

CONSUMER PROTECTION DEPARTMENT  
DIVISION AND PRODUCTS AND SALES PRACTICES

*REPORT*

***ANALYSIS OF TRENDS IN THE SUPPLY  
OF INSURANCE PRODUCTS***

*(JULY – DECEMBER 2017)*



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## **TABLE OF CONTENTS**

*Foreword*

*Introduction and overview*

- 1. INDIVIDUAL SAVINGS PLANS (PIR)**
- 2. MODULAR PRODUCTS**
- 3. INSTANT INSURANCE**
- 4. INSURANCE SERVICES AND DIGITIZATION**
- 5. FORMS OF SUPPLEMENTARY HEALTHCARE AND WELFARE**
- 6. TRENDS IN THE LIFE SECTOR**
- 7. NEW MODES OF SUPPLY OF LTC AND DREAD DISEASE COVERAGE**
- 8. ADDITIONAL INSURANCE SOLUTIONS OBSERVED**

## **Foreword**

Since the first semester of 2017, IVASS has published, at a six-month frequency, the results of the analyses of the trends in the supply of insurance products, in order to establish a periodic dedicated observatory for the various stakeholders, and to prevent potential areas of risk.

This Report is the second document published by IVASS, and contains analysis and information<sup>1</sup> on the **launch of new insurance products** by insurance companies for the observation period from 1 July to 31 December 2017.

The analysis of the trends in insurance supply is one of the activities performed by IVASS for the purposes of monitoring emerging phenomena, critical areas, and related risks that can have repercussions on consumer protection and even initiate interventions by the Institute, such as letters to the market, warnings, or recommendations published on the institutional website.

The analysis disregards the commercial success of the products and the level of premium income associated with them.

Any reference that may relate to commercial products or initiatives mentioned herein implies neither an evaluation of their content, nor approval thereof by IVASS.

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<sup>1</sup>For **life insurance** products, the information is obtained from the database present at IVASS and fed by the so-called "systematic notifications" containing the main technical characteristics of the products introduced onto the market, which companies are required to transmit according to EU provisions (implemented by art. 32, paragraph 6 of the Insurance Code). For the **non-life sector**, use is made of "open sources" (e.g. daily press reviews, portals, websites of the individual companies, 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.

## ***Introduction and overview***

The analyses for the Italian insurance market in relation to the new offerings presented in this Report update the trend scenario provided by IVASS with the publication<sup>2</sup> of 10 August 2017, on the first half of 2017.

Paragraph 1 provides an update on the spread of the **individual insurance-based savings plans**, a new market segment into which several insurance groups have made inroads. Another trend involves the growth of **modular** insurance solutions (paragraph 2), proposed by the companies to reconcile a multitude of coverages and insurance services in a single instrument.

Another emerging phenomenon regards **instant insurance**; paragraph 3 describes its products launched in Italy thanks to partnerships between Insurtech start-ups and insurance companies. Paragraph 4 provides evidence of a trend already under way for some time, that is being consolidated: the development of **insurance services** and of **digitization** (mainly to protect the person, home, and car), which are an added value for policies.

Paragraphs 5 and 6 respectively report on the innovations found in **forms of supplementary healthcare and welfare**, and provide an overview of the trends in new **offerings in the life sector**. Lastly, tentative signs of development are seen in coverage for **Long Term Care** and for **Dread Diseases**, based on the various arrangements for supply summarized in paragraph 7.

### **1. INDIVIDUAL SAVINGS PLANS (PIR)**

Life policies that may be classified among what are termed “long-term Individual Savings Plans”<sup>3</sup> have, in comparison with the first semester of 2017, become more widespread, especially through unit-linked products. Compared to unit trusts, that had already got started in January 2017 immediately after the regulations entered

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<sup>2</sup><https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/altre-pubblicazioni/2017/prodotti-i-sem/index.html?com.dotmarketing.htmlpage.language=3>

<sup>3</sup>The Italian Government introduced them with Law no. 232 of 11 December 2016 to support Italian small- and medium-sized enterprises, establishing major tax facilities for investors provided that the investment is maintained for at least 5 years.

into force, life policies, before taking off, awaited some clarifications included in the guidelines<sup>4</sup> issued by the Ministry of Economy and Finance<sup>5</sup>.

