

CONSUMER PROTECTION DIRECTORATE
PRODUCTS AND SELLING PRACTICES

REPORT

***ANALYSIS OF THE TRENDS OF
INSURANCE PRODUCT OFFER***

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Foreword

Among the activities carried out by IVASS for the purpose of consumer protection is the analysis of the trends of the insurance offer, aimed at detecting new products placed on the Italian insurance market, in order to grasp the trends of the offer with particular reference to any possible elements of innovation. The prevailing objective is:

- a) to intercept and evaluate as soon as possible if there are insurance products and services that, due to their complexity or riskiness, may involve critical issues or threats to consumers;
- b) to monitor and investigate phenomena that may have an impact on consumer protection in order to evaluate any initiatives regarding rules and controls of the sector.

Since the 1st semester of 2015 a half-year analysis on the trends of the offer has been launched, based:

- for the **life sector**, on the information derived from the database present in IVASS and fed by the so-called "systematic notifications" containing the main technical characteristics of the life products placed on the market, which undertakings are required to transmit according to EU provisions¹;
- for the **non-life sector**, using "open sources" (e.g. daily press reviews, web portals, websites of individual undertakings, etc.) in the presence of the existing ban at Community level on Supervisory Authorities to demand the systematic notification of data relating to the rates or conditions of the policy.

The analysis takes into consideration the **launch of new products** by the undertakings, regardless of their commercial success and, therefore, of the level of premium income associated with them.

The results of these analyses have so far been used for internal purposes and for supporting the supervisory activity that the various Directorates carry out in the exercise of their functions and institutional tasks as well as for conducting targeted surveys. These analyses are carried out in order to guarantee consumers knowledge of the products, as well as correctness and transparency when placing them, and where necessary alerts or warnings are published on the IVASS website.

¹ Implemented by art. 32, paragraph 6 of the Code of Insurance.

From the **1st semester of 2017**, IVASS publishes the results of the analyses, in order to establish a periodic dedicated observatory in favour of the various stakeholders and to prevent potential areas of risk.

It should be noted that any reference to products, undertakings, commercial initiatives, etc., mentioned in this Report, does not imply an evaluation of the content nor an endorsement by IVASS.

Introduction and synthesis

The general framework of the Italian insurance market, characterised by a decline in production², shows in the first semester of 2017 signs of vitality in the launching of **new offers**, also in the way of conceiving the various types of covers to respond to the widespread growth of uncertainty and to the increase of the related needs of protection by persons and undertakings.

Today one can protect less obvious goods and circumstances that concern everything that revolves around the web, where the protection is directed not only against viruses for the home computer or theft of the smartphone, but also for the protection of on-line purchases/sales for private use, identity theft as well as the risks of cyberbullying.

The role played by **apps** is also changing; ever more central in daily life, a trend that has not escaped the insurance sector which is refining its business models, innovating the approach to the customers, the covers and ancillary services as well as the forms of assistance in resolving problems connected with the insurance offer. All of it is facilitated by geolocation systems and by the evolution of artificial intelligence.

One may be assisted not only for the events to which a person is exposed while using his/her own transport (motor liability), but also for other modes of travel, through **services that can be activated via touch** that allow the availability of medical information, of the list of vaccinations and travel tips, of contacts with all the Embassies and Consulates in the world, etc. Assistance and monitoring services also involve the private security sector, allowing the user to check, for example, his/her blood alcohol level before driving or, for women, to be protected in potentially risky situations.

As regards the **life sector**, in an unfavourable financial economic context linked to the performance of interest rates we are witnessing a dynamism by the undertakings in the promotion of new products. There is, in fact, a non-negligible generalised growth in the number of new products, with the recovery of unit-linked products and

² In the first three months of 2017, the overall premium income for the Italian insurance market reported a fall of 10.7% compared to the same period of 2016. Decrease due mainly to the life sector - with a drop of 13.8% - compared to a 0.5% increase recorded in the non-life sector (IVASS statistics).

stable results for with profit products as well as hybrid insurance life policies (a mix of tariffs with profit plus unit linked).

The innovations introduced by a new law at national level could encourage the spread of forms of medium-term investment (so-called **PIR**), created with the objective of conveying the household savings to Italian small and medium sized enterprises. The investment takes place through financial instruments such as bonds, shares, investment funds, life assurance contracts and capital redemption operations.

In the context of **social security**, we are witnessing a strengthening of the role of flexibility instruments for pension purposes providing a social cushion (**APE** - Pension Advance - and **RITA** - Temporary Supplementary Advance Annuity).

In the **non-life sector**, technological innovation in **motor liability** has now completely changed the landscape of risks, impacting greatly on the insurance products, with a proliferation of rate schemes according to time or to a default mileage, or aimed at monitoring the driving style of the driver

The lifestyles of the Italians are changing and so changes also the insurance that allows them to be protected, with new products for example to cover risks when they are on a bicycle or to protect them from the financial consequences of an annulled or postponed marriage.

More people are travelling more often and have greater fears in doing so; therefore hypotheses of covers have been developed not only for individual trips but also on an annual basis of the **multi-trip** type.

There is also an increasing attention to **pets** that has a response in *ad hoc* policies and services.

Finally, in relation to household and individual protection policies, people often resort to **modular formulas**, an instrument that breaks the products down according to their main guarantees, allowing the customer to reconstruct a customised package.

Ever more widespread are partnerships and synergies between undertakings and **insurtech start-ups**.

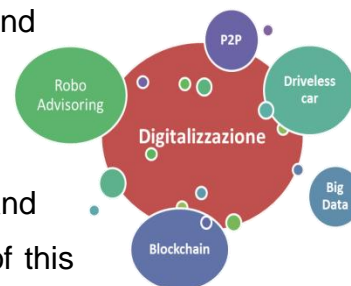
A situation in which the processes of transformation of the business linked to innovation, development of the *Internet of Things* (IoT) and use of big data are in rapid expansion, creates not only opportunities but also potential threats. There are still some unclear aspects on the potential risks and dangers to which consumers, but also enterprises, may be exposed; moreover the enormous quantity of data processed by the insurance undertakings poses obvious challenges linked to new forms of discrimination of personal nature and greater protection of privacy. It is desirable that the evolution of the regulatory environment be able to keep up with the constant ongoing changes, while the attention of IVASS remains high so that the innovations are focused on producing benefits for the consumer, keeping the safeguards for its protection unchanged.

