



SOCIETY OF ACTUARIES

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A look at the French health insurance market

by Veronique Crouzy

With the increased disengagement of the National Health Care Program, health care supplemental insurance plays an increasing role in the French health care system. Mutuals [mutual insurance institutions identified with a trade organization], pioneers of medical insurance, play a prominent role and are far ahead of insurance companies and savings cooperatives [a hybrid of state and private financing of trade or affinity insurance funds]. Nevertheless, the market stays very competitive, and mistakes can be costly.

Yesterday's exception has become the rule. Today, almost nine out of ten persons in France purchase supplemental health care insurance. Thirty-five percent are insured by individual contracts and 49% by group contracts. Private insurance plays an increasing role in the French health care system, even if the national program (all services included) still insures most of the financing of health expenses.

Because of increased efforts by the governmental plans to control health expenditures, the part reimbursed by the National Health Care Plan has progressively decreased. In 1993, the state financed 73.9% spent by the French on their health care, down from about 76.5% coverage in 1980. Insurance organizations active in the health care supplement market — mutuals, insurance companies, and savings cooperatives — fill the vacuum caused by the state's progressive disengagement.

Meanwhile, the consumption of health care by the French people continues to increase. In 1993, they spent, on average, \$2,160 (US) per person (\$2,060 in 1992), of which about half was spent on hospital care. The total medical spending nationally reached \$124.6 billion, compared to \$117.8 billion in 1992. France allocates the highest portion of its GDP to health (9.1%) of any country in the European Union. It is ahead of Germany (8.5%) and the Netherlands (8.3%) and is in third place worldwide, just behind the United States and Canada.

The amount of financing done by the three groups offering health supple-

ment insurance is very unequal. The May 1994 numbers released by the National Accounting Commission on Health show that mutuals finance 6.3% (\$7.7B). Insurance companies contribute 3.6% (\$4.4B). Savings cooperatives' share is estimated at about 1% (\$1.2B). Households are left with taking care of 14.4% of their health expenses, explaining the recourse to supplement coverage for sickness. Thus, mutuals constitute about 61% of the private market; insurance companies, 23%; and savings cooperatives, 16%.

The third annual report on Social Protection, State of Health and Medical Consumption of the French, published in August 1993, indicates that 60% of individuals covered by an insurance policy are covered through employee benefit plans, 74% are covered by mutuals, and 88% by savings cooperatives.

Mutuals own the largest part of the health supplement market, with more than \$7.9 billion in premium income. They have dominated for a long time, being the first type of organization used by the French to protect themselves against the rise of disease, disability, and death.

What is particular to mutuals is their geographical concentration in Paris and Lyon [both centers for the two actuarial organizations] and their concentration in activity. Of the 6,000 mutuals, about 700, of various sizes, paid sickness supplement insurance benefits in 1993. The top 10 have each collected more than \$96 million in premiums in 1993 (net of reinsurance) and paid more than \$77 million in benefits. They made up 25% of premiums paid to all the mutuals. The top 50 paid 50% of all benefits paid, and the first 120 paid 75%.

According to National Health Accounting, insurance companies paid almost \$4.4 billion of benefits toward financing health cost. It is difficult to analyze health insurance activity, because figures are buried in the personal indemnity line (\$8.8B in 1993 premiums). Also, depending on the insurer, association group contracts are accounted for either in the group line or individual lines.