The launch of insurance-based products of this kind is now fully underway, and might contribute towards a recovery of premium income in the life segment; in recent months the Italian market has seen the launch of 17 life products, 12 of which unit-linked and 5 hybrid, by 16 insurance companies. These are mainly products with a single premium with loading generally not exceeding 4% (other loading is provided for in indirect form).

## **2. MODULAR PRODUCTS**

These products offer the policyholder the possibility – generally through online configurators available on the company’s website – of purchasing and combining insurance coverage of different types, tailored to their needs, by assembling them in a single contract. This is the multi-guarantee model of reference that many companies are targeting, either through new solutions or by broadening the range of already-existing coverages with additional ones.

The innovative features of these policies are the result of the techniques of dynamic interactivity with the customer; present on the companies’ web pages; they allow quick (“fast quote”) and user-friendly profiling.

The potential customer enters a small amount of data to obtain a customised quote, in real time; aided by interactive templates and intuitive navigation tools, he or she can freely drag coverage modules he or she intends to select, or eliminate them, in areas accommodating the elements opted for. In this way, the potential customer proceeds to the simulation and possible purchase, using procedures similar to those of the “electronic shopping cart” now widespread in e-commerce practices.

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<sup>4</sup><http://www.finanze.it/export/sites/finanze/it/.content/Documenti/Varie/LINEE-GUIDA-PIR.pdf>

<sup>5</sup>The companies can now make a larger use of the lever of segregate funds in hybrid insurance (of the PIR type), these traditionally consist of a with-profit component, where the performance is linked to the yield from segregate funds, and a unit-linked component, in which the segregate fund component is no longer bound to concentration limits that were more stringent, when dealing with “qualified” investments, as these investments could be allocated up to the total maximum provided for by law.

An all-inclusive policy covering a multitude of unforeseen events (that may involve, for example: health, home, pets, travel, etc.) in a single formula and with subscription-style payments, allows customers to build a single “coverage umbrella” managed over time as their protection needs change.

In structuring the product package and refining the techniques for assembling the various modules, two types of formulas are generally present on the Italian market:

- a) **transversal modularity**, which offers the possibility of combining various guarantees and assistance services from among those that may be selected, included in heterogeneous protection areas: they typically revolve around the needs to protect the “person and health” and the “home,” with a mix of life and non-life insurance covers. The following scheme provides an overview of the areas of protection that may be found in the solutions present on the market, and summarizes the content of the modules below:

PROTECTION AREAS				
	Lifestyle	Health	Home	Wealth
<b>MODULES</b> <i>(that can be individually priced and optioned)</i>	Permanent disability due to accident	Reimbursement of medical expenses for major surgery	Building fire insurance	Building liability insurance
	Daily allowance for hospitalization in case of accident	Reimbursement of medical expenses in the form of indemnity	Fire to the contents	Private personal liability
	Daily allowance for hospitalization in case of accident or sickness	Reimbursement of dental expenses	Theft	Legal expenses for the Home, Person, Car, Cyber
	Permanent disability due to sickness	Assistance to the person	Assistance to the Home	
	Premature death		Earthquake	
	Dependency <i>(sometimes present)</i>		Damage to the second home <i>(sometimes present)</i>	

- b) **vertical modularity**, in which customization is articulated within the same protection area, especially for “health” products, but also for solutions designed for companies circumscribed to the specific business.

The various coverages never include those related to MTPL.

