



Statistical Bulletin

Life business performance: premium
income and commercial offer



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RESEARCH AND DATA MANAGEMENT DIRECTORATE- RESEARCH AND STATISTICS DIVISION

The bulletin was edited by Daniela Mariani and Agostino Tripodi



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Registration at the Court of Rome no. 56/2015 of 23 March 2015
Direction and Editing at the Istituto per la vigilanza sulle assicurazioni
Director in charge
Roberto Novelli

Address
via del Quirinale 21 – 00187 ROME

Telephone:
+39 06 42133.1

Fax
+39 06 42133.775

Website
<http://www.ivass.it>

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1. SUMMARY

- After +7.6% growth in total life premiums collected by Italian and foreign intermediaries and through direct sales over 2019-2021, premiums contracted by -14.1% in 2022 (109.6 billion vs 127.6 billion in 2021), resulting in the lowest value in the last four years. The decrease in premiums in 2022 affected both Italian (-10.7%) and foreign companies (-28.8%) and especially unit-linked policies (-14.2 billion). Individual hybrid policies remain the most sizable product type (42.3%).
- Over the last four years, foreign companies have collected between 15% and 18% of the total life premiums collected in Italy (more than 70% on individual unit-linked products).
- Life premium income is mainly collected through the banking-financial channel (70% of the total). The share of premiums collected for class I products fell in 2019 – 2021 to the benefit of unit-linked and especially hybrid policies before rising in 2022 (+3.7 billion). For the traditional channel (agents and brokers), the share of class I premiums (-3.0 billion) continued to lose ground.
- The offering of individual savings and investment policies as of 20 October 2023 is mainly represented by hybrid products (235 individual IBIPs¹ out of a total of 592), single-premium products in whole-life form, with an average recommended holding period of 8.1 years. Compared to last year's same period, the number of with-profit products offered increased (+12), while the number of unit-linked products decreased (-69).
- There have been no substantial changes in average costs by product type compared to 2022. On average, unit-linked products are the most expensive (RIY = 2.9%²), while with-profit products are those on which costs are lowest (1.8%). IBIPs with periodic premiums have an average RIY of 0.6% higher than single premiums. For all product types, the costs to the policyholder grow as the recommended holding period and the riskiness of the underlying investment increases³.
- The expected net performance is, on average, lower in with-profit products (1.0%) than in unit-linked (3.2%) and hybrid (2.7%) products. Rising interest rates on financial investments in 2023 allowed the average expected net performance to rise compared to the same period in the previous year. Unit-linked products showed the sharpest increase (+1.6 percentage points), followed by hybrid products (+1.0 percentage points) and with-profit products (+0.6 percentage points). Average expected net performance shows a non-monotonic trend as the recommended holding period increases, while it generally increases with the riskiness of the investment. The average expected net performance of products offered through the traditional channel is in line with those offered by the banking-financial channel.

¹ IBIP: *insurance-based investment products*; include with-profit, unit-linked and hybrid products.

² In terms of the expected reduction in yield expressed on an annual basis due to the contract costs borne by the policyholder.

³ On average, it ranges from 2.1% for low-risk to 3.5% for high-risk.

2. PREMIUM INCOME IN THE LIFE SECTOR

Total premium income earned through direct sales (allocated to the general directions of undertakings) and by intermediaries authorised to operate in Italy for Italian and foreign undertakings⁴ was 109,643 million in 2022, down from the previous year (127,600 million; -14.1%)⁵.

Premiums by type of product

In 2022, in concurrence with a changed macroeconomic scenario and rising bond interest rates, there was a trend reversal in premium income by product type. Over 2019-2021, premiums collected on class I products were reduced by 33.5%, in favour of direct policyholders' investments in unit-linked (+41.3%) and hybrid products (+25.4%). In 2022, on the other hand, class I premiums grew slightly (+1.8%), while premiums for unit-linked (-36.6%) and hybrid (-11.0%) policies decreased.

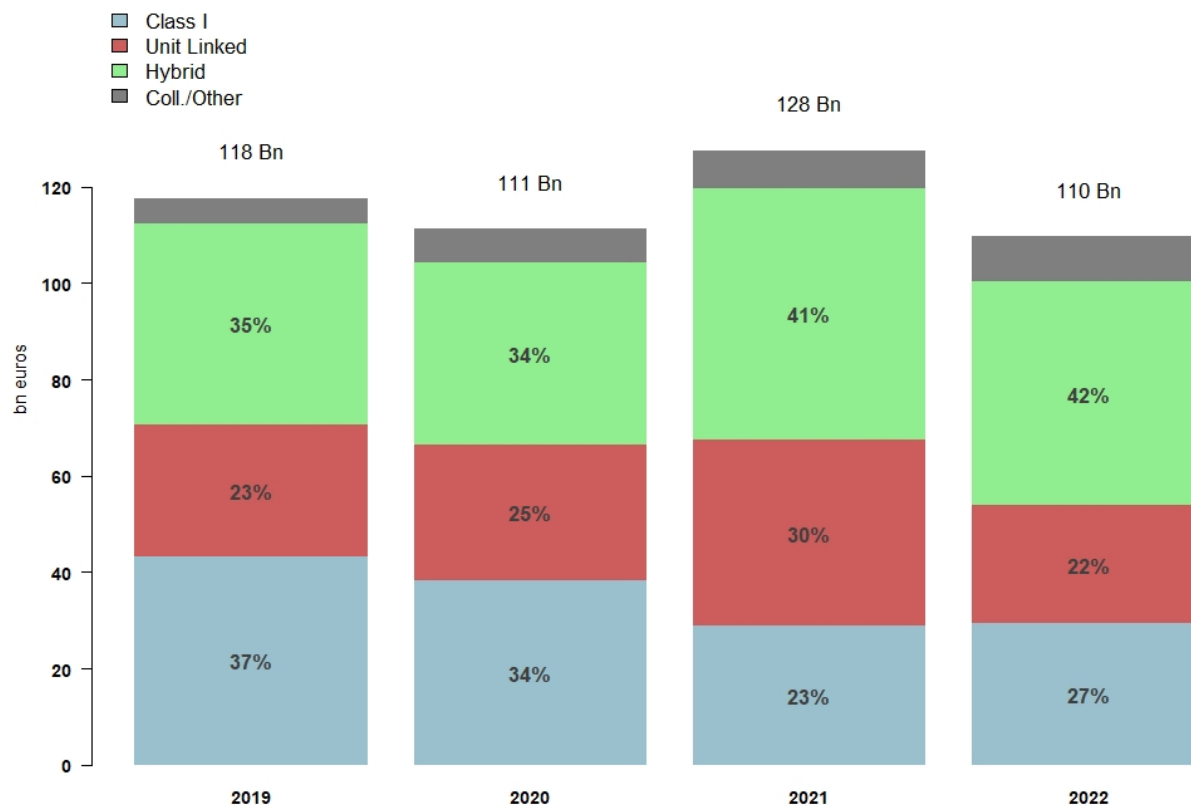
This trend influences the composition of individual policy premiums for the different contract types. As in the previous three years, the predominance of hybrid policies continued to grow slightly in 2022. After growing at the expense of class I over 2019-2021, the share of unit-linked policies declined in 2022 to 2019 values with a corresponding recovery in class I.