1. DIGITALISATION

1.1 THE ONGOING TRANSFORMATIONS

Insurance undertakings are adapting to the evolution of the digital scenario, generating a new model of relationship with the customer, increasingly richer in ancillary services compared to basic products, with an extensive use of interconnected *apps* (for an overview of the main *apps* and services of the insurance sector launched in the 1st semester of 2017, refer to Annex 1).

Technological innovation opens new potential frontiers and changes to the insurance sector and the primary *drivers* of this revolution are the *Internet of Things* (IoT), the management of data and the *sharing economy*.



Artificial intelligence is a reality that brings a significant business value, for example through advisory models, where there is a tendency to provide investors with the benefits of technology combined with the human touch of traditional consulting; in this regard, some *apps* have been launched in Italy that act just like robot advisors with services of consulting, management and purchase of insurance products.

By taking advantage of *big data* technology, one can propose to the user financial and insurance solutions, tailored to his/her needs, allowing a high level of customisation of the offer.

This context includes the "*Blockchain*" technology, that is a system able to track on a large scale the displacements of electronic data left by the operators (customers and insurers) and the *sharing economy*.

Some insurance *players* have married the concept of *peer-to-peer* (P2P) and each one of these has created its own model, distinguished usually by the administration and management of the so-called *Cash back*³ and by the creation of homogeneous

³ The *cash back* or piggy bank is a mechanism of virtual collection of a percentage of the policy's premium that has the function of rewarding the virtuous group depending on the number of claims reported. The fewer will be the claims, the greater will be the money to be returned to the insured.

groups of insured persons. Also in the Italian market two brokers are promoting this operating mode.

Another great challenge for the insurance undertakings will be that of governing and extracting value from data in a creative and innovative way. The correct management of the data, in fact, is essential both for the pricing and for the customisation of the covers, and this is also thanks to the techniques of machine learning for the resolution of problems, dialogue in various languages and other applications.

The collection of information and its management with the logic of big data plays a strategic role for the undertakings, especially for those which use personal data, with the need for particular attention being given to the risks of violations of privacy or use for discriminatory purposes of the ever greater quantity of information available.

Precisely for these reasons the European Supervisory Authorities have launched a public consultation⁴ on the use of the instruments of analytics and big data from the financial institutions, including the insurance undertakings. The supervisory authorities are considering the potential impact that these new technologies could have on consumers, in particular in terms of access to financial services⁵. In Italy, the Antitrust Authority, Agcom and the Authority for the protection of personal data, have launched, with resolution of 30 May 2017, a joint thematic review aimed at the identification of problems linked to the use of big data and to the definition of a framework of rules capable of protecting personal data.⁶

Cars, drones, home devices and wearable products: their spread has prompted the EU Parliament to further investigate the legal system appropriate to the new technologies. On this point, the MEPs called on the EU Commission to enact a draft law to settle questions of responsibility, especially with regard to the driverless car. The solution could pass through the introduction of a system of compulsory

⁴ JC 2016 86 - Joint Committee Discussion Paper on the Use of Big Data by Financial Institutions.

⁵ The Authorities, on the basis of the "*Final COMMISSION STAFF WORKING DOCUMENT on the free flow of data and emerging issues of the European data economy Brussels*", of 10.1.2017, intend to analyse whether or not, and under what conditions, the big data can result in barriers to entry in the markets or encourage conduct that restricts competition so as to impede technological development, as well as undermine the right to the protection of personal data. The analysis will focus on the impact of the platforms and algorithms on the competitive dynamics in the digital markets, on the protection of privacy and on the consumer's ability to make informed choices.

⁶ On this matter mention should be made of the programme approved by the VI Standing Committee (Finance) of the Chamber of Deputies of 25 July 2017 concerning "Survey on issues related to the impact of financial technology on the financial, credit and insurance sector."

insurance for the robots, as well as through the creation for the latter of a specific legal status in order to establish liability in case of damage.

1.2 THE START-UP CONTRIBUTION TO THE INSURANCE INDUSTRY

In Italy some *start-ups* are affirming themselves:

- in the sector of smart home systems , with the implementation of *multi-sensing devices* equipped with human sensory characteristics, able to oversee the domestic environment with capacity for self-learning (*machine learning*) to adapt to the particularities of each house (for more details, refer to paragraph 3.2). The devices can see through high-resolution camcorders, perceive odours and assess the quality of the air thanks to a high-precision sensor, as well as listen with very sensitive microphones;
- in the context of *sharing economy*, with projects able to draw up quotes of policies to be composed on the basis of the information on the behaviours and purchases derived from the social networks and research on the web or that allows with just a few clicks to ensure products and services purchased in the context of platforms such as Airbnb, Blablacar or Uber.

In other situations, interesting initiatives are observed, such as for example, in the US market:

- of home-sharing, where a start-up has launched an offer of an insurance product purchased via app, for the people who rent their homes or rooms, through online platforms such as Airbnb, HomeAway, OneFineStay and FlipKey. Any claims for compensation are managed by the start-up through the app by sending a photo, a video, or a file; in the more complex cases there is a specific team dedicated to managing the claim;
- of life preventive insurance, where one undertaking has developed a technology able to analyse faces in order to obtain the client's risk profile. They use a selfie to analyse, through algorithms, the body mass index (deducing it from roundness of the area of the jaw and cheek), the sex (by measuring the size of the mouth or the orbit of the eyes) and the physiological age of the person. Subject to interpretation are also the habits

of smoking, drug use and signs of depression. Upcoming functions will be those of detection of genetic disorders, diabetes and heart disease;

- of modular policies to cover the risks to which personal objects for daily use may be exposed (tablets, PCs, mobile phones, cameras, etc.) that can be turned "on or off" from one's mobile phone or tablet, on demand in a period of time, depending on the need, by accessing a platform. Even the complaints are dematerialised and digitalised: in fact, they are managed entirely on-line and in real time through the chat;

or in the Scottish market where:

- one start-up proposes a temporary car insurance policy on demand, commensurate

Use of own car	Use of shared car
To a rather low fixed monthly instalment that insures the "stopped" car (ranging from £ 10 to £ 30), one adds an hourly premium, a kind of "recharge" of the subscription (starting at £ 1.20 per hour) only for the actual time of use.	Activated when one borrows the car of another or in the case of shared vehicle. At the time of the use of another's car, the policy is purchased rapidly and effectively, subverting the traditional pillar under which car policies are linked to a specific driver, the owner.

with the actual use. This is a pay-as-you-go product, customisable and which may be underwritten, according to two formulas, by means of a monthly subscription; through an app one pays a rate based on the use of the vehicle and only for the amount of time one expects to drive it, which is variable depending on the car and the city in which one lives.

