

REPORT

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

(July – December 2019)



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Introduction and overview

This report illustrates the results of the analyses of the trends in insurance supply in the 2nd half of 2019, with special regard to innovative products¹. As usual, the analysis has been focused on the launch of new products by undertakings, regardless of their commercial success and of the level of premium income associated with them.

Although this report refers to the observation period July – December 2019, it also provides some provisional data on the products and services that the insurance sector is developing to respond to risks arising from **Covid-19**.

With regard to **non-life products**, many trends have become more marked compared to the previous six-month periods. However new trends are also emerging. In particular, the following have been observed:

1. To modernize insurance supply and make it **digital**, companies, in most cases, have entered into agreements with external providers of technology and platforms. In other cases, however, insurance companies are directly offering technological services other than insurance services and are getting directly involved, investing to create their own **startup incubators** dedicated to the insurance sector.
2. In the **mobility** sector companies are offering an increasingly wide-ranging set of services supplementing traditional covers with digital devices and additional services for the solution of contingent problems that customers may face.

In some cases regulations have stimulated the development of digital insurance products: this is the case of the new law on children abandoned on-board which has led to the proliferation of car seats exploiting the Bluetooth technology offered in combination with compulsory MTPL.

Insurance companies continue to shift their preferences towards more and more customised products, especially for compulsory MTPL, through the extension of guarantees or the provision of many additional services and all-round assistance.

¹ For the life sector, the information is obtained mainly from the database fed by the so - called “systematic notification” of the technical bases of life tariffs. For the non-life sector, as usual use is made of “open sources” (e.g. daily press reviews, portals, websites of the individual companies) and, as an exception, also of the communications of new products that undertakings have sent, as part of the information on new products drawn up in accordance with the Guidelines for “Clear and simple contracts” established by the Technical panel made up of undertakings, intermediaries and consumers associations, on IVASS’ initiative and in coordination with ANIA.

Finally, in the wake of the evolution in our social living, which is more and more focused on inclusion, we observe a flourishing variety of insurance proposals, often shared with family members or friends, designed for all the means of transport.

3. Development in the **health** sector has continued relentlessly. There are plenty of new products available now on the insurance market. In this sector too products have become more and more inclusive, “tailor-made” and often modular as they can be combined with covers of a different kind. In the six-month period at issue health policies dedicated to foreigners travelling in Italy were launched.

In the accident sector the offering of short-term, low-cost policies, which can be activated with a click (**smart contracts**) has widened.

Sometimes smart policies adjust, like an “umbrella”, to the new life styles encompassing, apart from accidents, also insurance coverage for all the risks that may affect the *sharing economy*, sustainable mobility, digital life.

4. Technology solutions for risk prevention continue to develop also for policies protecting the **home**; often the products offered can be purchased in modular form to enable greater customisation and compliance with the customer’s specific needs.
5. Given the widespread use of IT systems, insurance protection against **cyber risks** is increasingly being offered, especially to the more exposed small and medium sized enterprises, but also to families. In this sector too, coverage for this risk is offered by insurance undertakings basically as part of modular products for the home and family.
6. The array of new offers of **travel** policies includes both traditional policies, which can either be annual or single-trip policies covering specific risks (accidents during the flight, reimbursement of medical expenses, loss of baggage, delay of the flight), and instant insurance coverage that can be purchased on line.

Digitization in the travel sector does not however apply only to the sales stage: also with regard to travel policies, as is already the case for MTPL, experiments for the management of claims in a fully digital manner have begun, through interfaces including *WhatsApp*.

7. The range of **offers to small and medium enterprises** is widening and is adapting to the specificities of the different business sectors of such enterprises. These offers vary from joint and several liability coverage for the principal and the contractor, to coverage against economic loss incurred as a result of driving disqualification of an employee or collaborator for whom the driving of motor vehicles is strictly related to the pursuit of the activity assigned to them, coverage of risks arising from breaches

of the Privacy Regulation (GDPR), coverage of buildings, company's assets, policies covering the increasingly frequent actions for libel and vexatious litigation against editors and newspapers.