⁴ Premiums earned by foreign intermediaries licensed to pursue business in Italy are included. Italian and foreign companies provide, data under IVASS Regulation No. 44 of 12 February 2019.

⁵ The data on premium income includes all undertakings operating in Italy. Partial information is published in the life technical data statistical bulletins (supervised undertakings only) and in the statistical communications, which include premiums from supervised and foreign undertakings operating under the right of establishment but not those collected by foreign undertakings under the freedom to provide services.

Figure 1

Premiums written by year and type of product



In 2022, 42.3% of premium income is attributable to hybrid individual policies (46,347 million euros), 22.5% to unit-linked individual products (24,619 million), and 26.7% to class I individual policies (29,296 million⁶). Collective policies account for 4.2% (4,620 million euros), and the other categories of individual products (including capital redemption operations, LTC, and dread disease) jointly account for 4.3% of premium income.

The comparison between Italian and foreign undertakings

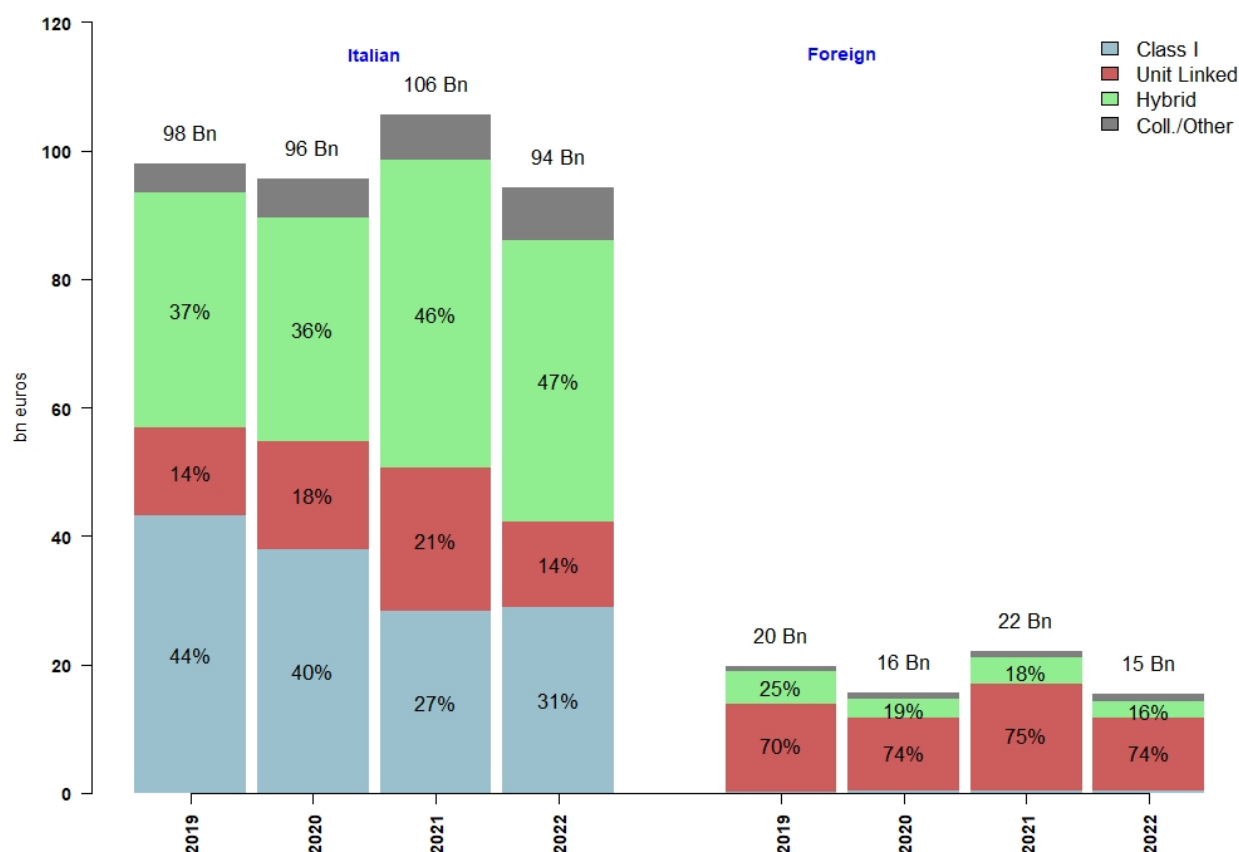
The decrease in premiums in 2022 affected Italian companies (-10.7%) and, more markedly, foreign companies (-28.8%).

Over the past four years, premiums earned by foreign undertakings, more than 70% of which were related to individual unit-linked products, accounted for between 15% and 18% of the total life business. Class I premium income remains marginal for foreign undertakings, in the range of 2%.

⁶ Of these, only a part is represented by pure risk policies (see Table 3.1.2 – “Life assurance - individual policies - Premium income by type of product - Italian direct business, local GAAPs, 2013 to 2022” in the appendix to IVASS' Annual Report 2022, where 1,193 million euros of total premiums for individual class I pure risk policies are listed) <https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/relazione-annuale/2023/index.html>.