2. LIFE PRODUCTS

In the first semester of 2017 416 products were communicated, according to the systematic communication of the technical bases received into the IVASS database, of which 240 individual (equal to 58%) and 176 collective (equal to 42%)⁷.

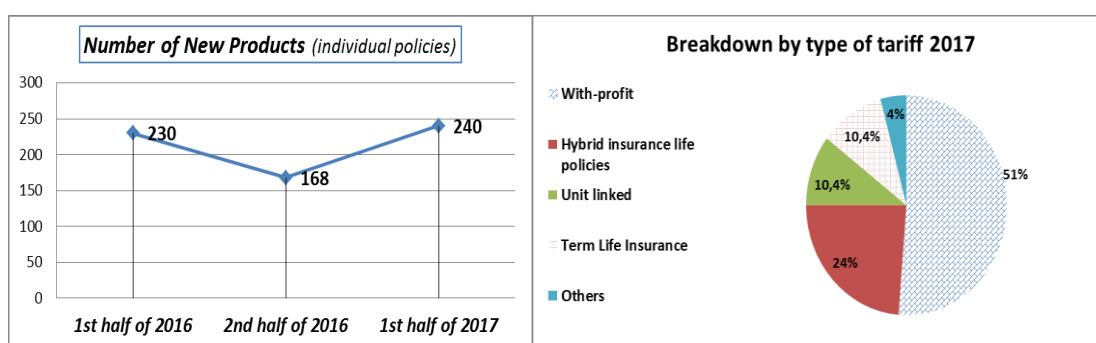
From the analysis of the **240**⁸ new individual products it emerges that:

- a **significant recovery** (+42%) compared to the previous six months in the launching of new products;
- **with profit** policies retain the leadership in the promotion of new products, with a stable weight on the total (equal to approximately 50%) followed by **hybrid insurance life** policies (with profit policies of class I and unit-linked products of class III) with a weight on the total equal to approximately 23%;
- the increase in the number of new **unit-linked** products, with a percentage (approximately 10%) which settles at levels close to those recorded in the same semester of 2016;
- **term life insurance** remains essentially stable, with an incidence on the overall new offers of approximately 10%, thus reaching the weight of unit-linked products;
- the launch of policies that can be included among the so-called Individual long-term Savings Plans ("**PIR**"). **4** undertakings have broken into this market with 3 products, including hybrid insurance life and unit-linked products;
- a moderate recovery of the **individual pension plans - PIPs** (if in the previous semester it was 1.8%, in mid-2017 the incidence is 3.3%) also facilitated by measures of exit flexibility for retirement purposes implemented by the Stability Law of 2017. There are 3 undertakings which have announced new products that fall within this specific sector.

⁷ The analyses relate to aggregate data on the number of new products proposed by the undertakings of the products without any reference to premium income. The rounding off of the data might undergo approximations related to the reclassification of the underlying rates which may not be unequivocal in correspondence to each product.

⁸ The analyses relate to aggregate data on the number of products without any reference to premiums collection .

Graph 1 – Trend of the period in the life sector



2.1 ANALYSIS OF THE MAIN PRODUCT TYPES

Summarised in the following Table 1 are the trends in the number of new product launches referable to the main pricing types.

Table 1 – Trend broken down by tariff type

	New Products	1st half 2017	2nd half 2016
		% over the total	
Hybrid insurance life policies	57	24%	30%
With-profit Products	123	51%	52%
Unit linked	25	10,4%	5%
Term life insurance	25	10,4%	10%
P.I.P. (Individual Pension Plans)	8	3,3%	2%
Total new individual products	240		

In summary, the following was observed:

- a predominance on the market of **single premium** products. Observing the two macro categories of products, with profit and hybrid insurance life ones, in 84% of the cases they envisage this type of premium;
- in the new offers, both with-profit and hybrid insurance life products, generally the maximum **loading** rate applied on premiums does not exceed 5%, there is a fall in the proportion of products in which the loadings are equal to 0%;
- similarly to the previous semesters, rates for with profit products provide almost exclusively **minimum guaranteed yield equal to 0%**, with the **structures** of the guarantees that, in 50% of the cases, provide for a mechanism of **annual consolidation**. The products with annual average yield to maturity continue to decrease (with a weight equal to approximately 9%)

while the proportion relative to coupon forms is stable (approximately 12%)⁹. Indirect costs are almost always applied on yields realised by separately managed accounts, in the form of minimum **return withheld from the separately managed account**, generally variable from a minimum of 0.7% to a maximum of 1.6%¹⁰.

Further trends of the period detected on the two aforementioned macro-categories and on the others, are summarised in the following table.

