

CORE MATTERS

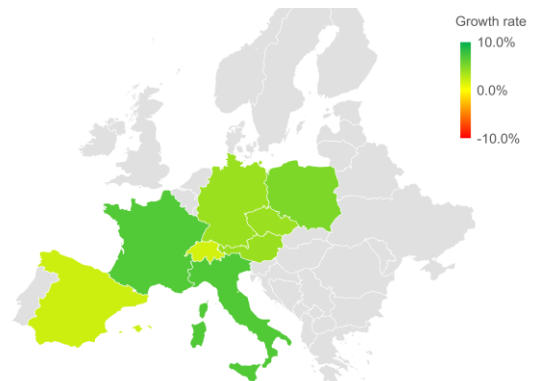
European insurance: 2024/26 outlook

C. de Maria, R. Menegato, A. Salera, F. Tartara
Insurance & AM Research - October 15th, 2024

Our Core Matters series provides thematic research on macro, investment, and insurance topics

- We provide a description and 3-year outlook for the European insurance market by main Lines of Business (Lobs), including our proprietary forecasts of Gross Written Premiums (GWP).
- Our EU perimeter considers the following main EU countries: Germany, France, Italy, Spain, Austria, Switzerland, Czech Republic, and Poland (>70% of GWP in Europe ex-UK).
- Global growth has become bumpier, but US recession risks are still low. In Europe (ex-UK), growth is expected to continue at a moderate pace, supported by resilient labour markets, large household savings accumulated over the past three years, and decent global growth. Euro area GDP is expected to grow by 0.6% in 2024, 0.9% in 2025, and 1.4% in 2026.
- The ECB cut interest rates by 25 bps in June and September. Inflation will gradually fall towards 2% by 2026. The ECB is expected to go ahead with regular 25 bps rate cuts and conclude the easing cycle at 2.25% by YE25, with improving EU financial conditions. Risks are skewed towards a lower terminal rate.
- The EU life insurance sector grew by 1.8% in GWP in 2023, driven by high household savings and rising interest rates. However, results varied across countries: Spain + 36%; Austria, Italy, and Germany -5%. Factors explaining these differences include alternative investment options and policyholder incentives (including tax ones). The market is expected to grow at 4.3% 2024-26, supported by declining inflation and ECB interest rate cuts. Differences in local growth magnitude will persist.
- In 2023, non-life insurance GWP in the EU saw a significant increase across motor, property, and health segments. Inflation, driven by economic and geopolitical factors - COVID-19 pandemic, energy price hikes, and the war in Ukraine - have contributed to higher claims-related expenses, putting profitability under pressure. Insurers reacted by adjusting tariff upwards.
- The growth in non-life will continue consistently in the coming years (around 6%, 2024-26 CAGR), albeit at a more moderate pace as inflation cools off. Long-term growth prospects remain positive, supported by the ongoing demand and the sector's proactive response to market challenges. Climate change is among them: the rise frequency and severity of natural disasters is posing insurability issues to the industry. Public-private partnership will be key going forward to stem the surging protection gap and mitigate the increasing exposure to physical risk.

Total Premiums Forecast (2024-2026 CAGR)



Source: GenAM Research on local insurance associations' data

CONTENT

1. Macroeconomic context.....	2
2. Life insurance	2
3. Non-Life insurance	4
4. Forecast summary	5

We provide a description and a 3-year outlook for the European insurance market by main Lines of Business (Lobs), including our proprietary forecasts of Gross Written Premiums (GWP). Our EU perimeter considers the aggregation of the following main EU countries: Germany, France, Italy, Spain, Austria, Switzerland, Czech Republic, and Poland, representing more than 70% European GWP (ex-UK). In section 1 we quickly review the macroeconomic context; Section 2 focusses on GWP in the Life market, analysing the main trends shaping past and future collection. Section 3 analyses the Non-life business, with details on motor, property, and health segments. Section 4 concludes with a final overall picture of the next 3Y GWP at the European and single country level.

1. Macroeconomic context

Global growth has become bumpier, but US recession risks are low. The macro-outlook of Europe (ex-UK) is cautiously optimistic for the period 2024-2026. After five quarters of stagnation, the euro area economy has resumed growth: in Q1 and Q2, GDP increased by 0.3% quarter-on-quarter (qoq).

The recovery is expected to continue at a moderate pace, fuelled by resilient labour markets, the elevated household's savings cumulated over the past three years and decent global growth. Euro area GDP is expected to grow by 0.6% in 2024, 0.9% in 2025 and 1.4% in 2026.

