# Italian Insurance Sector 2025

## Sustained Revenue Growth And Resilient Profitability

**May 21, 2025**

S&P Global Ratings

*This report does not constitute a rating action*

## Key Takeaways

- Unit-linked life policies continue to outpace traditional life savings policies, with an expected annual growth of 10% and 5%, respectively. We do not believe that current market uncertainties will reduce the attractiveness of life insurance.
- We expect lapse rates in the life sector will decline, with redemptions of life savings products decreasing below 8% in 2025.
- We forecast above-inflation premium growth for property/casualty (P/C) insurers due to improving underwriting performance and stable motor claims frequency.
- Non-motor insurance will increase by about 6% per year over 2024-2026 because of rising demand for health and property insurance. The mandatory natural catastrophe risk cover for corporates from October 2024 could lead to additional premium growth.

# Italian Insurance Landscape

| (%) | | 2021 | 2022 | 2023 | 2024e | 2025f | 2026f |
|---|---|---|---|---|---|---|---|
| **Real GDP growth** | | 8.8 | 5.0 | 0.8 | 0.5 | 0.5 | 0.8 |
| **10-year government bond yield (average)** | | 0.8 | 3.2 | 4.3 | 3.7 | 3.6 | 3.8 |
| **Life** | **Gross written premiums** | 4.5 | -12.1 | -2.0 | 20.8 | 6.4 | 6.4 |
| | **Return on assets** | 0.5 | 0.0 | 0.7 | 0.5 | 0.5 | 0.5 |
| **P/C** | **Gross written premiums growth** | 1.9 | 4.5 | 6.6 | 8.1 | 5.6 | 5.6 |
| | **Net combined ratio** | 93.7 | 95.2 | 99.1 | 95.2 | 94.2 | 94.2 |

e--Estimate. f--Forecast. P/C--Property/casualty. Sources: S&P Global Ratings, IVASS, ANIA.