<i>Further salient features characterizing the Trends of the period</i>				
Hybrid	<ul style="list-style-type: none"> more than 90% relate to single premium contracts. 	<ul style="list-style-type: none"> loadings on the premium: more than 65% of the cases fall in the range (0%; 5%). 		
With-profit Products	<ul style="list-style-type: none"> around 80% relate to single premium contracts and around 12% to annual premium contracts. 	<ul style="list-style-type: none"> loadings on the premium: around 60% of the cases fall in the range (0%; 5%). in many cases the components of the loading do not change during the life of the contract and according to the level of premiums. 	<ul style="list-style-type: none"> financial guarantees: also in the 1st half of 2017, various mechanisms have been observed that regulate the minimum yields retained compared to the return to be passed on to policyholders. 	<ul style="list-style-type: none"> Mixed and Whole life policies remain the most common products in this sector, but with a remarkable growth of mixed policies compared to the previous semester.
Unit linked	<ul style="list-style-type: none"> around 70% relate to single premium contracts and around 20% to recurrent premium contracts. 	<ul style="list-style-type: none"> loadings on the premium: around 90% of the cases fall in the range (0%; 5%). 		
Other products	<ul style="list-style-type: none"> term life insurance policies have increased in absolute value compared to the previous semester, although the percentage on total new business has remained substantially unchanged; only one new offer has been reported relating to Long Term Care stand-alone covers; only one new offer has been reported relating to Open Pension Funds subscribed on an individual basis; no new Index linked policies have been reported; the collective policies reported mainly relate to term life insurance and to term life insurance and permanent disability. 			

⁹ The residual cases concern mixed-type mechanisms.

¹⁰ With the exception of with profit products (endowment) where there are higher maximum rates, even with measures equal to 2.9%.

2.2 INDIVIDUAL SAVINGS PLANS (PIR)

Life assurance policies are beginning to spread on the Italian insurance market, that can be included among the so-called Individual long-term Savings Plans ("PIR"), established by the Stability Law of 2017. These new investment instruments can be seen as tax containers inside which savers can place any financial instrument (shares, bonds, fund units, etc.), in compliance with specific investment constraints¹¹. Said containers may also include life assurance or capital redemption contracts. The first operators that have packaged this type of instrument were asset management companies; in the 1st semester of 2017 there were **4** companies placing PIRs through hybrid (3) (Classes I and III) or unit-linked (3) insurance products.

These instruments can be underwritten only by natural persons who are resident in Italy (single holder) and enjoy a particular tax treatment (those who buy these instruments are exempt¹² from taxation on return on capital and on other income) provided that they abide by the investment constraints expressly covered by the legislation.

2.3 NEW SOCIAL SECURITY AND PENSION INSTRUMENTS

The evolution of the labour market looks with ever greater attention to a strengthening of the role of exit flexibility instruments for retirement entitlement to serve as social protection. In addition to the **APE**, *Advance Pension*, the Stability Law of 2017¹³ has also included the "**RITA**" - *Temporary Supplementary Advance Annuity*.

¹¹ in shares or units in an UCITS residing within the territory of the State or in the Member States of the European Union or of the EEA, the European Economic Area.

¹² The exemption from taxes is obtained at the time of divestment if the amounts have been invested in the PIR for at least 5 years up to a maximum amount of € 30,000 per year for a cumulative total amount, even over several years, of € 150,000. This specific tax treatment applies with regard to the following investment constraints:

- a minimum of 70% in financial instruments such as shares and bonds, both listed and unlisted in the regulated markets, issued by Italian undertakings other than real estate, or even European undertakings with a permanent organisation in Italy;
- of the previous 70%, at least 30% shall be invested in financial instruments issued by undertakings other than those included in the FTSE MIB index (in such a way as to allow the flow of money also to small/medium enterprises such as those listed on the FTSE Italia Mid Cap or the STAR. Cash and instruments other than shares may then represent 30% at most, while the weight of each single issuer shall not exceed 10% of the portfolio).

¹³ Art. 1 (166) et seq. of Law 232/2016.

RITA is an annuity which shall commence from the time of acceptance of the request up to the achievement of the mandatory pension requirements. It is paid as a sort of "fractional surrender" the amount of which is set freely by the worker with the objective of calibrating his/her exit flexibility. Those able to access it are inactive workers who meet the requirements¹⁴ and with the specific INPS certification¹⁵. Based on these new laws, some insurance undertakings are entering the market with policies that can be likened to the RITA. There are 3 undertakings that have reported new products to IVASS that can be included in this specific sector, drawing on the individual pension plans.

As regards the **APE**, the instrument presents itself as a financial transaction consisting in a loan, covered by a mandatory insurance policy for the risk of death, paid in monthly instalments for 12 months (tax-exempt), to a subject meeting specific requirements, to be refunded in monthly amortisation instalments starting from when this subject becomes entitled to a retirement pension.

¹⁴ Requirements concerning age, contribution and entitlement to old age benefits to be met by potential beneficiaries of the "voluntary" or "corporate" loan (minimum age of 63 years and entitlement to an old age pension within 3 years and 7 months, provided that they meet the minimum contributory requirement of 20 years).

¹⁵ This is the same documentation required to apply for the APE.

3. NON-LIFE PRODUCTS

As anticipated, the insurance industry is undergoing a transitional phase: what we today call "*insurtech*" - referring to everything that is *technology driven* innovation in the insurance industry - could have significant impact for the entire sector.

Currently in Italy the non-life sector seems to be most greatly affected by these changes, confirming a predominant presence in the areas which revolve around insurance for the **car**, **home** and **person**.

Mobile technology, which includes smartphones, tablets and apps, has had an enormous impact in recent years in the life of people and on undertakings.

Apps are the suitable tool for a closer relationship with the customer; as evidence of this, the new versions introduced in the market have a greater orientation to the customer's needs compared to the previous ones. If initially they played a supporting role in the offer of insurance services, applications for smartphones are now implementing levels of sophistication which introduce interesting innovation profiles. In this regard we mention an app that, on the one hand, offers intermediaries real time interaction with customers, on the other hand, it allows customers and their families to monitor the overall insurance situation and to receive assistance through localisation and call-back systems, allowing them to have insurance offers and policies in real time.

3.1 Automotive and Two-wheeled vehicles sector

Innovation has now progressed to the point of making technologies available that are able to monitor what happens not only inside the passenger compartment, but also outside it. Moreover, thanks to the levels of sophistication achieved by the various black boxes on the market, the automotive market offers embedded connectivity systems and after-market connectivity (assistance after the purchase of the policy) that are increasingly accurate. The result is a decidedly hi-tech way of conceiving the new policies, enhanced by assistance services.

