

A death/disability insurance

Provident fund insurance (“prevoyance” in French) is an insurance which covers employees against the risk of death, disability and incapacity:

- in case of death, a death benefit is paid to the employee’s beneficiaries
- in case of permanent incapacity, a disability benefit is paid to the employee
- in case of illness, an illness benefit is paid to the employee after a waiting period.



Mandatory affiliation in many cases

According to the Collective Bargaining Agreement of March 14, 1947 concerning Executives, employers have to take out a death/disability insurance policy for their **executive staff** in France.

In particular, according to this agreement, the employer has to pay a contribution to a provident fund at least equal to 1.5% of the executive employee’s salary limited to the Social Security ceiling (i.e. 2946€ in 2011). This contribution is entirely supported by the employer, and must be allocated in priority to death risks.

Moreover, **collective bargaining agreements**, or industry-wide agreements, often impose the subscription of **additional death/disability coverage, for executive staff or non executive staff**, which results in additional contributions.

Example:

According to the collective bargaining agreement of “Bureaux d’études techniques et cabinet d’ingénieurs conseils” (SYNTEC), the following minimum coverage has to be implemented for executive staff:

Limit of monthly salary	Contributions basis in € up to monthly salary (2011 thresholds)	Rates	Contributions cost supported by employer or employee ?
TA (= 1 x the ceiling of Social Security)	0 to 2946 €	1,50%	This contribution cost is entirely supported by the employer
TB (= 4 x the ceiling of Social Security)	2946 € to 11784 €	1,08%	The allocation of the cost between employer and employee is freely determined in each company and is applicable to all the staff. However the employee's contribution cannot exceed 50% of the total contribution.
TC (= 8 x the ceiling of Social Security)	11784 € to 23568 €	1,08%	

Example:

For a SYNTEC executive who earns 4000 € per month (gross wages), the following monthly contributions will be paid:

- on TA : 44,19 € (entirely supported by the employer)
- on TB : 11,38 € [= (4000-2946) x 1,08%] (the employee can support its cost from nil to 5,69 €)

For non-executive staff under SYNTEC, the following minimum coverage has to be implemented:

Limit of monthly salary	Contributions basis in € up to monthly salary (2011 thresholds)	Rates	Contributions cost supported by employer or employee ?
TA (= 1 x the ceiling of Social Security)	0 to 2946 €	0.70%	This contribution cost is entirely supported by the employer
TB (= 4 x the ceiling of Social Security)	2946 € to 11784 €	1,08%	The allocation of the cost between employer and employee is freely determined in each company and is applicable to all the staff. However the employee's contribution cannot exceed 50% of the total contribution.
TC (= 8 x the ceiling of Social Security)	11784 € to 23568 €	1,08%	

In conclusion, most often, the **collective bargaining agreement (CBA)** determines:

- the scope of the death/disability scheme (coverage for **non executive staff** for example...)
- the extent of the minimum coverage (and the corresponding contributions)

Failure to comply with this requirement

In case of death or permanent incapacity of an employee for whom the employer should have subscribed to a mandatory provident insurance scheme but had failed to do so, then the employer may be liable to pay a huge indemnity to the employee or his beneficiaries. For example, in case of death, the employer must pay to the employee's beneficiaries an amount equal to three times the annual ceiling of Social Security in effect at death (106 056€ for the year 2011).

Choice of the provident fund

Most often the collective bargaining agreement specifies with which insurance company(ies) should be subscribed the death/disability scheme for executive staff and for non executive staff.

(e.g. companies under the Syntec CBA have to take out this scheme from Mederic Malakoff).

Optional coverage

In addition to the mandatory coverage described above, the employer may decide to subscribe to a better coverage, with higher guaranties and higher contributions:

- higher death benefit
- shorter waiting period in case of illness (e.g. only 1 month, instead of 3 months, before receiving the allocation)
- etc.

The additional cost for these additional guaranties may be supported partly by the employee (up to 50% of the total additional cost) and partly by the employer. It may also be supported entirely by the employer.

Same insurance contract for all employees

The same insurance contract has to be applied to all employees of the company in France (or at least to all employees belonging to the same category: executives, non-executives, etc.).*

If the insurance contract is not applied to all employees (e.g. one employee turns down this insurance), then the contribution paid by the employer to the provident fund is considered as a fringe benefit for the employees, and results in the payment of additional payroll taxes.

* Except for some rare exceptions during the implementation of the insurance contract.

Formalities required for the implementation of a death/disability policy or for its modification

When implementing death/disability scheme, the employer must follow the mandatory procedure and fill in the required paperwork.

If the employer wants to change from the current scheme in force to another one, he should be careful to respect French law, to choose a new suitable insurance policy and to follow the mandatory procedure.

In both cases, please consult us so that we may assist you with the choice and the procedure.

Please note that welfare coverage in France includes also:

- Social Security coverage (basic coverage for sickness, for pension, etc.)
- Unemployment Fund coverage (in case the employee becomes unemployed)
- Pension (for when the employee is retired)
- Health insurance (for doctors and hospital costs, etc.)

**Your Chartered Accountant is
your best consultant.
Don't hesitate to contact us!**