The **life business** performance in the entire 2019 reported a significant drop in the number of new products (around 34%) compared with 2018 and also a fall with respect to the first half year. Traditional and unit linked products were particularly hit by the slowdown in the second part of 2019, while the offer of new hybrid products remained substantially stable.

Individual insurance policies are generally characterised by a single premium (around 80% of the total), with a percentage of the loading applied to the premium often equal to zero (around 37%) or however not exceeding 3%, often replaced by fixed costs (present in 45% of with-profit policies and 55% of hybrid products). Besides, indirect loading is applied on the with-profit component through withholdings from the revenue obtained from separately managed accounts, normally ranging from 0.5% to 1.8%, and on the unit-linked component, through management fees, ranging from a minimum of 0.65% to a maximum of 2.95%. With profit products continue to provide, almost exclusively, minimum guaranteed rates equal to 0%, with a coverage structure generally with an annual average return at maturity and increasingly less dependent on an annual consolidation mechanism.

1. Advances against policies and services to respond to risks arising from COVID-19

The insurance sector has, on its own initiative, adopted measures to provide support during the COVID-19 emergency.

These include: the suspension, extension and deferral of premium payments for life policies, motor insurance and policies other than motor insurance; the stop of any actions for the recovery of unpaid premiums and deductibles; the extension of the existing guarantees through "tailor-made" clauses; the inclusion of a daily allowance or lump-sum compensation in the policies and the offer of additional services and new products.

Companies have also taken action to address the health emergency in various ways, reviewing the products offered and offering new ones.

A new policy has already been launched on the Italian market for the Italian municipalities first affected by the epidemic, inside the so-called “red zone”, locked down to deal with the consequences of the spread of COVID-19. This solution, designed to meet the needs of small businesses, has been worked out in a few days to respond to the growing demand of commercial establishments (shops, bars, services) under mandatory lockdown and the restrictive measures imposed as a result of the health emergency. Immediate aid of 1.000 euro a day is provided for a maximum of 15 days in case of lockdown imposed by the Authorities.

Two companies have granted their customers free extension, on a temporary basis, of the guarantees and services already provided by their policies. Extensions are applicable all over Italy, without territorial limits. One policy has been designed for families and provides a daily allowance in case of hospitalization and the payment of capital to intensive care patients, after an established diagnosis of COVID-19. For business owners who have already taken out commercial policies providing a daily allowance in case of business interruption (or, if they don't have this guarantee, decide to purchase it by 30 April 2020), one Company has granted a temporary free extension of the coverage also to the case of lockdown of all the commercial businesses, imposed by the authorities as part of the measures for prevention of COVID-19.

In order to protect the age group currently most affected by the virus, one company has extended the maximum insurable age for health coverage from 65 to 75 years. Moreover, where there is an established diagnosis of COVID-19, a daily allowance is paid in case of hospitalisation and convalescence.

One undertaking has doubled the allowance for hospitalisation for health customers affected by COVID-19. Moreover, to help reduce trips for its customers and prevent exposure to contagion, it is encouraging the use of digital services.

In addition, there are many other initiatives apart from the offering of an insurance policy:

- one undertaking offers “a legal advice office”, using audio or video conferencing, for first free consultation. More in detail, it is possible to get information on smart working, teleworking and privacy, but not just that. Experts provide clarification on the measures to support businesses and on what happens in the event of non-

compliance with the contract conditions. Advice is also provided to entities, undertakings and professionals, even if not customers, which are facing difficulties and legal concerns arising from the health emergency.

- one undertaking has chosen to offer all its customers a medical teleconsultation service, while the customers of another undertaking will benefit from a health coverage for free;
- another undertaking has offered for free to its customers, who already benefit from a health coverage providing an allowance for hospitalisation, a daily allowance also in the event that the policyholders are forced into quarantine after they have been tested positive for COVID-19, and has made its medical operation centre available 24 hours a day.

In the **travel sector**, in some cases guarantees have been extended to include the reimbursement of costs or penalties for the cancellation of booked travels due to the suspension of activities imposed by airport authorities following the COVID-19 emergency, including quarantine.

