

**CONSUMER PROTECTION DIRECTORATE
PRODUCTS AND SELLING PRACTICES DIVISION**

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

(July – December 2018)



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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 provide the various stakeholders with a periodic observatory and to prevent potential areas of risk.

This Report is the fourth document published by IVASS, and contains analysis and information¹ on the **launch of new insurance products** by insurance companies for the observation period from 1 July to 31 December 2018.

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.

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.

¹ 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 Article 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 publication² of 12 November 2018 on the first half of 2018.

In the second half of 2018 the following trends have been observed.

- 1. Digitalization:** technological innovation is confirmed as one of the drivers behind the current changes in interaction between the insurer and consumers. The insurance company intervenes in this process with the aim of increasingly taking on the role of **all-round consultant** in solving problems caused by personal injury and material damage (Paragraph 1.1) through the support of an app and a digital ecosystem centred on providing services that target the provision of customer-centric assistance: stronger assistance to customers and by different methods, i.e. when he wants it, in digital mode, at the time of the emergency, on the go and while travelling.

Technological development has a strong impact on the **health** insurance market (Paragraph 1.2): new initiatives launched during 2018 aim to offer an increasing number of ancillary services to those taking out health insurance policies. All advantage is taken in this respect of the potential of digital platforms to also offer **prevention** or wellness-oriented services.

With reference to products for the home, in combination with traditional insurance cover, the trend continues of offering the supply of domotic device connections for alarm and remote control management as well as prevention measures (Paragraph 1.3), also as a result of the increased use of smart home speakers³ to optimise the management of items in the home.

² [IVASS - Report on the Analysis of trends in the supply of insurance products - First half of 2018.](#)

³ Devices that respond to voice commands and allow to receive information, e.g. about the weather, traffic conditions, etc., and to issue commands, e.g. to adjust lighting or temperature, or to search for and play music tracks.

2. The partnerships between insurtech start-ups and insurance companies are intensifying, encouraging **instant insurance**⁴ models based on the offer of on-demand micropolicies proposed at the time the customer may need them.
3. The offer of “**modular**” products continues to be present on the market with “umbrella” insurance solutions, mainly oriented towards home and family protection. The new product modules can contain coverage for risks deriving from e-commerce purchases and to restore mobile device operations.
4. Of note are the insurance coverages designed to support the activities of **small and medium enterprises**, such as shops, workshops, restaurants and bars. In addition to classic cover, such as fire and theft, food deterioration is covered, or damage from acts of vandalism deriving from bar fights or compensation for customers suffering thefts. For companies acting as vehicle custodians, guarantees are included for damage to vehicles stored in the open or for pollution due to contamination from waste oil or spent batteries.
5. **Catastrophe risks.** A number of ad hoc solutions for the multi-risk home insurance sector were recorded, also in view of the tax benefits for those taking out a home insurance policy against damage from earthquakes, floods and other natural catastrophes or collapse⁵.
6. The **life sector trend** in 2018 was characterised by the promotion of new hybrid products⁶, which saw an increase and alongside the with-profit products represent the core business of the Italian insurance market. If the first six months of 2018 continued to see the launch of the so called insurance PIR [Individual Saving Plans]⁷, a decline was recorded in the second part of the year. The 2019 Budget Act (Law 145/2018) amended the PIR regulations, ensuring that such funds invest a portion of the portfolio in financial instruments issued by Italian SMEs and venture capital funds. These regulations increase

⁴ The first micropolicies *on-demand* and *pay-per-use* have already been dealt with in [IVASS - Report on the Analysis of trends in the supply of insurance products - Second half of 2017](#).

⁵ The 2018 Stability Act(Law 205/2017) introduced a 19% IRPEF tax deduction on the price of policies signed in relation to home insurance against natural catastrophes.

⁶ Products resulting from the combination of class I and class III tariffs, where a part of the premium is invested in a with profit component linked to a separately managed account, and the other in a unit-linked component.