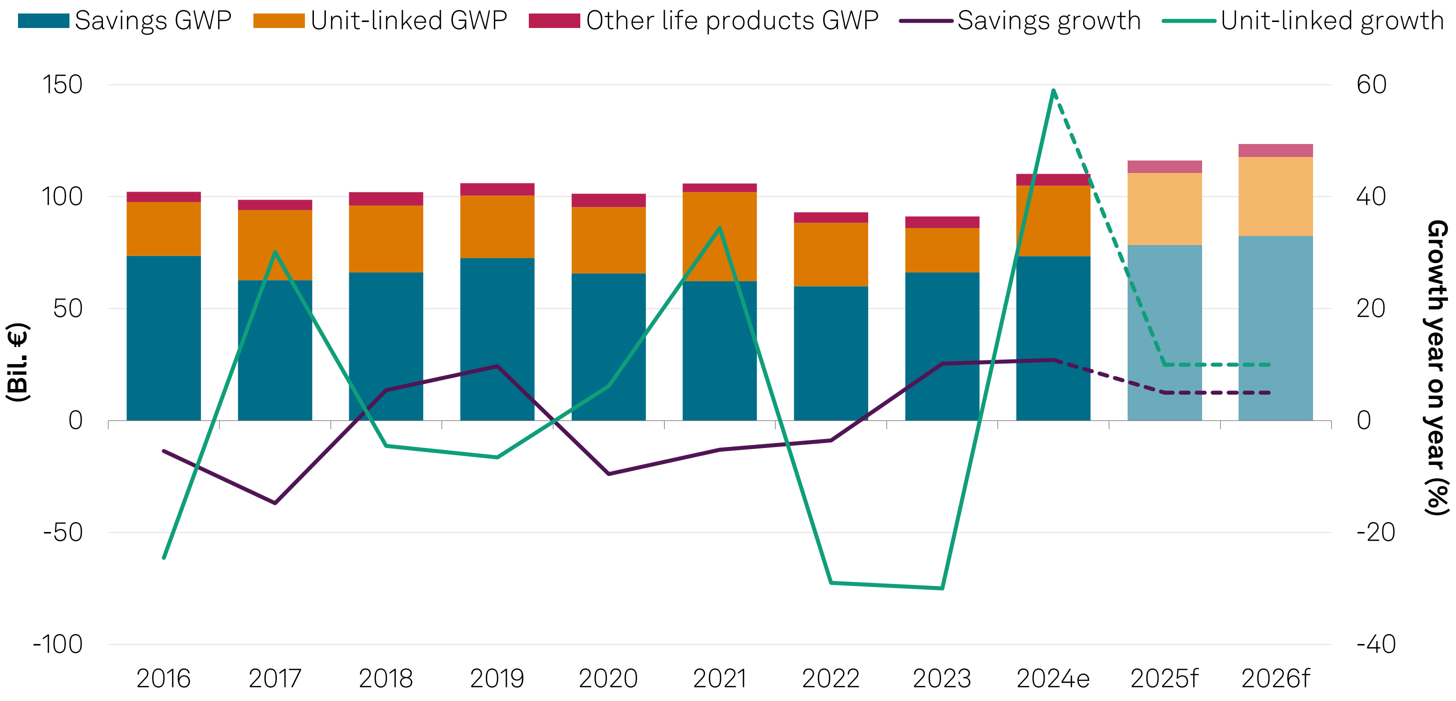
# Italian Life Insurance

# Unit-Linked Policies Continue To Outpace Traditional Life Savings Policies

## The life sector remains resilient, with significant growth in savings products

### Premiums of unit-linked policies increased by 60% in 2024, versus 11% for traditional life savings policies

Premium mix and growth

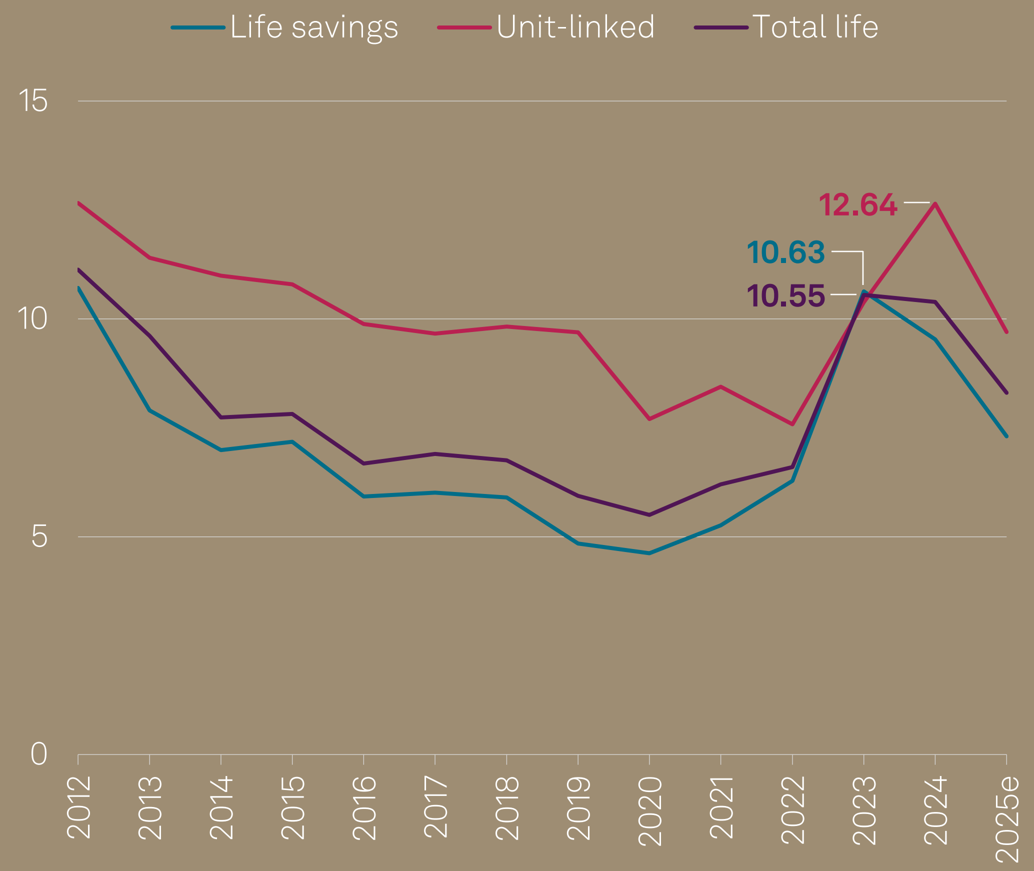



e--Estimate. f--Forecast. GWP--Gross written premiums. Sources: S&P Global Ratings, IVASS, ANIA.

- In 2024, the sector benefited from favorable equity markets and declining short-term interest rates.
- We expect annual growth of 10% for unit-linked policies and 5% for traditional life savings policies as policyholders continue to increase the share of unit-linked polices.
- Premium volume growth improved net flows in 2024. In fourth-quarter, net flows increased to €3.6 billion, versus negative €6.5 billion in fourth-quarter 2023, according to the Italian Association of Insurance Companies (ANIA).
- We believe the current market uncertainties and interest rate environment strengthen the attractiveness of life insurance.

# Lapses Peaked Over 2023-2024

Lapse rates reached a temporary all-time high (%)