2. Platforms and Start-ups for Digital Revolution: Insurers are in the front line

The insurance world is changing rapidly and many are the start-ups that are creating customised insurance platforms.

Among the most active platforms, the following can be listed: a free platform - founded in Italy and initially created with the purpose of monitoring and encouraging the physical activity of employees – which proposes health policies at an advantageous price for anyone demonstrating their commitment to maintaining a healthy lifestyle; some platforms set up to create and manage the on-demand offer of insurance services; a platform which brings together customers with insurance brokers, with a view to making the management of insurance products and the relevant back office procedures more efficient.

Although many undertakings are entering into agreements with start-up specialized in insurtech for the use of digital platforms, a few insurers have decided to reach their clients by creating their own **start-up incubators** dedicated to the insurance sector.

In this context, one undertaking has created its start-up incubator focused on four areas: Person (Health & Wealth), Home, mobility and Connected Business. The incubator is based on a concept of ecosystem made up of integrated services and technologies offering consumers prevention, assistance and emergency services, rescue and monitoring.

Another new aspect is a *startup* dedicated to art collecting for the purpose of providing a package of solutions including, apart from insurance of works of art, jewels and other valuable items against risks such as theft and damage to property, services for prevention, protection, conservation, restoration, transport and exploitation of the work of art. The policy, designed for high-end art collectors (threshold of the insurable value 500 thousand euro) will make available an app for mobile devices, through which clients – protected by facial recognition – will be able, among other things, to receive remote online valuations and put their works in a private virtual gallery, while ensuring maximum data protection, certified by blockchain technology.

Finally one undertaking has launched a new e-commerce platform offering its customers a range of exclusive non insurance services (for the mobility, home, family, personal well-being, travels and leisure) at a cut-price.

3. Social and digital mobility

In the mobility sector companies are offering an increasingly wide-ranging set of services supplementing traditional covers with digital devices and capable of offering additional services for the solution of contingent problems that customers may face. This development is also encouraged by the issue of new laws, such as that on children abandoned on-board, or by the evolution of social living, increasingly focused on inclusion.

Insurance companies continue to shift their preferences towards more and more customised products, especially for compulsory MTPL, additional services and all-round assistance.

Anti-abandonment baby cushions

Following the adoption of the law on children abandoned on-board², the insurance sector has started to offer baby cushions with anti-abandonment devices connecting via

² Law No. 117/2018 and decree of the Ministry of Infrastructure and Transport No. 122/2019

Bluetooth with the driver's smartphone. In the event of accidental abandonment of a child on board, they emit a repeated sound signal and an alert is displayed on the driver's smartphone. If the driver does not come back to the car within a few minutes, sms alerts are automatically sent to pre-identified emergency numbers, with a geolocation of the alarm in the vicinity of the car.

A special key holder has also been designed; it is useful if one leaves the house without a cell phone, it is connected with the anti-abandonment cushion which, thanks to the Bluetooth technology, is able to sense if someone is leaving the vehicle with a child on board and emits an acoustic and light signal.

Products available for digital purchase

Digitally advanced offer arrangements alternative to traditional channels seem to attract an increasing number of undertakings which have envisaged different ways to purchase motor liability policies. One undertaking offers the customers of a non-insurance partner company the possibility to purchase motor liability policies through a dedicated *app* which allows users to view a quote and receive a discount, with payment debited from the partner company's account.

It has been observed that insurance companies are increasingly wishing to offer direct technological services other than insurance services.

This is the case of a company that, after the liberalisation of road toll payments, has obtained the certification of suitability of its profile and its device for electronic toll collection and wishes to enter this market by end 2020. Among the services already available there is an *app* that allows you to pay car parking fees in the main Italian cities, fines, car tax and receive weather alerts. In the future, the *app* may be used to pay for refuelling too.

