



ANIA

Associazione
Nazionale fra le
Imprese
Assicuratrici

Italian
Insurers
Association

Italian Insurance

In
2000

Figures published cover all insurance companies registered in Italy, branch offices of foreign companies registered in non EEA countries and branch offices of foreign companies who write reinsurance business only.

2000 figures are provisional.

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ITALIAN INSURANCE MARKET KEY FIGURES

Total premium income continues to increase, but at a slower rate in the Life business. The year results recorded a profit determined above all by the positive trend of the Life insurance and by the contribution of extraordinary income activity.

TECHNICAL ACCOUNT

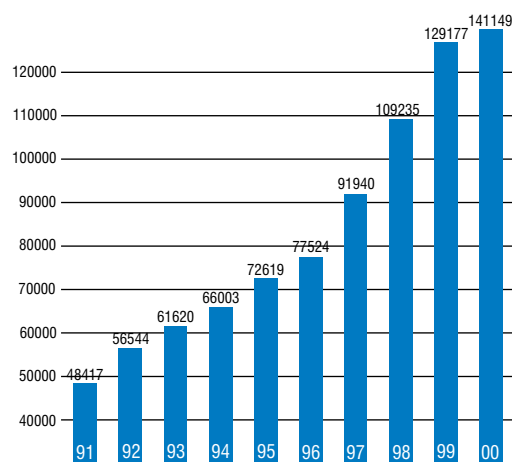
PREMIUM INCOME

The total gross premiums for the domestic and foreign business (direct and indirect) collected by companies with registered offices in Italy and by the branches of foreign non-European Union companies totalled Itl. 141,149 billion in 2000 (+9.3% compared to 1999). In particular, Itl. 60,686 billion were collected in the Non-Life classes and Itl. 80,463 billion in the Life classes, with an increase of 6.1% and 11.8%, respectively.

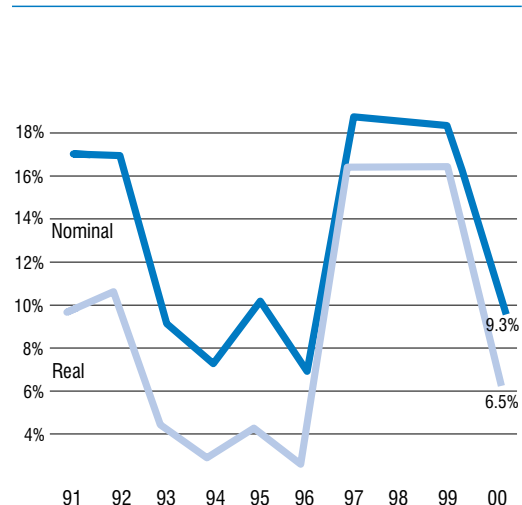
Life insurance classes increased their share over the total premiums, increasing from

Total premiums

Itl. billion

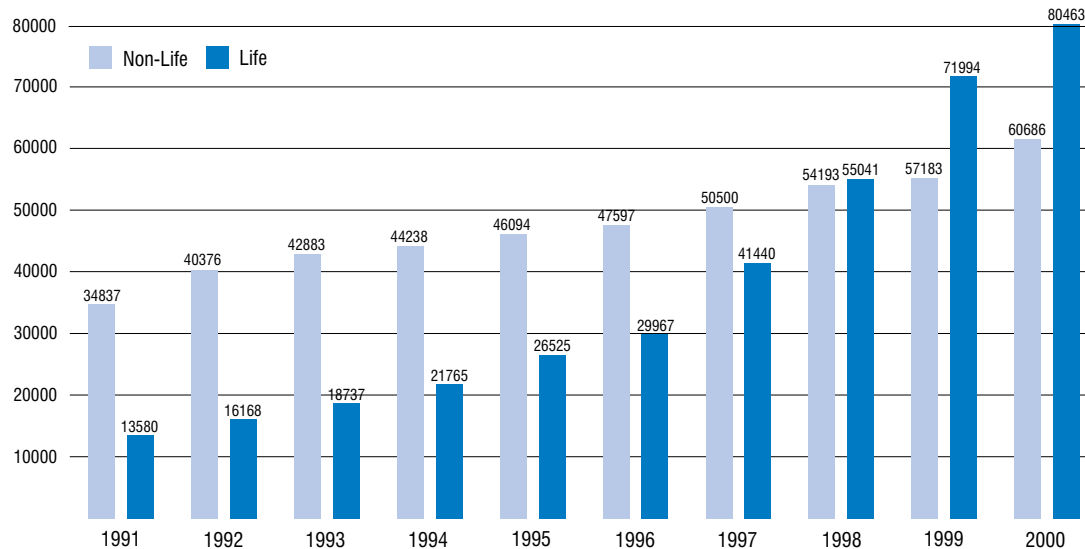


Growth rate



Total Life and Non-Life premiums

Itl. billion



50.4% in 1998 to 55.7% in 1999 and to 57% in 2000.

Premiums ceded to reinsurance totalled Itl. 11,805 billion (Itl. 8,329 billion in the Non-Life and Itl. 3,476 in Life) and slightly decreased their share of gross premiums, from 8.5% in 1999 to 8.4%. The tendency of companies to maintain and manage directly the risks written therefore remains.

Total premiums, net of reinsurance, therefore achieved Itl. 129,344 billion, reflecting an increase of 9.5%: Itl. 52,357 billion in Non-Life and Itl. 76,987 billion in Life.

Gross premiums for the direct business, Italian and foreign both Non-Life and Life, increased by 8.4% compared to 1999, reaching Itl. 131,273 billion (Itl. 54,200 billion in Non-Life and Itl. 77,073 billion in Life).

CLAIMS, BENEFITS AND PROVISIONS

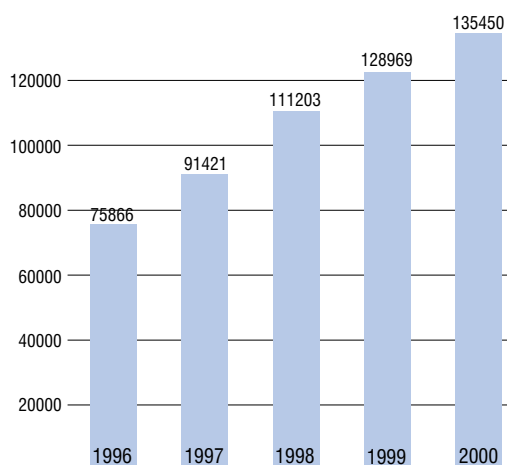
The aggregate amount for benefits to insured and to other beneficiaries, including the amount of technical provisions, totalled Itl. 135,450 billion (+5%): Itl. 51,386 billion in Non-Life and Itl. 84,064 billion in Life business.

The reinsurance contribution was equal to Itl. 11,988 billion (+20.1%), of which Itl. 7,681 billion were relative to Non-Life business and Itl. 4,307 billion were relative to Life.

The net amount of benefits therefore totalled Itl. 123,462 billion (+3.8%): Itl. 43,705 billion in the Non-Life and Itl. 79,757 billion in Life business.

Claims, benefits and provisions

Itl. billion

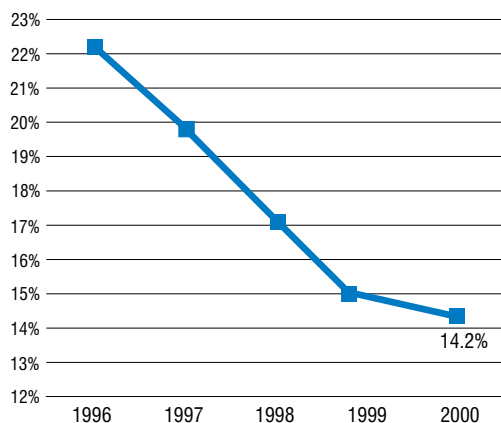


OPERATING EXPENSES

The operating expenses for direct and indirect business, net of reinsurance, totalled ltl. 18,333 billion, with an increase of 3.3% and an incidence on premiums of 14.2%, reflecting a decrease compared to 15% in 1999. These refer to the charges to acquire contracts, to collect premiums, to organise and operate the distribution network as well as administrative costs relating to technical management.

In particular, the operating expenses for Non-Life business were equal to ltl. 12,124 billion, with an incidence on premiums of 23.2% (24.4% in 1999); for Life business, they were equal to ltl. 6,209 billion, with an incidence on premiums of 8.1% (8.3% in 1999).

Operating expenses to premiums ratio (%)



TECHNICAL ACCOUNT RESULT

The technical account result, net of reinsurance, was positive totalling ltl. 3,327 billion, with an incidence of 2.6% on direct and indirect premiums. An increase was therefore recorded compared to the preceding year, which closed with a negative result totalling ltl. 170 billion.

There was a negative result for the Non-Life classes totalling ltl. 221 billion (ltl. -1,740 billion in 1999), with an incidence on premiums of 0.4%.

Life classes showed a positive result of ltl. 3,548 billion, (ltl. 1,570 billion in 1999), with an incidence on premiums of 4.6%.

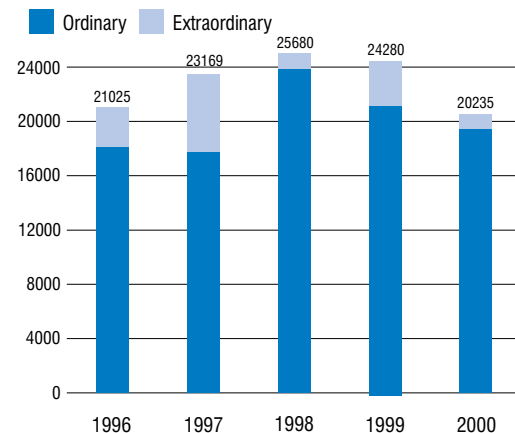
NON TECHNICAL ACCOUNT

INVESTMENT INCOME

The ordinary and extraordinary net investment income for Life and Non-Life classes reached ltl. 20,235 billion, with a decrease of 16.7%. The ordinary net investment income was equal to ltl. 18,330 billion (-15% compared to 1999), extraordinary investment income was equal to ltl. 1,905 billion (-29.6% compared to 1999).

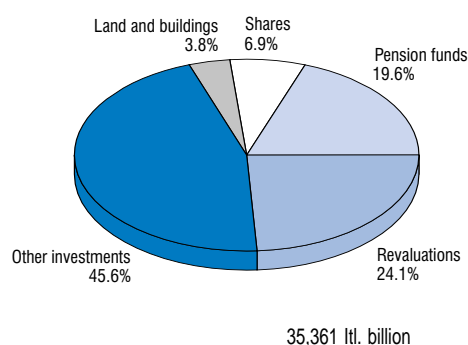
Trend of net investment income

ltl. billion



More in detail, gross ordinary investment income reached ltl. 35,361 billion (ltl. 33,201 billion in 1999). This income comprised principally of income deriving from: "shares and holdings" (ltl. 2,422 billion, +20.3%), "land and buildings" (ltl. 1,333 billion, -1.5%), "other investments" (ltl. 16,141 billion, +11.5%), revaluations and realised investments (ltl. 8,538 billion, +16%) as well as from investments for the benefit of insureds and deriving from pension funds management (ltl. 6,925 billion, -13.4%).

Breakdown of gross ordinary investment income (%)



The overall expenses referring to income from investments totalled ltl. 17,031 billion (ltl. 11,627 billion in 1999).

Extraordinary investment income, gross of expenses, totalled ltl. 3,836 billion (ltl. 3,759 billion in 1999) and the relative expenses totalled ltl. 1,931 billion (ltl. 1,053 billion in 1999).

RESULT FOR THE FINANCIAL YEAR

The result for the ordinary activity, Non-Life and Life, was positive, amounting to ltl. 4,896 billion (ltl. 2,479 billion in 1999).

The result for extraordinary activity totalled ltl. 1,905 billion, reflecting a decrease compared to ltl. 2,706 billion in 1999.

Income taxes for the period totalled ltl. 2,467 billion (ltl. 2,314 billion in 1999).

Financial year 2000, therefore, recorded a profit of ltl. 4,334 billion (ltl. 2,871 billion in 1999), with an incidence on premiums of 3.4% (2.4% in 1999). The profit was determined above all by the positive trend of the Life business, by the improvement in the Non-Life classes and by the income from extraordinary activity.

The format for the Financial Statements concerning professional reinsurers does not provide for the division of the profit, for the financial year, between Non-Life and Life classes. By excluding these companies therefore, the result for the Non-Life classes reflected a loss totalling ltl. 82 billion (+43 billion in 1999) and the result for the Life classes reflected a profit of ltl. 4,652 billion (ltl. 2,585 billion in 1999).