The high inflation rates recorded in 2023 are projected to decline in most countries, progressively stabilizing towards the European Central Bank's target: headline euro area inflation receded to 1.8% yoy in September (core at 2.7%). Following a first 25 bps cut in June, the ECB cut again interest rates by 25 bps in September and adopted a dovish tone. Even though services inflation has proved sticky, the ECB has grown more confident that inflation will recede and reach the 2% target by 2025. GenAM expects the [ECB](#) to proceed with regular 25 bps rate cuts down to 2.25% by YE2025. An easing of monetary policy is set to improve financial conditions in the EU, which have remained relatively tight so far.

Main challenges: EU's external environment, including two

Macro data and Financial Market forecasts (as of September 2024, real GDP, inflation and 10Y gov.bonds rate)

Growth	2023	2024	2025	2026
<i>Euro area</i>	0.5	0.6	0.9	1.4
<i>Austria</i>	-0.3	0.2	1.6	1.4
<i>Czech Republic</i>	-0.2	1.1	2.7	2.8
<i>France</i>	0.9	1	0.8	1.6
<i>Germany</i>	-0.1	-0.2	0.6	1.5
<i>Italy</i>	0.9	0.8	0.9	0.7
<i>Poland</i>	0.2	3.1	3.2	3.2
<i>Spain</i>	2.7	2.5	2	1.8
<i>Switzerland</i>	0.8	1.4	1.5	1.8

Inflation	2023	2024	2025	2026
<i>Euro area</i>	5.5	2.4	2.1	2
<i>Austria</i>	7.7	3.3	2.3	2.3
<i>Czech Republic</i>	10.7	2.4	2	2
<i>France</i>	5.7	2.4	1.9	2
<i>Germany</i>	6	2.4	2.2	2
<i>Italy</i>	5.6	1.3	1.8	1.8
<i>Poland</i>	11.6	3.7	4	2.8
<i>Spain</i>	3.6	3	2.1	1.9
<i>Switzerland</i>	2.2	1.4	1.1	1.2

10-Year Gvt Bonds	2023	2024	2025	2026
<i>Austria</i>	2.6	2.7	2.8	2.85
<i>Czech Republic</i>	3.75	3.9	3.85	3.8
<i>France</i>	3.15	2.95	3.05	3.15
<i>Germany (Bunds)</i>	2.43	2.2	2.25	2.3
<i>Italy</i>	3.95	3.65	3.8	3.95
<i>Poland</i>	5.21	5.4	4.9	4.6
<i>Spain</i>	2.98	3	3.1	3.15
<i>Switzerland</i>	0.61	0.65	0.75	0.8

Source: GenAM research, as of October 2024

ongoing wars in the EU neighbourhood (Ukraine and Middle East), and mounting geopolitical tensions. A Trump victory at the US elections on November 5, would likely revive trade tensions, potentially creating a negative shock to the EA economy, including higher tariffs.

Within the euro area, the recent political developments in core countries, including France and Germany, are significant headwinds. Germany, which contributes 29% to the euro area GDP, is not only affected by its heavy reliance on exports but also faces structural challenges (such as those in the car sector) and needs to reinvent its economic model now that its three reliances have been exposed (Russia/energy, China/exports, US/military).

2. Life insurance

After two years of high volatility in gross collection, due the pandemic (2020) and the increase in inflation and in interest rates (2022), in 2023, the overall EU life insurance sector

posted +1.8% Gross Written Premiums (GWP) growth. The industry benefitted from:

- European households' elevated savings rate, which remained higher than pre-COVID levels. This contributed to sustained demand for life insurance products.
- Rising interest rates, which improved the attractiveness of life insurance products, offering higher returns for traditional products.

This positive result, however, hides very different results among local markets:

- Spain posted an astonishing +36%, driven by both rising interest rates and the absence of deposit remuneration, leading savers to seek greater returns elsewhere. To satisfy these customer needs, while offering higher returns, numerous new guaranteed savings products have been launched.
- Poland, France, and Czech Republic show single digit growth, while Austria, Italy, and Germany experienced a contraction around 5%.

This heterogeneity between countries depends on several factors like the existence of **liquid higher-yielding alternatives** vs. life insurance, the **ease of withdrawing**

moved a 2017-2021 avg of 44 bn euro to an 2022-23 avg of 58 bn. France moved from 70 bn to 83.

In **Spain**, on the contrary, the absence of deposit remuneration protected insurance policies from lapsation. There, the extremely positive GWP growth also came from a boost in traditional guaranteed products supply, particularly appreciated by Spanish savers.

