

THE CONTRIBUTION OF THE INSURANCE INDUSTRY to economic growth in Italy and Europe

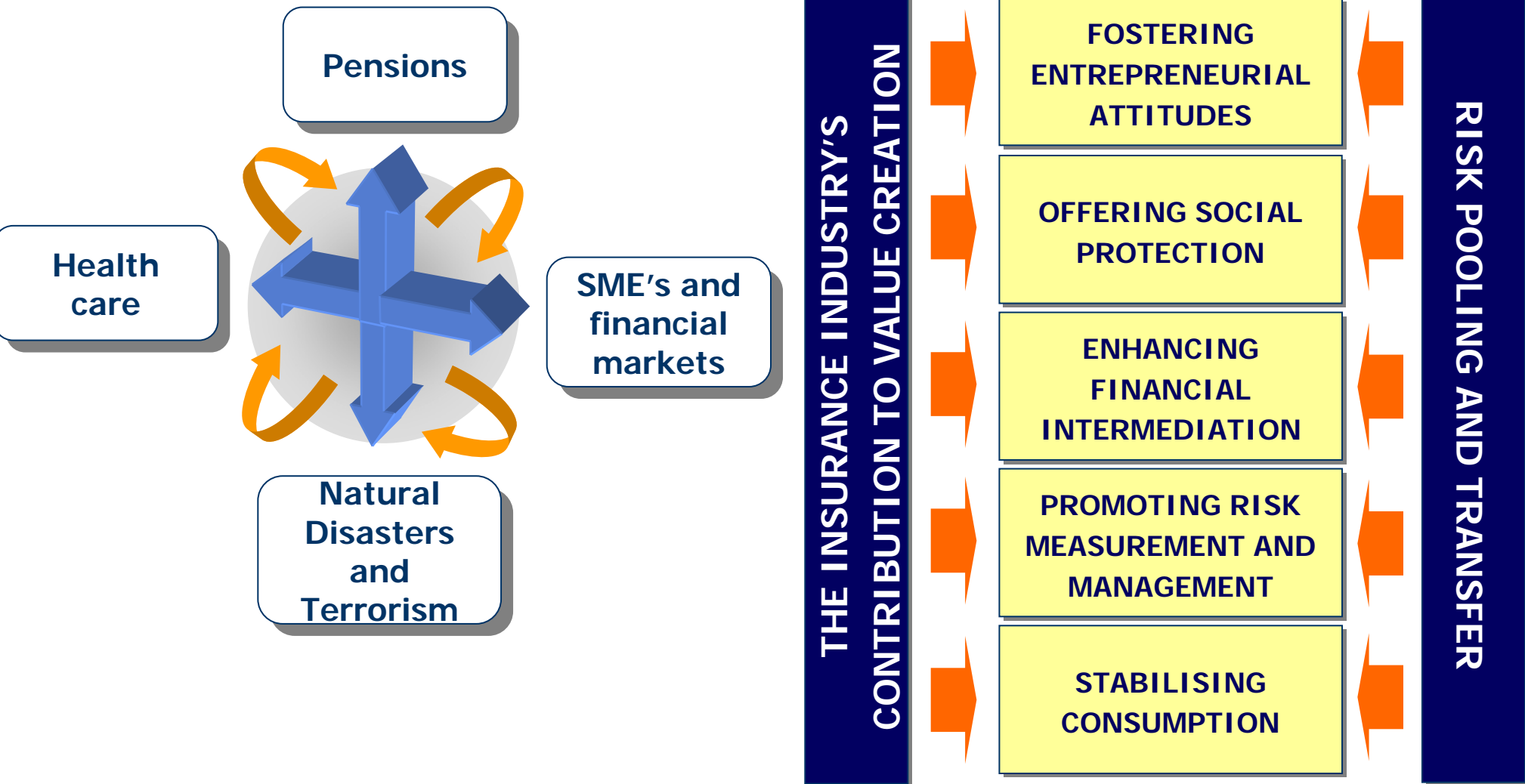
We face risk on a daily basis, but most times, we are not aware of it

The Chinese symbol for risk is formed of two distinct shapes: one of them referring to **threat** and the other to **opportunity**