(ltl. billion)	1999	2000
Technical account of Non-Life and Life classes (*)		
Premiums written	118,134	129,344
Change in premium reserves (-)	61,803	62,550
Investment income	19,248	16,425
Other technical income	739	952
Incurred claims (-)	57,185	60,911
Operating expenses (-)	17,750	18,334
Other technical costs (-)	1,553	1,599
Balance	-170	3,327

Technical account - Non-Life (*)

Premiums written	49,491	52,357
Change in premium reserves (-)	1,554	1,255
Investment income	3,628	3,654
Other technical income	554	815
Incurred claims (-)	40,458	42,451
Operating expenses (-)	12,076	12,124
Other technical costs (-)	1,325	1,217
Balance	-1,740	-221

Technical account - Life (*)

Premiums written	68,643	76,987
Changes in life technical provisions (-)	60,249	61,295
Investment income	15,620	12,771
Other technical income	185	137
Incurred claims (-)	16,727	18,460
Operating expenses (-)	5,674	6,210
Other technical costs (-)	228	382
Balance	1,570	3,548

Non technical account

Other Non-Life income	1,176	786
Other Life income	1,148	899
Balance of other income and expenses	325	-116
Balance of ordinary activities	2,479	4,896
Balance of extraordinary activities	2,706	1,905
Taxes on income (-)	2,314	2,467
Result for the financial year	2,871	4,334

(*) Technical items net of cessions and retrocessions

BALANCE SHEET

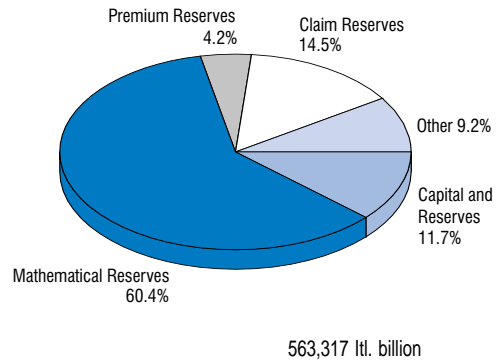
LIABILITIES

The total liabilities carried in the Balance Sheet amounted to Itl. 563,317 billion.

In particular:

- Capital and reserves were equal to Itl. 66,142 billion (11.7% of the total), with an increase of 14.3% compared to 1999; subscribed capital increased from Itl. 17,323 billion to Itl. 19,171 billion (+10.7%), equity reserves increased from Itl. 38,199 billion to Itl. 42,637 billion (+11.6%). The profit for the financial year totalled Itl. 4,334 billion;
- Technical provisions, representing commitments undertaken in reference to the insured, totalled Itl. 445,343 billion (79.1% of the total), reflecting an increase of 14.1%. The technical provisions pertaining to the Non-Life classes were equal to Itl. 105,172 billion (+6.4%), provisions pertaining to Life classes were equal to Itl. 340,171 billion (+16.7%), including claims provisions (Itl. 2,925 billion);

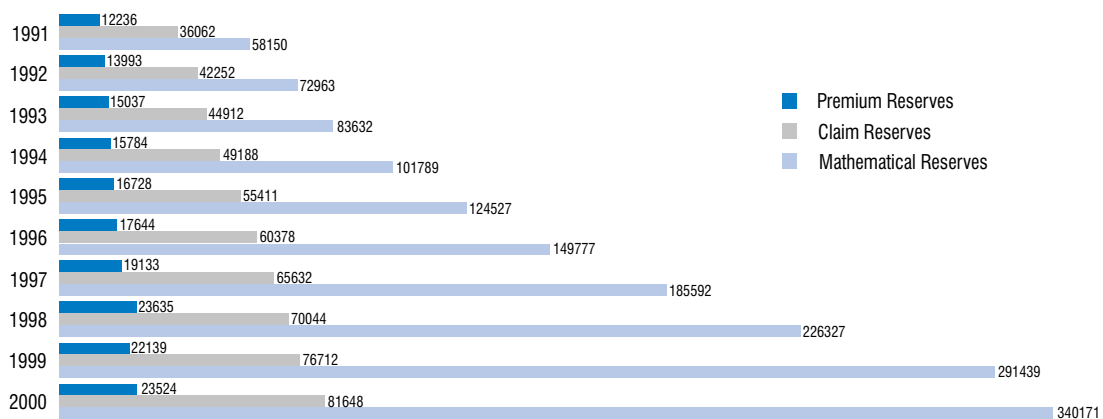
Breakdown of liabilities (%)



- Other liabilities totalled Itl. 51,488 billion (9.1% of the total), with an increase of 18.8%, and comprised: “provisions for risks and charges” totalling Itl. 4,015 billion (Itl. 3,499 billion in 1999), “deposits received from reinsurers” totalling Itl. 18,837 billion (Itl. 18,191 billion in 1999) and “payables and liabilities” totalling Itl. 28,636 billion (Itl. 22,011 in 1999);
- Accruals and deferrals totalled Itl. 344 billion (0.1% of the total).

Total technical provisions

Itl. billion



ASSETS

Investments, reinsurance share of technical provisions, amounts owed by debtors, other assets, accruals and deferred income amounted to Itl. 563,317 billion, equalling to the total amount of liabilities.

In particular:

- Investments reached Itl. 467,553 billion, equal to 83% of total assets. Insurance companies only engaging in reinsurance activities were excluded since the relative Balance Sheet format does not provide for a division between Life and Non-Life classes; therefore, excluding reinsurance business, investments in Non-Life classes were equal to Itl. 99,544 billion, with a 6.9% increase compared to 1999; investments in Life classes were equal to Itl. 358,942 billion with an 18.2% increase.

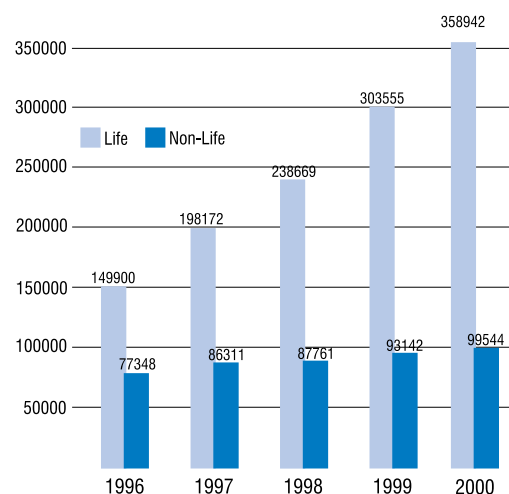
The highest increase (21.8%) was recorded by investments in "shares and holdings" which totalled Itl. 78,117 billion; followed by "loans and deposits" (21.6%) which totalled Itl. 43,394 billion, "bonds and other fixed income securities" (8.2%) which totalled Itl. 240,951 billion and investments in "land and buildings" (3.7%) which totalled Itl. 16,949 billion.

Investments for the benefit of Life insurance policyholders and the investments deriving from the management of pension funds equalled Itl. 88,142 billion, representing a 32.2% increase;

- The technical provisions borne by the reinsurers amounted to Itl. 38,362 billion (6.8% of total assets) with a 9.5% increase;
- Amounts owed by debtors totalled Itl. 32,837 billion (5.8% of total assets), with an 8.4% increase. These referred to amounts owed deriving from direct insurance activities (Itl. 17,363 billion), amounts owed deriving from reinsurance activities (Itl. 6,093 billion) and other amounts owed (Itl. 9,381 billion);
- Amounts owed by shareholders (Itl. 105 billion), intangible assets (Itl. 4,753 billion composed of commissions and other expenses) and other assets (Itl. 15,233

Total Investments

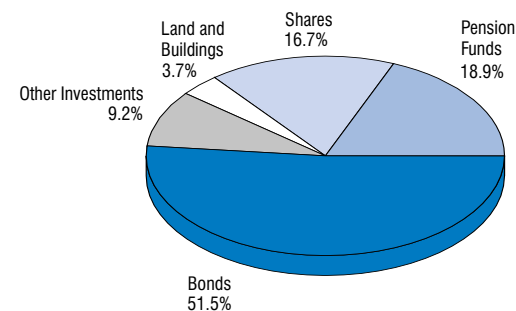
Itl. billion



billion) reached a total of Itl. 20,091 billion (3.6% of the overall amount), thus recording a 17.6% increase;

- Accruals and deferred income amounted to Itl. 4,474 billion (0.8% of total assets), representing a 7.8% increase.

Breakdown of Investments (%)

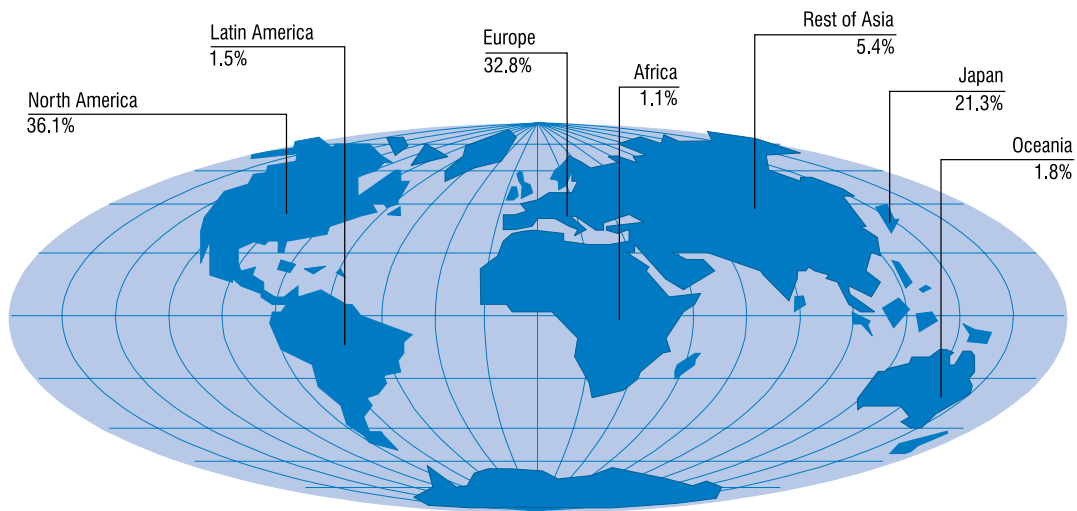


467,553 Itl. billion

INTERNATIONAL COMPARISONS

In 1999 the world insurance market recorded a premium income amounting to USD 2,324 billion. The real growth rate was equal to 4.5% (2.3% in 1998).

World-wide direct insurance in 1999 – Market Shares



source: SIGMA

In particular Life insurance, with a premium income equal to USD 1,412 billion, recorded a real growth of 6.9% (4.1% in 1998), and Non-Life insurance premiums, totalling USD 912 billion, recorded a growth of 1.2% (0.1% in 1998).

The growth achieved is to be attributed mainly to the development of the European insurance market (+10.1% compared to 3.4% in 1998), which represented 70.4% of the world premium income when combined with the American market.

The Japanese market recorded a 4.9% decrease (-3.8% in 1998).

The market share for the European insurance companies was equal to 32.8% of the overall world premium income (32.4% in 1998).

Real growth rate in 1999 (%)	Life	Non-Life	Total
North America	9.2	1.3	5.1
Latin America	12.9	2.3	5.2
Europe	16.1	2.0	10.1
Asia	-4.0	-1.0	-3.4
Japan	-5.4	-3.0	-4.9
Africa	8.2	-1.9	5.4
Oceania	9.5	-1.3	5.2
Total	6.9	1.2	4.5

source: SIGMA

MAIN INSURANCE MARKETS IN THE EUROPEAN UNION

The European Union insurance market recorded a premium income of Euro 653,458 million in 1999, thereby showing a 17.0% growth rate (3.6% in 1998). In particular, Life insurance increased by 25.4% (5.7% in 1998) while Non-Life business increased by 5.5% (0.8% in 1998).