⁷ The Italian Government has introduced them with the 2017 budget law (Law no. 232 of 11 December 2016) in order to support Italian small-medium sized enterprises, setting forth major tax incentives for investors provided that the investment is held for at least 5 years.

the risk profile of PIRs, savings instruments intended for households (see paragraph 6).

More detailed information is provided below on the individual phenomena found.

1. DIGITALISATION

Everything arriving from the digital world can help to support insurance companies in understanding customer relations processes: to gather feedback and provide personalised advice, and above all to effectively govern “the moment of truth”, i.e. the management of support at the time of the claim or in emergency situations.

1.1 ASSISTANCE SERVICES AND INTERACTION WITH CUSTOMERS

In the supply and use of the services, the apps, together with other digital tools that also use artificial intelligence algorithms, act as virtual assistants providing wide-ranging consultancy.

The objective of businesses is to increase customers’ awareness of being able to relate constantly with the insurer and to receive support, via web sites and mobile apps, at all the steps in the direct and indirect interaction process (the “customer journey”) with the insurer.

For example, for holders of motor, home or accident policies, certain companies offer rapid response assistance at times of difficulty or in emergencies, sometimes based on a Whatsapp-style conversational approach, such as: sending a recovery vehicle to the place of the accident in the event of an accident between motor vehicles, opening a claim in just a few steps and monitoring its status, support in completing the accident statement form; for holders of a health product, phone consultation with a doctor can be arranged.

Digital assistance can also include portability services of a driver’s health records, which facilitate the work of first responders in a road accident. An example might be a sticker applied to a personal document or a windscreen sticker which, through a unique QR code with a chip, scans the personal and medical data.

The insurance companies also aim to intensify their interaction with customers, enabling various means of contact through: generic information requests, policy purchase support, personalised reminders that a policy is about to expire. A specific initiative involves the option of combining insurance services targeting the entire family (e.g. householder's liability, medical and veterinary consultation by phone, booking visits and diagnostic tests, call-out of emergency repair technicians) to mobile tools offered to residents by certain municipal authorities (such as an app that acts as virtual assistant to send and receive public service information free of charge).

1.2 TECHNOLOGY SERVING HEALTH AND PREVENTION

Technology is often used to serve **health and prevention**. To innovate digital health insurance products, some insurance groups are investing strongly in synergies with start-ups that operate in the digital health sector.

Though they have intrinsic benefits for potential patients, doctors and hospitals, the web and Big Data management can become instruments for non-transparent initiatives where the loss of data security and privacy and the risk of discriminatory selection of individuals represent the main critical issues to be avoided. Insurance companies must pay special attention to transparency, the methods for collecting/using information and data security which, in the health insurance sector, are profiled as particularly delicate for consumers⁸.

Among the partnership projects found is a smartphone app designed to control and prevent risks associated with hypertension. Through an interpretation algorithm that detects changes in blood pressure, the customer receives a personalised programme via smartphone that includes: a daily diet, advice on physical activity and scheduling of blood pressure measurements.

Another example is the digital postural coach, a small device to be worn and calibrated at collarbone height to correct posture, via a dedicated app, according to whether the problem is lordosis or kyphosis. The user is warned of incorrect posture

⁸ About this matter, see the Report "New health policies: Digital Health Insurance" https://www.ivass.it/consumatori/azioni-tutela/indagini-tematiche/documenti/Digital_health_insurance.pdf

through mild vibration of the device. Among the new ideas are mobile clinical tests. With support from a specific app, it is possible to carry out blood, urine and saliva tests by applying the biological sample taken to the special reactive strip. The strip is inserted into a smart meter, which in a few minutes analyses and returns the results via Bluetooth directly to the smartphone, for later sharing with a doctor to obtain a diagnosis.

Wellness-oriented solutions are also found, which develop paths to preventive care, incentivise physical activity, correct diet and psychological well-being. This happens also by exploiting the functions of digital platforms used by certain insurance companies and which allow the following to be made available to customers: phone or video call consultation with general practitioners, digital medical records to which personal data and medical reports can be uploaded (in addition to that acquired from wearables and health apps) and access to the network of clinics that have special arrangements with the insurance company.