e--Estimate. Sources: S&P Global Ratings, IVASS, ANIA.

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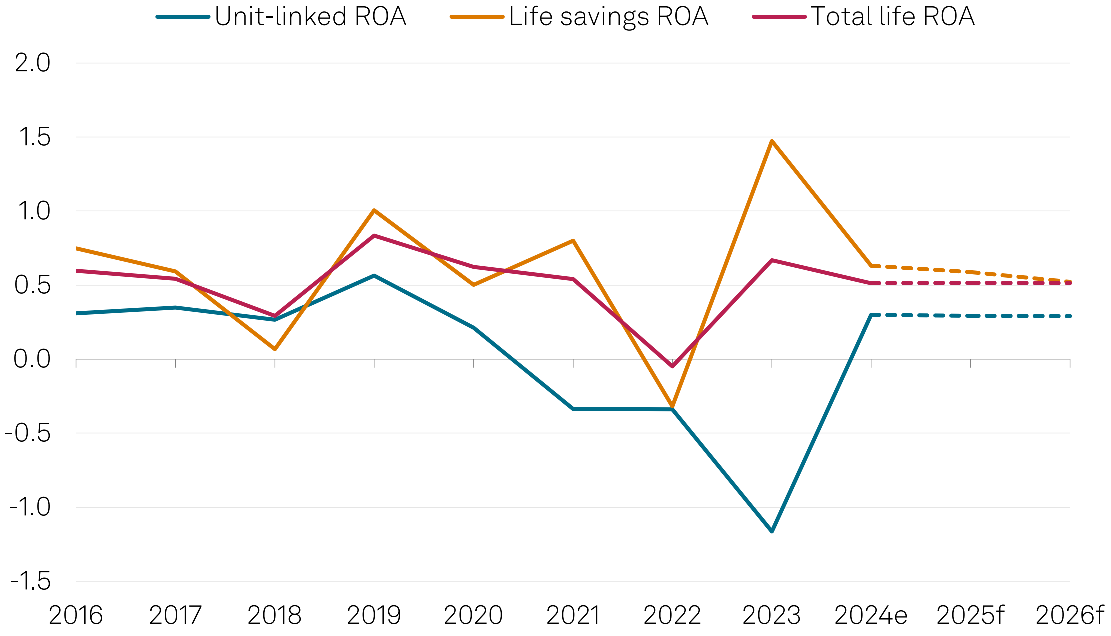
- Even though structural lapse rates improved, they remain relatively high and continue to weigh on revenues. Life policies in Italy continue to display higher structural lapse rates than in other large European life insurance markets, such as France and Germany.
- At year-end 2024, the estimated average lapse ratio in Italy was 9.5% for life savings policies (compared with a 10-year average of 6.6%) and 12.2% for unit-linked policies (compared with a 10-year average of 9.7%).
- Redemptions of life savings products reduced to 9.5% in 2024, from 10.5% in 2023. We expect they will decline below 8.0% in 2025 as the yields of life savings policies become more attractive.
- The relatively higher lapse rates in Italy are due to Italian insurers' limited capacity to manage policyholder crediting rates via bonus reserves and low penalties for early redemptions.
- Italian life insurers have built policyholder reserves since end-2023, taking advantage of higher fixed-income yields and regulatory changes.