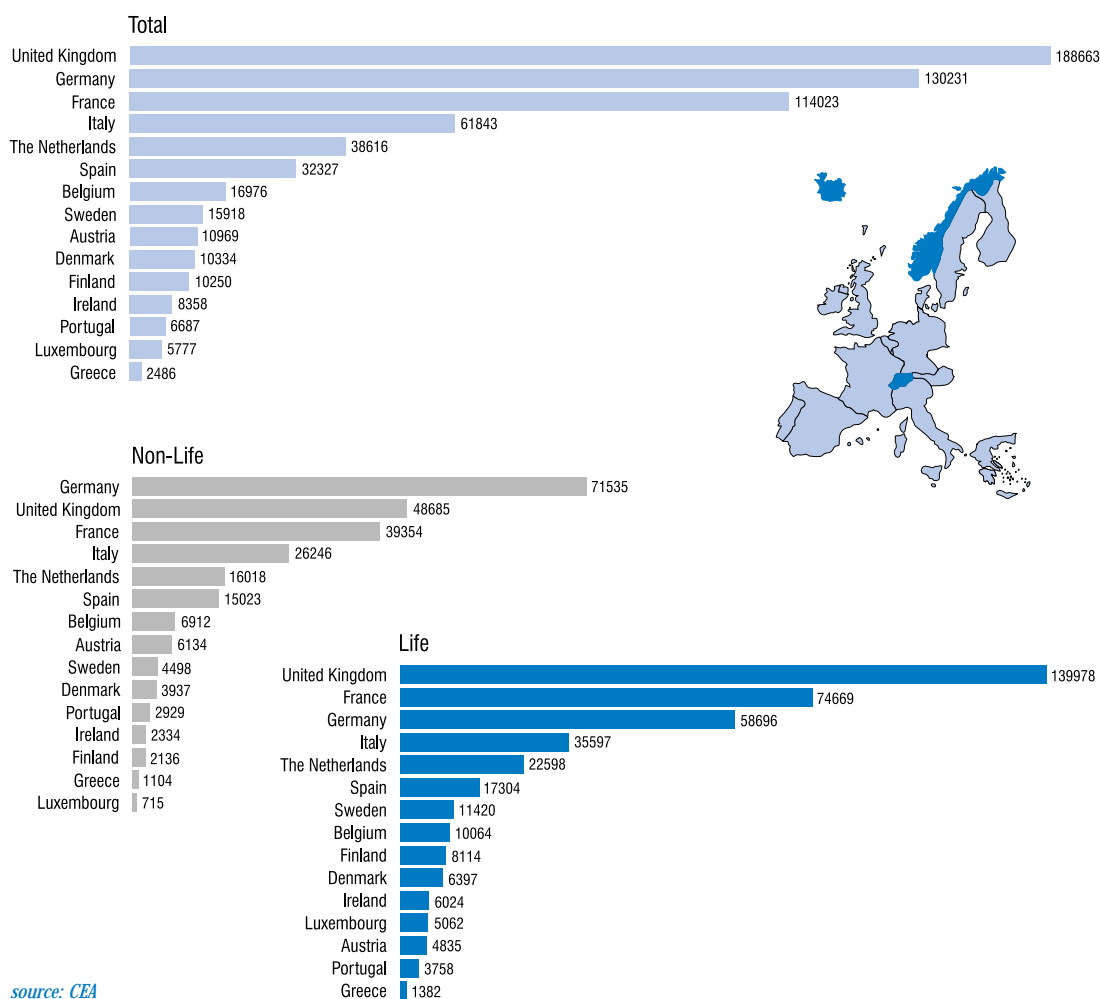
The year 1999 closed with above average growth rates in Sweden (38.5%), in the United Kingdom (30.6%), Ireland (25.7%), Greece (24.4%), Spain (24.1%) and in Portugal (18.8%).

The premium income in Italy totalled Euro 61,843 million, thus recording a growth rate of 21.3% (21.2% in 1998).

Life insurance classes recorded a premium income amounting to Euro 35,597 million, the growth rate was equal to 34.4% (38.6% in 1998), the Non-Life classes amounted to Euro 26,246 million, with a growth rate of 7.1% (6.7% in 1998).

Direct premium income in the European Union in 1999

EURO million



source: CEA

United Kingdom		
(Amounts in EURO million)	1999	% of total
Premium income		
Life	139,978	74.2
Non-Life	48,685	25.8
Total	188,663	100.0
Investments		
Properties	81,481	5.2
Shares	917,747	58.2
Bonds	422,231	26.8
Mortgages & loans	15,524	1.0
Deposits	27,827	1.8
Others	109,415	7.0
Total	1,574,225	100.0
Number of companies	829	
Number of employees	229,700	

source: CEA

Germany		
(Amounts in EURO million)	1999	% of total
Premium income		
Life	58,696	45.1
Non-Life	71,535	54.9
Total	130,231	100.0
Investments		
Properties	27,742	3.4
Shares	273,454	33.5
Bonds	83,842	10.3
Mortgages & loans	418,733	51.3
Deposits	9,263	1.1
Others	2,999	0.4
Total	816,033	100.0
Number of companies	773	
Number of employees	239,600	

source: CEA

France		
(Amounts in EURO million)	1999	% of total
Premium income		
Life	74,669	65.5
Non-Life	39,354	34.5
Total	114,023	100.0
Investments		
Properties	35,842	4.6
Shares	220,572	28.0
Bonds	505,660	64.2
Mortgages & loans	10,744	1.4
Deposits	6,927	0.9
Others	7,149	0.9
Total	786,894	100.0
Number of companies	525	
Number of employees	132,350	

source: CEA

The Netherlands		
(Amounts in EURO million)	1999	% of total
Premium income		
Life	22,598	58.5
Non-Life	16,018	41.5
Total	38,616	100.0
Investments		
Properties	11,889	4.8
Shares	78,458	31.6
Bonds	74,148	29.8
Mortgages & loans	64,301	25.9
Deposits	7,397	3.0
Others	12,297	4.9
Total	248,490	100.0
Number of companies	517	
Number of employees	47,100	

source: CEA

Spain		
(Amounts in EURO million)	1999	% of total
Premium income		
Life	17,304	53.5
Non-Life	15,023	46.5
Total	32,327	100.0
Investments		
Properties	4,507	6.1
Shares	4,582	6.2
Bonds	46,343	62.7
Mortgages & loans	1,587	2.1
Deposits	4,594	6.2
Others	12,377	16.7
Total	73,990	100.0
Number of companies	370	
Number of employees	47,000	

source: CEA

Belgium		
(Amounts in EURO million)	1999	% of total
Premium income		
Life	10,064	59.3
Non-Life	6,912	40.7
Total	16,976	100.0
Investments		
Properties	3,093	3.2
Shares	30,953	32.2
Bonds	51,238	53.2
Mortgages & loans	5,984	6.2
Deposits	1,461	1.5
Others	3,544	3.7
Total	96,273	100.0
Number of companies	219	
Number of employees	25,256	

source: CEA

LIFE INSURANCE

DOMESTIC BUSINESS

Premiums for direct domestic business for the 97 insurance companies amounted to ltl. 77,033 billion with an 11.8% increase in nominal terms and a 9% increase in real terms.

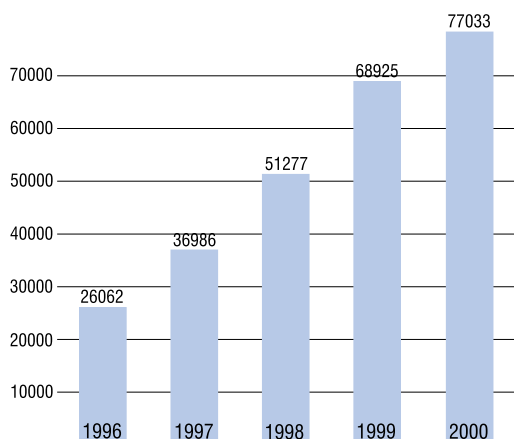
The percentage on the overall direct Non-Life and Life premiums was equal to 58.8%, representing an increase when compared to the 57.6% figure achieved in 1999. The Life premium ratio to the GDP was equal to 3.4%, an increase compared to the 3.2% figure in 1999.

Premiums are broken down as follows with regard to **each individual Life Class**:

- Insurance on human Life length: ltl. 30,921 billion (ltl. 34,083 billion in 1999);
- Insurance linked to investment funds or index-linked insurance: ltl. 43,006 billion (ltl. 29,087 billion in 1999);
- Permanent healthcare insurance: ltl. 15 billion (ltl. 11 billion in 1999);
- Capital redemption policies: ltl. 2,911 billion (ltl. 5,657 billion in 1999);

Direct Premiums

ltl. billion



Life insurance continues to grow, even if at a slower rate.

The ratio of operating expenses to premiums decreases further and by a significant extent.

The investment income continues to decrease.

The overall technical result for the financial year is still positive and has increased.

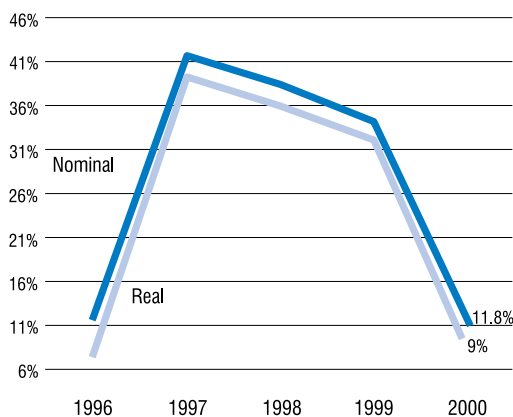
- Pension funds management: ltl. 180 billion (ltl. 87 billion in 1999).

Amounts paid for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled ltl. 19,195 billion (ltl. 17,320 billion in 1999), representing a 10.8% increase.

Mathematical provisions were equal to ltl. 333,503 billion (ltl. 272,225 billion in 1999), thus recording a 22.5% increase.

Operating expenses were equal to ltl. 5,501 billion (ltl. 5,859 billion in 1999), with a 6.1% decrease; they include, in addition to acquisition

Growth Rate



costs, costs arising from premium collection and costs relating to the organisation and operation of the distribution network, also the administration expenses relating to the technical management of insurance business. The ratio of these operating expenses to premiums amounted to 7.1% (8.5% in 1999).

Considering the investment income (Itl. 11,299 billion), the result of the technical account for direct business reflected a profit of Itl. 2,327 billion (Itl. 260 billion in 1999). The ratio to premiums amounted to 3% (0.4% in 1999).

The net result for reinsurance activities and indirect insurance business was positive at Itl. 1,093 billion (Itl. 1,264 billion in 1999).

The **overall technical account** result was equal to Itl. 3,420 billion (Itl. 1,524 billion in 1999).

The ratio to premiums amounted to 4.4% (2.2% in 1999).

Life Technical Account		
(Itl. billion)	1999	2000
Gross accounted premiums	68,925	77,033
Incurred claims (-)	17,320	19,195
Changes in life technical provisions (-)	60,029	61,278
Balance of other technical items	-96	-31
Operating expenses (-)	5,859	5,501
Investment income	14,639	11,299
Direct technical account result	260	2,327
Reinsurance results and other items	1,264	1,093
Overall technical account result	1,524	3,420

HOUSEHOLD SAVINGS

The process of restructuring the financial portfolios of Italian families, which has characterised the last five-year period, has continued in a macro-economic scenario characterised by an increase in the growth of consumption and available income, albeit at a slower rate compared to the recent past.

The Italian household propensity to save further declined in 2000, extending the trend that has been experienced over the last ten-year period.

Household savings ratio in the main industrialized countries

(% of disposable income)	2000
United States	0.0
United Kingdom	3.9
Germany	10.1
ITALY	11.3
Japan	12.8
France	15.6

source: OCSE, *Economic Outlook - December 2000*

Short-term securities decreased during 2000, whereas medium/long-term securities increased significantly, including public securities. Reduction of inflation rate and the offer policy adopted by the Treasury, designed to extend the due date of the securities issued, contributed to this migration.

The flows of funds to share investment decreased as a result of the negative trends of the financial markets, particularly during the second half of the year, at least as far as Italian shares are concerned; by contrast direct investment in foreign shares and participating interests increased compared to the previous year.

The growth of managed savings, especially significant in recent years, experienced a downturn during 2000, particularly due to the decreased growth of collective investment funds. The decrease in gross income flows with regard to the latter, was accompanied by a restructuring process from bond funds to equity and balanced funds, as well as from funds established under Italian laws to funds established under the laws of foreign countries.

Household financial assets managed by institutional investors

(breakdown %)	1999
Spain	25.7
France	27.3
ITALY	33.0
Germany	35.1

source: Eurostat

Main household financial assets

	Amounts (Itl. billion)		Breakdown (%)		Annual change % 2000/1999
	1999	2000	1999	2000	
Deposits	1,232,655	1,266,066	25.4	25.1	2.7
Bonds	827,269	962,588	17.0	19.1	16.4
Shares	1,277,952	1,241,564	26.3	24.6	-2.8
Collective Investment Funds	940,645	909,493	19.4	18.1	-3.3
Insurance and Pension Funds	529,312	599,376	10.9	11.9	13.2
Others	52,676	58,445	1.1	1.2	11.0
Total	4,860,509	5,037,532	100.0	100.0	3.6

Data include non-profit institutions and individual firms

source: *Processed data from the Bank of Italy*

Asset management activities recorded a net positive income, but the result was lower than the figure achieved in 1999; the funds management sector was particularly dynamic.