1.3 SMART HOME AND HOME PROTECTION COVER

There is growing attention on the part of insurance companies, which are increasingly arranging partnerships with emerging start-ups and also with telephone operators, to exploit the business potential that can arise from innovative solutions for home systems and devices for energy saving, comfort, and safety of the home and persons.

The increased use of smart home speakers⁹ (intelligent voice assistants) has further stimulated the development of integrated products, also with insurance-based assistance services to manage, monitor and allow interaction of devices connected to the home directly from a personal smartphone. This can trigger, for example insurance-based assistance services for repairs by a plumber, electrician, locksmith or glass-maker or, in the case of flood damage, by clean-up specialists, or guard

⁹ In one case, smart home content was created, associated with insurance and risk prevention services where through the smart home speaker it is possible, for example, to receive suggestions for taking care of the home and managing small domestic incidents.

services to ensure safety for a number of hours following a home burglary or vandalism.

A new insurance product found allows the customer to keep their home under constant control via an electronic device equipped with smoke and water detectors and a surveillance camera with noise sensor and infrared motion detection sensor. In the event of a possible intrusion, the device immediately warns the policyholder via text message, e-mail and notification from the app which remotely displays the area framed by the surveillance camera so that assistance services made available by the insurance company can be triggered.

1.4 DIGITAL SERVICES AND COVER FOR PET AND PET OWNER PROTECTION

The digital initiatives and services centred on pets and their owners are multiplying in various directions (e.g. with dedicated platforms and online product offers, further details can also be found in Paragraph 2.d below), and the insurance sector is following suit.

One new insurance product envisages the inclusion, free of charge, of a device for locating and monitoring the movements of the pet. The recorded data can be managed on smartphones, tablets and PCs, and localization and assistance services can be activated via app when the animal is found. Through the same policy it is possible to insure up to 3 pets, also to receive veterinary or dietary advice, including sending a pet sitter to the home following accident or illness of the owner. Veterinary costs are also reimbursed for surgery following an accident or illness, cover for the necessary legal protection of the rights of the pet owner or guardian and third-party liability cover for protection against involuntary damage caused to third parties by the pet (e.g. death/bodily injury of persons, other animals or damage to goods).

2. INSTANT INSURANCE

The latest instant insurance products target the protection of **persons in vehicle sharing** and **goods**, but also **winter sports** activities and **pet** protection. In particular, with reference to:

- a) **Mobility.** The cover normally lasts 1, 3 or 7 days and refers both to own vehicles - i.e. towing to the nearest vehicle (for cars and scooters) or sending a taxi and reimbursement of storage costs (for bicycles) - and rental vehicles through reimbursement of the deductible applied by the renter in the event of theft or damage to the vehicle (for car/scooter/bike sharing cases) and the use of other transport (trains and ferries) with reimbursement of travel re-protection costs. Again with regard to transport sharing, an online platform¹⁰ was found that allows the rental of cars owned by third parties¹¹ and the use of temporary motor liability insurance (minimum 1 hour, maximum 30 days) with the deductible to be borne by the lessee.
- b) **Persons**, with the supply of assistance and reimbursement of medical expenses, and cover for travel accidents.
- c) **Goods**, through reimbursement of costs for damage from theft and fire suffered by luggage, bags and personal devices, in addition to domestic emergencies such as sending out an electrician/locksmith/plumber.
- d) **Pets** Coverage was found that is dedicated to dogs and cats, obtainable via web or by app for the length of time necessary and with the option of cancellation at any time. The following are covered: surgery and medical care following an accident and illness, funeral costs and search costs if the animal is lost.
- e) **Winter sports activities** Instant insurance cover continues to be seen in connection with winter sports activities (e.g. skiing, snowboarding, snowshoeing, ice skating and sledding).