Figure 2

Premiums written by year - comparison of Italian and foreign companies



Premium income by sales channel

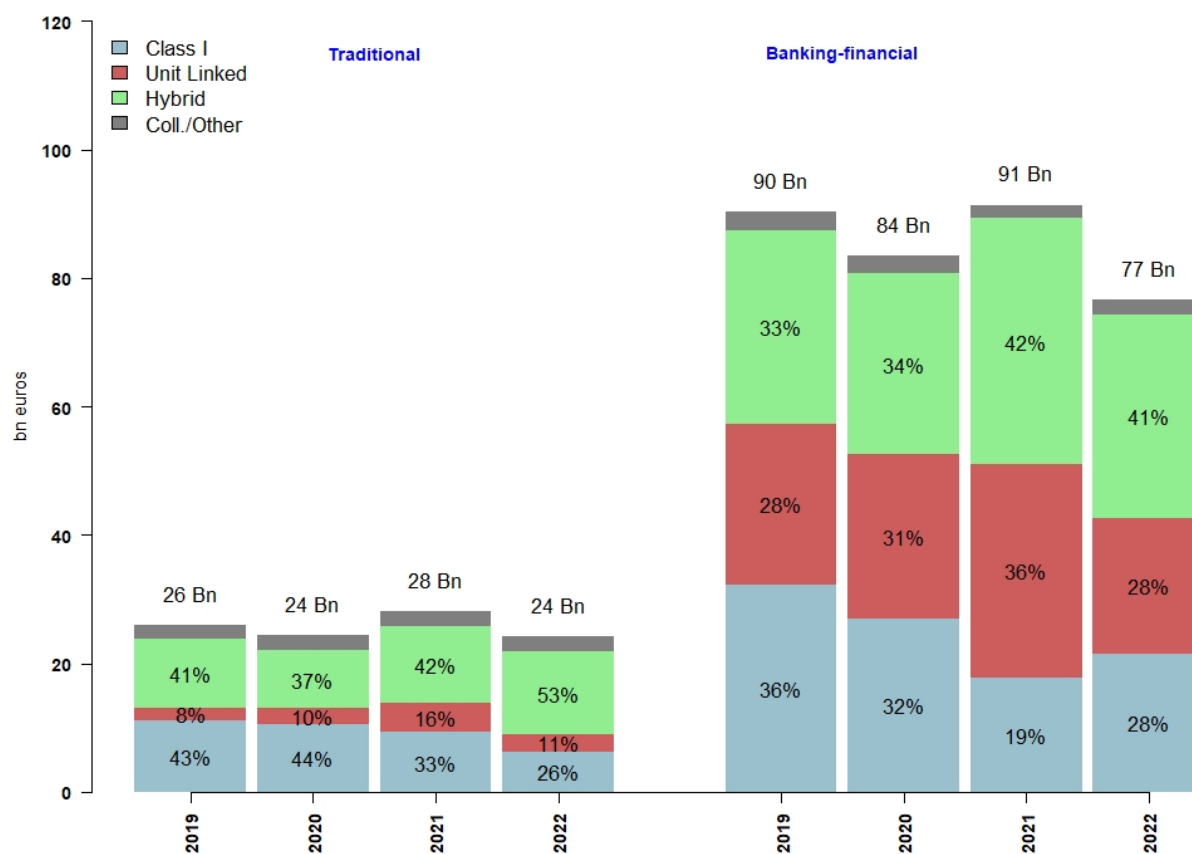
The composition of premium income by sales channel has remained almost unchanged over the four years observed. Life premiums are mainly collected through the banking-financial and traditional channels of Italian brokers and agents, with a share in 2022 of 69.9% and 22.2%, respectively (2021: 71.6% and 22.1%) of life premiums earned in Italy. 7.4% (2021: 5.6%) was acquired through direct sales (reported in the statistics of the general directions of undertakings) and 0.5% (2021: 0.7%) through foreign intermediaries licensed to operate in Italy⁷.

In 2019-2021, the banking-financial and traditional channels reduced their share of premiums for class I products to the benefit of unit-linked and especially hybrid policies. In 2022, class I premiums earned through the banking-financial channel regained strength compared to the other contract types. For the traditional channel, the share of class I premiums continued to decline compared to hybrid policies, approaching the share in the banking-financial channel.

⁷ Included in the enclosed lists 1 and 2 of the RUI.

Figure 3

Premiums written by year and distribution channel – Italian intermediaries



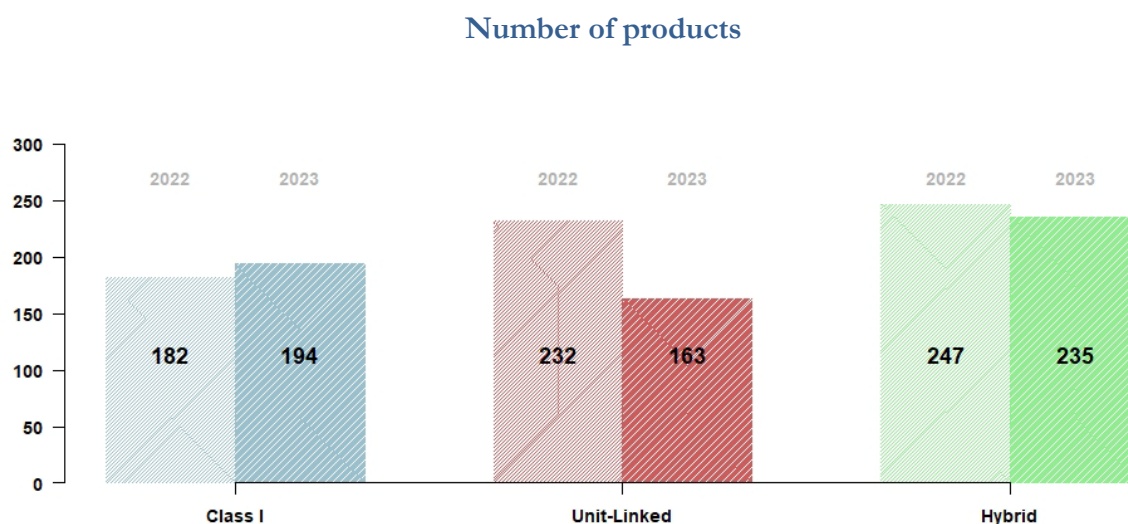
3. OFFERING IN THE LIFE SECTOR – IBIPs

The main types and characteristics (contract type, recommended holding period, costs⁸ and expected net performance) of individual insurance-based investment products (IBIPs) are information contained in public pre-contractual information documents (KIDs⁹). All the individual products offered as of 20 October 2023 by Italian undertakings and a sample of foreign undertakings (more than 80% of the insurance premiums of all foreign undertakings operating in Italy with establishments or via free provision of services) were considered.

Market supply by type of products

There were 592 individual products on the market as of 20 October 2023, including 194 with-profit, 163 unit-linked and 235 hybrid products. It should be noted that, compared to the same period in 2022, an increase showed in the number of with-profit products (+12) against a decrease in hybrid products (-12) and markedly unit-linked products (-69).

Figure 4



Most unit-linked and hybrid products have more than one underlying investment option (multi-option), while almost all with-profit products relate to a single separately managed account. For unit-linked products, the average number of underlying options is 82 (63 in 2022); for hybrid policies, the average is 55 (28 in 2022).

