can be swiftly strengthened: for example, frequent calls with insurers can (and have been) be organized and ad hoc requests for information made.

The ACPR has a separate Directorate (Research and Risk Analysis) dedicated to this work, for the banking and insurance sectors (there is a division for insurance risk analysis within the Directorate). Around 30 of its staff are involved in insurance sector work.

In addition, the insurance sector is also continuously monitored through the bi-annual exercise of systemic risk evaluation organized by BdF.

ACPR uses the data available to conduct cross-sector analysis with market and financial data or other data and indicators provided by BdF (such as interest rates, inflation or balance of payments data). The ACPR also conducts targeted analysis on an ad hoc basis. Recently, a deep dive analysis of the commercial real estate risk has been developed for both banking and insurance sectors.

The insurance sector is monitored regularly by the HCSF (see also ICP 1), which has macroprudential powers granted by the Sapin II Law enacted in 2016. The HCSF conducts a quarterly assessment of risks and vulnerabilities in the financial system, including insurance. In its 2023 annual report, the HCSF included a special focus on the impact of inflation and higher interest rates on the financial and non-financial sectors. It also has intervention powers in respect to insurance, enabling it to suspend dividend payments or lapses. It has not used these powers or otherwise recommended measures on the insurance sector to date.

Assessing Systemic Importance

Even though there is no specific process to identify systemically important domestic insurers, through its micro- and macroprudential analysis the ACPR is able to identify insurers that could potentially pose systemic risks. The ACPR, together with the BdF, applies tools such as stress tests, concentration and substitutability risk analysis to identify those insurers that could potentially pose systemic risk.

The insurers within the scope of this work are the largest insurance groups (assets exceeding EUR 50 billion in market value) and the insurers with critical functions (functions essential for the economy and where the insurer has a critical role – i.e. where the insurer's failure would be critical for the economy).

Transparency

	<p>Article R.612-10 (4) of the FMFC requires the publication of aggregated statistical data on the main aspects of prudential supervision. The following are examples of aggregated data and risk analysis that are published.</p> <ul style="list-style-type: none"> • The ACPR, on its website, regularly publishes relevant data and statistics on the insurance sector as well as a yearly report on key figures and trends of the financial sector. • Relevant data on the French insurance sector are also available on EIOPA's public risk dashboard, available on their website. • Quarterly press releases issued after each meeting of the HCSF as well as its annual report. • Financial Stability Report ("RSF – Rapport de Stabilité Financière", formerly named "ERS – Evaluation des risques du système financier français", i.e., Assessment of risks to the French financial system) is published by the BdF twice a year, in June and December. The report seeks to identify the risks and vulnerabilities in the French financial system, along with its strengths and sources of resilience.
Assessment	Observed
Comments	<p>ACPR's risk team performs detailed analyses including on interconnectedness. ACPR publishes extensive results of its work as well as detailed data on the insurance sector. There is a methodology to assess for systemically relevant institutions and critical functions. ACPR's supervisory approach considers the scale and systemic relevance of insurers.</p> <p>Implementation of the revisions to the Solvency II framework at the EU level will further add to ACPR's and HCSF's existing toolkit, by end-2026.</p>
ICP 25	<p>Supervisory Cooperation and Coordination</p> <p>The supervisor cooperates and coordinates with involved supervisors and relevant authorities to ensure effective supervision of insurers operating on a cross-border basis.</p>
Description	<p>Group-Wide Supervisor</p> <p>Article L.356-6 of the FIC (read with Article 247 of Solvency II) sets out the criteria to identify the GWS as ACPR:</p> <ul style="list-style-type: none"> • whether the head of the group is a licensed company established in France; or • whether it is a holding company owning at least a (re)insurance undertaking established in France; or • in the case where the parent or the holding company own insurance undertakings in several countries, whether that established in France has the largest balance sheet. <p>Article 247 of Solvency II also provides that in certain cases, by request of any of the involved supervisors, it is possible to deviate from the criteria. All the involved supervisors must do everything within their power to reach a joint decision on the choice of the GWS within three</p>