¹⁰ As part of the “peer-to-peer car sharing” partnership between the start-up that developed the platform and an insurance company.

¹¹ By registering with the related web site, users can make their car available to others on a short-term basis. After the account is created and the user identity confirmed via a mobile phone number, the validity of the driver's licence and eligibility to use the service are verified, also requiring the details of a current account to which earnings from bookings will be credited.

3. MODULAR PRODUCTS

During the semester, other modular solutions were found on the market, in line with the trend seen last semester¹², with a focus on protection of the home and family. The main forms of cover relating to the individual modules are described below:

- Home: compensation is provided for damage to the structure and contents in the event of fire, lightning, explosion, smoke or damage caused by water leaks and earthquakes. Also envisaged are assistance guarantees such as sending a technician, in emergencies, for the malfunction or recovery of operations of digital devices (and other devices such as PCs, printers, scanners, etc.), including in cases of virus or malware attacks
- Theft and Cyber Risk: theft, robbery, mugging and extortion of money, personal items and jewellery are covered, as are electronic devices. Internet-related risks are also covered, such as reputational attacks, digital identity theft associated with credit and contractual default disputes involving e-commerce purchases.
- Liability: to third parties for personal injury or material damage caused in private life (damage caused by pets, household staff, children's games) or linked to ownership or running of the home (if operating as a bed & breakfast or guesthouse).
- Health: includes medical assistance and 24h emergency services, second opinion information services, diagnostic-treatment consultancy for serious illnesses or complex surgeries, occasionally with video-call support from doctors. Other forms of protection are also envisaged for children under the age of 24, living with the policyholder, for accidents during school activities or recreation.
- Mobility: guaranteed assistance for the vehicle (car, motorcycle or bicycle) and the person concerned as a result of mechanical breakdown or accidents,

¹² About this matter, see also [IVASS - Report on the Analysis of trends in the supply of insurance products - Second half of 2017](#).

as well as out-of-court or legal assistance to claim compensation for damages suffered by the insured in the event of a road accident.

4. INSURANCE PRODUCTS FOR THE PROTECTION OF SME

With the aim of protecting small businesses¹³ a number of solutions found were, for example, intended for shops, workshops, restaurants and bars. In addition to the fire and theft guarantees, actual economic support is offered by advancing 50% of the indemnity envisaged in the policy to overcome loss of earnings and to cover overheads during a business stoppage period, also when due to an accident to the owner. In terms of third-party liability, business owners are offered the option of a guarantee to cover damage to third parties arising after repair or maintenance work is carried out (for tradesmen, for example, the cover also protects against any damage caused after assembling, installing or repairing a product for a customer). With reference to:

- a) **Workshops, Coachbuilders and Dealerships**, guarantees can also provide protection against damage to vehicles kept in the open, under custody or testing and also for workshop damage due to pollution, such as contamination from waste oil or spent batteries;
- b) **Restaurants & Bars**, the products also cover food spoilage due to lack of refrigeration, beer barrel and can explosion, plus sudden allergic reactions or food poisoning in customers. Damage to premises due to vandalism, fights or robberies can also be covered, envisaging compensation to customers suffering a theft. For chefs and their staff, compensation is envisaged to cover aesthetic damages due to scarring from cuts or burns.

5. INSURANCE RESPONSES TO CATASTROPHE RISKS

The insurance guarantee against damage to goods from natural catastrophes is generally offered as part of fire cover in multi-risk home insurance policies, as an add-on to cover for damage to buildings.

¹³ Normally up to 9 members of staff.

Also leveraging on the tax benefits introduced by the 2018 Stability Act¹⁴, a number of insurance companies have launched ad hoc solutions.

One product found is designed to protect the home also against damage caused by seismic events and collapse, regardless of the cause. In another case, the product includes cover for catastrophe damage as part of a pre-existing product dedicated to customers who already hold a home insurance policy.