In some other countries, like **Germany**, lapsation was capped by the numerous **disincentives** that policyholders face to surrender their policies; among the most relevant mitigant factors:

- tax and inheritance benefits, as well as surrender penalties,
- the use of "bonus rates" by insurers, which consists in releasing reserves to give extra bonus to clients.

Looking ahead, the life insurance market is expected to post positive 2024-2026 growth, with CAGR at 4.3%. Factors such as declining inflation and interest rate cuts by the ECB are likely to support the market. Such growth is concentrated in 2024 (+8.2%). Then a stabilization is expected (CAGR 25-26 at 2.5%).

Country heterogeneity will persist: in 2024, Italy and France are expected to post double digit growth, while countries like Spain or Poland have already posted an above-average growth rate in 2023, faster reacting to improving market

Life Premiums growth	2018	2019	2020	2021	2022	2023
Europe*	2.1%	2.2%	-10.8%	10.3%	-5.6%	1.8%
Austria	-3.5%	-1.5%	-1.4%	0.6%	-1.1%	-4.5%
Czech Republic	-0.5%	6.5%	-4.3%	4.9%	5.0%	3.2%
France	6.5%	-4.3%	-19.5%	27.7%	-1.5%	5.7%
Germany	3.3%	11.3%	-2.4%	-1.1%	-5.9%	-5.2%
Italy	-0.8%	4.7%	-5.8%	8.3%	-14.6%	-4.6%
Poland	-11.7%	-2.9%	-5.6%	3.8%	-5.2%	9.5%
Spain	-1.4%	-5.1%	-20.7%	7.9%	4.2%	36.0%
Switzerland	-3.2%	4.3%	-14.5%	-7.1%	6.9%	-0.8%

Data source: Local Insurance Associations

* IAM Research perimeter

money invested in life insurance policies (disincentives), and the **reactivity** of insurers in adapting their product offerings.

The increase in interest rates has impacted households' savings choices, affecting life insurance flows: in some countries, like Italy, unit-linked products became less appealing; the competition against alternative products, like Government bonds or deposit accounts intensified (Italy, France, Germany) since they adjusted more promptly to the prevailing market yields. In some cases, like **Italy and France**, higher competition resulted in a significant increase of lapsation of existing policies. As an example, lapses in Italy

Life Premiums Forecast (2024-2026 CAGR)



Source: GenAM forecast on Local Insurance Associations' data.

conditions. Therefore, in 2024 they are likely to experience lower growth or even a decrease in life premiums collected.

Longer term, the ongoing **revision of the Solvency II regulation** could have a positive impact on the insurance industry. The proposed changes include a reduction in the cost of capital and risk margin values, a reassessment of the eligibility criteria for Long-Term Equity Investments (LTE), a

revision in the methodology for extrapolating the risk-free rate curve, and a fine-tuning of the volatility adjustment mechanism (VA). These changes aim to **alleviate the prudential and volatility elements** that the market operators consider to be excessive. This could free capital¹ and offer increased flexibility, enhancing the investment capacity, profitability, and resilience of asset portfolios.

3. Non-Life insurance

In 2023, the non-life insurance premiums recorded a notable increase with a consistent upward trend across motor, property, and health segments, mainly due to inflation.

Non-Life Premiums growth	2018	2019	2020	2021	2022	2023
Europe*	2.9%	3.8%	2.1%	3.7%	5.4%	6.0%
Austria	3.6%	4.4%	2.9%	4.5%	6.3%	8.3%
Czech Republic	10.0%	7.2%	0.3%	-18.7%	50.5%	11.4%
France	3.6%	4.5%	2.5%	4.9%	3.4%	5.7%
Germany	2.8%	3.3%	3.0%	4.0%	3.9%	5.1%
Italy	2.6%	2.7%	-2.0%	2.8%	6.4%	7.7%
Poland	6.5%	3.1%	-3.1%	7.2%	5.6%	13.5%
Spain	4.1%	3.5%	1.1%	3.2%	5.2%	6.8%
Switzerland	-2.1%	5.4%	6.0%	1.5%	11.8%	3.6%

Loss Ratio	2018	2019	2020	2021	2022	2023**
Non-Life	63%	64%	62%	64%	65%	61%
Motor	78%	79%	70%	76%	81%	87%
Non-Motor	57%	57%	59%	60%	58%	52%
of which Health***	72%	73%	73%	72%	72%	76%

Source: Local Insurance Associations.

* IAM Research perimeter; ** excluding France, Italy and Switzerland since 2023 claims figures are not available; *** excluding Poland and Czech Republic.