	<p>months from the request and after giving the relevant group an opportunity to state its opinion. The final decision must be communicated to the group with reasons. If no joint decision can be reached, the matter is referred to EIOPA for a decision, which is binding.</p> <p>The ACPR has designated eight insurance groups as IAIGs for which it is the GWS.</p> <p><i>Roles and Responsibilities of ACPR as GWS</i></p> <p>According to Article L.356-7 of the FIC, where the ACPR is the GWS, it will be responsible for:</p> <ul style="list-style-type: none"> • the gathering and dissemination of relevant information for going concern and emergency situations; • the supervisory review and assessment of the financial condition of the group; • the assessment of compliance, system of governance and fitness and propriety of the board members of the group; • planning and coordination of regular meetings (held at least annually) or other appropriate means to engage with the involved supervisors; and • other tasks, measures and decisions assigned to the group supervisor (i.e., the process for validation of any internal model at group level). <p>Article 357 of the Solvency II Delegated Regulation (2015/35) specifies the information to be exchanged within the college of supervisors. This includes information to be provided by involved supervisors to the GWS, and information to be shared by the GWS.</p> <p>In performing its functions as GWS, the ACPR supervisory teams make use of the Joint Risk assessment templates (JRA templates) developed by EIOPA to assist in the risk assessment of the group. The completion of the JRA templates is done in consultation with the involved supervisors. They are completed before a supervisory college meeting and provide a guide to discussion items on the agenda. Items can include governance, cyber risks or capital adequacy. For the larger insurance groups, the ACPR will also send a follow-up letter to the insurance group to share with the group the outcome of the assessment.</p> <p><i>Roles and Responsibilities of the ACPR as Involved Supervisor</i></p> <p><i>EEA-led colleges</i></p> <p>As an involved supervisor, the ACPR will request information needed to understand the structure and operations of the group, including the structure and operations of the group in France. The ACPR also has the powers to scope a sub-group of a larger insurance group in France and supervise that sub-group as an insurance group covering the entities in France (Article L.356-4 of the FIC). The ACPR has scoped two sub-groups of large foreign groups with French subsidiaries (both IAIGs).</p> <p>In all cases, the ACPR participates in the joint risk assessment performed by the EEA group-wide supervisor.</p> <p><i>Non-EEA-led colleges</i></p>
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The ACPR participates as involved supervisor:

- either where the third-country jurisdiction is deemed equivalent by the European Commission as it relates to group supervision or there is a bilateral agreement which allows for exchanging information and risk assessments (e.g., the EU-US covered agreement – see ICP 3). The ACPR obtains the relevant information from the GWS and participates in the joint risk assessment; or
- where a third-country jurisdiction is not equivalent and the ACPR is entitled to apply group supervision according to Solvency II rules at the level of the third-country group (if deemed necessary). In this case, the ACPR can organise itself a college of supervisors to ensure adequate coordination and exchange of information or it can apply any measures which fulfil the objectives of group supervision. In practice the bilateral cooperation arrangements have allowed for fulfilling the objectives of group supervision (including understanding the group structure, the impact of French activities on the group risk profile, the exchange of information regarding intra-group transactions (IGTs) and solvency, etc.).

Coordination Arrangements

Where the ACPR is identified as GWS, Article L356-7-1 of the FIC requires it to establish and chair a college of supervisors. In practice, after identifying the scope of the group and identifying that the group operates in several jurisdictions, the ACPR initiates discussions with other involved supervisors jointly to define the format and means of cooperation and exchange of information, provided it is entitled to share information (see ICP 3).

To assist the GWS in putting in place coordination arrangements, the Solvency II Delegated Regulation (2015/35) sets out requirements.

EIOPA has developed guidelines (Guidelines on the operational functioning of colleges and Guidelines on exchange of information on a systemic basis within colleges). These cover, for example, the mapping of the group structure, identifying all the involved supervisors and ensuring that non-EEA jurisdictions that are not recognized as equivalent would be able to comply with the coordination arrangements. They include templates of coordination arrangements.

The guidelines also cover the establishment of voting rights which are needed as Solvency II requires that some decisions regarding group supervision and group solvency must be taken jointly by all EEA involved supervisors.

For non-EEA involved supervisors, the GWS must ensure that they can comply with the coordination arrangements particularly the professional secrecy requirements. In cases where this has not been possible, the ACPR has been able to establish regional sub-colleges for sharing relevant (but not sensitive) information with involved supervisors which are not equivalent in terms of confidentiality and professional secrecy.