The insurance sector represented the driving force in 2000 in the framework of forms of managed savings, with a significantly higher growth compared to the growth that characterised the other divisions.

The worth of pension funds also increased, even if the percentage of the funds that were established following the reform introduced in 1993 remained limited compared to the total, although doubling its share of the total (from 1.1% to 2.3%).

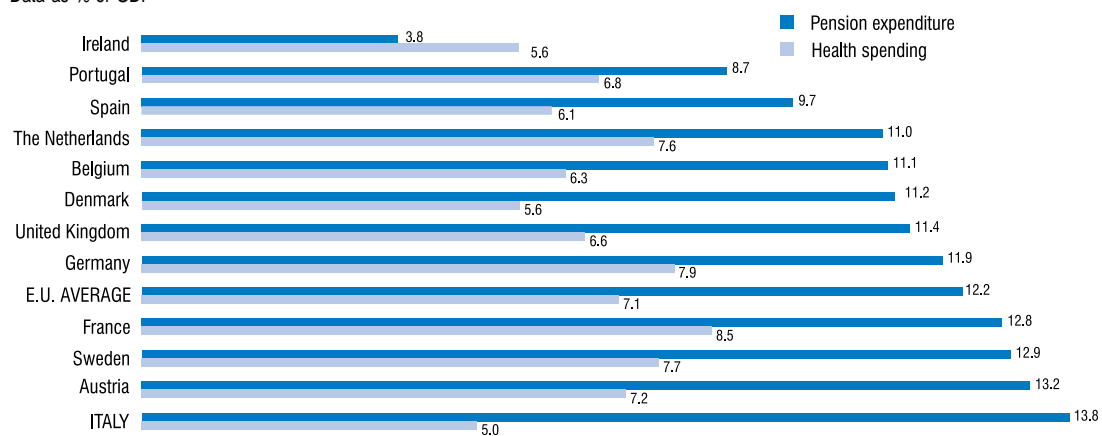
SOCIAL SECURITY SPENDING

The overall nominal spending in Social Security benefits by Public Administrations increased, in nominal terms, by 3.4% in 2000, reaching a level of slightly less than Itl. 500,000 billion.

The modest extent of the increase compared to the previous year determined a decrease of the ratio of Social Security spending to the GDP (from 22.6% to 22.2%), while the ratio to overall public expenditure increased marginally (from 59.7% to 59.8%).

Social security spending in some European countries in 1999

Data as % of GDP



source: *Eurostat*

Evolution of social expenditure in Italy	1997	1998	1999	2000
Amounts (Itl. billion)				
Health	100,386	104,123	109,734	116,816
Pensions:				
Old age	226,594	232,361	243,931	250,462
Survivors	55,024	53,756	57,826	58,505
Invalidity	28,849	27,880	29,300	29,832
Disease, Accident and Maternity benefits	5,532	6,189	6,393	6,585
Unemployment benefits	6,732	7,162	7,226	7,116
Other benefits	27,682	31,127	30,149	31,942
Total social expenditure	450,799	462,598	484,559	501,258
Percentage of GDP				
Health	5.1	5.0	5.1	5.2
Pensions:				
Old age	11.4	11.2	11.4	11.1
Survivors	2.8	2.6	2.7	2.6
Invalidity	1.4	1.4	1.4	1.3
Disease, Accident and Maternity benefits	0.3	0.3	0.3	0.3
Unemployment benefits	0.3	0.3	0.3	0.3
Other benefits	1.4	1.5	1.4	1.4
Total social expenditure	22.7	22.3	22.6	22.2
Percentage of total public expenditure				
Health	13.4	13.4	13.5	13.9
Pensions:				
Old age	30.1	29.9	30.1	29.9
Survivors	7.3	6.9	7.1	7.0
Invalidity	3.8	3.6	3.6	3.6
Disease, Accident and Maternity benefits	0.7	0.8	0.8	0.8
Unemployment benefits	0.9	0.9	0.9	0.8
Other benefits	3.7	4.0	3.7	3.8
Total social expenditure	59.9	59.5	59.7	59.8

source: Calculations extracted from Government report on the Italian economic situation - 2000

Health and pensions, the two major components of social spending in Italy, were characterised by differentiated dynamics.

The increase in 2000 with regard to **healthcare expenditure**, which represents more than 23% of social spending, was equal to 6.5%, representing an increase compared to the previous year (5.4%). The ratio of healthcare expenditure to GDP increased from 5.1% to 5.2%, a value that remains however significantly below the average for European Union member countries.

The increased growth in healthcare expenditure has its origins in the significant increase in pharmaceutical support (+14.3% compared to 1999), in turn determined by a multitude of

factors, that include growth in consumption, the increase in the average price of pharmaceutical products and the general public's decreased co-participation in expenditure.

Whereas, the increases in the other healthcare expenditure components are below average, such as hospital support (+5.3%) and other healthcare services (+5.3%). In the framework of these latter services however, the increase in the assistance given by the general practitioner is significant (+10.2%), resulting from renewal of the 1998-2000 convention, and the assistance given by the other healthcare services (+6.8%), including assistance to the elderly and to the disabled and health-related transportation, to be

attributed to the increased delivery of certain services throughout the country, such as domestic and residential assistance.

Whereas, the rate of growth rate in 2000 slowed down with regard to **pension expenditure** (old age, disability and survivors benefits), which absorbed almost 70% of social expenditure, decreasing to 2.3% from 5.4% in 1999. As a consequence, there was a decrease in both the ratio to overall public expenditure, which decreased from 40.8% to 40.5% and the ratio to GDP, which decreased from 15.5% to 15.0% (from 14.1% to 13.7% if disability benefits are excluded). This refers to a value that remains significantly above the European average.

The limited increase in pension expenditure is attributable both to the reduced adjustments of benefits to changing prices (in fact, an adjustment rate equal to 1.6% was adopted in relation to an increase in the GDP deflator

equal to 2.2%), and to the effects of the increase in the age limits necessary for private sector employees to become eligible to receive an old age pension.

SUPPLEMENTARY RETIREMENT PROVISIONS: THE EVOLUTION TO-DATE

The effects of Legislative Decree No. 47 dated 18 February 2000 has produced incisive and significant changes to the supplementary retirement provisions discipline starting from 1 January 2001. The new regulations, among other aspects, have:

- provided for, a single and all-inclusive ceiling deductible from income for the amounts intended to form a supplementary retirement pension, irrespective of the instrument adopted to achieve this;

Domestic pension funds	Number of Funds			Number of Members		Provisions for benefits (1)	
	31.03.01	31.12.00	31.12.99	up to 2000	% movem. 2000/1999	up to 2000	% movem. 2000/1999
Newly established pension funds							
Negotiant pension funds							
Authorised to engage in the business only authorised to collect memberships	23	23	6	782,821		2,305	
	20	19	27	102,830		-	
Total negotiated funds	43	42	33	885,651	26.3	2,305	118.7
Open pension funds							
authorised to engage in the business	84	85	79	223,032		1,068	
authorised to establish	14	14	9	-		-	
Total open funds	98	99	88	223,032	63.3	1,068	136.3
Total newly established funds	141	141	121	1,108,683	32.4	3,373	124.0
Pre-existing pension funds (2)							
Under the jurisdiction of Covip	418	417	79	579,600		40,788	
<i>with juridical identity</i>	398	397	9	556,077		40,465	
<i>other funds</i>	20	20		23,523		323	
Within banks	151	152	79	100,000		14,000	
Within insurance companies	8	8	79	4,295		516	
Total pre-existing funds	577	577		683,895		55,304	
TOTAL PENSION FUNDS	718	718		1,792,578		58,677	

(1) Aggregate financial resources destined to provide benefits (amounts in ItL. billion)

(2) Pension funds established prior to the introduction of the new discipline governing supplementary retirement provisions (November 1992)

source: COVIP, *I fondi pensione in Italia. Principali dati e indicatori – 2000*

Negotiant pension funds (data at 31.12.2000)	Number of funds	Number of members	Potential membership volume	Membership rate %
Negotiant funds authorised to engage in the business	23	782,821	6,194,347	
referred to employees	18	767,696	2,354,347	32.6
<i>corporate and group funds</i>	6	167,727	219,594	76.4
<i>trade association funds that have conferred provisions to be managed</i>	2	441,651	1,185,000	37.3
<i>other funds</i>	10	158,318	949,753	16.7
referred to independent workers	5	15,125	3,840,000	
Negotiant funds only authorised to collect memberships	19	102,830	9,678,803	
referred to employees	15	100,836	7,597,567	
referred to independent workers	4	1,994	2,081,236	
Total negotiant pension funds	42	885,651	13,073,150	
referred to employees	33	868,532	9,151,914	
referred to independent workers	9	17,119	3,921,236	

source: COVIP, *I fondi pensione in Italia. Principali dati e indicatori – 2000*

- established the individual forms of pension schemes, realisable by joining open pension funds or by stipulating Life insurance policies;
- extended the list of eligible persons, also including persons receiving other income, in addition to employees and independent workers;
- made consistent the taxation of retirement savings, wherever allocated (pension funds or individual forms of pension scheme), and of the relative benefits.

The objectives pursued by the new regulations, above all, include that of providing a greater incentive to the growth of supplementary retirement provisions and to overcome the unenthusiastic start, as it emerges from the latest data provided by the Italian pension funds supervisory authority (COVIP).

COVIP has also provided details of the distribution of subscribers to pension funds by age, and the situation shows how, to-date, the participation by young people in supplementary retirement provisions is modest.

COVIP has also performed a simulation exercise regarding the percentage of the last assessable remuneration for a number of employee types. The simulations reveal that the cover offered by the supplementary pension arrangements, although achieving a clearly positive real annual return as regards management of the contributions, would have a distinctly modest value compared to the need to supplement the government pension scheme, without use of the employee severance indemnity for the purposes of supplementary retirement provisions.

New insurance policies as retirement provisions

Life insurance policies are divided into four different types, for taxation purposes, starting from 1 January 2001, following the coming into force of Legislative Decree No. 47 dated 18 February 2000:

- insurance policies intended to form a supplementary pension provision (Life insurance policies as retirement provisions);
- insurance policies that cover one or more of the following risks: death, permanent disability exceeding 5% deriving from any cause, lack of self-sufficiency in performing daily life activities (pure risk Life insurance policies);
- life annuity policies as retirement provisions;
- other Life insurance policies.

Life insurance policies as retirement provisions represent one of the two instruments that can be utilised to achieve individual supplementary pensions; the other is represented by subscription to an open pension fund. Life insurance policies as retirement provisions, compared to the subscription to an open pension fund, are characterised by the presence of death risk cover and a guaranteed minimum interest rate from the date the insurance policy is made.

Life insurance policies as retirement provisions are subject to the same discipline foreseen for collective supplementary pension schemes.

The benefit is represented by a life annuity with the possibility of paying the capital for an amount not exceeding 50% (however, a higher rate of taxation is applied if the payment of benefits in the form of capital exceeds one-third) or for the full amount, if the annuity amount is less than Itl. 3,447,000 per year.

The annuity may be acquired due to old age, after reaching retirement age as established by the compulsory regime to which the policyholder belongs (when the age of 57 is reached for persons who do not receive work or enterprise income), provided they have contributed a minimum of five years, or due to seniority in the event the working activity has terminated, if any, and provided the policyholder is not younger than 55 for men and not younger than 50 for women, and that he/she has contributed to the pension scheme for at least 15 years.

The insurance policies shall not allow advances. However, these policies shall allow full or even partial surrender, in

the case of extraordinary healthcare expenses involving therapy and surgery, to purchase the first residence house for the policyholder or for his/her children, for maintenance and restructuring of the said first residence house.

The premium paid for the Life insurance policies as retirement provisions is not subject to insurance tax. The premium is deductible from the personal taxable income to the extent of 12% of the overall income and however, for an amount not exceeding Itl. 10 million. This ceiling figure also includes the amounts paid in respect of collective pension provisions (contributions paid by the worker and by the employer), contributions exceeding the maximum contribution amount, which at present is equal to Itl. 144,263,000 and amounts paid by the employer into internal pension funds.

Life insurance policies as retirement provisions may also be taken out by persons that do not receive work or enterprise income and, in addition to themselves, may be made for the persons who are fiscally dependent thereon.