# Life Insurers Benefit From ROA And Decreasing Guarantees

- Unit-linked products have lower margins but reduce the volatility of profitability as policyholders bear the risk.
- Italian life insurers have progressively decreased guarantees as 63% of policies have a guaranteed rate of 0%, as of December 2023.

## We expect a rebound in unit-linked return on assets

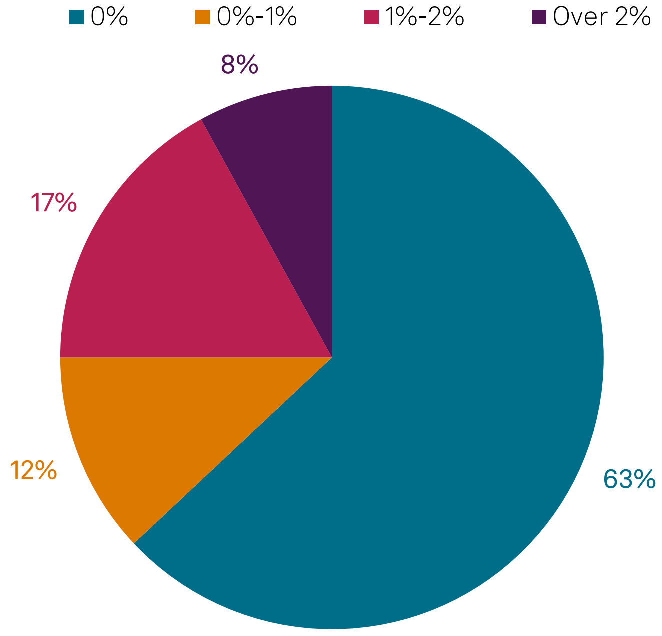
(%)




e--Estimate. f--Forecast. ROA--Return on assets. Sources: S&P Global Ratings, IVASS, ANIA.