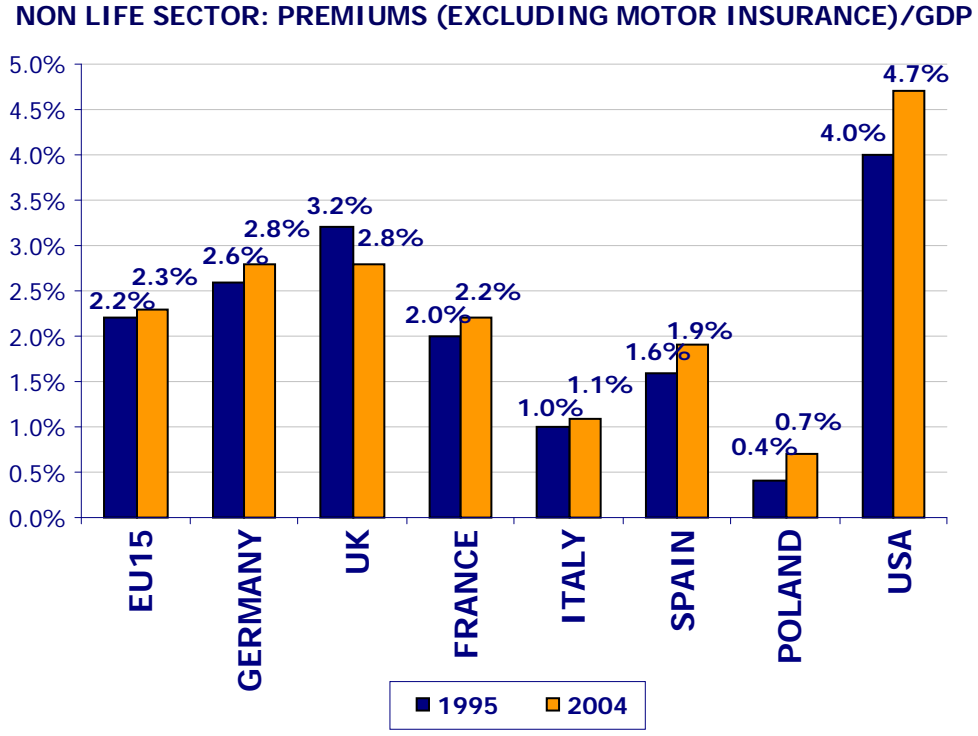
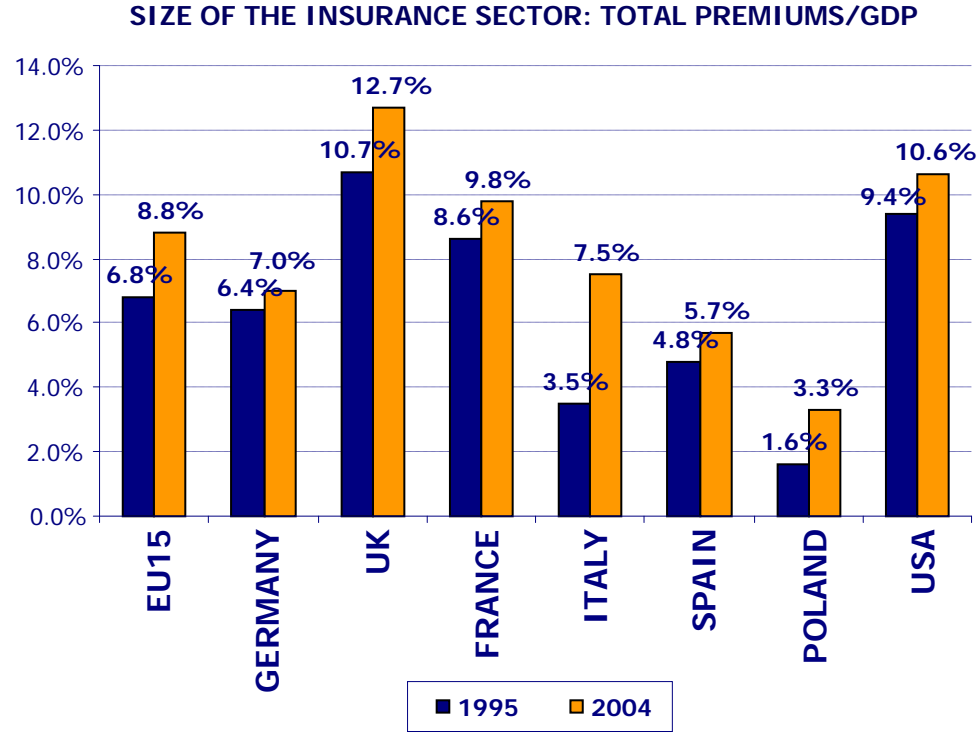
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Risk depends on behavior patterns, which can have both positive and negative effects: awareness of the most appropriate tools to face such risks could also, in fact, lead us to exploit new opportunities

Insurance has an embedded social value and contributes to promoting sustainable economic growth



Italy lags behind, when compared to the most advanced countries



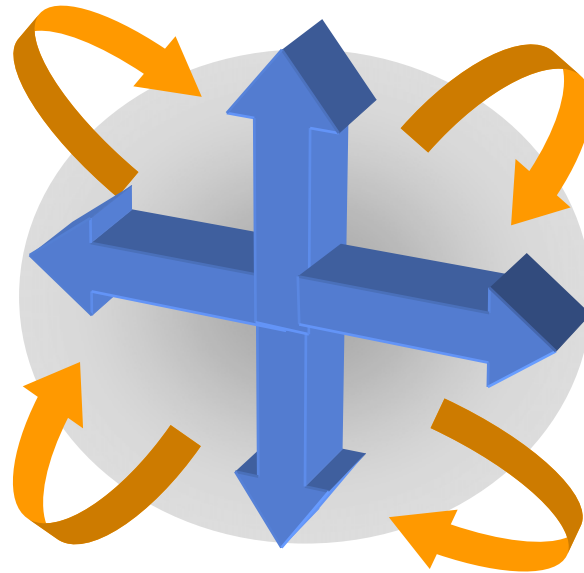
A substantial gap needs to be filled up in both the Life sector, despite its recent strong growth, and, above all, the Non Life sector