Article 355 of the Solvency II Delegated Regulation (2015/35) requires that coordination arrangements to include at least:

	<ul style="list-style-type: none"> • the minimum information to be exchanged between the group supervisor and the involved supervisors; • the language and frequency of the information to be exchanged; • the responsibility to adopt an (at least) annual work plan; and • an emergency plan ensuring adequate cooperation during a crisis. <p>In practice, the ACPR has used the EIOPA template a coordination arrangement for all supervisory colleges which it chairs. Some modifications were made to tailor their approach to French insurance groups or in response to requests from involved supervisors.</p> <p>Functioning of Supervisory Colleges</p> <p>The FIC sets out requirements on supervisory colleges (Articles L.356-7, L.356-7-1, R.356-1 and R. 356-2). A supervisory college should be established when an insurance group has at least one other subsidiary operating in the EEA other than the EEA member state of the insurance group's parent undertaking.</p> <p>The ACPR participates in several supervisory colleges. As GWS, the ACPR is responsible for 17 supervisory colleges, and it participates in 10 colleges as an involved supervisor.</p> <p>The ACPR has developed internal procedures to establish a consistent approach within the insurance teams. These internal guidelines are aligned to the guidelines issued by EIOPA.</p> <p>The ACPR, to date, have not encountered any challenges in cooperation from other authorities (either where the ACPR is home or host authority).</p> <p>Supervisory colleges at the EEA level operates in two layers: European colleges with only EEA supervisors; and European colleges to which third country authorities with important subsidiaries are invited.</p> <p>Where the ACPR is the GWS, college participants include a range of ACPR staff in addition to supervisors (such as representatives from cross-sector areas such as the International Affairs Directorate, Insurance Risk Analysis Division and the Resolution Directorate (where relevant), as well as other involved supervisors¹⁸. The ACPR can also invite non-insurance regulators (such as regulators of banks) as a participant.</p> <p>The activities mainly cover exchange of information and cooperation as set out in the coordination agreement. The ACPR has put in place an extranet website for each college to facilitate easier access to the documentation.</p>
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¹⁸ In practice the involved supervisors will be those supervising insurance companies where the insurance operations are more than 5 percent of the consolidated group turnover / total asset / solvency capital requirement. Exceptions can be made on a case-by-case basis.

	<p>The frequency of the college meetings depends on the size of college.¹⁹ For large colleges a physical meeting is held annually (either in person or virtually). A thematic meeting is also held annually and where required, such as in the case of an internal model application, a special meeting can be arranged. For medium-sized colleges a physical meeting is held annually, and an ad-hoc meeting in case of application for an internal model. For small colleges, a conference call is held at least annually, and a physical meeting is held if deemed necessary.</p> <p>In general, the topics discussed during college meetings include quantitative and qualitative issues such as the joint risk assessment, group solvency as well as the solvency of solo subsidiaries (also covering intragroup transactions and risk concentrations), capital allocation within the group and stress test results; and the business model of the group, risk exposures, any corporate actions, the emergency plan and the college's workplan.</p> <p>For IAIGs, the supervisory colleges did not discuss and assess a summary of the reference ICS prepared by the GWS (CF25.6c) during the ICS monitoring period as French IAIGs did not participate in the exercise.</p> <p><i>Crisis Management</i></p> <p>Article 355 of the Solvency II Delegated Regulation (2015/35) requires coordination arrangements to include an emergency plan to ensure adequate cooperation during a crisis. The emergency plans must include provisions covering:</p> <ul style="list-style-type: none"> • the recognition of the existence of a crisis; • the preparation of the crisis management; • the crisis assessment; • the crisis management; and • the external communication. <p>In addition, it is required that emergency plans identify the information that must be exchanged within the college as soon as it is available, covering at least:</p> <ul style="list-style-type: none"> • coordination in case of crisis, particularly the identification of emergency contact persons, the obligation to inform other members of the college of an emergency situation, etc. • a description of the emergency situation, with an indication of any impact on policyholders and on the financial markets; • an identification of the undertakings in the group which are affected by the emergency situation with relevant information on their financial situation; • an overview of any measures taken by the group in relation to the emergency; and
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¹⁹ Classified as large / medium / small and determined according to a set of criteria (group turnover, international activity, number of EU/EEA members) and expert judgment.