## Product risk is limited

Guaranteed life reserves, composition by rate band




Sources: S&P Global Ratings, IVASS

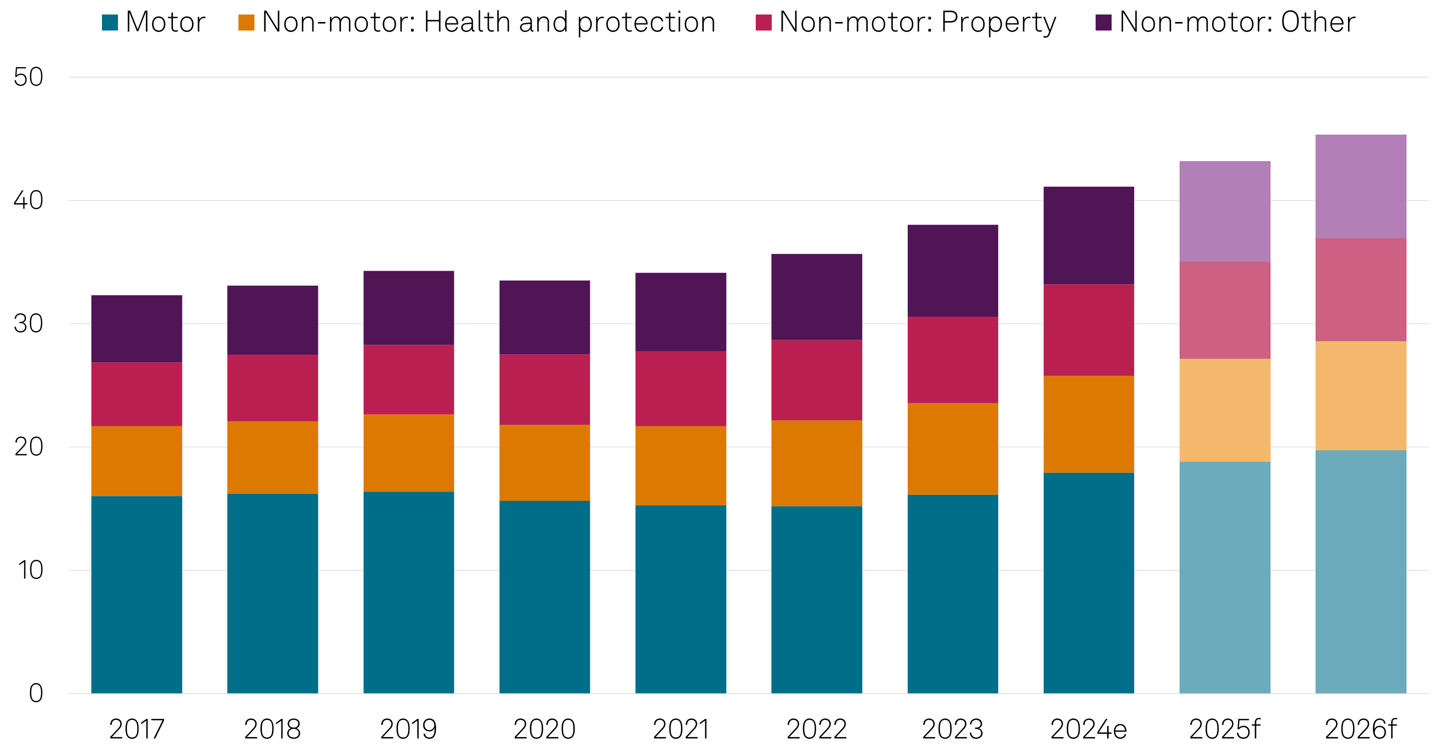
# Italian P/C Insurance

# Improvements In Profitable Non-Motor Lines And Underwriting Performance

- The strong repricing effects resulted in the overall P/C GWP exceeding the threshold of €40 billion in 2024.
- We expect non-motor insurance will account for 57% of P/C insurance at end-2026. The faster growth of non-motor lines results from the rising demand for health insurance--which is linked to Italy's aging population and increasing private healthcare costs--and property insurance, which is due to increasing property values and the rising frequency of natural catastrophe events.
- We believe the new law requiring all Italian corporates to subscribe to a policy covering natural catastrophe risks by October 2024 will provide additional premium growth.

## Premium growth to exceeded inflation at 6% per year over 2024-2026

P/C insurance gross written premiums, composition, and growth (bil. €)