Pensions

Health care

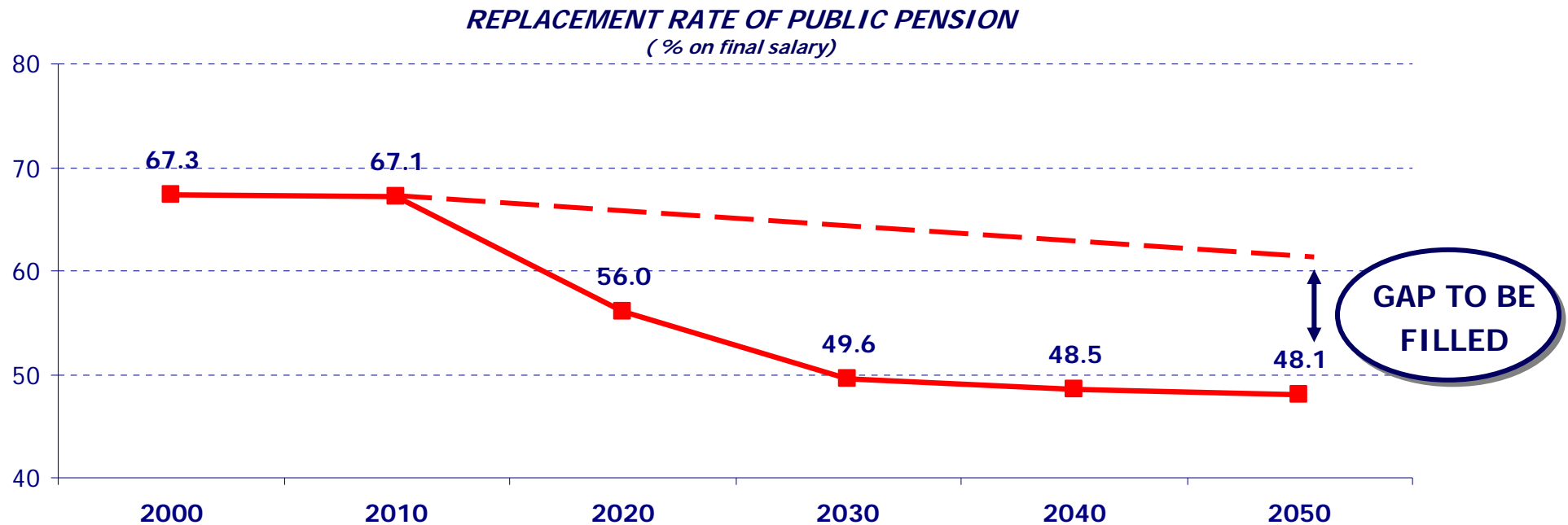
SME's and
financial markets

Natural Disasters
and Terrorism



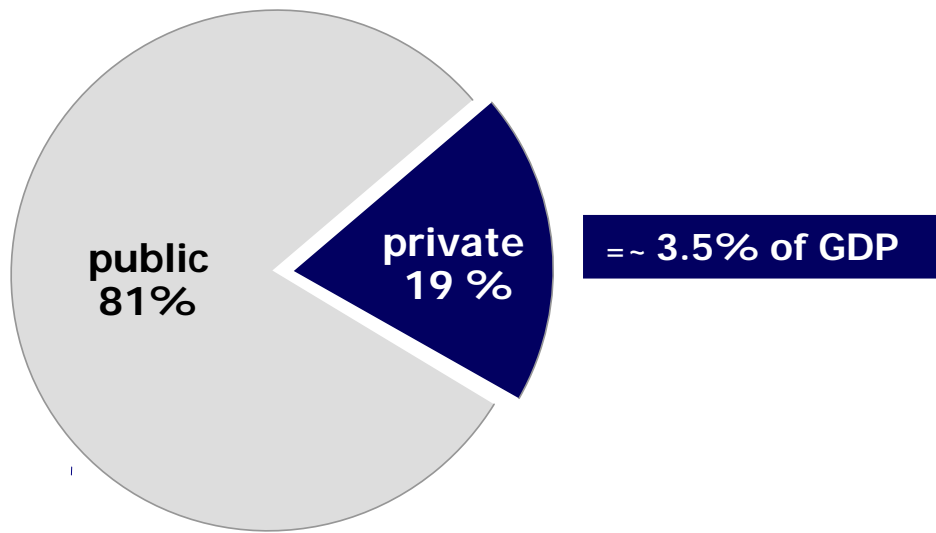
Demographic trends put increasing pressure on European pension systems, particularly where State pensions currently play an important role

Official forecasts show that the Italian public pension system will be able to guarantee a replacement rate of 48% in the future



Private pensions will thus become the primary product to fill the gap

To fill the gap, the private sector will have to deliver a yearly pension flow equal to 3.5% of GDP



Pension income in 2050 by source



Role of the Insurance sector

The role and importance of the insurance sector will increase as the delivery of pension products will become more complex and sophisticated

Some actions can be suggested for Europe and Italy

- **Extended working life and pension portability**
- **Information and financial education**
- **Appropriate incentives for additional private retirement savings**
- **Appropriate incentives for long term savings**

A GREAT CULTURAL SHIFT IS NEEDED IN ITALY

From:

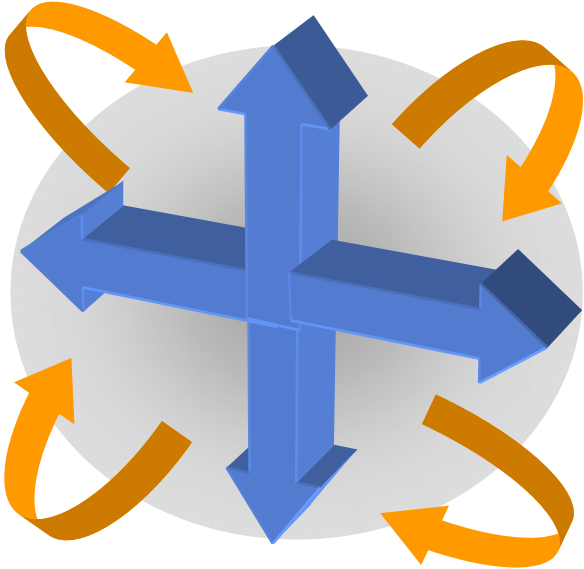
- **FIXED JOB**
- **TFR**
- **STATE PENSION**

To:

- **FLEXIBILITY**
- **INDIVIDUAL RESPONSIBILITY ON PENSION CHOICES**

Health care

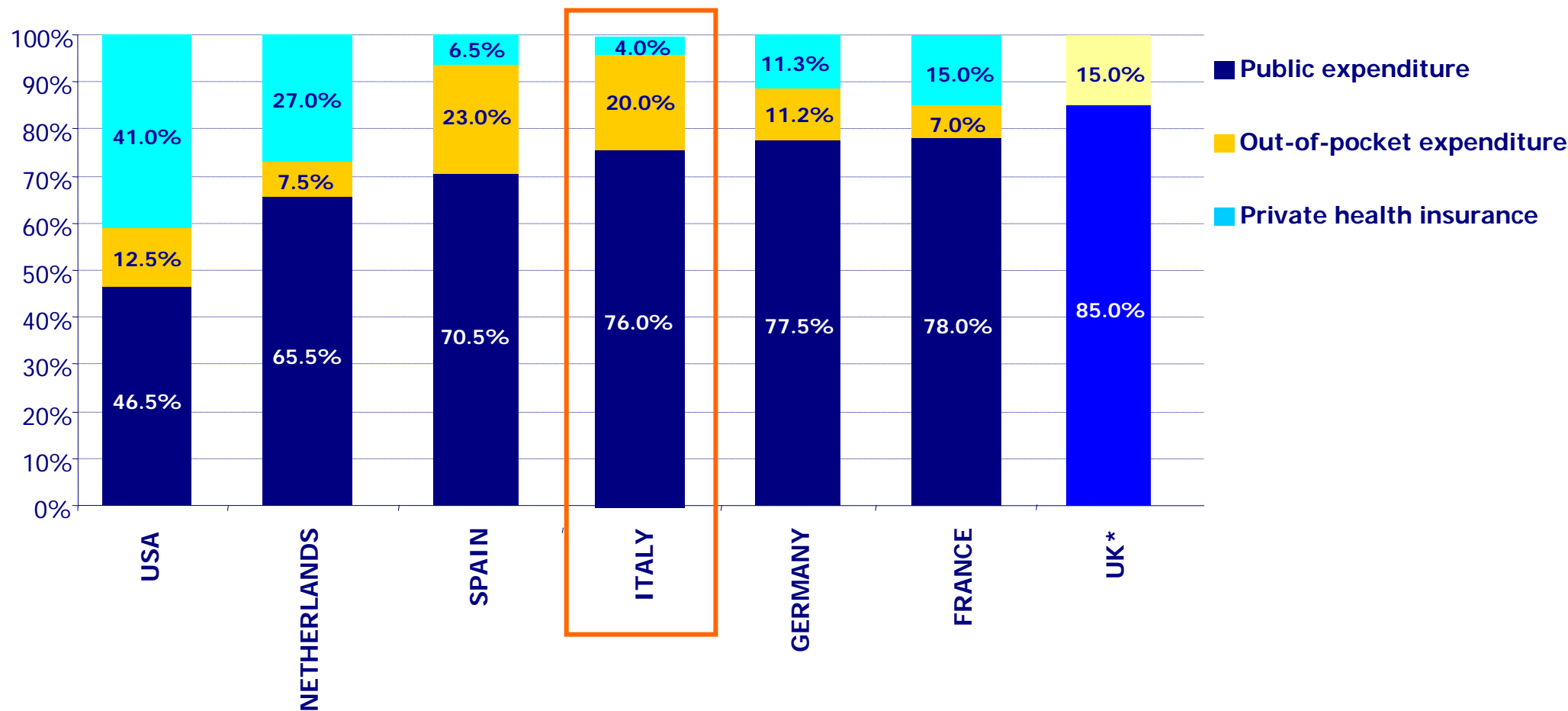
Pensions



SME's and financial markets

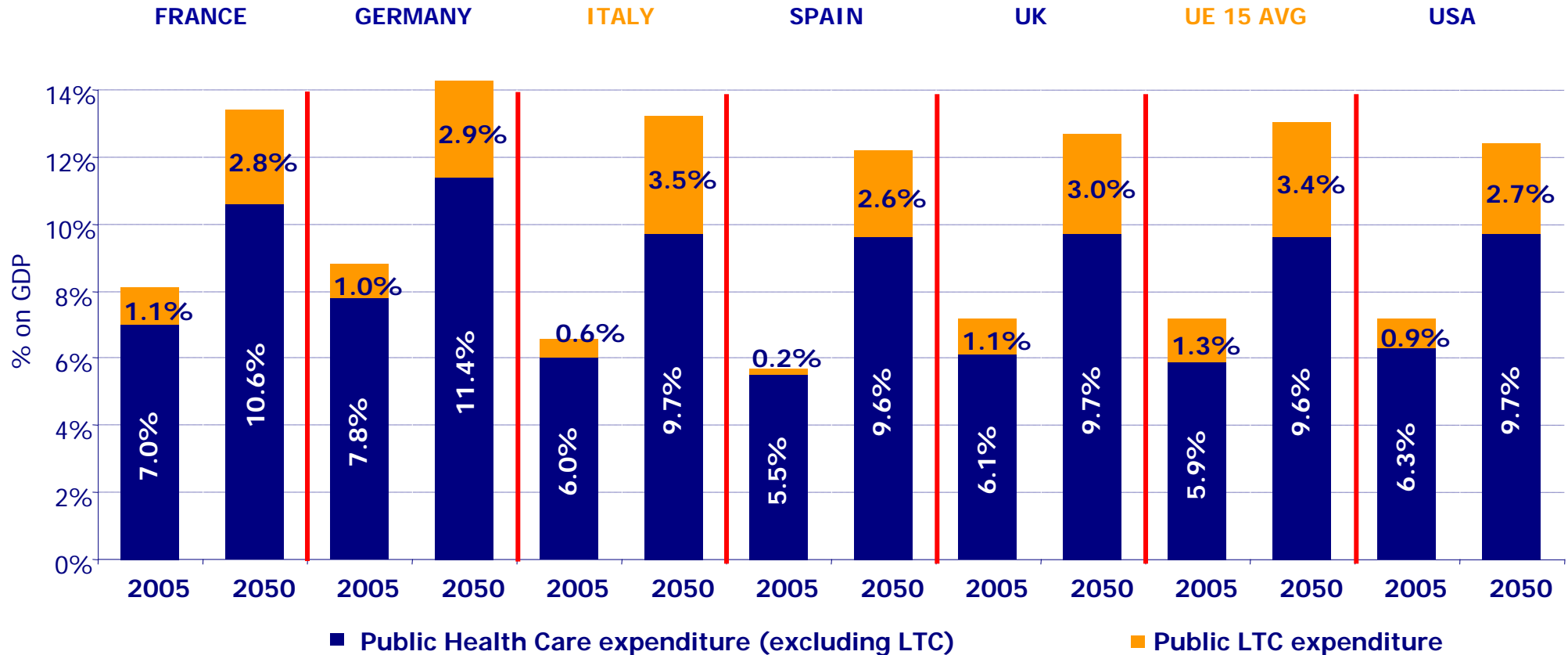
Natural Disasters and Terrorism

Health care expenditure in Italy is aligned with the European average, but differs in terms of private expenditure composition