In this same sector, following the terrible earthquakes of 2016 that hit central Italy causing the collapse of priceless religious buildings, an insurance policy has been launched on the market that intervenes on a national scale to protect against catastrophe risks in parishes in the Italian dioceses.

6. LIFE BUSINESS PERFORMANCE

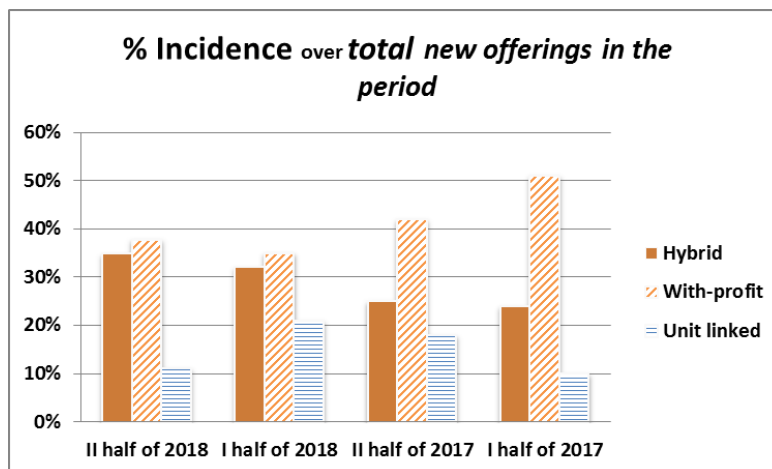
In 2018 the **performance in life business** reported a drop in the number of new products launched compared to 2017 (around 7%).

The analysis of the systematic communications¹⁵ containing the main technical characteristics of newly marketed life products in the second half of 2018 shows that 60% of new products (135) refer to individual plans and 40% to collective plans (on the whole **223** new products were recorded).

As regards only individual plans, despite the signs of recovery observed in the first part of 2018, there has been a slow down in the second half year, in a context characterised by with-profit policies that continue to lose ground compared with hybrid products (namely those products resulting from the combination between class I with-profit products and class III unit-linked products) and where unit linked products register up-and-down results.

¹⁴ The 2018 Stability Act (Law 205/2017) introduced a 19% IRPEF tax deduction on the price of policies signed in relation to home insurance against natural catastrophes.

¹⁵ The analyses refer to aggregate data on the number of new products offered by companies without any reference to premium income. Data may not tally due to approximations resulting from the reclassification of underlying tariffs that may not always be clear in their application to each product.



20 undertakings marketed new hybrid products in the second half of 2018, characterized in particular by:

- ✓ **Diversified criteria for the allocation of premiums.** In some cases, the product is pre-packaged with immediate indication of which portion is destined for the separately managed account and which portion for the unit-linked component. In other cases, the investor can choose the composition of the mix in percentage terms for investment in internal funds or UCITS, from a range of possible alternatives;
- ✓ **design** of a product in which the portion of amounts to be invested in the separately managed account tends to be more limited than that reserved for the unit-linked component;
- ✓ a widespread presence of investments in exchange traded fund (**ETF**) as regards the underlying assets of the unit-linked component;
- ✓ certain **automatic rebalancing systems** that permit returns on internal funds to be transferred to the separately managed account or financial unbundling, allowing the customer to activate scheduled disinvestment plans with a specified frequency (monthly, quarterly, half-yearly and annually) and/or based on a predefined amount.

If the first six months of 2018 saw the continued launch of PIP products, a decline was recorded in the second part of the year. Compared to the previous semester, when the launch of new product (8) was already coming to a halt (17 products

recorded in the 2nd semester of 2017), in the second half of 2018 only 3 hybrid PIP products were reported.

The 2019 Budget Act (Law 145/2018) amended the PIP regulations, ensuring that such funds invest a portion of the portfolio in financial instruments issued by Italian SMEs and venture capital funds. These regulations increase the risk profile of PIPs, investment instruments targeting households. The risk of funds recording losses deriving from sales of assets on illiquid markets increases in periods of strong share price volatility that result in subscribers liquidating their investment before achieving the tax benefit¹⁶. Such losses could have a negative effect on PIP results and on the reputation of the companies that promote them.