	<ul style="list-style-type: none"> an overview of any measures taken by any of the supervisory authorities concerned in relation to the emergency and a description of any existing national measures relevant to the management and resolution of the crisis. <p>In EIOPA's Guidelines include a template for an emergency plan as well as the set of information that is to be exchanged in an emergency. The ACPR has included emergency plans in all coordination arrangements of colleges it has established.</p> <p>The ACPR has a CMG for one group in place as well as the supervisory college for that group, but for all other groups, crisis management is addressed by the supervisory college.</p>
Assessment	Observed
Comments	<p>The ACPR has a comprehensive approach to cross-border supervisory cooperation. It has established insurance group supervisory colleges where it is the GWS in accordance with the EU and national legislative requirements and its commitment to effective cross-border supervision. It also participates in many insurance group supervisory colleges where it is an involved supervisor and in the colleges and CMGs for the banking groups of which several IAIGs are a part. It uses discussions in the colleges to share confidential supervisory information and develop college outputs including group risk assessments. Colleges include discussion of crisis management issues, but the ACPR has established only one dedicated CMG for an IAIG so far, taking into account the nature of the other groups and the scope of its national recovery and resolution regime. It will review its approach on the implementation of the IRRD (see ICP 12). The French IAIGs did not report on the IAIS's ICS during the monitoring period.</p> <p>It is recommended that the ACPR continuously review the establishment CMGs for all designated IAIGs to ensure that appropriate participants attend, particularly for bank-led financial conglomerates.</p>

A. Authorities' Responses to the Assessment

The French authorities welcome the IMF review of the French regulatory and supervisory insurance framework. The FSAP is a useful exercise, and has triggered interesting discussions and further enhanced the “peer review culture” in ACPR’s directorates. French authorities express their most sincere appreciation and thank the IMF and its knowledgeable and experienced assessors for the dedication, time and resources committed to the assessment.

French authorities broadly agree with the IMF assessment and welcome the recommendations that will help to strengthen its alignment with the highest international standards of the IAIS and, as such, to improve ACPR supervision of the French insurance market.

Especially, French authorities have taken due note of IMF support to the ACPR risk-based approach of supervision that enables proper supervision in a resource constrained environment. The implementation of the associated recommendations will support and strengthen this approach:

- formalizing and adapting our risk-based approach of supervision to the smaller insurers will help guarantee that these insurers are properly covered by ACPR supervision.
- developing a system of risk-based off-site supervision of intermediaries supplementing the work of ORIAS and professional associations, at least for the larger non-bank intermediaries, in addition to the on-site supervision already in place will ensure a better coverage of intermediaries’ risks.

The current legislative initiatives will provide useful responses to some of the recommendations issued. This is the case for example for the recommendation on the establishment of liquidity risk management plans. As the IMF points out, the Solvency II regime is principle-based and some standards applying to IAIGs are not explicitly covered by the Solvency II framework. The Solvency II review introduces such a requirement and will be implemented by 2027. This is also the case for recommendations on recovery plans and on resolution powers, which will be addressed with the implementation of the insurance recovery and resolution directive (IRRDR) by 2027. The ACPR will be vigilant to properly supplement this implementation to build a comprehensive insurance resolution framework.

Finally, French authorities also note that there have been interesting discussions on whether the supervision of French pension funds (ORPS) should be assessed against the Insurance Core Principles, as ORPS were separated from other activities and their dedicated prudential regime implemented rather recently 2019. French authorities do not consider that the regulatory and supervisory framework for ORPS should be assessed against the ICPs and note that the ICPs were also designed and established purposely for insurance companies but are not all fit for pension funds. French authorities thank the IMF for taking good consideration of our discussions in its assessment of compliance with ICPs 14 and 17, in order to carry out an adequate assessment for the insurance and pension sub-markets, taking into account the 2019 ORPS reform.

Beside of these remarks, the authorities note that, in line with staff's assessment, the presence of the MoEF in the boards of the supervisor did not raise any issues of undue influence in the past and is helpful to discuss legislative and other policy proposals for which the Ministry is the regulator. The authorities deem it helpful to discuss institutional arrangement but disagreed with the recommendation that the MoEF should recuse its representatives from the Board of ACPR and AMF. Moreover, they noted that such a recommendation was absent in other FSAP's about countries with similar arrangements.