Different approaches to contain public health care expenditure can influence citizens' propension towards choosing private health care insurance

In the years to come there will be increasing pressure on public finances due to health care expenditure



Italian public expenditure for Long Term Care is expected to grow from 0.6% to 3.5% of GDP in the worst case scenario

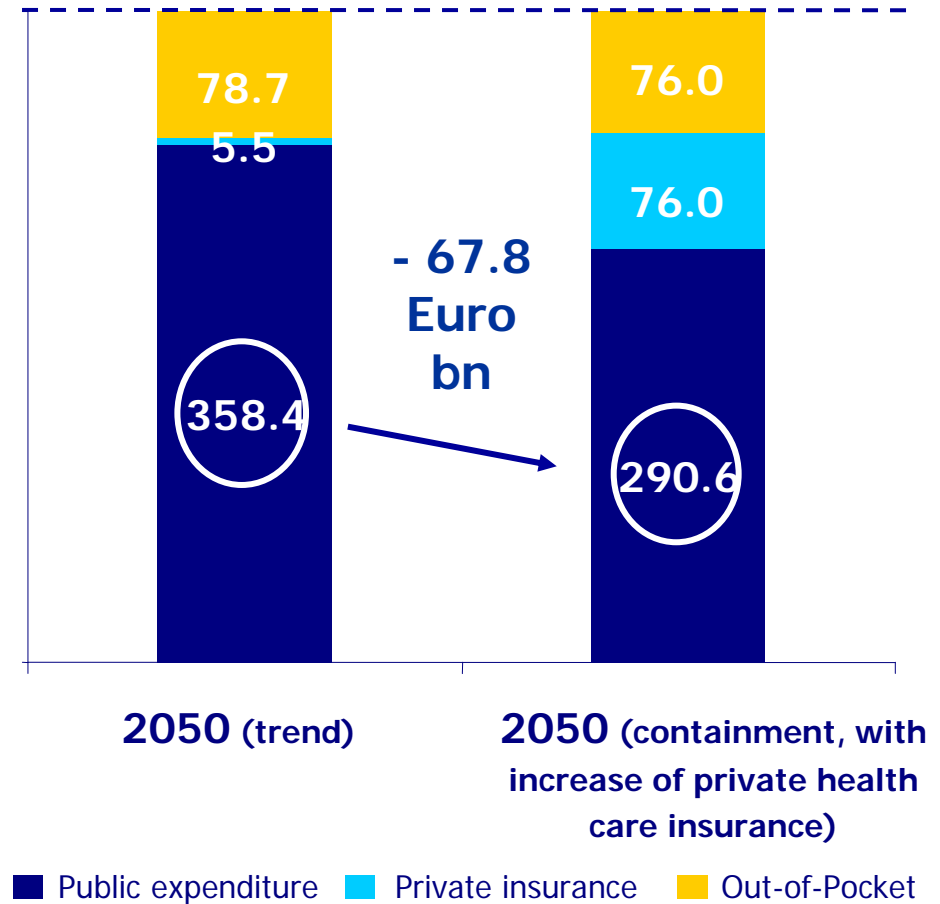
The insurance sector can play a relevant role in reducing pressure on public finances

THE PROPOSED ACTIONS...