Assistance as additional value

In this revolution, assistance is playing a role of primary importance as a major service offered by insurance covers that, in the most complete formulas on the market, is substantiated in:

Type of service	Description of the service
<i>emergency call in case of serious accident</i>	the satellite device connected to the vehicle immediately contacts the Operations Centre, which sends the rescue services; if a hospitalisation is necessary, a professional collaborator is available; an expert, available 24 hours a day, takes care of the management of the claim
<i>SOS in case of accidents</i>	by pressing the specific SOS device button inside the vehicle, the customer is localised by the Operations Centre, that immediately sends free roadside assistance, anywhere and at any time; where necessary, return home or the continuation of the travel or, alternatively, overnight stay at a hotel are provided for
<i>24-hour assistance</i>	with tow truck, active in Italy and in Europe
<i>filing of a claim</i>	complete with photographs, managed directly from the smartphone and verification of motor liability coverage of another vehicle
<i>chat bot</i>	a fully digital road assistance service in case of claim and a virtual assistant to support the customer in the moment of need (it should be noted that Europ Assistance has launched "Digital Roadside Assistance" which provides the user with a chat bot and a virtual assistant via Facebook Messenger)
<i>GPS localisation of the contracted body repair shop and priority in repairs</i>	service that facilitates the repair activities of the damaged vehicle, also making a replacement car available
<i>consultation with a doctor or pediatrician while travelling</i>	Sesto Senso, the innovative satellite insurance offered by Allianz, makes available to the user a button inside the car that the driver can press to be localised by the Operations Centre and receive immediate assistance
<i>alert in case of excessive speed and weather alerts</i>	sending of an SMS or email notification, if one exceeds the speed limits allowed or in case of adverse weather conditions (e.g. hail, snow, etc.)
<i>theft prevention</i>	alarm with satellite localisation, the Operations Centre immediately notifies the customer and assists the Authorities in the operations of recovery, speeding up the time necessary for this operation

From the survey data for 2017, drawn from open sources, we note:

- policies which, by taking advantage of the potential of satellite devices and digital monitoring services, include:
 - a *device* that, once connected to a person's *smartphone*, allows the drivers, thanks to the *app*, to check their blood alcohol level. The app detects the data processed by the *device* applied externally to the smartphone, indicating the data to the driver that, on the basis of these values, is made aware of the possibility of driving safely (green screen) or that it he/she is advised to refrain from driving (red screen). In the latter case, the estimated time within which it is necessary to repeat the test is also indicated. The data are recorded each time and represented in the form of a chart, also with the aid of the average parameters of behaviour¹⁶;

¹⁶ In light of recent regulatory interventions, the devices in question would make it possible for policyholders to obtain discounts and facilitations pursuant to letter b) of art. 132 ter, "Mandatory discounts" of the so-called "Decree-Law on Competition". The subsequent paragraph 2 also provides that "IVASS, with its regulations, shall

- an app that rewards the best drivers using GPS technology for gathering information related to the driving behaviour of the users and classifying each trip with a score. The analysis is based on elements such as: speed, acceleration, the approach used for braking and driving in curves. In the attribution of the score, it also analyses a series of elements that condition driving behaviour (weather conditions, type of road, etc.). Drivers with good scores can use the low risk profile certification deduced from the results obtained, to receive more advantageous personalised quotes;
 - apps designed to interact directly with the policyholder, e.g. reporting a claim by voice or managing reminders and deadlines or through machine learning, that makes use of the dialogue to learn, with the aim of discovering the customer needs;
 - the provision of assistance in the event of an accident, geolocalisation, data recording for journeys, emergency call using a button (bCall), automatic emergency call (ECall)¹⁷, lock engine start on-demand in case of theft; everything thanks to the satellite device active H24;
- new tariff specificities:
- a motor liability insurance policy with dynamic deductible, a contractual formula with a variable premium or a variable deductible, at the choice of the customer. In the first case, the rate is structured on a coefficient of the premium calculation that varies according to the number of claims occurring in the course of the year; in the second case it is associated, for each premium class, with an updated deductible level depending on the number of claims of the insurance year (the class changes according to the number of claims). Where the insured person does not cause accidents, the deductible is automatically reduced in time, until it reaches zero. The deductible is, instead, applied in the case of accidents in which the responsibility of the insured person is established;

establish the criteria and procedures in the context of the processes for the calculation and recalculation of the premium rate..."

¹⁷ Pan-European road vehicle emergency service which is activated in the event of a serious accident detected by sensors on board. The system automatically calls the single European Number 112, geolocalises the customer and contacts the Public Safety Answering Point - PSAP of territorial jurisdiction.

- a clause excluding¹⁸ any economic penalty consequent to the payment of the first claim (with equal or main responsibility of the driver) occurred during the period of validity of the contract. This is a sort of "pardon" in case of 1st claim¹⁹;
 - a new motor liability policy that, at the time of renewal, provides a customisable premium on the basis of the kilometres²⁰ driven, thanks to a system of satellite technology that also offers assistance in case of claims and other inconvenience during travel;
 - a policy that adds a new option to the standard solutions that extends the driving to any driver aged > 25 years, but also to those under that age (date of birth shall be indicated in the policy) in the presence of a deductible;
- innovative policies for two-wheeled vehicles, offering in particular:
- for motorcycles, a set of technological services, such as for example: the anti-theft device that inhibits the ignition of the motor vehicle in case of attempted theft and alerts the Operations Centre for the localisation of the motorbike; a device that connects the rider with the Centre in the case of serious impacts and falls; impact and fall alarm; speed limit; alert upon ignition and displacement. A further element of innovation is represented by a formula that provides discounts on the basis of routes, the hours and days in which the vehicle is used;
 - a further offer relating to motorcycles proposes, instead, in addition to assistance services such as: sending spare parts, management of claims, advance deposits, auto demolitions, driver at disposal, return of mortal remains, interpreter, also an additional guarantee for the reimbursement of expenses incurred for the recovery of points of the license (if higher than 5) or of the driver's license itself;
 - for bicycles, a novelty for the market is represented by the policies for protection of the cyclist during movements between home and work, and in

¹⁸ By way of derogation from the transition rules of the *bonus malus* envisaged by the rate. The Universal Class (CU) class will however be subject to the penalties provided for by the legislation in force.