The freedom of choice among the forms of collective supplementary and individual retirement provisions is subject to limitations in the case of employees.

The annual increases in the value of the annuity during the validity of the policy, determined on the basis of the actuarial method, are subject to a substitute tax by the insurance company at a rate of 11% in a similar way to all the earnings deriving from pension savings management.

The benefits in capital represent an income equivalent to that of employment and are taxed separately.

The annuity benefits also represent income equivalent to that of employment and are subject to progressive taxation for the portion corresponding to the premiums paid during the validity of the policy, within the limits of the deductible ceiling; the portion of annuity benefits corresponding to the increases taxed previously, during the validity of the policy, is not subject to taxation, whereas the portion represented by earnings that mature subsequent to payment are subject to a substitute tax at the rate of 12.5%.

The Italian Private Insurance Supervisory Authority (ISVAP) regulated insurance policies as pension provisions in its circular No. 434/D dated 12 February 2001, particularly with regard to the “transparency” aspect and the contents of the informative notes that the insurance companies are under obligation to prepare and to deliver to the policyholder.

NON-LIFE INSURANCE

Premium income continues to increase. The ratio of incurred claims and operating expenses decreases. The technical result reflects a balanced position.

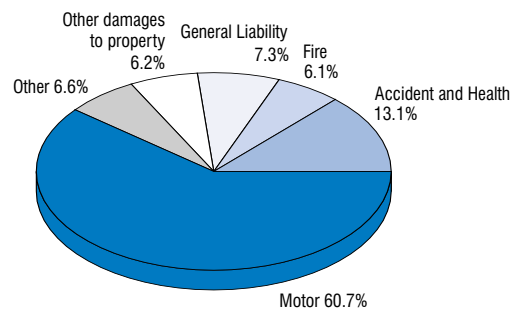
DOMESTIC BUSINESS

Premiums for direct domestic business for the 129 insurance companies were equal to Itl. 53,933 billion, a 6.1% increase in nominal terms and a 3.5% increase in real terms.

The percentage of the total (Non-Life and Life premiums) was 41.2%, a decrease compared to 42.4% for 1999. The ratio of the Non-Life premiums on GDP was equal to 2.4%, remaining unchanged compared to 1999.

The **amounts of incurred claims**, which occurred during the current and all previous financial years, totalled Itl. 43,649 billion (Itl.

Breakdown of main Non-Life classes (%)

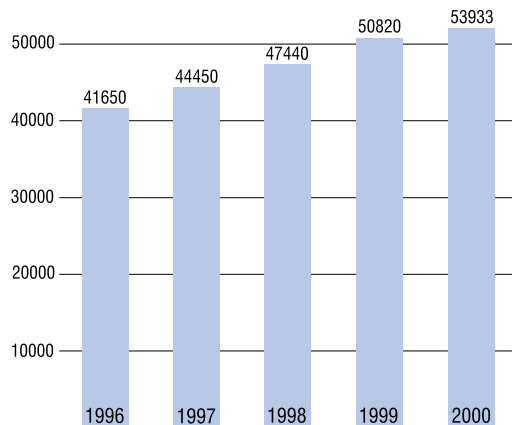


Motor 60.7%

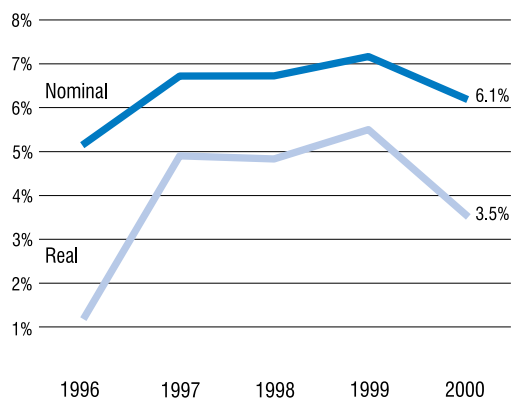
53,933 Itl. billion

Direct Premiums

Itl. billion



Growth Rate



Loss ratio (%)	1999	2000
Accident	61.0	58.0
Sickness	75.6	76.2
Land vehicles	45.6	46.2
Aircraft	106.5	69.6
Ships	133.6	144.9
Goods in transit	73.5	68.4
Fire and natural forces	50.8	52.8
Other damages to property	67.7	63.1
Motor T.P. liability	103.6	99.2
General T.P. liability	103.0	104.2
Credit	66.0	64.6
Suretyship	32.5	36.5
Financial Loss	59.1	92.5
Legal expenses	29.6	21.8
Assistance	36.8	32.4
Total	84.5	82.7

41,677 billion in 1999), representing a 4.7% increase.

The **ratio of incurred claims to earned premiums** was equal to 82.7%, a decrease compared to the 84.5% in 1999. This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same period and, therefore, does not take into account the costs arising from claims which occurred in preceding financial years.

Operating expenses amounted to Itl. 12,437 billion (Itl. 12,025 billion in 1999), thus increasing by 3.4% and representing 23.1% of direct premiums (23.7% in 1999). These include, in addition to acquisition costs, costs arising from premium collection, costs relating to the organisation and management of the distribution network, also the administration expenses relating to technical management of insurance business

The **technical balance for direct business** was negative at Itl. 3,807 billion (Itl. -5,170 billion in 1999).

Non-Life technical account (Itl. billion)	1999	2000
Gross accounted premiums	50,820	53,933
Changes in premium reserves (-)	1,473	1,162
Incurred claims (-)	41,677	43,649
Balance of other technical items	-815	-492
Operating expenses (-)	12,025	12,437
Direct technical balance	-5,170	-3,807
Investment income	3,113	3,119
Direct technical account result	-2,057	-688
Reinsurance results and other items	554	873
Overall technical account result	-1,503	185

Considering the investment income (Itl. 3,119 billion), the technical account result was negative at Itl. 688 billion (Itl. -2,057 billion in 1999). This result represented 1.3% of premiums (4% in 1999).

The passive reinsurance and net indirect business result was positive at Itl. 873 billion (Itl. 554 billion in 1999).

The **overall technical account result** was positive at Itl. 185 billion (Itl. -1,503 billion in 1999). This result represented 0.3% of premiums (3% in 1999).

TAXATION OF NON-LIFE INSURANCE PREMIUMS IN THE EUROPEAN UNION

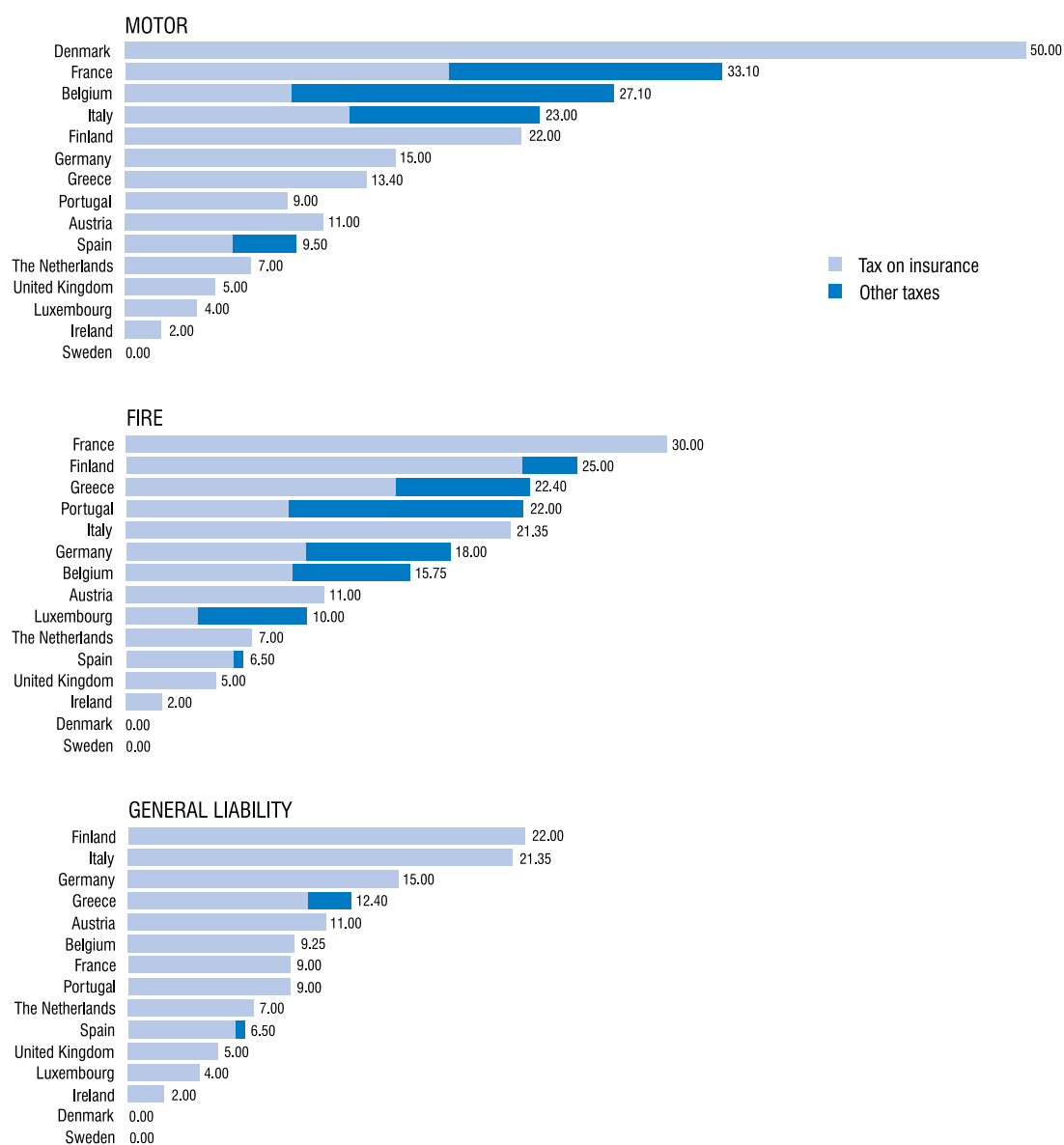
European Union regulations, (EEC Directive dated 17 May 1997 No. 388, Article 13, paragraph B, sub-section a), specifically foresee that insurance transactions shall be exempt from VAT. This has meant that the regimes existing previously, characterised by the existence of a special tax or tax exemption regime have remained in force in all the European Union member countries.

Exemption from VAT represents a negative aspect both for insurance companies since

this condition renders non-deductible the VAT paid on goods and services purchased thereby, and for the insurance policyholders whether they are companies or professionals, since the special tax they pay on the premiums of

the insurance policies written cannot be deducted from the VAT collected and ends up representing a cost component. Whereas tax exemption represents a positive element for the Inland Revenue, in terms of tax revenue.

Tax rates on insurance in the E.U. countries (%)



source: CEA

Non-Life insurance policy premiums are subjected to a special tax in all the European Union member countries, which is similar to the insurance taxation levied in Italy. This provides the Inland Revenue with a significant tax revenue and, above all, does not involve collection charges. The tax revenue in 1999 (including the revenue on motor liability premiums, which today is received by the provinces) amounted to more than Itl. 8,500 billion, which rates the special tax in second place among business taxes and duties, immediately after VAT and before registration tax and stamp duty.

The special tax in European Union member countries is however applied with highly differentiated rates.

So-called para-fiscal charges of various forms are levied in many countries, in addition to the special tax.

MOTOR INSURANCE

The technical result continues to be negative and to a significant extent. Operating expenses continue to decrease. The trend of motor risks other than third party liability continues to be positive.

MOTOR LIABILITY

The data indicated below includes also data relating to compulsory third party liability insurance for watercraft.

Premiums for direct domestic business for the 82 insurance companies operating in this class amounted to Itl. 27,536 billion (+7.3%) in 2000, representing 51.1% of the total Non-Life insurance premiums.

Incurred claims amounted to Itl. 26,814 billion (Itl. 25,651 billion in 1999).

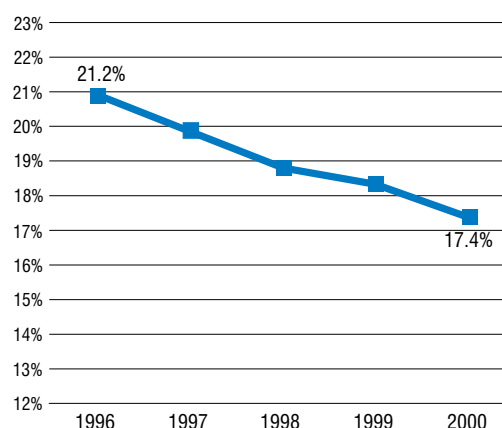
The **ratio of incurred claims to earned premiums** (Itl. 27,017 billion taking the change in premium reserves into account) was 99.2% (103.6% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses amounted to Itl. 4,802 billion (Itl. 4,690 billion in 1999) and include administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. The ratio of the operating expenses to premiums was 17.4% and is decreasing progressively (the ratio was 21.2% in 1996).

