

IFIGS Meeting - Paris

IGS Experience France – FGAP (French Life Guarantee Fund)

Philippe Poiget
Member of Executive Board
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Presentation of French Life Guarantee Fund – **FGAP**

Description of FGAP

Supervision

- French supervisory authority (ACPR)
- French economic and finance ministry

Members

- Life insurer authorized by the ACPR
- Compulsory

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Description of FGAP

Governance

- The FGAP is a legal entity established under private law
- It was established by the law of June 25th 1999 to protect policyholders against the risk of failure of a life insurance undertaking licensed in France
- It is managed by Board of Directors, including 12 industry representatives nominated by participating life insurance companies
- Should a life insurer fail, the FGAP would use external service providers to facilitate handling of the case where necessary
- To date, the FGAP has never had to intervene

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Description of FGAP

Coverage

- Home state principle: all life contracts of insurers authorized in France (including French insurance company activities exercised in EU member States via freedom of services or freedom of establishment)
- Limit size: 697M euros (renewed once = 1.4 billion euros)
- Provisions : 100% for due policyholder
 - Until 90 000 euros for annuities
 - Until 70 000 euros for other contracts
- Exclusion: Legal entity and very few insured (Director, Administrators...) (in accordance with national Insurance Code)

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Description of FGAP

Financing

- 0.05% of mathematical provisions of all participating life insurers (2013: 697M euros)
 - 50% ex ante
 - 50% contribution remaining in the insurers' books as a guarantee
- A minimum annual contribution of €15,000 is required per firm (except new firms who have been in the market for less than three months)
- The FGAP doesn't benefit from any contributions or guarantee from the State

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Description of FGAP

Levies

- Each company's share is established annually, in proportion to its mathematical provisions
- For unit-linked contracts, only one-quarter of the provisions is counted in the calculations
- Calculated as of year-end in the preceding year

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Scheme of FGAP

Prior consultation

1. French Supervisory Authority (ACPR) must consult and inform the scheme of its intentions in writing, giving them 15 days in which to raise concerns or object to the decision.
2. Should they object, the case is referred to the minister of economics and finance, who, within a further 15 days, will request a new determination by the ACPR.
3. Declaration by the ACPR that an insurance undertaking is no longer able to meet its obligations.
4. Once the decision to trigger the FGAP is taken and the relevant insurer notified, the ACPR will launch an initiative to transfer all or part of the insurer's portfolio.

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Scheme of FGAP

Three possibilities

- The transfer is effective
- The transfer is effective only partly
- The transfer can't be arranged

In all cases, public authorizations given by ACPR are cancelled. This decision will be published on the Official Register of the French Republic.

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Scheme of FGAP

Claim processing and payment

5. If the transfer is not effective or if portfolio is transferred only partly, the FGAP has the obligation to compensate policyholders and beneficiaries up to the specified limits.
6. The amount of compensation payable is calculated by the liquidator assigned to the process rather than by the scheme itself. In addition to a judicial liquidator who is nominated by the courts, the ACPR nominates an independent liquidator in charge of establishing claims and compensation entitlements.
7. The scheme checks that the claims are indeed eligible for compensation or coverage. Further information or clarification can be requested by the scheme from the liquidator during the process.

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Scheme of FGAP

Claim processing and payment

8. The amount calculated by the liquidator is then covered by a payment from the FGAP within a period of two months (although an extension for the payment period can be granted by the ACPR under exceptional circumstances (one month more)).
9. Where compensation is paid, the compensation amount includes the totality of the mathematical provisions covering the contracts of insurance. Any bonuses or unexpired premiums would therefore generally not be compensated. The amount of compensation is limited to:
 - €90,000 for contractual benefits arising from life policies in the event of death or invalidity;
 - €70,000 for all other contractual benefits.
10. The payment of claims is followed by a subrogation of rights (up to the amount paid). Scheme is also entitled to take legal action against those responsible for the failure.

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Thank you for your attention!