Motor liability insurance: extensions of guarantees and additional services for greater customisation

In relation to motor liability covers, two new policies offer the extension of the guarantee also to the damage caused by cars used in private areas and cover liability for damage to third parties caused by the insured vehicle driven by minor children without the

owner's knowledge. Moreover, one of the two policies contains a waiver of recourse in case of driving with an expired licence.

Another new aspect concerns a prediction model for the risk of violent hailstorms, developed by a company through collaboration with companies specialized in big data analysis: this model sends alerts via *sms* to the clients who have installed the satellite device, allowing them to adopt precautionary measures to protect the insured vehicle. After a first testing phase, this model could be extended also to other types of insurance coverage, protecting in particular houses, shops, offices, etc..

Not only cars

Among the products concerning mobility, the insurance offer now includes a policy designed to provide protection from possible accidents during amateur bicycle rides, provided that one is under 75. The policy can be activated through an app on the smartphone. It offers world-wide coverage.

Another new aspect concerns an insurance solution designed for on-the-go people. It provides cover on 17 different means of transport besides the car, from the bicycle to the scooter, from the underground to car sharing, canoe, etc. Also, coverage can be shared with 5 people (family members or friends). The policy allows to add other covers apart from liability, such as accidents and assistance, including in modular form, as well as different services such as the remote engine block, the vehicle search function, the *catching real time* to improve the driving style, etc.

4. Inclusive, “tailor-made” and modular health policies

Development in the health sector has continued relentlessly. There are plenty of new products available now on the insurance market. These include products that are increasingly inclusive, “tailor-made” and often **modular** for the health and protection of those who want to protect themselves from unforeseen accidents or serious illnesses that may affect them or their family members. This coverage can also be combined with covers of a different kind (loss of employment, coverage for the home, *cyber risk*) offered as a single package.

There are various products offered in this sector, which provide diversified coverage. These policies offer a core cover, with the possibility to build the policy that best suits your needs, adding one or more optional guarantees, also a “whole life” formula which gives entitlement to insurance benefits for life, paying a constant premium.

Moreover, a new modular product is being offered: it allows to choose the cover that best suits the needs of the policyholders and of their families, providing reimbursements and indemnities for public and private medical services and a special formula reserved for young people under 35, which includes dental expenses.

Among the health products offered, there is an accident and health policy that presents a wide range of covers with high maximum insured amounts (surgery amounting up to 1.5 million euro).

A new product has been designed to secure the economic stability of the family in case of unforeseen events affecting the health; it offers a single protection plan. The policy is addressed mainly to families with minor children and provides insurance to up to 10 people. Covers can be customised and, in the event of an outbreak of the insured diseases, a pre-defined fixed indemnity is paid as soon as the disease is diagnosed, varying according to the disease and to the package chosen.

Another new element in this sector is a product meant for all the family; its peculiarity is that it includes a package dedicated to youngsters (from 4 to 18 years old), which envisages a programme for the prevention of childhood obesity.

Finally, for those who want to protect themselves in the event of serious accident or disease, another product offers an additional indemnity in the form of “compensation for damage to the social life” and includes the reimbursement of the costs of cosmetic surgery to correct scars or disfigurement resulting from accidents.

Coverage for foreigners travelling or staying in Italy

In the six-month period at issue, foreigners travelling in Italy (for business or tourism) were offered dedicated health coverage. Among these covers, two new policies offer foreigners travelling in our country a wide range of assistance services and insurance guarantees and an annual formula for very long stays, which includes: 24-hour healthcare

in case of accident or illness, the reimbursement of medical, pharmaceutical and hospital costs and the payment of the costs of transfer of the policyholder to a healthcare institution in another country.

Smart contracts

Especially in the accident sector, the offering of short-term, low-cost policies, which can be activated with a click (**smart contracts**) has widened. They are offered to people practising amateur sport activities also abroad.

Also new is a policy covering accidents incurred by policyholders during their professional activity or in the spare time: in the event of accidents resulting from an assault suffered by the policyholder, this policy envisages that the company will pay twice the established compensation.

Sometimes smart policies adjust, like an umbrella, to the new life styles encompassing, apart from accidents, also insurance coverage for all the risks that may affect the sharing economy, sustainable mobility, digital life.