- **Maintain principle of universal provision**
- **Define essential assistance standards (LEA)**
- **Exploit opportunities deriving from health care to employment and growth**
- **Foster the role of the “third sector” in LTC**

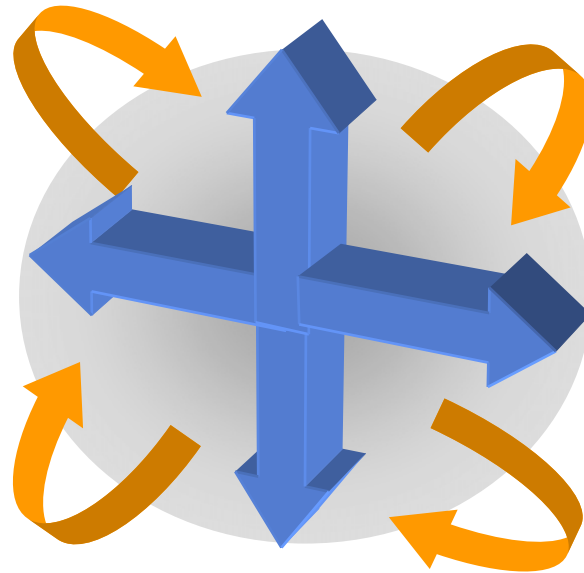
... AND THEIR CONTRIBUTION

Total health care expenditure: 442.6 Euro bn



Pensions

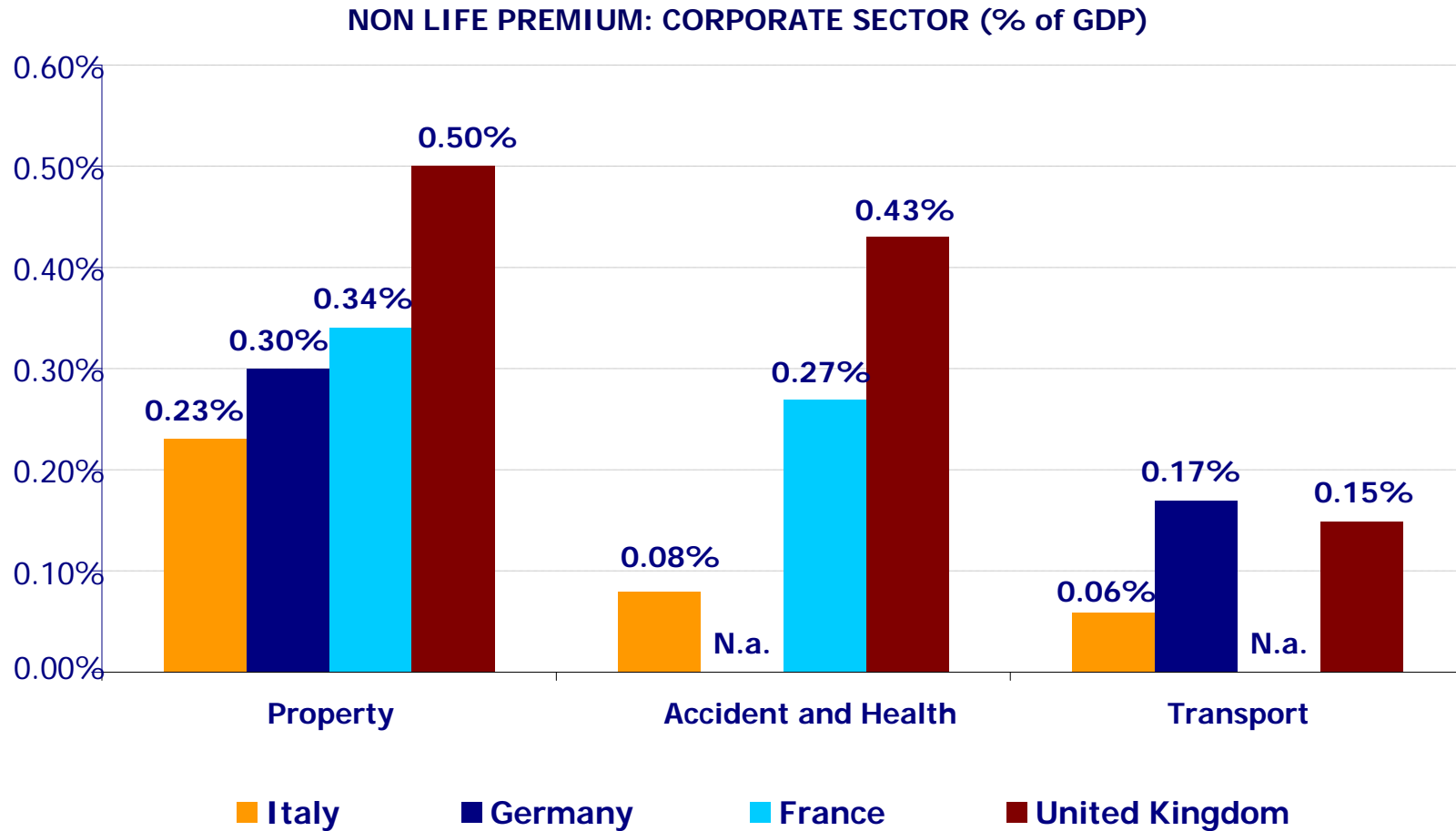
Health care



**SME's and
financial
markets**

Natural Disasters
and Terrorism

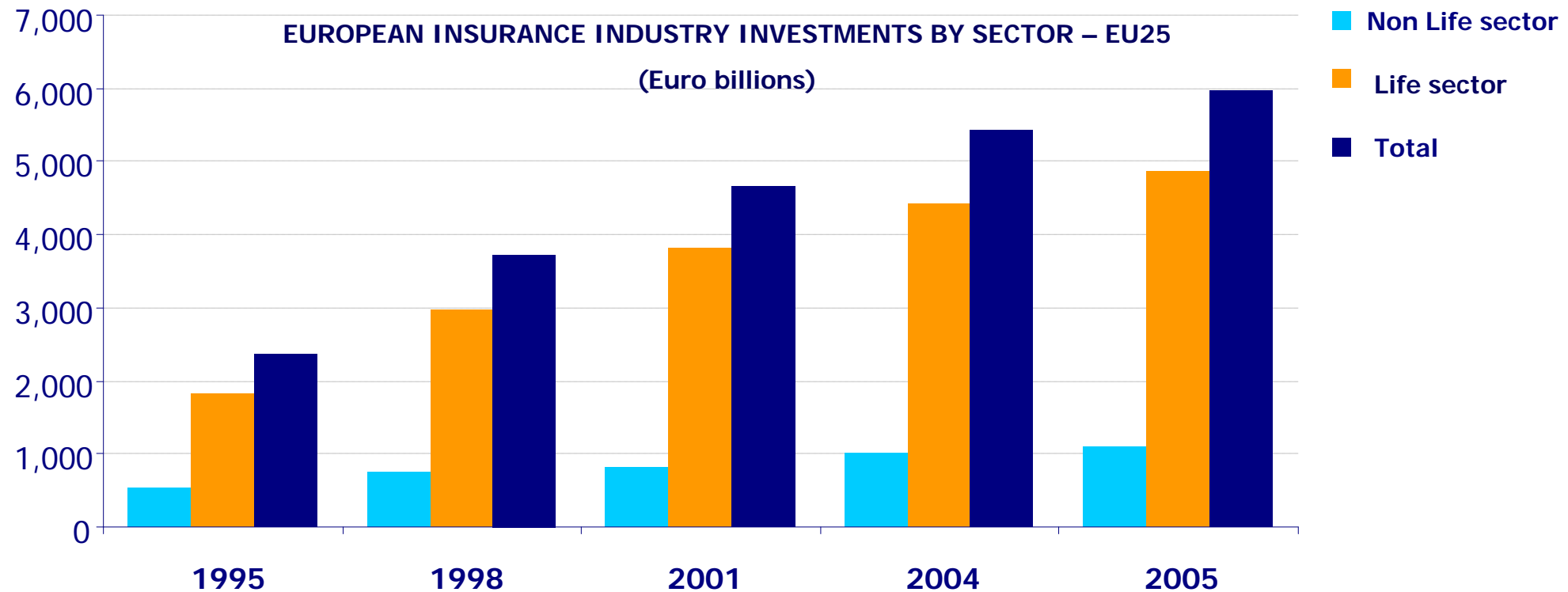
The corporate sector in Italy is under-insured, especially with reference to SME's



Insurance can help firms' competitiveness and growth

- Define common standards to be included in banks' rating systems
- Exploit opportunities given by Solvency II for corporate investments
- Promote a more professional risk management attitude within SME's and more comprehensive insurance products
