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Market Segment Outlook: Italy Life Insurance

Surrenders are expected to continue exerting pressure on net volumes in 2025, in a segment exposed to economic uncertainty.

AM Best is maintaining its Negative outlook on the Italian life insurance segment, owing to the following factors:

- Net volumes remain under pressure due to surrenders.
- Concentrated market with high competition from domestic investment opportunities.
- Segment exposure to economic uncertainty.

Partially offsetting factors are:

- Stable regulatory environment.

Net Volumes Remain Under Pressure due to Surrenders

AM Best expects life insurance premium growth momentum in Italy to continue in 2025, albeit at a slower pace, following the recovery trend seen in 2024. The segment's top line is correlated to wider economic-financial conditions, particularly an interest rate environment that remains attractive.

Italy's life insurance segment is dominated by traditional savings policies, posing a challenge for Italian life insurers' product mix diversification.

Sales of unit-linked products are recovering slowly, although volumes are still materially lower than in 2021 and 2022. Additionally, pressure on net inflows is expected to continue throughout 2025, as global geopolitical risks provoke financial markets' volatility, which in turn has the potential to trigger another spike in surrenders.

AM Best notes that, in contrast to other European markets, life insurers in Italy are still facing elevated levels of surrenders which failed to scale down as hoped. These surrenders continue to exert pressure on net flows, especially with regards to capital-light products.

The ratio of surrenders to average technical reserves was 10.4% during 2024, unchanged from the previous year and still significantly higher than in 2021 and 2022, when it was consistently ranging around 6-7%.

According to Associazione Nazionale fra le Imprese Assicuratrici (ANIA), Italy's life segment recorded a net outflow of EUR 3.3 billion in 2024, dragged by the net outflow on unit-linked products, improving compared to 2023 yet failing to revert back to positive.

Unless net inflows for unit-linked offerings improve materially, achieving a well-balanced mix of traditional and unit-linked products is expected to remain a challenge for Italian life insurers in the short term.

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In recent years, Italian life insurers have made efforts to increase their capital efficiency and revenue diversification. AM Best views the market's increased concentration on traditional saving products as a sign that those efforts have not been as successful as insurers would have hoped.

Concentrated Market with High Competition from Domestic Investment Opportunities

The Italian life insurance segment continues to exhibit an elevated level of concentration both by players and distribution channels. Roughly half of total life premiums are written by three companies and distributed through bancassurance channels.

These two characteristics act as barriers to entry for new companies and prevent smaller participants from gaining market share. Additionally, traditional savings products dominate the segment, while unit-linked and capital-light products accounts for roughly one third of premiums and technical provisions.

AM Best expects the healthy, although declining, interest rates environment to support strong investment returns and profit margins for the Italian life segment in 2025. However, geopolitical tensions and potential trade disputes might disrupt the current global economic environment and create uncertainties for the development of the market.

Domestic Government bonds (BTPs) provide strong competition to life insurers' savings products. These BTPs, which are commonly regarded as low-risk and free-from-fees, offer 10-year yield ranges between 3.50% - 4% - the highest in the eurozone.

In the period 2022-2024 the share of public debt held by individual families tripled, demonstrating Italian savers' elevated appetite for BTPs.

Economic Overview

According to International Monetary Fund (IMF) April 2025 projections, Italy's gross domestic product (GDP) is expected to fall slightly to 0.4% in 2025 from 0.7% in 2024.

While Italy is expected to see lower-than-1% growth until at least 2026, this growth is well above the average 0.2% the decade prior to the pandemic.

Economic activity has been driven by domestic demand, government spending, and investment. The Italian government's Superbonus programme, tax credits provided as an incentive for residential renovations, and the EU's Next Generation investment spending programme have all contributed to higher growth.

However, Italy faces several headwinds in both the short term (geopolitical tensions and global trade policy) and the longer term (unfavourable demographics, low productivity, high government debt and a burdensome operating environment) that have the potential to slow economic growth.

For the European Union, the IMF is predicting inflation will decrease to 2.4% in 2025 from 2.6% in 2024. A benign inflation environment in the EU will likely allow the European Central Bank (ECB) to continue to gradually ease monetary policy through 2025. The bank cut its policy rate by 25 basis points in April 2025 to bring the current rate to 2.25%.

Stable Regulatory Environment

The Italian regulatory environment is expected to remain consistent and in line with the rest of the European Union (EU).

The latest developments include the entry into force of the Digital Operational Resilience Act (DORA) in January 2025, and the adoption of the EU Artificial Intelligence (AI) Act in February 2024, expected to be fully enforced by 2025-2026. Implementation of the revised Solvency II regime is expected to take place in 2027. Artificial intelligence is expected to remain on top of the segment's priorities with most companies carrying out initiatives that target making the processes more efficient and improving the customer experience.

GUIDE TO BEST'S MARKET SEGMENT OUTLOOKS

Our market segment outlooks examine the impact of current trends on companies operating in particular segments of the insurance industry over the next 12 months. Typical factors we would consider include current and forecast economic conditions; the regulatory environment and potential changes; emerging product developments; and competitive issues that could impact the success of these companies.

A Best's Market Segment Outlook can be Positive, Negative, or Stable.

Best's Market Segment Outlook	
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We update our market segment outlooks annually but may revisit them at any time during the year if regulatory, financial, or market conditions warrant.

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BEST'S MARKET SEGMENT REPORT

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