Among these policies there is a product which offers the possibility to choose between three different guarantees, which can be purchased either individually or combined: accidents occurring while driving shared or rented vehicles; liability for accidents occurred while using bicycles, whether of their own or of a third party under a sharing agreement for the whole family; legal support for cyber risks in the event of online reputational damage, disputes with online stores or online identity theft.

Not only policies

Finally, some companies came up with the idea of “*medical booths*” at credit institutions, where it is possible to have a first full screening of one’s state of health at the branch office, free of charge. Clients can then share it with their doctor and can also be guided by a doctor via video call.

5. Home insurance products: technology plays a leading role

Also as regards policies protecting the home and the family, technological solutions for risk prevention continue to play a leading role. In this case, the products offered

can often be purchased, as is now the custom, in modular form to enable greater customisation and compliance with the customer's specific needs.

This is the case of a product that, apart from the guarantees protecting individuals, offers an alarm system securing and monitoring the home through easy-to-use wireless devices. In case of damage one can rely on a network of craftsmen always available.

Among the new trends that emerged in this period, there are two new policies. One allows the customisation of the guarantees to the customer's needs, identifying for this purpose 4 different lifestyles (dynamic, urban, forward-looking and digital); the other covers damage to the home, including rented homes, to have peace of mind inside and outside the home. This latter policy offers an innovative service of claims management with a videoappraisal through the smartphone.

6. Cyber risk

Given the widespread use of IT systems, insurance protection against *cyber risks* is increasingly being offered, especially to the more exposed small and medium sized enterprises, but also to families.

In particular, a new product offers telephone help service and psychological assistance to victims of cyberbullying or cyber stalking. It also envisages a platform that allows the scanning of the deep web for the real time monitoring of confidential personal data on the network, so as to take prompt and proactive action if this data is found.

Another new product is dedicated to professionals and provides motor liability insurance including coverage for the risk of data breach, offering specialist support to the client both during risk assessment and in case of claim. A digital resolver service is offered that puts the policyholder in contact with the *Incident manager* within one hour from the occurrence of the event so as to immediately implement corrective action for risk mitigation. The client is supported by a specialist also in case of reputational damage resulting from the event.

7. Travel policies

The array of new offers of travel policies includes both traditional policies, which can either be annual or single-trip policies covering specific risks (accidents during the flight, reimbursement of medical expenses, loss of baggage, delay of the flight), and instant insurance coverage that can be purchased on line. It also includes covers, distributed by banks, that can be purchased using own credentials to access the digital bank.

Digitization in the travel sector does not however apply only to the sales stage; with regard to travel policies for instance, experiments on some clients for the management of claims in a fully digital manner have begun, through interfaces including *WhatsApp*.

8. Policies for SMEs (small and medium enterprises)

The range of offers to small and medium enterprises is widening and is adapting to the specificities of the different business sectors of such enterprises.

An innovative policy has been launched for the coverage of joint and several liability of the principal and the contractor in private tender contracts and transport for third parties. The policy protects the principal of a tender who, under the law, is jointly and severally liable with the contractor for the amounts due to workers and social security institutions, within two years from the termination of the contracts.

To respond to the practical need of businesses to protect themselves against the economic loss resulting from a penalty imposed on an employee or collaborator using the car to perform their work, a new product has been launched on the market which envisages two modules that can be combined together: *the first* envisages the payment of legal and expert fees for disputes concerning the use of vehicles, both as driver and as pedestrian, cyclist or passenger and the reimbursement of the costs connected with the payment of driving school classes for the rehabilitation from the penalty points on the driving license; *the second* provides a daily allowance in case of disqualification or suspension of the driving license, useful especially for those firms seeking coverage against the economic loss resulting from driving disqualification of an employee or driver.

A new policy has been launched to cover the risks arising from breaches of Gdpr, the new European General Data Protection Regulation. It is designed for SMEs, professionals, professional firms and associations and allows to assess the undertaking's

compliance with the regulations, offering third party compensation and assistance in case of emergency.