With reference to the elements of importance found in the formulas connected with transversal modularity, the following was observed:

- a company’s website has a “need analysis” configurator that defines a basic level of protection (with more than 15 questions ranging from personal data to type of profession and occupational status, weight, height, smoker/non-smoker, and even pet ownership). The product is subdivided into 4 areas of need – **lifestyle, health, home, wealth** – and offers several modules that may be combined;
- a company offers a long-term insurance package characterized by integrated life/non-life coverage, that does not merely involve coverage protecting the person, but also offers the customer a savings accumulation plan, payable in monthly instalments, to build capital that is revalued over time depending on the yield of a segregate fund. The non-life coverage may be represented as follows:

TYPE OF GUARANTEES protecting					
THE PERSON				INCOME AND WEALTH	
Accident and Sickness	Dependency	Permanent disability	Major surgery	Involuntary loss of employment	Involuntary reduction of the "gross annual income" of at least 60%
"Dread disease" such as cancer and heart disease	"Health check-ups" and "dental treatment" in affiliated centres				

- another offering is centred upon protecting the family, health, and the home, including pets, and the various coverages also include “Earthquake” (for direct material damage caused to the home by seismic events, including fire, explosion and blast). The latter case provides for compensation, within the policy limits, of the expenses incurred for demolition and for the disposal of any rubble, and the vacating of premises, as well as accommodation expenses for a period not exceeding three months;

with reference to vertical modularity:

- there are various health insurance plans that can be tailored to the customers' needs, again using online configurators present on the websites of the companies offering them, or coverages that can be customised within the same line of protection; in one case, the launched offer refers exclusively to accidents<sup>6</sup>;
- there are also formulas dedicated to small- and medium-sized enterprises, or that can be calibrated to specific business areas. These are generally solutions designed to cover the risks that may impair a company's stability (e.g. fire, explosion, atmospheric events and acts of vandalism, leaks or electrical phenomena, earthquake – theft of valuables and goods during the transport of cash from the company to the bank or home – legal disputes, e.g. related to employees' summons to appear in court – risks of default on payment or bankruptcy of a customer).

### 3. INSTANT INSURANCE

The emerging phenomena include what is referred to as “**instant insurance**” based on the sale of short-term, low-cost micro-insurance to be activated instantly as the need arises, for example to provide protection against adverse events that might occur while skiing or travelling – and not only when on holiday but also when using public transportation.

The customer takes a few instants to obtain insurance coverage at the moment it is needed, calibrated to his or her needs and to the service he or she desires, performing this operation with just a few clicks directly from his or her smartphone, or on the website.

Moreover, by exploring the progress of artificial intelligence and the agreements concluded with aggregators of community-dedicated apps, the proliferation of partnerships between start-ups and insurance companies allows to identify potential customers (digital-oriented consumers), and send them proposal notices.

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<sup>6</sup>In this regard, it is observed that some specific causes are also contemplated, such as accidents derived for example from natural disasters or aesthetic damage.



The cases encountered on the Italian market refer generally to:

- 1, 3 or at most 7-day low-cost packages, (generally under € 10); a typical example of instant insurance is that of coverage for accidents suffered or caused during amateur participation in winter sports, typically skiing, with solutions that can be both daily and seasonal;
- insurance covering accidents that may take place during trips on public transportation, when boarding or alighting, including third-party civil liability. The means of transport also include those used in car sharing and in car and driver hire.

#### 4. **INSURANCE SERVICES AND DIGITIZATION**

Another trend that consolidates orientations already under way relates to the evolution of **(insurance and ancillary) services and digitization**. This is a concept of the insurance offer based increasingly on a system that calls for innovative products providing services of high added value for policies, integrated with the smart device component that represents an essential value both ex-ante, for prevention (e.g. illness, car accidents, flooding, or home theft), and post-claim (typically involving assistance and consulting services). The use of electronic devices and apps, together with modes of interaction with the companies, allow customers to benefit more quickly and efficiently from the insurance services associated with the products.

These trends are particularly established and refined in the areas dedicated to the protection of the “person,” “home”, as well as the “car”.