- From export insurance to insurance of firms activity abroad

The insurance sector plays a major role as an institutional investor



- In Italy investments by the insurance industry accounted for €553 billion in 2006, €487 billion of which were for technical reserves coverage
- At the EU level, approximately 50% of equity investments comes from the insurance and pension funds sector

A simulation shows that through appropriate policies, the insurance sector could free relevant resources

WHAT →

Design an adequate regulatory framework and promote active cooperation between public and private

HOW →

Exploit new investment opportunities coming from new regulatory framework approved by ISVAP

Build up appropriate changes to policies for long term infrastructural finance

IMPACT →

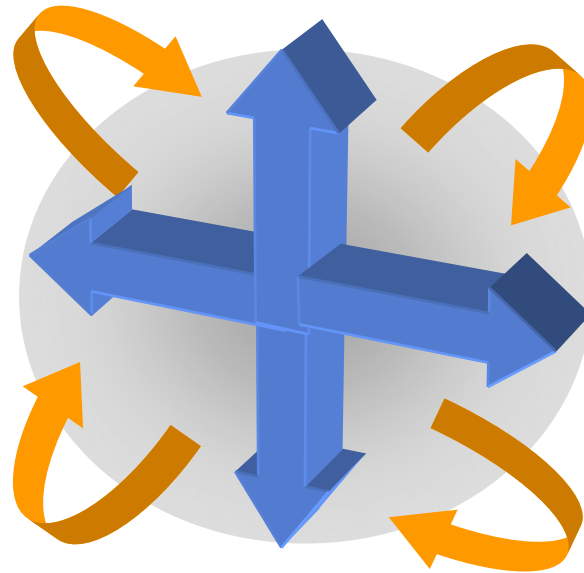
In 3 years the insurance sector could free 9.7 € billion for innovative SME's