The **technical balance for direct business** was negative at Itl. 4,751 billion (Itl. -5,951 billion in 1999).

Considering the investment income, the result for the direct technical account was negative at Itl. 72,867 billion (Itl. -4,140 billion in 1999).

Operating expenses to premiums ratio (%)



(Itl. billion)	1999	2000
Gross accounted premiums	25,653	27,536
Changes in premium reserves (-)	902	519
Incurred claims (-)	25,651	26,814
Balance of other technical items	-361	-152
Operating expenses (-)	4,690	4,802
Direct technical balance	-5,951	-4,751
Investment income	1,811	1,884
Direct technical account result	-4,140	-2,867
Reinsurance result and other items	387	435
Overall technical account result	-3,753	-2,432

Taking the reinsurance balance into due account, the **overall technical account results** was negative at Itl. 2,432 billion (Itl. -3,753 billion in 1999), representing an 8.8% ratio to premiums (14.6% in 1999).

LAND VEHICLES

This class, defined under law as "land vehicle hulls" include insurance against all forms of damage to or loss of land motor vehicles.

Premiums for direct domestic business for the 87 insurance companies operating in this class amounted to Itl. 5,184 billion (+2.4%) in 2000, representing 9.6% of the overall Non-Life insurance premiums.

Incurred claims amounted to Itl. 2,372 billion (Itl. 2,285 billion in 1999).

The **ratio of incurred claims to earned premiums** (Itl. 5,129 billion, taking the change in premium reserves into account) was 46.2% (45.6% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) with the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years..

Operating expenses amounted to Itl. 1,272 billion (Itl. 1,243 billion 1999) and include

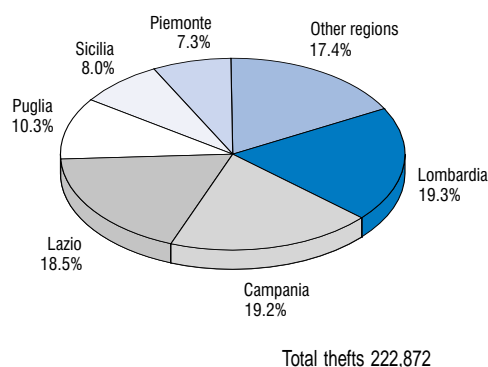
(Itl. billion)	1999	2000
Gross accounted premiums	5,062	5,184
Changes in premium reserves (-)	55	55
Incurred claims (-)	2,285	2,372
Balance of other technical items	-63	-41
Operating expenses (-)	1,243	1,272
Direct technical balance	1,416	1,444
Investment income	107	104
Direct technical account result	1,523	1,548
Reinsurance result and other items	-52	-22
Overall technical account result	1,471	1,526

Car thefts per region	1998	1999	2000
Piemonte	20,675	17,867	16,214
Valle d'Aosta	108	94	73
Lombardia	62,910	53,837	43,019
Trentino	496	524	458
Veneto	8,007	6,605	6,365
Friuli	1,000	1,007	741
Liguria	4,195	3,951	3,568
Emilia Romagna	9,823	9,656	7,835
Toscana	5,880	5,402	4,120
Umbria	1,190	1,094	1,135
Marche	1,255	1,223	1,110
Lazio	54,304	50,632	41,226
Abruzzo	1,951	1,818	1,354
Molise	330	377	227
Campania	47,736	46,534	42,894
Puglia	29,660	29,043	22,942
Basilicata	685	630	498
Calabria	8,075	7,297	6,682
Sicilia	21,197	21,273	17,755
Sardegna	4,819	4,629	4,656
Total Italy	284,296	263,493	222,872

source: Ministry of the Interior

administration expenses relating to the technical management of insurance business and acquisition costs, costs arising from premium

Car thefts in 2000
breakdown by region (%)



collection and costs relating to the organisation and management of the distribution network. The ratio of the operating expenses to premiums was 24.5% (24.6% in 1999).

The **technical balance for direct business** was positive at Itl. 1,444 billion (Itl. 1,416 billion in 1999).

Considering the investment income, the technical account result was positive at Itl. 1,548 billion (Itl. 1,523 billion in 1999).

Taking the balance for reinsurance into due account, the **overall technical account result** was positive at Itl. 1,526 billion (Itl. 1,471 billion in 1999), representing a 29.4% ratio to premiums (29.1% in 1999).

FREEZING OF MOTOR LIABILITY RATES REJECTED BY THE EUROPEAN COMMISSION

■ By virtue of Decree Law No. 70 dated 28 March 2000, introducing “Urgent provisions to contain inflationary forces”, converted with amendments into Law No. 137 dated 26 May 2000, among other aspects, it was established that insurance companies shall not apply any rate increase to policyholders that have not been the cause of claims during the last period of observation as regards third party motor liability policies renewed within one year from 29 March 2000 on the basis of “rates which foresee changes in the payable premium in relation to the occurrence of claims or otherwise. The rates in force on 29 March 2000 shall be applied in the case of insurance policies written within one year from the date based on the rate formulae that foresee changes to the premium in relation to the occurrence or otherwise of claims”.

■ The National Association of Insurance Companies (ANIA) petitioned the European Commission on 17 April 2000 against the freezing measure, underlining how the aforesaid contrasted with the European Union legislation and violated, in particular:

– the freedom of establishment and of service guaranteed by Articles 43 and 44 of the Treaty;

– Articles 6, 29 and 39 of Directive No. 92/49/EEC (the so-called third Non-Life insurance directive), which do not permit implementation of measures to freeze third party motor liability rates, in the absence of a general price monitoring system as is the case in Italy.

■ The European Commission, with a press release dated 21 December 2000, published the decision “to take the Italian Government to the Court of Justice as regards the freezing of third party motor liability rates”, since the aforesaid freeze:

– “is not part of a general price monitoring system” and “is not justified by considerations of general public interest”;

– “is contrary to the free trading of insurance products sanctioned by the third directive concerning insurance business and represents an obstacle to the right of establishing and freely rendering services”.

NEWS CONCERNING LEGISLATIVE ASPECTS

Law No. 57 dated 5 March 2001, introducing “Provisions relating to the opening and governing of markets”, by Articles from 1 to 6 has intervened on significant matters of third party motor liability insurance which include the aspects indicated below.

TRANSPARENCY

Insurance companies are under obligation to:

– publicly disclose the “annual reference premiums”, namely premiums referring to nine policyholder types, identified in abstract terms by the law, by means of specific brochures, promotional material or advertisements. However, it will be very difficult to find a tangible confirmation of

these types in reality, considering that when the insurance companies determine their rates, in addition to the customisation factors foreseen by law to identify the profiles of the nine policyholder types (age of the policyholder, vehicle type, type of tariff, previous claim history, province), they generally also take other customisation factors into consideration, such as profession, sex, residential area (provincial capital, urban, extra-urban), the seniority of the driving licence, the age of the vehicle, the type of vehicle, (brand and/or model);

- notify the Italian Private Insurance Supervisory Authority (ISVAP), the National consumer and users Council (CNCU) and the Chambers of Commerce with jurisdiction for the territory every six months, with details of the “annual reference premiums”;
- enable users to view the rates and the policy terms and conditions at the sales outlets and in the framework of telematic information technology systems.

The right of the policyholder and of the damaged parties to gain access to the documents at the conclusion of the procedures entailing the valuation, ascertainment and settlement of claims has also been foreseen.

CLAIM SETTLEMENT OFFER

The obligation of the insurer to propose a fair offer to compensate the damage or to notify the reasons for which the said insurer deems it is not in a position to make an offer has been extended to all claims, whatever the nature of the damage produced, an obligation so far foreseen in the case of claims only involving damage to property.

COMPENSATION TO PROFESSIONALS WHO AID THE DAMAGED PARTY

The insurer that compensates the professional directly for the assistance given thereby to the damaged party shall give notification thereof to the said damaged party and indicate the corresponding amount paid.

Where no direct payment has been involved, the insurer shall obtain the supporting documentation regarding the service rendered by the professional to the damaged party and indicate the consideration paid to the professional in the claim settlement receipt separately from the other items of the claim.

COMPENSATION FOR PERSONAL INJURY

Compensation of the claim subsequent to minor injuries has been regulated (the so-called micro-permanent injuries), namely injuries involving permanent disability equal or less than 9% “while a harmonised discipline to govern biological damage” is awaited. Differentiated values for the position of the disability have been established to compensate these injuries depending on the seriousness of the injury involved (from Itl. 1,200,000 to Itl. 2,760,000), with a reduction coefficient being foreseen for these values depending on age (equal to 0.5% per year), starting from the age of eleven, upwards.

Compensation of the biological damage deriving from an absolute temporary inability has also been governed for which an amount of Itl. 70,000 per day has been established, to be reduced in proportion for a degree of disability of less than 100%.

It has been foreseen however, that “taking the subjective conditions of the injured person into consideration” the biological damage may also be compensated to an extent that exceeds the result deriving from the above-mentioned parameters.

“ANTI-FRAUD” DATABASE

The importance of the insurance fraud phenomenon, particularly in the third party motor liability sector, also due to the limited or total lack of social disapproval for those that defraud insurance companies has been mentioned on several occasions, and not only by insurance companies, has led to the creation of a specific “anti-fraud” database.

Article 2, paragraph 5-quater, of Decree Law No. 70 dated 28 March 2000 converted with amendments to Law No. 137 dated 26 May 2000 has foreseen the creation of a third party motor liability claims database at the Italian Private Insurance Supervisory Authority (ISVAP) “for the purpose of increasing prevention efficiency and to counter fraudulent conduct” and the obligation on the part of the insurance companies to enter data referring precisely to claims, initially every quarter and subsequently on a monthly basis, starting from the second half of 2001. These refer to data concerning the policyholder, the vehicle, the driver, the other parties involved (the damaged vehicle, the owner and driver of the damaged vehicle), the persons who intervened during the claim settlement phase, possible legal cases, the amount paid and the type of claim.

THIRD PARTY MOTOR LIABILITY RATES AND INFLATION

The trend of the third party motor liability rates are being continuously compared to the trend of inflation and the more or less explicit theory is put forward that these rates should be increased by an amount which does not exceed the rate of inflation without, however, providing any form of explanation regarding the stated correlation between the price of third party motor liability insurance and inflation.

Explanations are not provided, nor can they be given, since inflation does not produce a direct effect on the two factors that essentially determine the price of third party motor liability insurance, namely:

- the claim frequency (that is the number of accidents that occur compared to the number of vehicles in circulation);

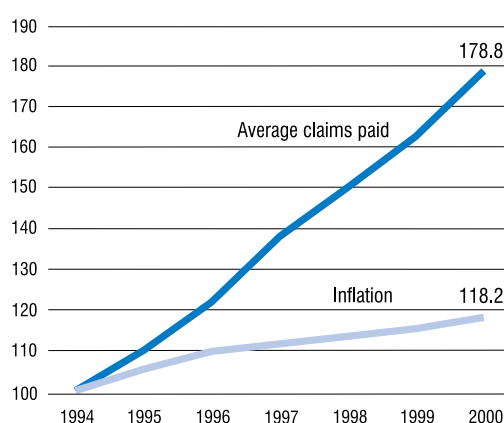
- the average claim cost of accidents to be compensated (that is the cost of compensation compared to the number of accidents).

YEARS	Average claims paid			Inflation	
	Itl. (000's)	Index	Annual change (%)	Index	Annual change (%)
1994	2,928	100.0	-	100.0	-
1995	3,221	110.0	10.0	105.4	5.4
1996	3,567	121.8	10.7	109.5	3.9
1997	4,038	137.9	13.2	111.4	1.7
1998	4,398	150.2	8.9	113.4	1.8
1999	4,760	162.6	8.2	115.2	1.6
2000	5,236	178.8	10.0	118.2	2.6

source: ISVAP (2000 figures are provisional)

The non-existence of a direct correlation between inflation and third party motor liability insurance clearly emerges from a comparison between the trend of inflation and the trend of the average cost of all the claims paid during each year starting from 1994, the year in which the rates were liberalised.