Single premium products (including those with the possibility of paying additional premiums) account for most offerings for all the product types (453 single-premium and 139 periodic-premium products).

The banking-financial channel mainly offers unit-linked and hybrid products.

⁸ In this bulletin, the term "costs" refers to the total costs borne by the policyholder.

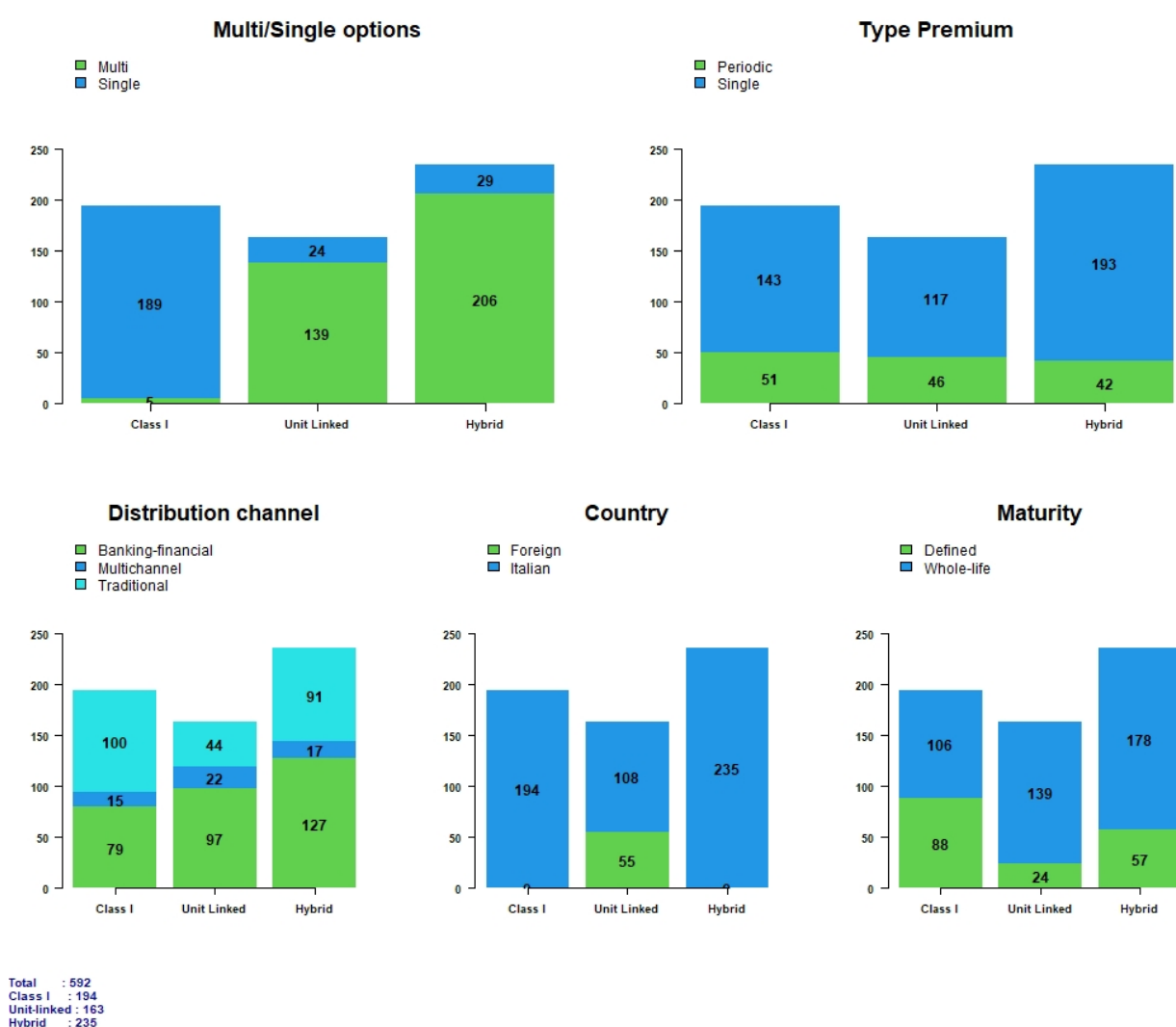
⁹ KID: *Key information Document*, namely the pre-contractual information document introduced by European regulations (DELEGATED REGULATION (EU) 2021/2268 amending REGULATION (EU) No. 1286/2014 and DELEGATED REGULATION (EU) 2017/653).

Foreign companies only offer unit-linked products on the Italian market, while with-profit products are exclusively offered by Italian companies. Foreign companies operating in Italy are not obliged to apply the Italian regulation¹⁰ that provides for a specific accounting method, at historical cost, typical of the separately managed accounts linked to with-profit policies.

The unit-linked and hybrid products offered are mainly whole-life, without a defined maturity in 85% and 75% of cases, respectively, while for with-profit policies, the number of whole-life products is roughly similar to those with a defined maturity.

Figure 5

Number of IBIPs marketed as of 20 October 2023



¹⁰ ISVAP Regulation No. 38/2011.

Average costs of IBIPs – the RIY

The reduction in yield (RIY) indicator measures the total costs charged on an insurance product, as envisaged by the regulations regarding PRIIPs¹¹ disclosure and reported in the KIDs. The RIY represents the expected reduction in yield expressed on an annual basis due to the effect of all the contract costs¹² borne by the policyholder. Companies calculate the RIY at the policy's recommended holding period (RHP) and for different financial scenarios: moderate, favourable, unfavourable and stressed¹³. The following calculations refer to values taken from the KIDs for a moderate scenario.

Fig. 6¹⁴ shows that, on average, unit-linked products (RIY 2.9% vs 2.8% in 2022) and hybrid products (RIY 2.6% vs 2.5% in 2022) are more expensive than with-profit products (RIY 1.8% unchanged from 2022).

There is no substantial cost difference between products characterised by a single underlying option or a multiplicity of financial options.

For all three types, periodic premium products have, on average, higher costs than single premium products, with an average difference of 0.6% in terms of RIY.

For hybrid and unit-linked policies, the RIY does not differ significantly by distribution channel type; for with-profit policies, on the other hand, a higher RIY is observed for the traditional channel (2% on average) than for the banking-financial channel (1.5%)¹⁵.

¹¹ PRIIP: *packaged retail and insurance-based investment products*, which include the IBIPs.

¹² Initial costs, recurrent costs (e.g., management fees), and ancillary costs (e.g., performance fees).