The European market has been influenced by broader economic and geopolitical factors such as the aftermath of the pandemic, energy price hikes, and the war in Ukraine. These factors have contributed to higher inflation and consequently higher insurance premiums to cover the rising costs of repairs, medical expenses, and other claims-related expenses. Indeed, while **premium growth remained strong** across most markets, in most countries the **profitability was under pressure** from escalating claims expenses.

The **motor insurance** posted a robust growth driven by:

- the increase in tariffs. The **price adjustments, however, did not fully offset the higher claims expenses** related to

the inflation in repair and spare parts prices. According to [Bloomberg](#), **in the EU, premiums increased on average by 7.5% during 2023, while costs rose by 10.9%**. The Loss Ratio reached 87% in 2023, up 6.3pp from 2022. This led to a worsening in profitability ratios in all the countries considered in the analysis. Tariffs are expected to further adjust upwards in 2024 to restore technical profitability. Then, a progressive slowdown in tariffs increase should follow, in line with the likely normalization of the inflationary push.

- the surge in car registrations (10.5 million, almost 14% vs 2022). 1H24 saw further gains, up 4.5% to nearly 5.7 million units. However, registration volumes remain relatively low (-18%) compared to pre-pandemic levels. The bloc's largest markets all showed positive but modest performance, with Spain (+5.9%), Germany (+5.4%), Italy (+5.4%), and France (+2.8%) all recording growth.

Property insurance premiums have increased steadily, with countries like Czech Republic and Germany showing double-digit growth rates. However, profitability has been challenged by **natural catastrophes** and increased claims due to severe weather events. Over the next three years, we expect **GWP growth around 6% CAGR**. There is a clear risk of a further rise in the frequency and severity of Nat Cat events in the coming years, which could lead to a reduction in profitability and, subsequently, to an increase in tariffs.

Health insurance premiums have also seen growth, driven by increasing medical costs and a higher demand for private healthcare. The **demand for private health insurance is expected to remain strong**, driven by longer waiting times and reduced public health expenditures, further supporting **premium growth**. Indeed, the strong growth rates recorded in Spain, Austria, Italy, and France reflects the broader European trend to shift towards private health coverage.

Motor Premiums growth	2018	2019	2020	2021	2022	2023
Europe*	3%	2%	0%	1%	3%	6%
Austria	4%	4%	3%	4%	4%	7%
Czech Republic	11%	9%	4%	-17%	48%	11%
France	3%	3%	3%	3%	3%	5%
Germany	4%	2%	1%	1%	1%	4%
Italy	2%	0%	-4%	-1%	1%	8%
Poland	5%	0%	-4%	2%	3%	12%
Spain	2%	2%	-2%	-1%	3%	7%
Switzerland	-4%	4%	4%	0%	8%	2%

Data source: Local Insurance Associations

* IAM Research perimeter

¹ Up to Eur 80 bn, according to [SP Global](#).

Expectations suggest that growth will continue in the coming years, above a 5% 2024-26 CAGR.

In general, non-life business will continue to grow consistently (2024-26 CAGR ~ 6%) in the coming years, but

Non-motor Premiums growth	2018	2019	2020	2021	2022	2023
Europe*	3%	5%	3%	5%	6%	6%
Austria	4%	4%	3%	5%	7%	9%
Czech Republic	5%	5%	-3%	-20%	54%	12%
France	4%	5%	2%	6%	4%	6%
Germany	3%	4%	4%	5%	5%	5%
Italy	4%	5%	0%	6%	10%	8%
Poland	10%	9%	-2%	14%	9%	16%
Spain	5%	4%	3%	5%	6%	7%
Switzerland	-2%	6%	7%	2%	13%	4%

of which Health	2018	2019	2020	2021	2022	2023
Europe*	3%	4%	4%	5%	5%	5%
Austria	4%	4%	4%	4%	4%	9%
France	5%	5%	2%	5%	5%	7%
Germany	2%	3%	5%	6%	4%	2%
Italy	4%	7%	-3%	5%	9%	8%
Spain	5%	4%	4%	4%	6%	6%
Switzerland	-1%	6%	7%	2%	11%	3%

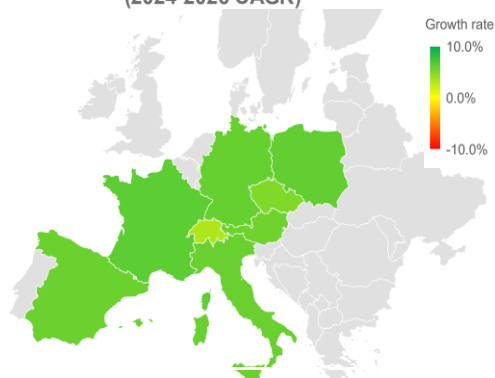
Data source: Local Insurance Associations

* IAM Research perimeter

a moderation of the increase in premium is expected along the time span considered as inflation cools off.