As for **protection of the person**, and in the healthcare sector in particular, the objective pursued by companies appears aimed at moving towards homecare assistance and self-care. This is at times supported by the new devices associated with smartphones and tablets; electronic wearable bracelets allowing all the user’s medical information to be shared appear to be the devices on which start-ups and insurance companies are concentrating.

Homecare assistance is also offered in the absence of digital devices, for example, depending on the case, through:

- concierge services to improve the lifestyle of the elderly (e.g. IT assistance, restaurant bookings, sending of car with driver, chef service, doctor search, etc.); home organization of medical / rehabilitation nursing treatments, social and assistance services (e.g. preparing and eating meals, caring for and running the home, paying household utilities, getting the person in and out of bed), and the free loan of crutches, wheelchairs, orthopaedic beds and/or anti-decubitus mattress;
- instituting the “case manager,” a specialized nurse who organizes healthcare in contact with the general physician, and provides a personalized care plan and support in wading through the bureaucracy.

As regards **protection of the home**, in addition to the homebox devices sold in combination with the policies to monitor, for example, possible water leaks, short circuits, and gas leaks, the market is now offering new services that include automatic check-ups for information on the home’s environmental quality. A briefcase is sent directly to the insured’s home, containing a device with operating instructions to carry out tests, and after a few days a detailed report is mailed back with readings and suggestions for improving the state of pollution.

As regards **MTPL**, companies are continuing to invest in new services connected with their policies. In one case, for example, eyeglasses have been developed to monitor people’s behaviour, their level of fatigue, and the risk of sleepiness at the wheel.

To exploit the continuous transformations car makers have implemented on various models of car, in terms of both road safety and digital connection, in another case the company has chosen to reward its customers based on the level of the systems incorporated into the vehicle, applying discounts on the premiums of the standard policies. To cite a few, these include pedestrian collision avoidance systems, an active hood that crumples to attenuate impact, and systems that restore the vehicle’s trajectory in the event it veers off the carriageway, etc.

## 5. FORMS OF SUPPLEMENTARY HEALTHCARE AND WELFARE

In this sector, policies are centred mainly on the supply of services, such as for example medical check-ups and diagnostic exams, and on forms of integration between the public and private healthcare systems. In the past, private healthcare coverage in Italy was reserved for niche sectors, and was also deemed costly; lately, a change has been taking place, thanks to its spread in collective labour agreements and to agreements reached with many healthcare providers.

The collective policies surveyed on the market respond to the different protection needs required by companies, since they are structured in different optional, customizable modules<sup>7</sup>. There are also user interaction services that make it possible (from the website, using apps, the operation centre, etc.) to directly book services at approved healthcare facilities, and to receive consulting on coverage and on the characteristics of the plan, as well as of medical advice, through recommendations relating to both health and wellness.

This area has seen the spread of preventive insurance, which relies above all on providing protection against events related to the customer's health, centred upon prevention, assistance, and dynamic interaction with the customer.

Again with a view to bridging the healthcare gaps that the National Health Service can no longer sustain, one company has developed a range of individual, open group products against cancer risk<sup>8</sup>. In addition to coverage for cancer events, some of these new solutions regard cardiovascular pathologies like strokes and high blood pressure. The company contributes to the expenses for check-ups and prevention, rewarding those who monitor their own health. In fact, with this coverage the patient is guaranteed a discount on the premium, provided that he or she has completed prevention programmes on an ongoing basis, through the activation of direct assistance services.

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<sup>7</sup>Customer service levels are increased with healthcare networks that support the doctor/patient relationship by means of evolved platforms and the supply of innovative services (from flexible benefits to paths of prevention and care).

<sup>8</sup>Two different formulas were studied in this regard, both for adults from 20 to 75 years of age, and for youths from 0 to 20 years of age.