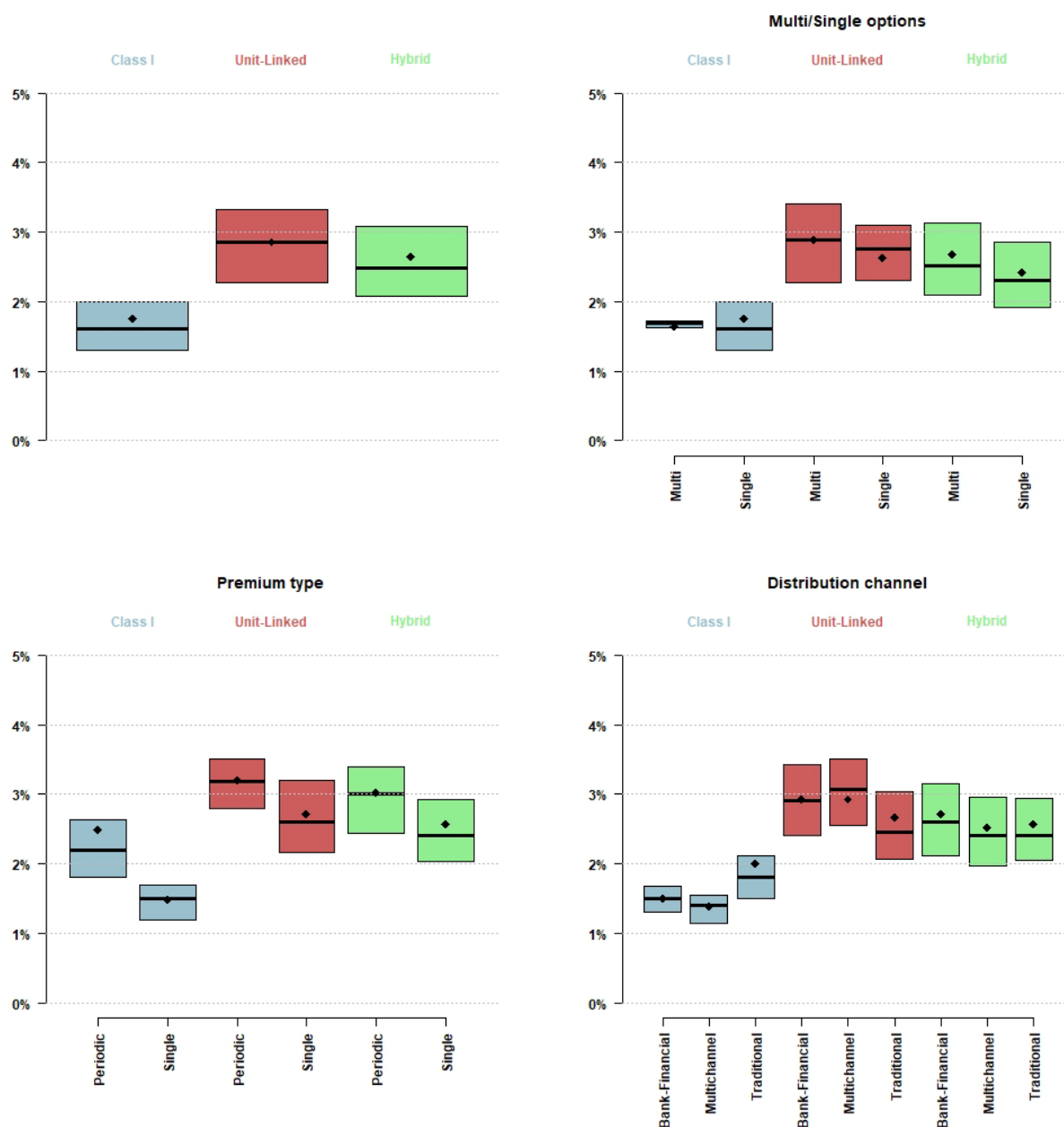
¹³ According to Delegated Regulation (EU) 2017/653, the moderate, favourable, and unfavourable scenarios correspond to the value of the PRIIP, respectively, at the 50th, 90th, and 10th percentile of the estimated distribution of outcomes over the recommended holding period.

¹⁴ See methodological note for guidance on reading the boxplot.

¹⁵ The number of products offered through multiple channels (multi-channel) is limited. These are 15 with-profit, 22 unit-linked and 17 hybrid products.

Figure 6

Average RIY by type of insurance product



Average expected net performance

The expected net performance for consumers in the moderate scenario is, on average, lower for with-profit products (1%), mainly intended for more risk-averse consumers oriented toward savings and capital preservation rather than investment (Fig. 7)¹⁶. The expected net performance of unit-linked products averages 3.2%; for hybrid products, it is 2.7%.

¹⁶ The expected net performance of each product is calculated as the average of the expected net performance of each underlying option in the moderate scenario. It does not take into account the actual asset allocation.