Additional 13.3 € billion could be invested by the insurance sector in infrastructure

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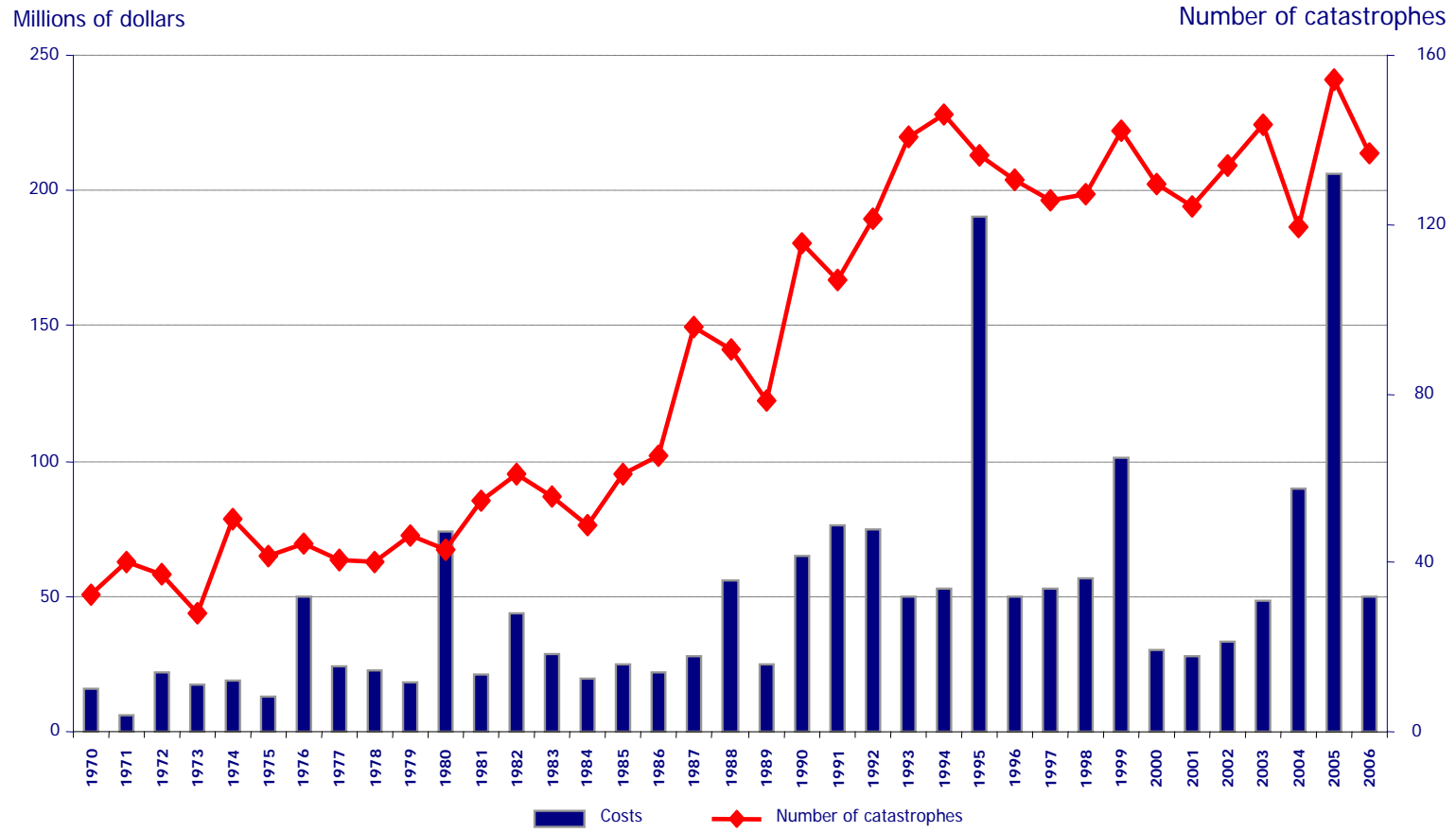
SME's and
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**Natural
Disasters and
Terrorism**

Natural disasters are an emerging issue at international level, particularly due to global warming

*“The danger posed by war to all humanity and to our planet is at least matched by climate crisis and **global warming**. Unfortunately, my generation has been somewhat careless about the fate of our planet”*
 (Pan Gi Moon, General Secretary ONU)



Build up a partnership between public and private systems against global warming and natural disasters with the aim of fostering prevention and ensuring effective and efficient compensation payment

Three main actions are key to free the potential of the insurance industry to support economic growth and development

- To promote a new cultural and behavioral approach
- To foster and support the role of the insurance industry as an Institutional Investor
- To implement an effective *public/private partnership* to complete and integrate the role of the State in a new welfare system