Annex I. Progress on the 2019 FSAP Recommendations

Recommendations	Time*	Authorities' Update on Progress (October 2024)
In line with EIOPA's discussion paper, Systemic Risk and Macroprudential Policy in Insurance, additional reporting on liquidity risk and improved monitoring of liquidity risk should be developed and ACPR is encouraged to begin field testing such proposals at the earliest opportunity on a voluntary basis.	NT	<p>Regulatory requirements are in place to address liquidity risk management within the risk management system (Article R.354-2 of FIC and Article 260 of the 2015/35 Delegated Regulation) including the development of a liquidity risk management policy (see EIOPA Guidelines on the system of governance, Guideline 26).</p> <p>The supervisory approach includes:</p> <ul style="list-style-type: none"> Collection of data including: <ul style="list-style-type: none"> Weekly data regarding life and pension contracts in-flows and out-flows Dedicated reporting template on liquidity (EIOPA template) Liquidity risk surveillance as part of the on-site inspection program. This is done either as part of inspections focused on risk management or as a supervisory priority. In addition, supervisory teams assess liquidity risk as part of the SRP process, holding dedicated meetings as necessary on the liquidity risk management framework and its effectiveness.
Introduce liquidity management requirements and liquidity stress tests at the conglomerate level carried out by the supervised entities, including insurance companies within financial conglomerates.	MT	<ul style="list-style-type: none"> Assessment of liquidity indicators and scenarios and recovery measures in pre-emptive recovery plans. Introduction of specific liquidity scenarios in the ORSA (2024) focused on bancassurance groups. <p>Liquidity risk is a key risk monitored in the ACPR's quarterly risk dashboard. The development of a normalized liquidity stress test exercise at a conglomerate level is also being considered.</p> <p>For the future, the Solvency II review will enhance the regulatory framework on liquidity risk management. A new requirement is to be introduced for all insurers to elaborate a liquidity risk management plan and the largest firms will be required to include medium- and long-term assessments in these plans. The ACPR is involved in the elaboration of regulatory texts setting out this requirement.</p>
To implement good practice with respect to governance, there should be a	NT	<p>There is no regulatory requirement for a minimum number of independent members of the AMSB. However, the ACPR does reference the guidance for listed incorporated companies (and, in practice, their subsidiaries), the "APEF-MEDEF code". This code defines independence and recommends that, where the firm has no controlling shareholder,</p>

Recommendations	Time*	Authorities' Update on Progress (October 2024)
<p>minimum number of independent directors of the Board of French insurers, at least one-third of the Board should be independent members where legally possible.</p>		<p>the proportion of independent Board members should be at least one half and, where the firm has some controlling shareholders, the proportion of independent Board members should be at least of one third. In the case of mutuals / mutual-like companies, the composition of the Board is defined by the regulation to represent the membership. Based on the definitions provided in the "APEF-MEDEF code", the ACPR considers that all members of the Board of this type of company are independent.</p> <p>Through its supervision the ACPR assesses the independence of the Board of directors focusing on the absence of conflicts of interest and the capacity to challenge. Regarding the absence of conflicts of interest, the ACPR verifies that insurers have a policy in place to manage conflicts of interest (Article 258 of the 2015/35 Delegated Regulation).</p> <p>Regarding the capacity to challenge, the ACPR is vigilant on whether Boards have the means to exert effective oversight. A key factor is the collective fitness of Board members and, while there is no prior approval of Board members, the ACPR checks the fitness (individually and collectively) and propriety of Board members on an on-going basis, as part of its supervisory actions.</p> <p>Furthermore, the ACPR also requires that all follow-up letters after on-site inspections are shared with the Board, and that insurers report to the ACPR the conclusions of Board's discussions.</p>
<p>ACPR should review the intensity and frequency of on-site supervision and its relationship to off-site supervision.</p>	<p>NT</p>	<p>Since previous FSAP, the ACPR has reviewed and enhanced its supervisory toolbox which now includes:</p> <ul style="list-style-type: none"> a) In-depth "on-site inspections" lasting up to several months by a team composed of three to six FTEs (on average). b) In-depth reviews: on-site visits lasting up to one week, by a team composed of two to four FTEs (on average). In-depth reviews are focused on a specific activity, issue or risk. c) Annual engagements with each insurer's senior management and head of the risk management function to discuss matters including solvency, profitability, strategy, risks, effectiveness of the governance framework to name a few. d) Frequent and specific meetings – in line with the ACPR's risk-based supervision more frequent and specific meetings with the larger insurers have been introduced. This includes meetings:

Recommendations	Time*	Authorities' Update on Progress (October 2024)
		<ul style="list-style-type: none"> - with heads of control functions or heads of specialized areas such as cyber security focused on specific themes, topical issues, strategic projects or risks - on regulatory matters (compliance, follow-ups on recommendations and findings, action plans and recovery plans etc.) - discussions of listed insurers'/insurance groups' yearly and half-yearly results prior to publication - with external auditors to discuss their opinion on annual accounts, potential issues identified (e.g. statutory reserving) or the quality of internal and financial controls; and - with senior management to discuss ACPR's annual risk and strategy assessments. These meetings involve the ACPR's top management and the firm's top Executives and Board chair. <p>e) Focused meetings to discuss surveys, thematic reviews etc.</p>
<p>With respect to reporting to ACPR, at least the annual QRTs (or a core subset) should be subject to audit requirements. In addition, audit assurance processes are recommended to be required for the systems and procedures used to complete QRTs and SFCRs.</p>	NT	<p>The Solvency II review has introduced an obligation for certain prudential data (at least the balance sheet) published in the public report on solvency and financial position (SFCR) to be audited by an external auditor.</p> <p>ACPR works closely and continuously with the supervisor of auditors in France, the "Haute Autorité de l'Audit (H2A), and with the financial market authority "Autorité des Marchés Financiers (AMF)". The ACPR is a member of the H2A board. ACPR is also working closely with the professional organization representing French auditors, to share their respective priorities and points of view and to anticipate the entry into force of this reform.</p> <p>Regarding data quality specifically, the ACPR has taken various actions to improve the quality of reporting submitted to the ACPR, including ensuring all submissions are submitted when due, validation of data and feedback to insurers to remediate and improve data quality; and appointment of a Chief Data Officer to oversee and monitor the ACPR data quality strategy.</p>
<p>ACPR should continue its supervision processes aimed at improving the implementation of Own Risk and</p>	MT	<p>The ORSA process has matured since the previous FSAP (written soon after Solvency II was implemented) and is now well embedded in insurers' governance and business strategy. The ACPR observes that most insurers are comfortable with ORSA discussions and ORSA reporting. Any shortcomings identified by the ACPR are addressed with the relevant insurer. The ACPR has also developed its supervisory approach and an annual assessment of the ORSA report is performed.</p>

Recommendations	Time*	Authorities' Update on Progress (October 2024)
Solvency Assessment (ORSA) and embedding the ORSA process in insurance company risk culture.		<p>This assessment is also a key input in the risk assessment done by the ACPR through its SRP process.</p> <p>The ACPR's supervisory approach includes:</p> <ul style="list-style-type: none"> a) dedicated ORSA meetings and on-site inspections to confirm that the ORSA process is embedded in the insurer's governance framework and its risk culture b) using ORSAs during times of stress such as during the pandemic c) relying on the ORSAs to assess the impact of changing rate environments or the impact on climate change d) relying on ORSAs to feed in the pre-emptive recovery plans assessment (where relevant) and ensuring both documents and processes are coherent and articulated. <p>The ACPR was planning, in 2024, to require insurers in bancassurance groups to develop specific liquidity scenarios as part of their ORSA.</p>
The propriety of non-executive board members should receive increased supervisory attention and ACPR's proposed new procedures are encouraged to be implemented.	MT	<p>There is no prior fit and proper approval of Board members. The ACPR assesses the fitness (individually and collectively) and propriety of Board members on an on-going basis as part of its supervisory actions. When a fit and proper assessment is found not satisfactory, the issue is generally solved through the dialogue with the regulated firm. If the issue remains unresolved, the ACPR Supervisory College has the legal power to initiate disciplinary proceedings.</p>
<p>* I=Immediate (within 1 year); NT=Near term (within 1–2 years); MT = Medium Term (within 3–5 years). ²Other potential macroprudential tools and measures to enhance the current framework, July 31, 2018, EIOPA.</p>		