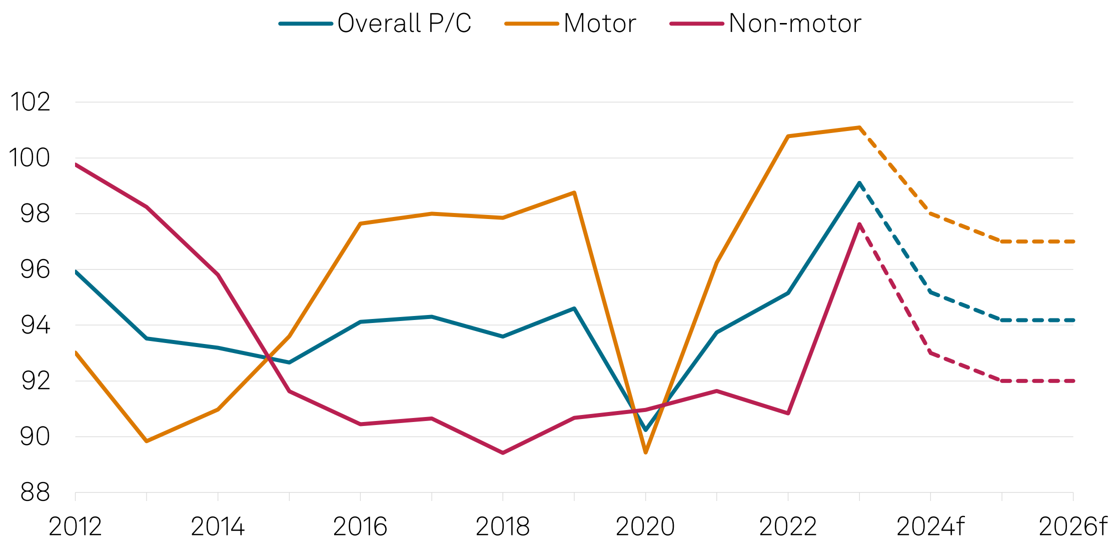

e--Estimate. f--Forecast. Source: S&P Global Ratings, ANIA.

# Non-Motor Lines' Structurally Higher Profitability Supports Combined Ratio

- Strong profitability results from repricing measures and excess reserves in general liability.
- P/C insurers proactively increased motor tariffs and benefited from growth in other business lines.
- The positive reserve runoff in general liability continues to improve COR significantly.

## We expect the overall COR will improve to about 94% over 2025-2026

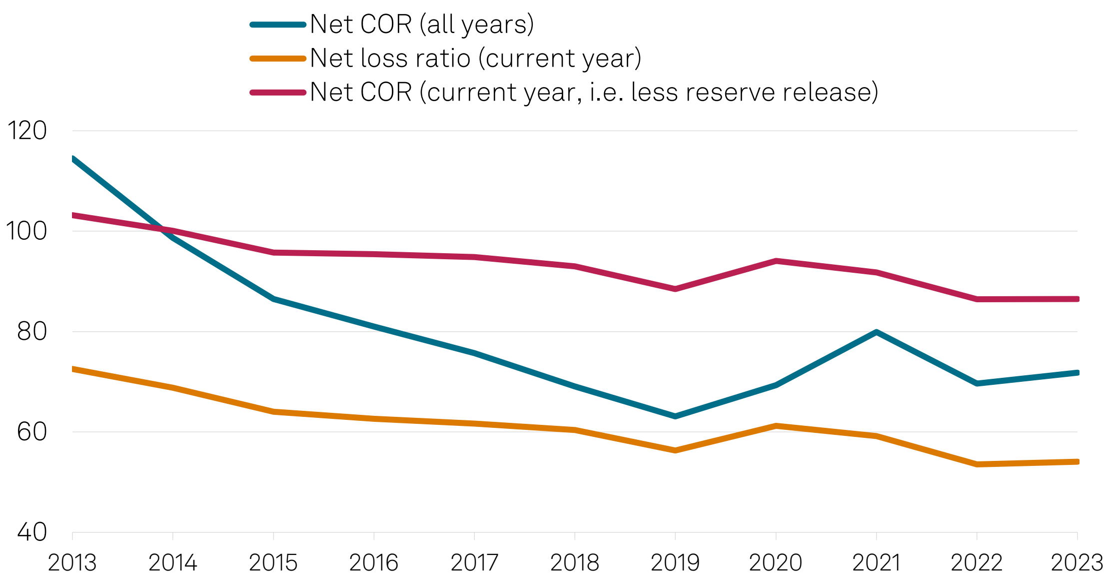
COR by business line (%)




COR--Combined operating ratio. f--Forecast. Sources: ANIA, IVASS, S&P Global Ratings.