Average claims paid and inflation (index 1994 = 100)



INCREASES IN THIRD PARTY MOTOR LIABILITY RATES

In regimes of freely determined rates and significant price differentiation applied by the individual insurance companies depending, above all, on the numerous and diverse subjective and objective risk customisation factors that have been implemented, the increase of third party motor liability rates can be quantified, in a general framework, by considering the overall increase of the relative premiums which the population of policyholders has been subjected to each year, excluding from the data the effect of the increase in the number of vehicles in circulation and the changes in their characteristics (for example, the average engine size).

Where this criteria is abandoned, one ends up by referring to the increases paid by the individual policyholders, a situation that has limited significance in a general framework due to the large variety of rates charged by the 82 insurance companies operating in this class and the consequent impossibility of comparing the individual situations. These too, however, should always be viewed with an eye to the future, to take into account implementation of the 'bonus-malus' mechanism and the possible migration of the policyholder to more favourable offers made by other insurance companies.

The competition among the insurance companies operating in the Italian third party motor liability market is increasing, as is shown by the surveys performed by the Italian Private Insurance Supervisory Authority (ISVAP) and by the Consumer Associations in which a significant differentiation of prices applied is found.

YEARS	1. Motor T.P.L. premiums (Balance Sh.)		2. Number of circulating vehicles (Aci)		3. Features of circulating vehicles		4. Motor T.P.L. premiums adjusted by 2 and 3	
	Index	Annual change (%)	Index	Annual change (%)	Index	Annual change (%)	Index	Annual change (%)
1994	100.0	-	100.0	-	100.0	-	100.0	-
1995	107.5	7.5	101.9	1.9	100.8	0.8	104.6	4.6
1996	112.8	4.9	103.5	1.6	101.5	0.7	107.2	2.5
1997	123.0	9.0	104.5	1.0	102.5	1.0	114.6	6.9
1998	135.4	10.1	106.8	2.2	103.4	0.9	122.4	6.8
1999	152.5	12.6	109.5	2.5	104.4	1.0	133.0	8.7
2000	163.6	7.3	110.8	1.2	105.5	1.1	139.5	4.9 (*)

(*) In spite of the rates freeze, the increase in premium volume is due to: starting date of the freeze (29 march 2000); policyholders who caused accidents in the period preceding the freeze and, hence, could not benefit from it; contracts written or renewed before the freeze, but with installments premium falling due during the freezing rates period

Province	Maximum discount Bonus/Malus class			Bonus/Malus entrance class		
	Minimum premium	Maximum premium	Difference	Minimum premium	Maximum premium	Difference
Milan	590,917	923,636	332,719 (56.6%)	1,612,715	2,547,200	934,485 (57.9%)
Bologna	787,015	1,294,655	507,640 (64.5%)	1,962,125	3,632,900	1,670,775 (85.1%)
Rome	729,024	1,112,000	382,976 (52.5%)	1,849,684	3,298,800	1,449,116 (78.3%)
Naples	718,000	1,275,428	557,428 (77.6%)	1,994,511	4,175,700	2,181,189 (109%)
Palermo	513,000	1,041,400	528,400 (103%)	1,463,326	3,632,900	2,169,574 (148%)

source: ISVAP (premium rates in Italian lire as at 1st April 2001, applied by 83.1% of the market)

Yearly premiums gross of National Health Service (10.50%) and tax on insurance (12.50%), relating to: male, owner of the car, 40 year old, with a 1,300 c.c. petrol car and Id. 1.5 billion limit of liability

OTHER NON-LIFE INSURANCE CLASSES

The technical account results are positive for the majority of business classes different from motor liability, with the exception of sickness, ships and general liability.

ACCIDENT

Premiums for direct domestic business for the 112 insurance companies operating in this class amounted to Itl. 4,608 billion (+5.2%) in 2000, representing 8.5% of the total Non-Life insurance premiums.

Incurred claims amounted to Itl. 2,608 billion (Itl. 2,628 billion in 1999).

The **ratio of incurred claims to earned premiums** (Itl. 4,495 billion, taking the change of the premium reserves into account) was 58% (61% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to Itl. 1,484 billion (Itl. 1,399 billion in 1999), and include administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. The ratio of these operating expenses to premiums was 32.2% (31.9% in 1999).

The **technical balance for direct business** was positive at Itl. 338 billion (Itl. 197 billion in 1999).

Considering the investment income, the direct technical account result was positive at Itl. 529 billion (Itl. 395 billion in 1999).

Taking the reinsurance balance into due account, the **overall technical account result** was positive at Itl. 491 billion (Itl. 402 billion in 1999), representing 10.7% of the premiums (9.2% in 1999).

(Itl. billion)	1999	2000
Gross accounted premiums	4,381	4,608
Changes in premium reserves (-)	73	113
Incurred claims (-)	2,628	2,608
Balance of other technical items	-84	-65
Operating expenses (-)	1,399	1,484
Direct technical balance	197	338
Investment income	198	191
Direct technical account result	395	529
Reinsurance result and other items	7	-38
Overall technical account result	402	491

SICKNESS

Premiums for direct domestic business for the 104 insurance companies operating in this class amounted to ltl. 2,431 billion (+7.8%) in 2000, representing 4.5% of the total Non-Life insurance premiums.

Incurred claims amounted to ltl. 1,801 billion (ltl. 1,694 billion in 1999).

The **ratio of incurred claims to earned premiums** (ltl. 2,365 billion, taking the change of the premium reserves into account) was 76.2% (75.6% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to ltl. 677 billion (ltl. 604 billion in 1999) and include administration expenses relating to the technical management of insurance business and acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 27.8% of the premiums (26.8% in 1999).

The **technical balance for direct business** was negative at ltl. 153 billion (ltl. -95 billion in 1999).

(ltl. billion)	1999	2000
Gross accounted premiums	2,254	2,431
Changes in premium reserves (-)	13	66
Incurred claims (-)	1,694	1,801
Balance of other technical items	-38	-40
Operating expenses (-)	604	677
Direct technical balance	-95	-153
Investment income	68	71
Direct technical account result	-27	-82
Reinsurance result and other items	-28	0
Overall technical account result	-55	-82

Considering the investment income, the result for the direct technical account was negative at ltl. 82 billion (ltl. -27 billion in 1999).

Taking the balance for reinsurance into due account, the **overall technical account result** was negative at ltl. 82 billion (ltl. -55 billion in 1999), representing 3.4% of the premiums (2.4% in 1999).

Supplementary healthcare funds and European Union regulations

The supplementary funds to the National Healthcare Service have not yet become operational after more than eight years from their original expectation from a legislative viewpoint and two years after the radical reform of the system implemented through Legislative Decree No. 229 dated 19 June 1999, since the Government has not yet issued the relative and fundamental secondary implementation regulation. And this despite the establishment of the aforesaid funds being deemed necessary by all concerned in the framework of rationalising the National Healthcare Service and the discipline of the corresponding taxation treatment has been fully defined in Legislative Decree No. 41 dated 18 February 2000, the coming into force of which Article 9 of Legislative Decree of No. 229 issued in 1999 conditioned the operativeness of the reform.

A prompt definition of the foreseen implementation regulation is to be hoped for. Its preparation should take into account that, on the basis of the binding European Union regulation regarding insurance matters, where the activities of the future supplementary healthcare funds were to assume the role of definite cover of health risks against payment of a premium calculated by adopting statistical-actuarial criteria, the aforesaid activity could only be undertaken by insurance companies authorised to engage in that particular class, or as the direct founders of the said funds or subject to the compulsory subscription thereto (Directive No. 73/239/EC dated 24 July 1973, Articles 2 and 3).

Supplementary Healthcare funds of a non-insurance nature or not underwritten with insurance companies may however exist and operate only in as far as they do not undertake risks, but are committed to providing variable benefits in relation to the financial resources tangibly available or foresee recovery contributions from the subscribed members to adjust their financial resources to the needs of the moment.

AIRCRAFT

This class includes insurance cover against all damage to aircraft.

Premiums for direct domestic business by the 31 insurance companies operating in this class amounted to Itl. 227 billion (+65.6%) in 2000, representing 0.4% of the total Non-Life insurance premiums.

Incurred claims amounted to Itl. 119 billion (Itl. 149 billion in 1999).

The **ratio of incurred claims to earned premiums** (Itl. 171 billion, taking the change of the premium reserves into account) was 69.6%, (106.4% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to Itl. 25 billion (Itl. 19 billion in 1999), and included administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 11% of the premiums (13.9% in 1999).

(Itl. billion)	1999	2000
Gross accounted premiums	137	227
Changes in premium reserves (-)	-3	56
Incurred claims (-)	149	119
Balance of other technical items	6	1
Operating expenses (-)	19	25
Direct technical balance	-22	28
Investment income	2	2
Direct technical account result	-20	30
Reinsurance result and other items	7	-25
Overall technical account result	-13	5

The **technical balance for direct business** was positive at Itl. 28 billion (Itl. -22 billion in 1999).

Considering the investment income, the direct technical account result was positive at Itl. 30 billion (Itl. -20 billion in 1999).

Taking the balance for reinsurance into due account, the **overall technical account result** was positive at Itl. 5 billion (Itl. -13 billion in 1999), representing 2.2% of the premiums (9.5% in 1999).

SHIPS (SEA, LAKE AND RIVER AND CANAL VESSELS)

This class includes insurance cover against all damage to seagoing vessels, lake and river craft.

Premiums for direct domestic business by the 60 insurance companies operating in this class amounted to Itl. 408 billion (-4%) in 2000, representing 0.8% of the overall Non-Life insurance premiums.

Incurred claims amounted to Itl. 545 billion (Itl. 568 billion in 1999).

The **ratio of incurred claims to earned premiums** (Itl. 376 billion, taking the change

(Itl. billion)	1999	2000
Gross accounted premiums	425	408
Changes in premium reserves (-)	0	32
Incurred claims (-)	568	545
Balance of other technical items	10	7
Operating expenses (-)	85	81
Direct technical balance	-218	-243
Investment income	12	10
Direct technical account result	-206	-233
Reinsurance result and other items	178	230
Overall technical account result	-28	-3

of the premium reserves into account) was 144.9% (133.6% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to ltl. 81 billion (ltl. 85 billion in 1999) and include administration expenses relating to the technical management of insurance business and acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 19.9% of the premiums (20% in 1999).

The **technical balance for direct business** was negative at ltl. 243 billion (ltl. -218 billion in 1999).

Considering the investment income, the direct technical account result was negative at ltl. 233 billion (ltl. -206 billion in 1999).

Taking the balance for the reinsurance into due account, the **overall technical account result** was negative at ltl. 3 billion (ltl. -28 billion in 1999), representing 0.7% of the premiums (6.6% in 1999).

GOODS IN TRANSIT

This class includes insurance cover against all damage to goods in transit or luggage, irrespective of the means of transport.

Premiums for direct domestic business by the 79 insurance companies operating in this class were equal to ltl. 577 billion (+3.3%) in 2000, representing 1.1% of the total Non-Life insurance premiums.

Incurred claims amounted to ltl. 394 billion (ltl. 418 billion in 1999).

The **ratio of incurred claims to earned premiums** (ltl. 576 billion, taking the change of the reserve premiums into account) was 68.4% (73.6% in 1999). This ratio differs from the traditional loss ratio, which compares the

(ltl. billion)	1999	2000
Gross accounted premiums	559	577
Changes in premium reserves (-)	-9	1
Incurred claims (-)	418	394
Balance of other technical items	1	-2
Operating expenses (-)	176	166
Direct technical balance	-25	14
Investment income	18	15
Direct technical account result	-7	29
Reinsurance result and other items	42	-6
Overall technical account result	35	23

costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to ltl. 166 billion (ltl. 176 billion 1999) and include administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 28.8% of the premiums (31.5% in 1999).

The technical balance for direct business was positive at ltl. 14 billion (ltl. -25 billion 1999).

Considering the investment income, the technical account result was positive at ltl. 29 billion (ltl. -7 billion in 1999).

Taking the balance for reinsurance into due account, the **overall technical account result** was positive at ltl. 23 billion (ltl. 35 billion in 1999), representing 4% of the premiums (6.3% in 1999).

FIRE AND NATURAL FORCES

This class includes insurance cover against all forms of damage to goods (other than land vehicles, railway rolling stock, aircraft, sea-

going vessels, lake and river craft, as well as goods in transit and luggage) caused by: fire, explosion, storm, natural forces, nuclear energy and land subsidence.

Premiums for direct domestic business for the 89 insurance companies operating in this class were equal to Itl. 3,291 billion (+2.5%) in 2000, representing 6.1% of the total Non-Life premiums.

Incurred claims were equal to Itl. 1,694 billion (Itl. 1,584 billion in 1999).