A modular customizable policy has been launched for small enterprises: it is addressed to firms with up to 10 employees, and offers full coverage of buildings and company's assets. Moreover, in case of claim, thanks to the services provided by a multinational company leader in disaster recovery and fire, flood and pollution restoration, it helps to resume business activities as quickly as possible since it ensures an emergency service.

To help editors and newspapers associated with USPI (Italian Periodical Printing Union) a Publisher's liability policy has been created: it provides protection against the increasingly frequent actions for libel and vexatious litigation, which tend to restrict freedom of information. The product is specifically aimed at small editors and publishers of printed and on-line newspapers and covers the risk of having to sustain the costs of lengthy litigations arising from complaints.

9. LIFE business performance

The life business performance in 2019 reported a significant drop (around 34%) in the number of new products launched compared with 2018. The trend in the second half of 2019 shows a slowdown (around 30%) compared with the second half of 2018.

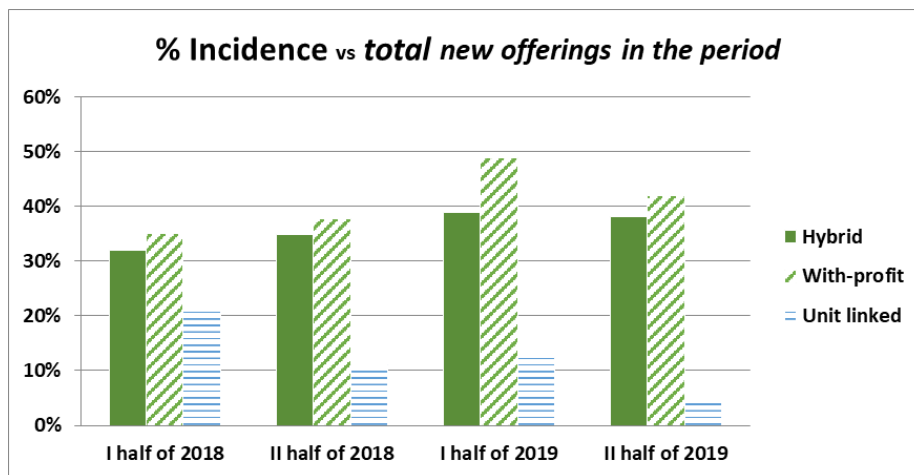
Based on the systematic communications³ containing the main technical characteristics of newly marketed life products entered into the IVASS database in the second half of 2019, a total of **155** new products⁴ were recorded, 68% relating to new individual products and the remaining 32% to collective plans.

As regards only individual plans (105 products), in the second half of 2019 there was a slowdown in the promotion by companies of new products, both with profit and unit linked. The offer of new hybrid products (namely those products resulting from the combination between class I with-profit products and class III unit-linked products) has

³ 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.

⁴ The analyses refer to aggregate data on the number of products without any reference to premium income.

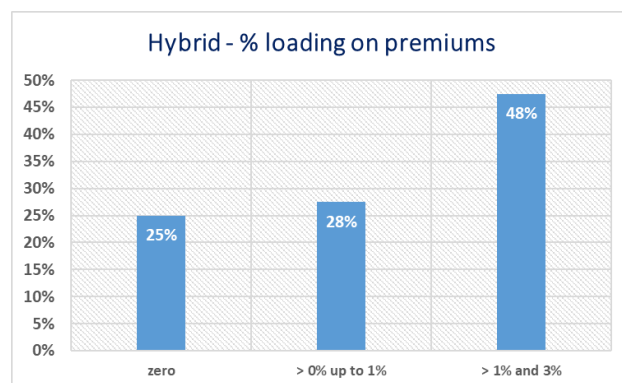
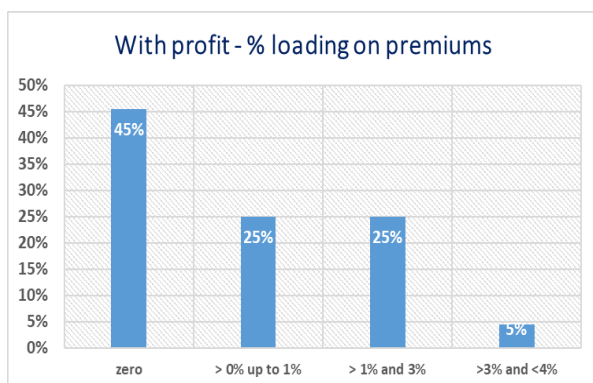
remained stable, with an incidence over the total new offerings in the period slightly above that recorded in the second half of 2018.