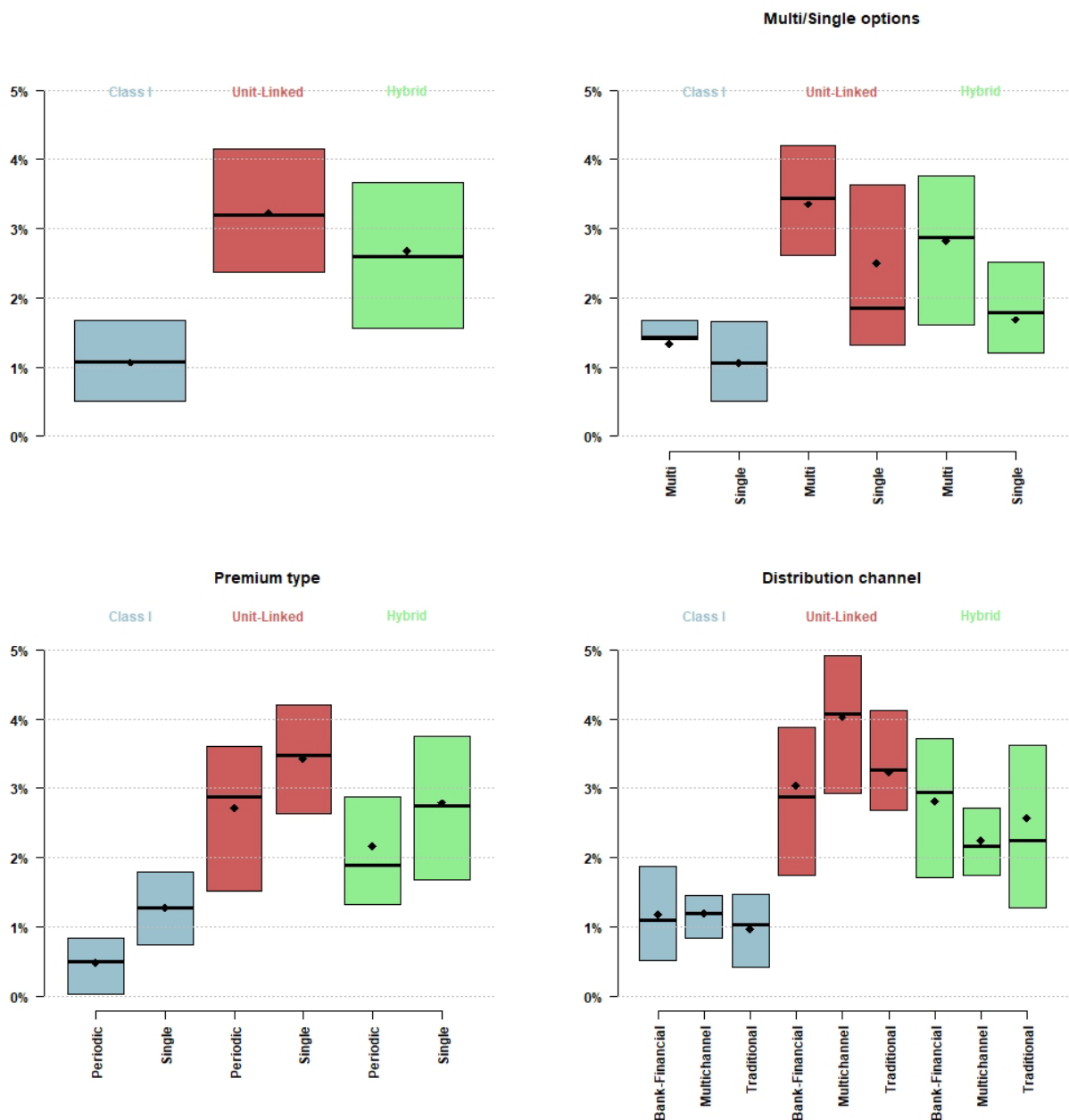
Multi-option products have, on average, a higher expected net performance than those characterised by a single investment. The undertakings offer the possibility of mitigating the effects on the overall investment of unfavourable trends in some financial markets through the opportunity for the consumer to invest in options negatively correlated with each other.

Single-premium products show higher average expected net performances than periodic-premium products, partly due to lower costs (Fig. 6).

Products offered through the traditional channel have average expected net performances in line with those in the banking-financial channel.

Figure 7

Expected net performance by type of product

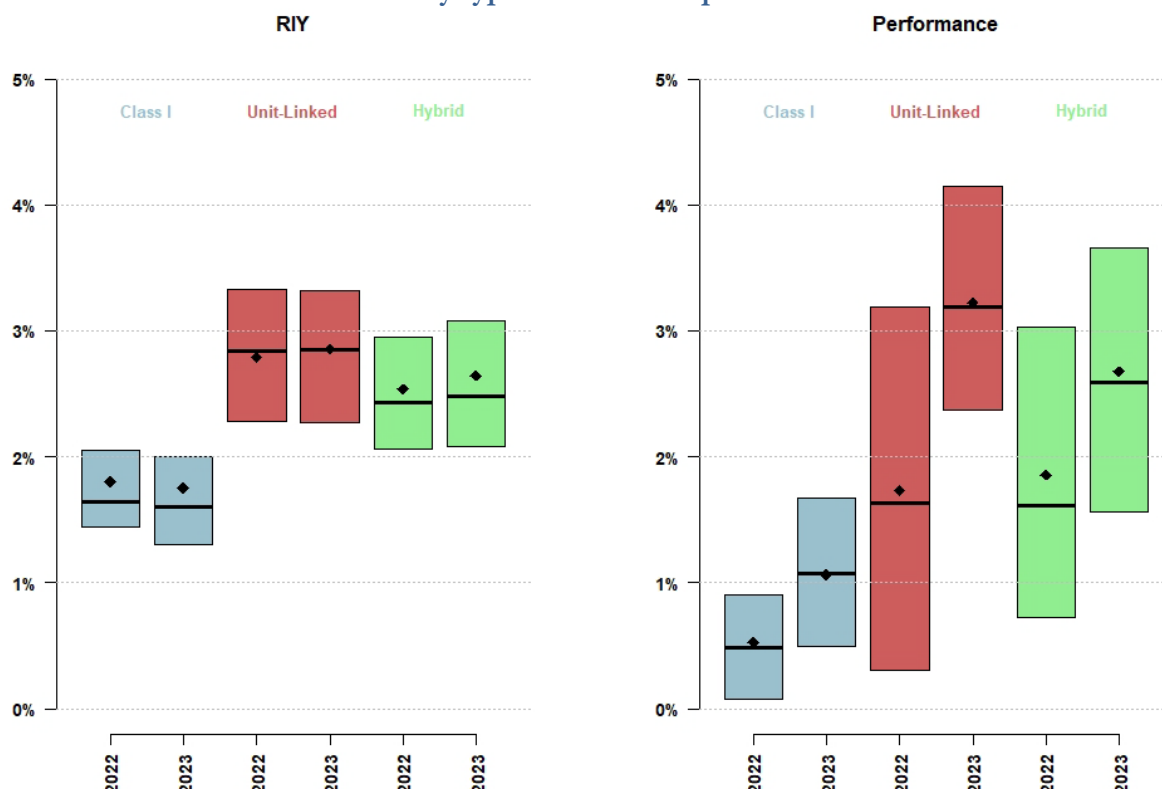


The 2022-2023 comparison of average costs and expected net performance of IBIPs

In 2023, average costs remained almost unchanged for the three product types. In contrast, the expected performance increases probably due to rising interest rates in bond markets. Unit-linked products had the sharpest increase (+1.6 percentage points), followed by hybrid (+1.0 percentage points) and with-profit products (+0.6 percentage points).

Figure 8

Comparison of average RIY and average expected net performance 2022-2023 by type of insurance product



Average costs and expected net performance by RHP

For greater homogeneity among the compared products, the cost analysis considers average RIY for products classified into different ranges of average RHP¹⁷.

The average recommended holding period is 8.1 years (8 years for with-profit products, 9.2 for unit-linked, and 7.5 years for hybrid products).

Products with an RHP longer than 10 years account for less than 10% of the market total; for the remaining 90%, the RHP is less than or equal to 10 years (first three columns in Fig. 9).