¹⁹ Where instead there are new claims, the ordinary transition rules will be applied, without taking into account the first claim. In every case the guarantee is not in force if the 1st claim was the subject of a report of fraud and where the payment of the proposed renewal takes place after 15 days from the deadline.

²⁰ For the subsequent years the premium is calculated on the basis of the kilometres travelled in the previous year and detected by the black box at the time of the last recording before renewal.

amateur sporting activity (in addition to the third party liability, the covers include: accidents, theft, legal protection and accidental damage, assistance).

3.2 HOME

Keeping up with the specific needs of the customer and therefore offering more customised products is the new approach that several undertakings are already implementing, with multi-risk policies that in the most advanced cases integrate with home automation and with the technology of the *IoT*.

In the 1st semester of 2017 the insurance undertakings, as found in the second half of 2016, continue in the launch of multi-risk policies, sometimes characterised by the use of technology as in the case of:

- a new product that makes use of a *home box* device, for example, to signal any alarms; notifications are sent to the user via *app* on his/her *smartphone*, with the aid of various sensors. All the *devices* are self-installing and made available free of charge and with the *full optional* formula (in the Basic formula for each utility in the house, assistance is provided, with the deployment of qualified personnel on the spot), extension of the warranty is provided for household appliances in case of lack of conformity;

or, even if of a traditional type²¹, that offer, in addition to the basic guarantees, innovative covers and services such as:

- economic contribution in the case of loss of the school year of injured minors, for children up to 25 years of age or disabled, in the event of death of the parents due to accident, for domestic help in case of accident to the domestic helper;
- allowances in case the house is unfit for use, intervention of reorganisation of the rooms and reinforcement of the damaged locks;
- digital protection: malware/virus support; telephone medico-legal assistance for cyberbullying; reimbursement of expenses for removing information detrimental to one's reputation;
- economic contribution in the case of unexpected business stoppage to tackle the most urgent expenditure such as the mortgage or utility bills²²;

²¹ In one case however, the customer, on request, can still receive a black box integrated with a series of sensors that monitor the house regarding water losses, intrusion or gas leaks.

²² in the case of job loss, a lump sum amount is paid that enables one to meet urgent expenditure.

- extensions of coverage for alternative energy systems. Coverage for household appliances ensures the dispatching of technicians for repairs as a result of lack of conformity up to 10 years of age;
- where the dwelling is used as a Bed&Breakfast, cover for the damage caused to the persons hosted, including that arising from the supply of food and beverages;
- free access to a platform of home-restaurants to obtain liability insurance cover on the property and personal cover for all citizens/cooks that organise so-called "*social eating*" events (in which people agree to open the doors of their home and host unknown guests for a dinner, in exchange for an economic contribution).

3.3 COVER FOR ONLINE PURCHASES AND IT SECURITY

With the increase of the digitalisation of the *IoT*, computer security is increasingly at risk and the topic of cyber security affects insurance undertakings under a double aspect: on the one hand, in the exposure to hacker attacks, just like any other undertaking, on the other hand, it provides business opportunities.

Italian undertakings have already been subject to cyber threats for some time now, and they have so far been offered insurance covers mainly for data protection.

However, some insurance solutions have now been designed also for the protection of private individuals that provide:

- compensation in the event of:
 - ✓ **online purchase of a good for private use:** if the purchased good has not been received in accordance with the delivery dates laid down or if it is different from the description provided by the seller;
 - ✓ **online sale of a good for private use:** if the good sold by the insured is purchased by a false buyer who uses the identity of a third party (assumed buyer) who is unaware of the transaction;
 - ✓ **fraudulent banking transactions:** when a third party - by a fraudulent action of *phishing* and/or *pharming* – performs transactions charged to the on line bank account of the insured, without authorisation, for the purchase of goods and/or for money transfers;

- ✓ **identity theft:** when a third party - by a fraudulent action - uses the identity of the insured to perform transactions charged to the on line bank account of the insured. Sometimes a device may be contemplated that allows one to prevent the fraudulent use of personal data, through the monitoring of social networks or sites that require users to register their personal data. The device notifies (via SMS and/or e-mail) the insured if it detects an illegitimate and unauthorised use of the web by a third party and sends a quarterly summary of the information;
- ✓ **damage/destruction of data and/or files:** if a third party introduces malware into one of the devices of the insured person or of the household;
- ✓ **psychological counselling via telephone:** in case of mobbing (disorders related to the use of the Internet) and legal advice.

In general it is possible to find these types of covers, always directed to individuals, even within multi-risk policies on the home against the damages deriving from cyber attacks, regardless of whether it is the insured that is damaged directly or a third party.

3.4 TRAVEL

A sector that always appears dynamic is that of the travel, also due to the effect of seasonality linked to summer holidays. The first semester recorded in this sector a true boom of new offers, among which there are the **multi-trip annual covers**, which insure the journeys made throughout the year of subscription. Among the new offers, the following peculiarities are highlighted:

- for those who purchase a flight, there is an annual insurance cover operating on every journey made, provided it has a maximum duration of a predetermined number of days, with a specific ancillary guarantee that compensates the customer in case of failure of the airline;
- guarantees of assistance offered in the case of: accidents which concern the dwelling (in Italy) while the insured is travelling; relatives at home; car accidents occurring during the trip to and from the place of departure; situations of delayed departure;
- covers dedicated to business trips and travel, operating throughout the year, but for no more than a certain number of consecutive days per single trip. Among

the additional guarantees it provides, in the case of delays of flights or extensions of stay, assistance services for the dwelling for the family members that stay at home and a cover for damage to electronic and/or technological products;

- the cancellation of the trip for acts of terrorism.

Digitalisation, intrinsic in the world of insurance, also involves this sector, as witnessed by the launch of a free annual policy regarding travel cancellation specifically intended for users of the digitalised and dematerialised methods of payment. The guarantee is available to users who pay for their airline tickets and hotels with this transaction system that provides a refund credited to the user's online account.

