

A photograph of the Milan skyline at sunset. The sky is a warm, golden-orange color. In the foreground, there are dark silhouettes of trees and a building with a red roof. The middle ground features several skyscrapers. The most prominent is the UniCredit Tower, a tall, slender, cylindrical building with a glass facade that reflects the sunset. To its left is a shorter, wider building with a glass facade. To its right is a building with a sign that says "EXPO" and another with a sign that says "urban feeding the future now".

# 2020 Italy Insurance Outlook

Trends and imperatives shaping  
the life and non-life markets

The EY logo, consisting of the letters "EY" in a bold, white, sans-serif font. Above the "Y" is a yellow chevron shape pointing to the right.

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The Italian insurance market continues to grapple with macroeconomic and political uncertainty, low interest rates, rising competition, technological innovation, and regulatory shifts, above all IFRS 17. As such, insurers are rethinking existing strategies, rationalizing their businesses, seeking to dispose of underperforming assets, and looking to expand into new markets and products.

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Compound annual growth rate, gross written premium, Italy, 2013-2018

In EUR		In USD
2.5%	Total	0.2%
3.6%	Life	1.2%
-0.1%	Non-life	-2.4%

Source: Swiss Re Sigma

Insurers are still focused on strengthening capital under the Solvency II reporting regime, as well as on meeting the requirements of rating agencies. Disposing of non-core businesses, rationalizing asset allocation, and continuing to focus on capital management are among the key steps insurers are taking.

Technological innovation is about to drive change across the insurance value chain, from product development to underwriting and back-office operations to online distribution. A few insurers are considering whether to pilot blockchain technology, while most continue to invest in enhancing their digital capabilities and increasing their strategic and financial investments in InsurTechs.

# Key trends

# Life

The life business dominates the Italian market. In 2018, life premiums were €103.5 billion – up 3.3% from 2017 after two years of negative growth. The life business accounts for 75% of total gross written premium.

Life insurers continue to shift toward capital-light products and realign investment strategies to cope with the low-interest-rate environment. They are increasing exposure to higher-yielding, long-dated investments (e.g., real estate, infrastructure, infrastructure debt), overseas investments, and alternative asset classes (e.g., private equity and hedge funds).

New players, mainly private equity funds, are entering the life market through direct acquisition of existing insurance companies and closed books. The banking channel leads distribution, representing 61% of the 2018 life business.

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€103.5 billion

2018 life insurance premiums, Italy

75%

Life insurance share of total premiums

Source: EY analysis

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## Key trends

# Non-life

Non-life premiums in 2018 amounted to €35.1 billion, up 2.3% from 2017 and extending the positive trend that began in the last quarter of 2016. Combined ratios improved slightly in 2018, reaching 90.2% from 91.1% in 2017.

Nonetheless, the penetration of non-life lines in Italy remains well below other developed EU countries relative to GDP. The automotive business is by far the most important non-life sub-sector.

Non-life insurers are challenged by a very competitive pricing environment and low investment returns. They are focused on improving operating efficiency and profitability through:

- ▶ Selective underwriting
- ▶ Cost control measures
- ▶ New offerings and operating models that promote risk prevention

To differentiate themselves, many insurers have launched specialized products, such as cyber insurance, to boost sales. Health insurance offerings are one of the most important growth opportunities. The agency channel leads non-life distribution, representing 79% of the 2018 non-life business.

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€35.1 billion

2018 non-life insurance premiums, Italy

2.3%

Non-life insurance premium growth, 2017-2018

Source: EY analysis

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79%

Agency channel's share of non-life business, 2018

Source: EY analysis

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# Imperatives for insurers

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1

**Dispose of non-core businesses** and under-performing business lines, while streamlining operations for simplicity and efficiency.

2

**Exploit opportunities** related to the entry of new players into the life business, mainly private equity funds acquiring existing insurance companies and closed books.

3

**Emphasize customer centricity** and promote innovation via investments in InsurTechs and incubators.

4

**Review product portfolios** and prioritize innovation in digital health, home insurance, instant insurance, and cyber risk.

5

**Leverage partnerships and strategic acquisitions** in mature markets to pursue profitable growth opportunities in emerging markets.

# Contact

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For insights into regional trends and imperatives, please review the 2020 Europe Insurance Outlook.

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