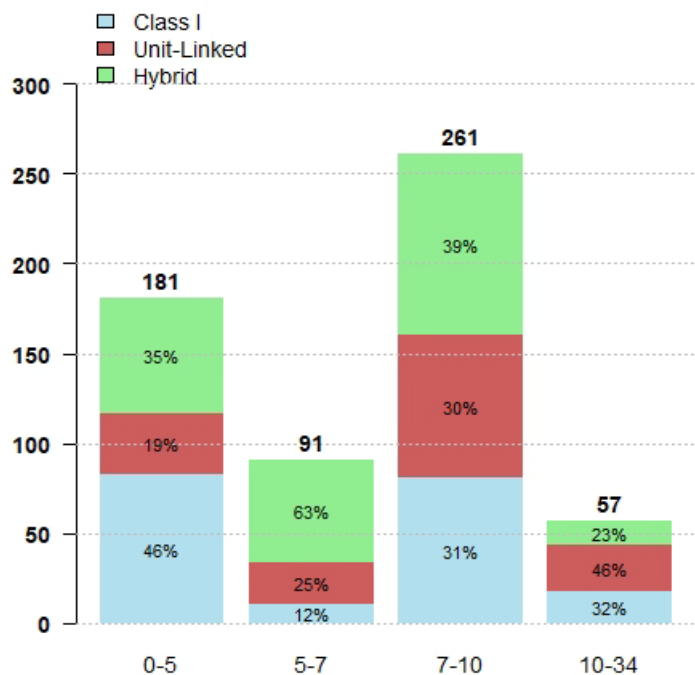
In particular, hybrid and unit-linked products are concentrated on RHPs between 7 and 10 years¹⁸, while with-profit products are mainly characterised by RHPs not exceeding five years (first column in Fig. 9).

¹⁷ Equal to the average value of the RHP values measured on the different underlying options.

¹⁸ More than 7 years and up to 10 years (included).

Figure 9

Number of products marketed by type and by RHP

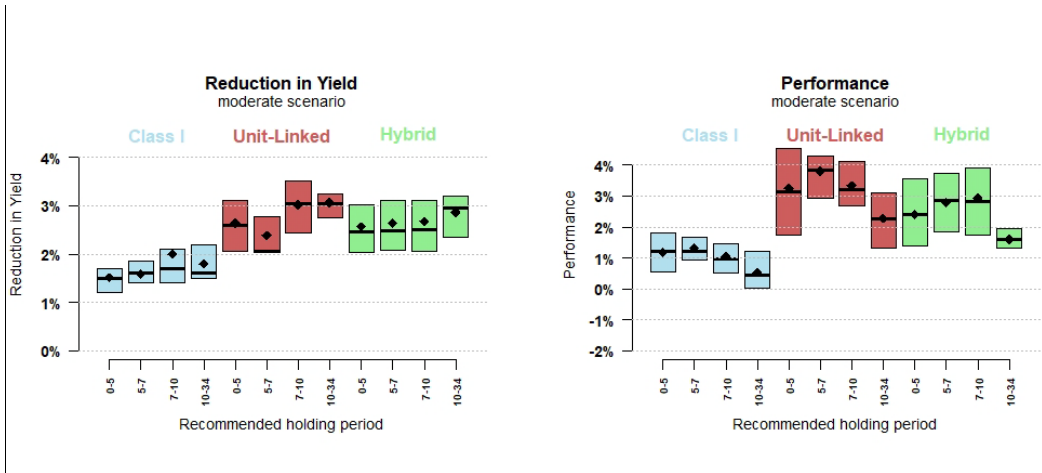


As expressed by the RIY, average cost is increasing for longer RHP for all three product types (Fig. 10). However, unit-linked policy costs decline for the RHP class from 5 to 7 years.

The average expected net performance for all product types shows a non-monotonic trend with respect to the RHP, increasing up to 7 years and decreasing after that.

Figure 10

Average RIY, average expected net performance by product type and recommended holding period (RHP)



Average costs and expected net performance by investment risk level

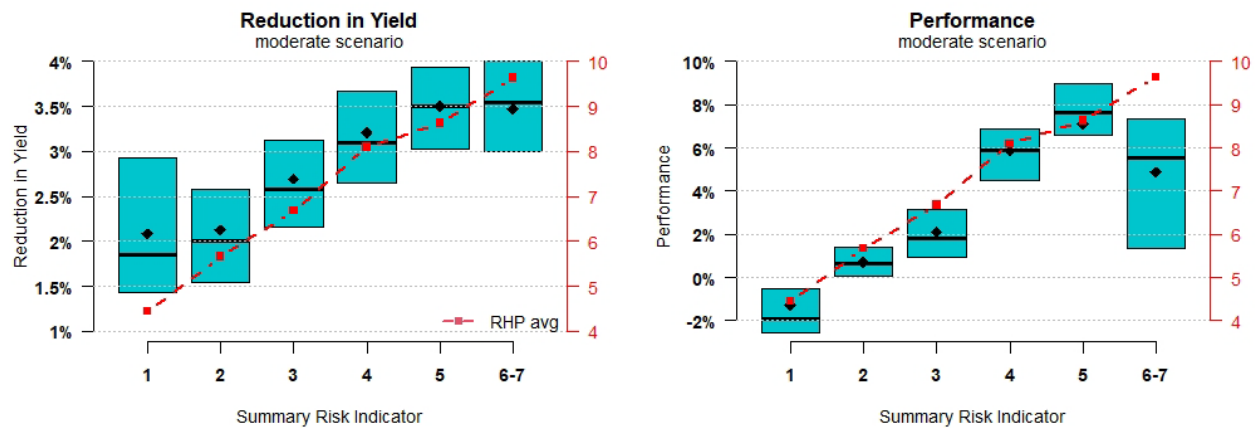
The following analysis considers the average costs and expected net performance of the individual investment options underlying the products related to the Summary Risk Indicator¹⁹ (SRI), which expresses the measure of investment risk according to the KID metric.

In general, average costs rise as the SRI increases. The average net expected performance in the moderate scenario increases as the SRI increases, decreasing only for options with a SRI of 6 or 7 (Fig. 11)²⁰.

A high SRI corresponds to a high RHP (red dashed line in Fig. 11), confirming that riskier investments are for clients oriented towards long-term investment. Such clients accept higher short-term volatility in anticipation of higher net performance over the long term.

Figure 11

Average RIY and expected net performance by summary risk indicator



Average costs and expected net performance by undertaking

Fig. 12 shows the relationship between the average RIY and the average net expected product performance per company, separately for the three product types. Costs tend to decrease as performance increases.

A lower variability of costs and performance among companies is observed for with-profit policies (standard deviation of 0.4% for the RIY and 0.7% for performance) compared to unit-linked and hybrid products (standard deviation of 0.7% for the RIY for both products and 1.3% and 1.4% for performance, respectively)²¹.