## COR benefits from a continuing downward trend in the current-year loss ratio

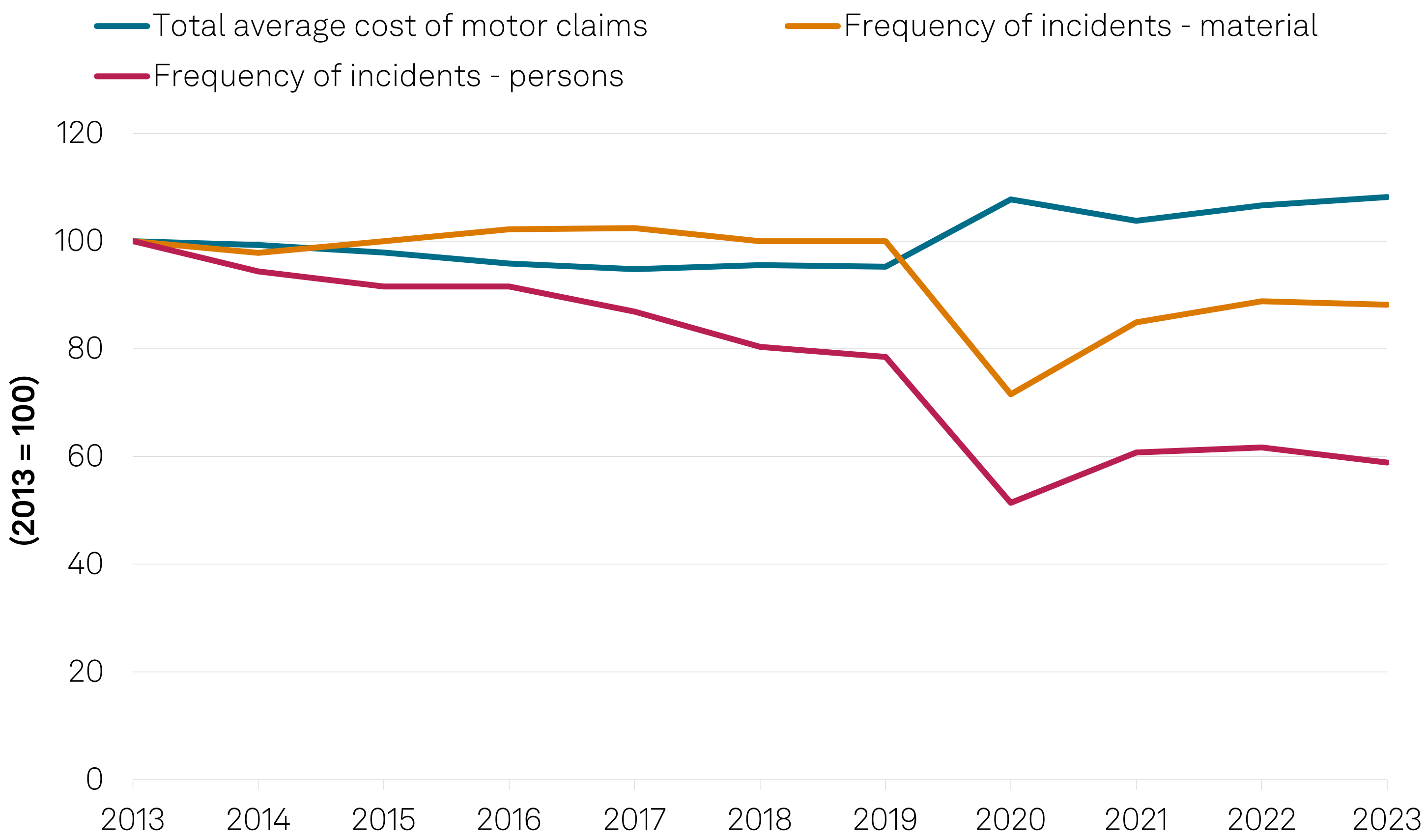
(%)




COR--Combined operating ratio. Sources: ANIA, IVASS, S&P Global Ratings.

# The Rise In Overall Motor Claims Is Limited

The reduced frequency of bodily injuries mitigated the negative effect of inflation on claims costs




Sources: ANIA, IVASS, S&P Global Ratings.

- The frequency of bodily injuries, which are more costly for insurers, has not reached pre-COVID-19 levels. This positive trend attenuates the effects of increasing motor claims costs for Italian motor insurers.
- The overall cost of motor claims is rising only gradually.
- The increasing use of telematics--devices used to track and monitor driving styles of insured vehicles--influences driving behavior, pricing, and risk assessment.

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