## 6. TRENDS IN THE LIFE SECTOR

In the second semester of 2017, the overall picture related to **trends in the life sector** recorded a significant decline in the launch of new offerings in comparison with the first half of the year<sup>9</sup>. This phenomenon regarded above all with-profit policies which, although maintaining leadership<sup>10</sup> in the promotion of new products, have been losing ground to hybrid products (with-profit for class I and unit-linked for class III), and unit-linked products, which have seen an increase.

Based on the systematic notifications reporting the main characteristics of life products, received and entered into the IVASS database<sup>11</sup>, it is found that 71% refer to individual forms (**166** new products recorded), and 29% to collective ones.

With regard to the main individual tariff types, the following is observed:

- with-profit and hybrid: in 85% of cases, they are **single premium** and generally with a maximum **loading** rate applied to premiums that does not exceed 5% (in line with what was observed during the previous semester). Indirect loading is applied through withholding from the yield from segregate funds (generally variable from a minimum of 0.5% to a maximum of 2%) and management commissions on the unit-linked component;
- unit-linked: these, too, are marked by prevalently **single** or **recurrent premiums**, with a maximum loading rate applied to premiums that generally does not exceed 5%, and is in many cases zero. About one half of new products have **fixed measures** for costs, generally equal to € 50; additional costs are applied in the form of management commissions, through withdrawal on the value of the units;

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<sup>9</sup>Despite the signs of recovery that emerged during the previous semester, the trend in the promotion of new offerings is again in line with the persistent decline that has characterized recent years.

<sup>10</sup>The weight out of a total of **166** new individual products equals 42%, against 51% for the previous semester. Hybrid products are confirmed in 2<sup>nd</sup> place, accounting for about 25% of the total (against 24% recorded in the first half of 2017). Unit-linked products account for approximately 18% of the total of new individual offerings for the period, against about 10% for the first semester of 2017.

<sup>11</sup>The analyses pertain to aggregate data on the number of new products proposed by the companies, with no reference to the relevant premium income. As they are reconciled, the data might undergo approximations connected with the re-classification of the underlying tariffs that might not be univocal for each product.

- similarly to previous semesters, the with-profit products provide almost exclusively for **minimum guaranteed rates** equal to 0%<sup>12</sup>, with the guarantees structure generally linked to an annual consolidation mechanism.

## 7. NEW MODES OF SUPPLY OF LTC AND DREAD DISEASE COVERAGE

Of the additional emerging phenomena, in response to the traditional poor spread of **Long Term Care (LTC)** policies on the Italian market, some proposals in the sphere of various product types (life, non-life, modular) both in stand-alone form and in the form of supplementary or ancillary guarantee, have been observed.

In this regard, the 2018 budget law, by establishing that the figures intended to cover long term care risk within the collective labour agreement for hired employment do not contribute towards forming income, might encourage a greater spread of corporate welfare plans, with specific regard to LTC. Combined with the LTC guarantee, coverage for particularly serious disease (**Dread Disease**) is sometimes offered.

The aforementioned coverages are also included in collective products, generally consisting of policies underwritten by healthcare funds for their members, who may be employees of a company or of an entire working sector.

## 8. ADDITIONAL INSURANCE SOLUTIONS OBSERVED

On the landscape of the new offerings of particular interest in the non-life sector, the following is observed:

- the phenomenon linked to the mobility of long-term leasing, which in the past regarded mainly large companies, is recording a gradual spread among private individuals as well. One insurance company, through its agencies and in collaboration with a long-term leasing firm, offers an all-inclusive service, including it in the rental fee: new car, road and property tax, ordinary and extraordinary maintenance, roadside assistance, MTPL insurance – theft and fire – coverage of damages to the driver;

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<sup>12</sup>Some residual cases provide for guarantees varying from 0.07% to 0.5%.

- the offering of a foreign company addressing the operators of small- and medium-sized intergovernmental organizations (IGOs), with programmes including a dedicated assistance team and access to numerous providers of healthcare services around the world;
- health insurance solutions for mariners, to guarantee round-the-clock medical consulting and assistance, through the sending of a physician to the port, and transport to the first available care facility.