However, by extrapolating the 1992 results for medical services (about 54% — 24.2% in individual and 29.8% in group) and disability income benefits (about 46% — 18.2% individual and 27.7% in group), and starting with \$8.8

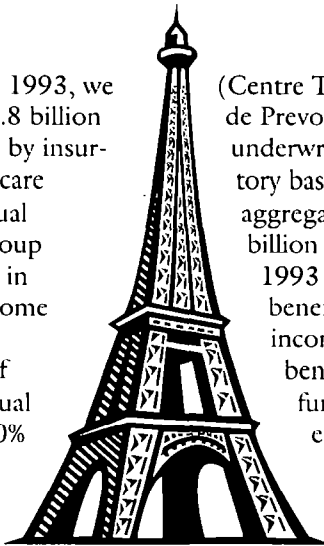
Estimate of the Activity of Insurance Carriers on the French Health Care Supplement Market

(in billions of U.S. dollars)

Insurance Carrier	1993 Premiums	1993 Benefits
Mutuals	7.9	7.6
Insurance Companies	4.8	4.4
Savings Cooperatives	1.8	1.6
Total	14.5	13.6

billion premium income in 1993, we can estimate that about \$4.8 billion premiums were brought in by insurance companies for health care services (\$2.1B for individual contracts and \$2.7B for group contracts) and \$4.1 billion in premiums for disability income (\$1.6B individual, \$2.5B group). The distribution of premiums between individual and group lines is about 40% and 60%, respectively.

Of the 54 savings cooperatives belonging to CTIP



(Centre Technique des Institutions de Prevoyance), 35 are active in the underwriting of sickness for mandatory base coverage supplement. In aggregate, they collected \$1.8 billion in premiums for this line in 1993 and paid \$1.6 billion in benefits. This is 41% of premium income received and 43% of benefits paid by all savings funds. The four largest cooperatives alone count for more than 50% of the business.

The health insurance supplement market in

France is immersed in a very reactive and competitive environment. A real lack of reciprocity exists between competitive players, and some evidence exists of unfair practices to attract new clients or to steal insurance intermediaries.

This excerpt from an article in the October 21, 1994, issue of the French magazine, L'Argus, was translated by Etienne Dupourque, actuarial specialist at Time Insurance Company, Milwaukee, and edited with permission.

Society member suspended for 2 years

The Society of Actuaries Committee on Discipline has suspended Robert I. Bucknell from membership for a minimum of two years, effective August 27, 1994. This action was taken following an investigation and hearing by the Actuarial Board for Counseling and Discipline (ABCD) and an evaluation of the ABCD's findings by the

Society's Committee on Discipline.

The ABCD found that Bucknell agreed to provide certain services to a client in connection with the termination of the client's defined benefit pension plan. According to the ABCD's findings, he failed to provide the professional services agreed to. Moreover, he failed to respond to numerous inquiries from the client as to the status of the needed actuarial

work. The ABCD concluded that such conduct was in violation of the code of Professional Conduct.

Bucknell also was not responsive to inquiries by the ABCD. He was visited by an actuary representing the ABCD, whom he told he had retired from actuarial practice. He did not exercise his right to appear before the ABCD or the Society's Committee on Discipline.

IN MEMORIAM

Jacob Friedman
ASA 1953, MAAA 1968

Thomas Edwin Gill
FSA 1933, FCIA 1965

D.R.W. (Warwick) Jamieson
FSA 1978, FCIA 1979

Richard L. Miller
FSA 1943, MAAA 1965

Russell Edmonds Munro
FSA 1947, FCIA 1965

Thomas Edwin Gill died in London, Ontario, on September 30, 1994. He was secretary/treasurer of the Society of Actuaries from 1955-58 and a vice president from 1958-60. He also was a member of SOA's Board of Governors from 1961-63, and again from 1968-70, and was a long time member of the Senior Actuaries Club. He also was the 1951-52 president of the Canadian Association of Actuaries, a predecessor organization to the

Canadian Institute of Actuaries.

He joined the actuarial staff of London Life Insurance Company upon graduation from the University of Western Ontario in 1928, where he remained until his retirement as vice president and chief actuary in 1971. In 1993, he was inducted into London Life's "Wall of Fame," which honors outstanding contributors to the company's success.

Correction to October photo

The Mathematics Olympiad photo caption in the October issue of *The Actuary* incorrectly identified the person fifth from the left as Walter Mientka. The person is William N. Campbell who, with Bryan Hearsey, represented the Society of Actuaries at the awards dinner.