A further travel sector is linked to the **rent of holiday homes**. These are proposals intended for people who rent a holiday home and protect them against cancellation or interruption of their stay and possible on-line fraud (i.e. the property does not exist or is already occupied or does not correspond to the description and the images provided on the Internet). It generally refers to seasonal lease contracts, with guarantees covering: cancellation and interruption of stay, third party liability, non conformity of the leased property, dishonest or fraudulent acts performed by the owner or the tenant .

Finally, mention is made of policies exclusively **guaranteeing the wedding** and honeymoon, protecting from unexpected events connected with the marriage, such as the cancellation of the same and/or of the honeymoon, accidents of the spouses and involuntary loss of employment, civil liability and legal protection.

3.5 PERSON

With reference to the use of technology for policies dedicated to the protection of the person, we highlight:

- in the medical sector, a mobile device that an undertaking offers for policyholders over 50. The device allows the self-monitoring at home for patients suffering from chronic diseases such as diabetes, hypertension and obstructive pulmonary disease. The service ensures the collection of data on vital

parameters and the transmission of them in real time to the Operations Centre with constant monitoring by specialised doctors;

- for the protection of women against aggression, theft or bag-snatching, an *app* developed by an insurance undertaking which assists the customer over the phone in all those circumstances that generate anxiety or concern; it also protects women in potentially risky situations, connecting their smartphone to an Operations Centre (only a shake activates it) that interfaces with the law enforcement agencies and Emergency First Aid even in the absence of communication/response. It offers medical advice and practical help with the deployment of professionals (e.g. doctors in case of accidents, technicians and locksmiths in case of theft).

In 2017 new products of the traditional type not supported by technology were also launched. Various undertakings have proposed new covers for health and accidents that may occur in the home, in free time and at the workplace.

3.6 OTHER PRODUCTS

➤ ***Modular and All Risk products***

The **multi-risk** products with modular structure are particularly widespread. Among the new proposals, we highlight a modular solution for assistance, which provides for the purchase of a minimum of two entry packages to choose from among *Mobility*, *Travel*, *Health*, *Home* and *Sport*, to which one may add further guarantees of vertical and transversal assistance. The innovative elements found in the various modules concern with reference to:

- Mobility: cover for up to 4 vehicles (cars and motorcycles) and *Legal protection for the use of motor vehicles*, with extension to violations of law or infringement of rights related to the use of the vehicle even if incurred in the course of criminal proceedings for non-intentional crimes or fines resulting from road accidents committed pursuant to national Law 41/2016 (homicide through road accident and personal injury through road accident);
- Travel: extension of the guarantee for accidents involving the babysitter and the early return of the parents from the trip due to hospitalisation of the same;

- Health: provision of a teacher at home for children who undergo an accident or in the event of hospitalisation of the parent, psychological assistance in the case of acts of bullying and cyber bullying;
- Home: *home safety check-up* that offers a diagnostic check of the electrical system in order to evaluate its suitability and safety. A free service of *Bureaucratic Information* is guaranteed concerning certificates and documents;
- Sport: free consultation with a *Nutritionist*.

All the combinations described above can provide *Transversal integrations*, where among the most important innovations there is the cover offered in case the worker²³ is in economic difficulty, in which he/she is guaranteed material assistance and another, instead, that provides consulting in the work context of a *coach* until the moment of recruitment, to fill any gap of preparation and to improve the skills and attractiveness of the insured for the market (training lasting 4 months).

The new multi-risk policies have focused on covers that also affect the undertakings with proposals for example:

- that can be adapted according to the needs of the owner of a commercial or craft activity, in which there are collateral guarantees covering damage caused by earthquakes or floods, adverse effects on the activity caused by bad weather (electrical and electronic phenomena) and the damage caused by cyber attacks. To these one can add *medical assistance by telephone or on the spot* in the case of accident resulting from robbery, temporary lack of electricity, failures to the electrical switches and sockets, etc.;
- offering a self-installed black box for the undertaking, equipped with *panic button*, used to prevent, protect and provide assistance in case of emergency as well as to detect dangerous situations;
- dedicated to parishes and to the activities that gravitate around them (schools, cinemas, theatres, summer camps). In addition to covering the heritage and the content of the parish, it covers civil liability (both of the parish for the properties, and the personal liability of the priests and of the coadjutors/collaborators, in

²³ if the worker is employed, the insurance operates in the event of unemployment; for the self-employed, the cover operates in cases of total, temporary or permanent incapacity.

case of damage caused involuntarily to third parties) health (accidents, permanent disability) and legal protection.

➤ **Agricultural sector**

To protect the revenue of cereal growers, in line with the new Community agricultural policy (CAP-2020) aimed at ensuring the viability of agricultural undertakings, endangered also by climate change, the Ministry of Agricultural Policies²⁴ in collaboration with ISMEA (Institute of services for the agricultural food market) introduced a specific cover for the protection of the harvest²⁵. This is an experimental and innovative insurance policy for wheat producers. Compared to the traditional guarantees against adversity such as frost, drought, flood or excessive snow, hail or temperature fluctuations, the risk of loss of yearly revenue is provided for. The cover is activated at the moment in which the income drops by 20% compared to the three-year average revenues per hectare.

➤ **Pets**

The trend of undertakings offering products on the risks related to pet ownership and for problems related to their health condition continues. In particular, we highlight the combined services:

- dedicated to geolocation of the animal, in the event of the pet's loss, which provide for the reimbursement of transport costs as a result of its finding²⁶. Moreover, thanks to the provision of a device to be hooked to the collar, one can trace the whereabouts and monitor the behaviour of one's pet via the app. Sometimes the device is equipped with a SOS button that permits whoever finds the animal to send an alarm notification to the owner;
- apps that allow the creation of a virtual fence and send a notification in case the animal surpasses the established area;

²⁴ the Ministry has allocated 10 million Euro to facilitate the project and ensure a contribution in the payment of the insurance premium equal to 65%.

²⁵ on the basis of Ministerial Decree of 23/3/17, insurance covers are divided into "*income policies*" - which cover the loss of income of the insured production - and "*index based policies*" - which cover the loss of the insured production for damage regarding its quantity and quality as a result of adverse climatic conditions, identified on the basis of the deviation from the biological and/or weather index.