The sector's resilience will depend on its ability to adapt to these economic conditions and effectively manage the balance between premium growth and the increasing costs of claims. Long-term growth prospects remain positive, supported by the ongoing demand for insurance products and

Non Life Premiums Forecast (2024-2026 CAGR)



Source: GenAM forecast on Local Insurance Associations' data.

² According to [Swiss RE](#), the insurance loss burden from catastrophes, relative to GDP, has more than doubled over the last 30 years. In absolute terms, insurance losses could double in just a decade.

the sector's proactive response to market challenges. A couple of examples:

- **cybersecurity.** Generative AI technology is likely to turn cyberattacks into more sophisticated, automated, and personalised threats, faster to distribute and cheaper to produce. AI-based tools like Worm-GPT are specially designed to make the job of cybercriminals easier.
- **Climate change,** where the increase in the frequency and severity of natural disasters² will make it less likely for the insurance industry alone to cover the surging protection gap and mitigate exposure to physical risk. Public-private partnership will be key going forward.

4. Forecast summary

According to our estimates, insurance GWP in Europe will grow at 5.1% CAGR between 2024 and 2026. In non-life lines, growth will be stronger (5.8% CAGR), with above average GWP increase for Germany, Italy, and Poland. **Results** are more optimistic compared to analysts' consensus (IBES Thomson Reuters). Indeed, EMU listed insurance sales growth is ~ 3% CAGR. The difference seems related mainly to 2024 estimates. Forecasts on 2025-26, in fact, are broadly in line (3.5% CAGR vs. our 3.9%). In the Life market, GWP is projected to advance at 4.3% CAGR, with Italy and France standing out with stronger-than-average dynamics.

Premium growth Europe*	2021	2022	2023	2024F	2025F	2026F	CAGR 2024-26
Life	10.3%	-5.6%	1.8%	8.2%	2.3%	2.6%	4.3%
Non-Life	3.7%	5.4%	6.0%	6.5%	5.8%	5.2%	5.8%
Motor	0.5%	3.1%	5.9%	7.6%	6.0%	4.7%	6.1%
Non Motor	4.9%	6.3%	6.1%	6.1%	5.7%	5.4%	5.7%
of which Health**	4.7%	5.3%	4.5%	5.6%	5.5%	5.2%	5.4%
Total	7.2%	-0.7%	3.8%	7.4%	4.0%	3.8%	5.1%

Source: Local Insurance Associations up to 2023, then IAM forecasts.

* IAM Research perimeter; ** excluding Poland and Czech Republic

Premiums Growth Forecast compared to 2024-2026 Europe CAGR*

Country	Total	Life	Non Life
Europe CAGR*	5.1%	4.3%	5.8%
Austria	▼	▼	■
Czech Republic	▼	▼	▼
France	▲	▲	▲
Germany	▼	▼	■
Italy	▲	▲	■
Poland	■	▼	■
Spain	▼	▼	■
Switzerland	▼	▼	▼

Source: GenAM Research; * IAM Research perimeter

▲ Above EU avg
■ In line with EU avg
▼ Below EU avg

 **Imprint**

Issued by:	Generali Asset Management S.p.A. Società di gestione del risparmio, Research Department
Head of Research:	Vincent Chaigneau
Head of Macro & Market Research:	Dr. Thomas Hempell, CFA
Team:	Elisabeth Assmuth Research Operations Elisa Belgacem Head of Cross-Asset Quant & Dev, Senior Credit Strategist Radomír Jáč GI CEE Chief Economist Jakub Krátký GI CEE Financial Analyst Michele Morganti Head of Insurance & AM Research, Senior Equity Strategist Vladimir Oleinikov, CFA Senior Quantitative Analyst Dr. Thorsten Runde Senior Quantitative Analyst Dr. Christoph Siepmann Senior Economist Dr. Florian Späte, CIIA Senior Bond Strategist Guillaume Tresca Senior Emerging Market Strategist Dr. Martin Wolburg, CIIA Senior Economist Paolo Zanghieri, PhD Senior Economist
Head of Insurance and AM Research:	Michele Morganti
Team:	Alberto Cybo-Ottone, PhD Senior Economist Carlotta de Maria Insurance Analyst Mattia Mammarella Research Analyst Roberto Menegato Senior Insurance Research Analyst Antonio Salera, PhD Economist, Pension Expert Federica Tartara, CFA Senior Economist
Head of Credit Research:	Vivek Tawadey