In the case of term insurance, two single-premium products have been introduced to the market linked to APE advances on pension¹⁷, targeting persons aged at least 63 and with 20 years of contributions, with a maximum 3 years and 7 months to wait until receipt of the old age pension.

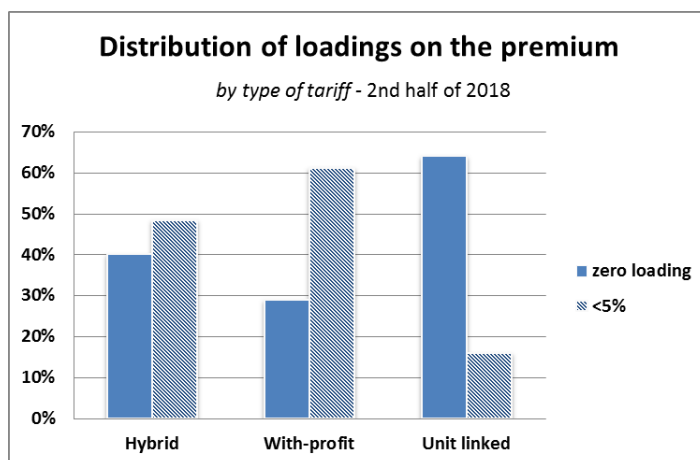
With reference to IPP products (individual pension plans), which were absent in the 1st semester of 2018, 4 new products were launched in the second part of the year.

With regard to the life product structure, if we observe the main types of **individual** tariffs the following can be deduced:

- ✓ with-profit, hybrid and unit-linked products, in about 80% of the cases they are characterised by a **single premium** with a percentage of the **loading**, applied to the premiums, that generally does not exceed 5% (in line with the previous half year) and is often even equal to zero, especially for *unit linked* products, where undertakings prefer to apply ex-post costs through amounts withheld from the return of the funds in the form of commissions.

¹⁶See Financial Stability Report – 1/2019 [IVASS - Financial Stability Report of the Bank of Italy No.1 - May 2019](#)

¹⁷This refers to temporary tariffs with a single premium with capital increase in the pre-pension phase and capital decrease in the repayment phase for contracts based on advances on the pension. The insured capital is identified month by month for the entire duration of the APE payments, as per the loan plan and, during the APE repayment period is equal to the amount of the residual debt, i.e. the amount of the loan and related contractual interests not yet paid back.



Fixed amounts, in terms of costs, are also present in some products. While for the unit linked policies observed in the reference half year, nearly 40% have fixed amounts between 50€ and 60€, for with-profit and hybrid policies, the weight of the new products in which said costs equal zero is on the contrary significant (respectively approx. 47% and 34%);

- ✓ indirect loading is applied through withholdings from the revenue obtained from separately managed accounts (normally ranging from a minimum of 0.7% to a maximum of 1.5%) and management fees on the unit component (normally ranging from a minimum of 0.75% to a maximum of 3.65%);
- ✓ similarly to the previous half year periods, with profit products provide, almost exclusively (about 80%), **minimum guaranteed** rates equal to **0%**¹⁸, with a coverage structure generally dependent on an annual consolidation mechanism or with an annual average return at maturity.

As a final update compared to the 1st semester of 2018, note that, following the amendments introduced by IVASS on separately managed accounts for with-profit

¹⁸Among the rest of the cases, variable guaranteed rates generally range between 0.02% and 1.5% on capital redemption operations, options for the conversion of capital into annuities, forms of endowment assurance with return of premiums and IPP.



life policies with IVASS Order no. 68 of 14 February 2018, a further 4 companies¹⁹ made use of the option to set up a profit fund to which services associated with new products can be linked.

¹⁹Since the issue of IVASS Order no. 68 of 14 February 2018, a total of 5 undertakings have set up a profit fund, one of which launched in March 2019.