²⁶ Assistance as a result of the finding of the animal: management of reports/sighting of the lost animal; dedicated telephone line for the reports (in the case of notification, the Operations Centre puts the owner in contact with the person who has reported the sighting). Recovery of the pet: in case the animal is found farther than 20 km from the residence, a taxi or train ticket is made available.

- assistance at home and during travel, in Italy and abroad, with the provision of a pet sitter;
- a circuit of affiliated veterinary clinics, made available to the insured, and a course of behavioural rehabilitation (with the achievement of the "License" if the animal is enrolled in the register of dogs with aggressive tendencies).

In this sector, private mutual protection systems for the health and wellness of pets are appearing, among which we highlight a form of insurance in which the undertaking becomes guarantor in finding appropriate accommodation for the animal in the event of the death or incapacity of its owner.

ANNEXES

Annex 1 - Overview of the main offers detected concerning Apps & services

APPs launched in the 1st semester of 2017

Type	DESCRIPTION
Complete Customer Service (mobility, home and family, health).	Specific topics (e.g. I had an accident; I cannot find the car keys, I have a plumbing breakdown, etc.) guide the user in the resolution of the problem and lead him/her through a process by exclusion, to the solution. There are, moreover, geolocalisation, <i>call me back</i> and assistance services active, provided by the operators for the purposes of the management of the claim or of other emergency situations.
Travel assistance	Through assistance services for travel that can be activated via <i>touch</i> and through the geolocalisation of the customer functions are available such as: <i>Personal Area</i> where to attach the documents; Possibility of setting <i>Automatic alerts</i> to remind the customer of the deadlines; <i>Saving of medical information</i> ; the <i>Vaccinations list</i> and travel advice; the <i>Contact list</i> of all the Embassies and Consulates in the world; <i>Phone Book</i> with ICE numbers (" <i>In Case of Emergency</i> ").
Multi-function	Allows the customer to remain in contact with the insurer in a simple and fast way, thanks to the specific sections. Allows one to manage and check the active covers and deadlines, report a claim in a guided way (attaching photographs to document the incident) and monitor the settlement process, receive assistance and consulting; take advantage of the localisation function to obtain customised offers and services. Moreover, from the Customers Area, one can contact his/her own agency
Assistance in the event of a car accident	Allows one to: contact the Accidents Expert H24; request the intervention of road assistance with tow truck, H24 in Italy and in Europe; send a notification of the claim, with photographs; localise via GPS the closest affiliated body repair shop; check the motor liability cover of a vehicle; send and receive alerts and weather alerts.
Private insurance banking	Allows one to verify the banking and insurance situation; carry out transactions and payments, monitor one's own accounts, the payment of premiums; make payments to the POS with a function that is activated by nearing one's mobile phone to the commercial device.

 **SERVICES launched in the 1st semester of 2017**

Type	DESCRIPTION
<p>Complete Satellite Assistance</p>	<p>Offers: <u>Personal protection</u> for a serious accident, sending of emergency first aid, domestic help in the event of hospitalisation; <u>medical/paediatric consultation while travelling</u> can be activated with the button inside the car; <u>notification of excessive speed</u>; <u>auto protection</u> with theft alarm and localisation; <u>protection against breakdowns or small unexpected events</u> with road assistance, returning home, continuation of the journey or overnight stay in hotel; <u>priority repair and replacement car</u></p>
<p>Assistance in the event of a car accident and injury</p>	<p>Service of the <u>satellite device</u> connected to the OBD port and to the <u>specific app</u> (service box). Provides assistance in the event of a car accident and/or as a result of any accident whatsoever; automatic deployment of emergency first aid, if the accident is serious (even if the customer cannot contact them autonomously); monitors the use of the car.</p>
<p>Emergency car assistance not only in the event of an accident</p>	<p>Satellite devices for service and prompt intervention. A <u>BOX</u> to be mounted on the car battery activates <i>the Standard Assistance</i> (contact the Operations Centre, receive support in the event of a crash, reconstruct the dynamics of accidents, trace the car in the event of theft) and <i>Assistance Plus</i> (for the changing of a tyre, for absence of fuel or incorrect refuelling, mounting snow chains, intervention of the mobile body repair shop, replacement car). Further <u>BOX</u> that is mounted on the windscreen and offers a <i>live contact</i> with the Centre, through the specific button.</p>
<p>Digital roadside assistance</p>	<p>Service that gives road assistance, by geolocating the customer, thanks to the <i>call</i> to the Operations Centre which uses <i>the chatbot</i> and a <i>virtual assistant</i>. The <i>chatbot</i> is connected to <i>Facebook Messenger</i> and allows one to communicate with the <u>automatic responder</u> to localise the car. The virtual assistant, instead, automatically takes action when the phone lines are clogged and follows the customer in the resolution of the problem, thanks to the technology of language recognition, which allows it to ask questions until it reaches the solution or it passes the call to an operator.</p>
<p>Assistance in the event of a car accident and driver behaviour monitoring</p>	<p>Provides for the following components: black box installed either by the customer or in an authorised centre; app connected to the black box, which guarantees: expert on the spot of the accident in 30 min.; tow truck H24; localising the closest affiliated body repair shop; control of the driving style, speed and habits monitoring; travel statistics; checking the motor vehicle liability cover of the other vehicle; advice for completing the so-called "blue form".</p>
<p>Driving assistance</p>	<p>Satellite device of 3 types: 1) perceives the situations of danger and sends details of the position to the centre; 2) thanks to a button ensures roadside assistance with increased amounts of cover compared to traditional policies; 3) puts the customer in contact with the centre; assistance in the event of a punctured tyre and incorrect refuelling. Also makes available to the user the App and a portal, where one can check his/her driving style and data relating to journeys.</p>
<p>Prevention and Assistance for retailers</p>	<p>Service that ensures prevention and assistance thanks to sensors that detect water leaks, gas/carbon monoxide leaks, smoke, intrusion, absence/presence of voltage, alerting the Operations Centre and the customer; the availability of a network of repair experts ("Direct Repair"), ensuring minimum disruption of the activity ("Rapid Resumption").</p>