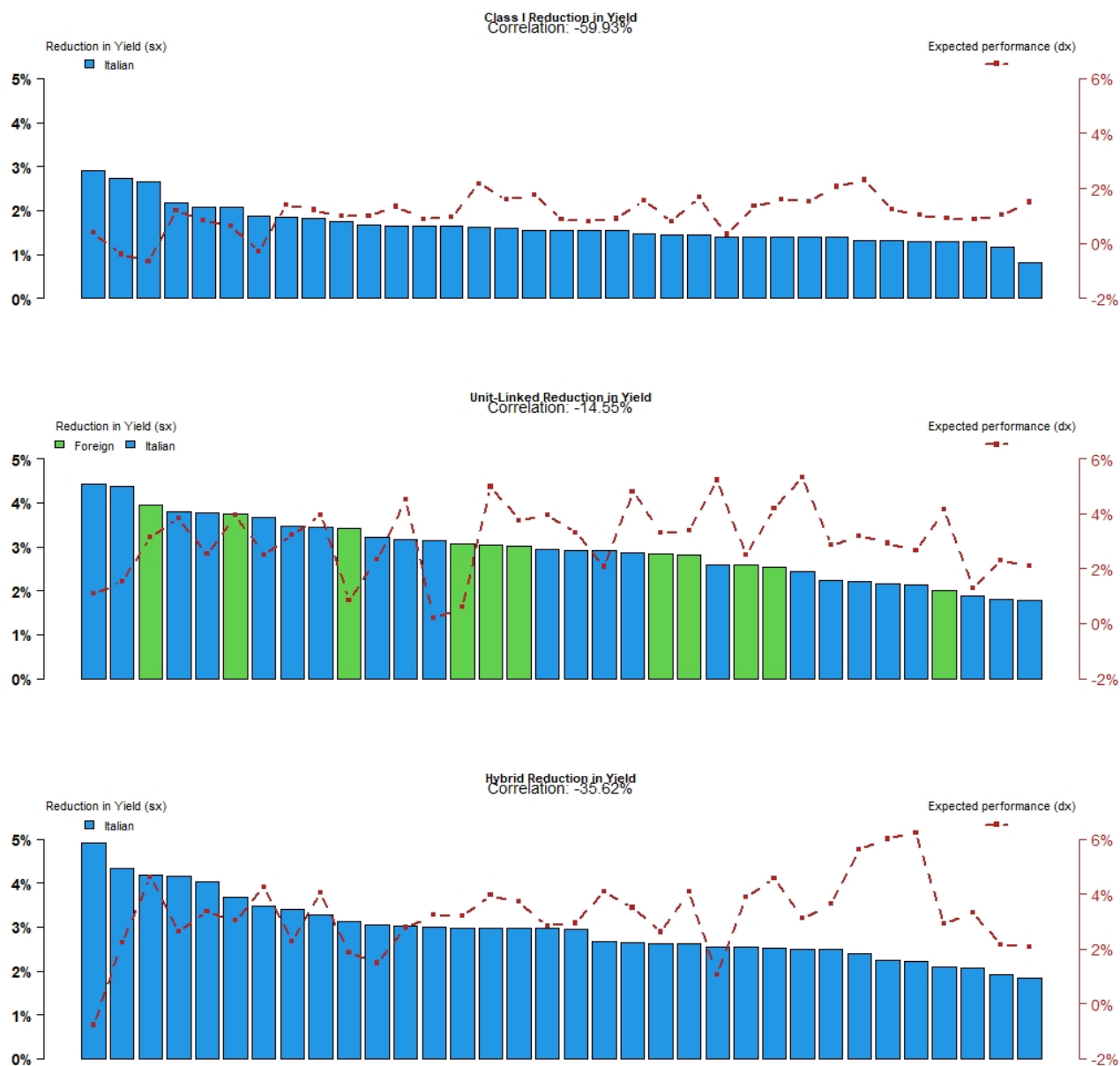
¹⁹ The indicator takes value from 1 to 7: minimum level 1 (lowest risk), maximum level 7 (highest risk).

²⁰ The heterogeneity of the options in each category affects the relationship between SRI and expected performance.

²¹ Unit-linked products offered by foreign companies, are indicated in a different colour.

Figure 5

Average RIY and expected net performance by type of product and undertaking



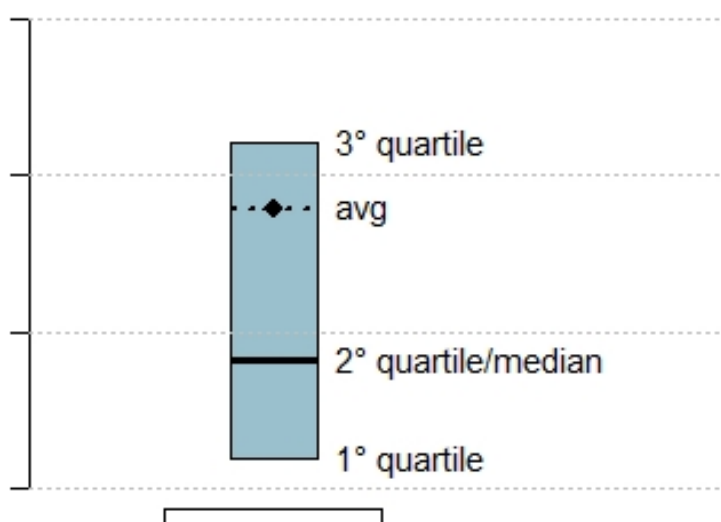
4. METHODOLOGICAL NOTES AND WARNINGS

Data in paragraph 2 are provided by companies, Italian and foreign, pursuant to IVASS Regulation No. 44 of 12 February 2019. The data refer to all insurance companies with head offices in Italy, insurance companies with head offices in another member state of the European Union or a state belonging to the European Economic Area or in a third country pursuing business in Italy in the life insurance classes referred to in Article 2 (1) of the Insurance Code.

The information referred to in paragraph 3 is taken from the KIDs of all IBIPs marketed in Italy by insurance companies with head offices in Italy, by the Italian branches of non-EEA undertakings, and by companies with head offices in other EEA states operating in Italy under the right of establishment or the free provision of services. Foreign undertakings account for over 80% of premiums collected in Italy by foreign undertakings for this product type. The analysis does not consider the commercial success of the single products and underlying options.

Figure 6

Legend for reading boxplots



The distance between the vertical bars represents the interquartile range (25th-75th percentile). The centre line represents the median of the distribution; the rhombus represents the mean value.