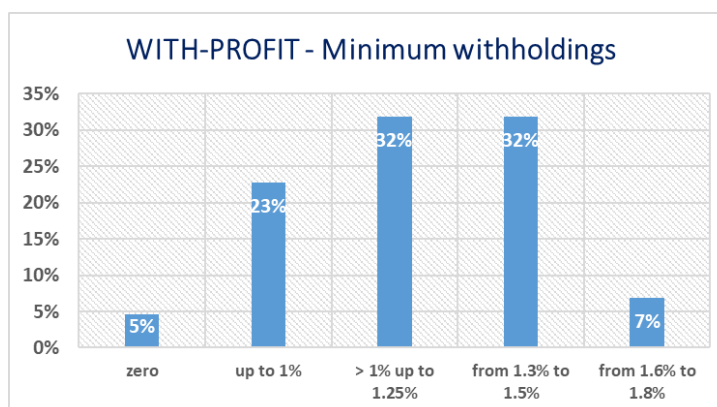
With regard to the product structure, the following can be deduced:

- ✓ with-profit, hybrid and unit linked products: in around 80% of the cases these are **single premium** products;
- ✓ the percentage of the **loading**, i.e. the percentage of cost applied to **premiums**, is:
 - in with-profit policies, equal to **zero** in most of the cases or with values ranging between **1%** and **3%** (values at any rate **lower than 4%** were observed on a residual basis);
 - in hybrid products the values range, in most of the cases, between **1%** and **3%** and are equal to **zero** in 25% of the cases.

The graphs regarding with profit and hybrid products are shown below.



- in unit linked products, where a very small number of new proposals (5) has been observed, the percentage of the **loading** is 4% in two cases, 3% in another case, while in the remaining 3 cases it is equal to **zero**;
- ✓ in line with the previous half year, in with-profit and hybrid policies (respectively around 45% and 55% of the cases) fixed amounts, in terms of costs, are often present. With regard to the products:
 - with-profit policies, in 20% of cases, fixed costs up to 35€ are charged, in 40% they exceed 35€, reaching up to 60€, while in the remaining 40% of cases the amounts range between 100€ and 250€;
 - hybrid products, in 50% of cases, costs up to 35€ are charged, in 36% they exceed 35€, reaching up to 60€, while in the remaining 3 cases the amounts are respectively between 75€ and 85€, equal to 100€ and to 500€;
- ✓ indirect loading in almost all the with-profit policies is always applied through withholdings from the revenue obtained from separately managed accounts, normally ranging from a minimum of 0.5% to a maximum of 1.8%, according to the following distribution



management fees are also applied on the unit component, ranging from a minimum of 0.65% to a maximum of 2.95%;

- ✓ similarly to the previous half year periods, with profit products provide, almost exclusively (about 82%), **minimum guaranteed** rates equal to **0%**, with a coverage structure generally with an annual average return at maturity and increasingly less dependent on an annual consolidation mechanism; guaranteed rates exceeding 0%, but in any case lower than 0.15%, are observed in capital redemption

operations and in one case of option for the conversion of capital at maturity into an immediate annuity, amounting to 4%;

- ✓ with respect to **term life insurance policies**, 9 new products were launched compared to 6 in the first half of 2019. If we consider pure risk insurance linked to mortgages and loans, which was not present in the first half of 2019, 5 new products were reported, all offered by one single undertaking.
- ✓ Finally, we have observed 1 new Dread Disease product with a fixed annual premium and fixed duration of 10 years and 1 class VI new product relating to an open pension fund.