The **ratio of incurred claims to earned premiums** (Itl. 3,211 billion, taking the change of the premium reserves into account) was 52.8% (50.8% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to Itl. 1,030 billion (Itl. 1,018 billion 1999) and include administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 31.3% of the premiums (31.7% in 1999).

The **technical balance for direct business** was positive at Itl. 419 billion (Itl. 431 billion in 1999).

(Itl. billion)	1999	2000
Gross accounted premiums	3,209	3,291
Changes in premium reserves (-)	91	80
Incurred claims (-)	1,584	1,694
Balance of other technical items	-85	-68
Operating expenses (-)	1,018	1,030
Direct technical balance	431	419
Investment income	142	133
Direct technical account result	573	552
Reinsurance result and other items	-26	10
Overall technical account result	547	562

Considering investment income, the direct technical account result was positive at Itl. 552 billion (Itl. 573 billion in 1999).

Taking the reinsurance balance into due account, the **overall technical account result** was positive at Itl. 562 billion (Itl. 547 billion in 1999), representing 17.1% of the premiums, equivalent to the result for 1999.

OTHER DAMAGES TO PROPERTY

This class includes insurance cover against all damage to property (other than land vehicles, roller rolling stock, aircraft, sea-going vessels, lake and river craft, as well as goods in transit and luggage) caused by hail, frost, theft or by other events that are different from the events included in the class "fire and natural forces".

Premiums for direct domestic business by the 96 insurance companies operating in this class were equal to Itl. 3,370 billion (+5.3%) in 2000, representing 6.2% of the total of Non-Life premiums.

Incurred claims were equal to Itl. 2,061 billion (Itl. 2,112 billion in 1999).

The **ratio of incurred claims to earned premiums** (Itl. 3,268 billion, taking the change of the premium reserves into account) was 63.1% (67.6% in 1999). This ratio differs from the traditional loss ratio, which compares the

(Itl. billion)	1999	2000
Gross accounted premiums	3,200	3,370
Changes in premium reserves (-)	78	102
Incurred claims (-)	2,112	2,061
Balance of other technical items	-62	-38
Operating expenses (-)	940	1,002
Direct technical balance	8	167
Investment income	117	111
Direct technical account result	125	278
Reinsurance result and other items	20	45
Overall technical account result	145	323

costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to Itl. 1,002 billion (Itl. 940 billion in 1999), and include administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These

operating expenses represented 29.7% of the premiums (29.4% in 1999).

The **technical balance for direct business** was positive at Itl. 167 billion (+8 in 1999).

Considering investment income, the direct technical account result was positive at Itl. 278 billion (Itl. 125 billion in 1999).

Taking the reinsurance balance into due account, the **overall technical account result** was positive at Itl. 323 billion (Itl. 145 billion in 1999), representing 9.6% of the premiums (4.5% in 1999).

Insurance cover of agricultural products against hail damage

Special importance is attached to the interventions designed to foster recourse to insurance cover for damage to agricultural products caused by hail and by other atmospheric events which are among the interventions to support the agricultural sector. The incentive consists in the concession of a grant to pay the insurance premium, a grant that in recent years, was equal to approximately 35/40% of the insurance premium.

Government intervention in this area dates back to Law No. 364 dated 25 May 1970, subsequently amended above all with Law No. 185 dated 14 February 1992.

The system was characterised at the beginning by the operativeness of only collective parties: on the one hand, Consortia of agricultural producers, united in a single National Consortium (ASNACODI) and, on other hand, the Consortium of all the insurance companies (CIRAS). The insurance contracts were made by the Consortia of producers with an insurance company, the rates were agreed between the Consortium of producers and the Consortium of insurance companies and approved by the Government; the grant provided by the Government drawn from the National Solidarity Provision, was paid to the Consortia of agricultural producers and utilised by the latter to pay 50% of the insurance premium.

The above-mentioned system subsequently underwent significant changes, the following aspects among such changes are of particular importance: the expectation of a multitude of Consortia among the insurance companies; freedom to determine rates established by European regulations; the possibility for agricultural producers to make insurance contracts directly and not necessarily

through the Consortium, although the Government grant would continue to be channelled to the Consortium; the abolition of Consortia among insurance companies with a market share exceeding 15%.

A new and important change has now been introduced with Article 127 of Law No. 388 dated 23 December 2000 (financial Law 2001), which, among other aspects, has provided for the following:

- overcoming of monopolistic role of Consortia of agricultural producers: in fact, the possibility of making insurance contracts on behalf of their members has also been granted to the co-operatives of agricultural producers and their consortia;
- direct payment of the Government grant to agricultural producers for the insurance contracts entered into by them;
- concession of the grant for a maximum of 80% of the multi-risk and global insurance policies to cover agricultural produce;
- establishment of a risks reinsurance fund at the Study, research and agricultural market information Institute (ISMEA) "for the purposes of supporting the competitive position of enterprises and to foster the reduction of the consequences of atmospheric risks";
- the right of the Consortia and of the co-operatives and their consortia to establish "mutual risks funds and undertake initiatives for mutual and solidarity actions to be implemented in the event of damage to the production of associate members" within the limits of statutory provisions.

GENERAL THIRD PARTY LIABILITY

Premiums for direct domestic business by the 92 insurance companies operating in this class were equal to ltl. 3,937 billion (+5.9%) in 2000, representing 7.3% of the total of Non-Life premiums.

Incurred claims were equal to ltl. 3,976 billion (ltl. 3,661 billion in 1999).

The **ratio of incurred claims to earned premiums** (ltl. 3,817 billion, taking the change of the premium reserves into account) was 104.2% (103% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to ltl. 1,206 billion (ltl. 1,144 billion in 1999), and include administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 30.6% of the premiums (30.8% in 1999).

The **technical balance for direct business** was negative at ltl. 1,421 billion (ltl. -1,308 billion in 1999).

(ltl. billion)	1999	2000
Gross accounted premiums	3,718	3,937
Changes in premium reserves (-)	164	120
Incurred claims (-)	3,661	3,976
Balance of other technical items	-57	-56
Operating expenses (-)	1,144	1,206
Direct technical balance	-1,308	-1,421
Investment income	539	524
Direct technical account result	-769	-897
Reinsurance result and other items	125	188
Overall technical account result	-644	-709

Considering investment income, the direct technical account result was negative at ltl. 897 billion (ltl. -769 billion in 1999).

Taking the reinsurance balance into due account, the **overall technical account result** was negative at ltl. 709 billion (ltl. -644 billion in 1999), representing 18% of the premiums (17.3% in 1999).

CREDIT

Premiums for direct domestic business by the 37 insurance companies operating in this class were equal to ltl. 527 billion (+24%) in 2000, representing 1% of the total of Non-Life premiums.

Incurred claims were equal to ltl. 372 billion (ltl. 279 billion in 1999).

(ltl. billion)	1999	2000
Gross accounted premiums	425	527
Changes in premium reserves (-)	3	-49
Incurred claims (-)	279	372
Balance of other technical items	-8	-15
Operating expenses (-)	122	120
Direct technical balance	13	69
Investment income	28	15
Direct technical account result	41	84
Reinsurance result and other items	-17	-48
Overall technical account result	24	36

The **ratio of incurred claims to earned premiums** (ltl. 576 billion, taking the change of the premium reserves into account) was 64.6% (66.1% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to ltl. 120 billion (ltl. 122 billion in 1999), and include administration expenses relating to the

technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 22.8% of the premiums (28.7% in 1999).

The **technical balance for direct business** was positive at ltl. 69 billion (ltl. 13 billion in 1999).

Considering investment income, the direct technical account result was positive at ltl. 84 billion (ltl. 41 billion in 1999).

Taking the reinsurance balance into due account, the **overall technical account result** was positive at ltl. 36 billion (ltl. 24 billion in 1999), representing 6.8% of the premiums (5.6% in 1999).

SURETYSHIP

Premiums for direct domestic business by the 60 insurance companies operating in this class were equal to ltl. 839 billion (-5.7%) in 2000, representing 1.6% of the total of Non-Life premiums.

Incurred claims were equal to ltl. 288 billion (ltl. 265 billion in 1999).

The **ratio of incurred claims to earned premiums** (ltl. 790 billion, taking the change of the premium reserves into account) was 36.5% (32.5% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to ltl. 245 billion (ltl. 261 billion in 1999), and include administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 29.2% of the premiums (29.4% in 1999).

(ltl. billion)	1999	2000
Gross accounted premiums	889	839
Changes in premium reserves (-)	74	49
Incurred claims (-)	265	288
Balance of other technical items	-56	-22
Operating expenses (-)	261	245
Direct technical balance	233	235
Investment income	48	43
Direct technical account result	281	278
Reinsurance result and other items	-104	-78
Overall technical account result	177	200

The **technical balance for direct business** was positive at ltl. 235 billion (ltl. 233 billion in 1999).

Considering investment income, the direct technical account result was positive at ltl. 278 billion (ltl. 281 billion in 1999).

Taking the reinsurance balance into due account, the **overall technical account result** was positive at ltl. 200 billion (ltl. 177 billion in 1999), representing 23.8% of the premiums (19.9% in 1999).

MISCELLANEOUS FINANCIAL LOSS

Premiums for direct domestic business by the 90 insurance companies operating in this class were equal to ltl. 315 billion (+8.2%) in 2000, representing 0.6% of the total of Non-Life premiums.

Incurred claims were equal to ltl. 270 billion (ltl. 165 billion in 1999).

The **ratio of incurred claims to earned premiums** (ltl. 292 billion, taking the change of the premium reserves into account) was 92.5% (59.4% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs

(Itl. billion)	1999	2000
Gross accounted premiums	291	315
Changes in premium reserves (-)	13	23
Incurred claims (-)	165	270
Balance of other technical items	1	-1
Operating expenses (-)	109	101
Direct technical balance	5	-80
Investment income	8	7
Direct technical account result	13	-73
Reinsurance result and other items	35	116
Overall technical account result	48	43

arising from claims which occurred in preceding years.

Operating expenses were equal to Itl. 101 billion (Itl. 109 billion in 1999), and include administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 32.1% of the premiums (37.5% in 1999).

The **technical balance for direct business** was negative at Itl. 80 billion (Itl. +5 billion in 1999).

Considering investment income, the direct technical account result was negative at Itl. 73 billion (Itl. +13 billion in 1999).

Taking the reinsurance balance into due account, the **overall technical account result** was negative at Itl. 43 billion (Itl. 48 billion in 1999), representing 13.7% of the premiums (16.5% in 1999).

LEGAL EXPENSES

Premiums for direct domestic business by the 84 insurance companies operating in this class were equal to Itl. 244 billion (+14%) in 2000, representing 0.5% of the total of Non-Life premiums.

Incurred claims were equal to Itl. 50 billion (Itl. 60 billion in 1999).

The **ratio of incurred claims to earned premiums** (Itl. 229 billion, taking the change of the premium reserves into account) was 21.8% (29.9% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to Itl. 89 billion (Itl. 89 billion also in 1999), and include administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 36.5% of the premiums (41.6% in 1999).

The **technical balance for direct business** was positive at Itl. 89 billion (Itl. 50 billion in 1999).

Considering investment income, the direct technical account result was positive at Itl. 95 billion (Itl. 59 billion in 1999).

Taking the reinsurance balance into due account, the **overall technical account result** was positive at Itl. 88 billion (Itl. 56 billion in 1999), representing 36.1% of the premiums (26.2% in 1999).

(Itl. billion)	1999	2000
Gross accounted premiums	214	244
Changes in premium reserves (-)	13	15
Incurred claims (-)	60	50
Balance of other technical items	-2	-1
Operating expenses (-)	89	89
Direct technical balance	50	89
Investment income	9	6
Direct technical account result	59	95
Reinsurance result and other items	-3	-7
Overall technical account result	56	88

ASSISTANCE

Premiums for direct domestic business by the 88 insurance companies operating in this class were equal to Itl. 394 billion (+11.3%) in 2000, representing 0.7% of the total of Non-Life premiums.

Incurred claims were equal to Itl. 123 billion (Itl. 129 billion in 1999).

The **ratio of incurred claims to earned premiums** (Itl. 380 billion, taking the change of the premium reserves into account) was 32.4% (36.8% in 1999). This ratio differs from the traditional loss ratio, which compares the costs for claims incurred in a given financial year (paid and reserved) to the premiums earned during the same financial year and, therefore, does not take into account the costs arising from claims which occurred in preceding years.

Operating expenses were equal to Itl. 127 billion (Itl. 118 billion in 1999), and include administration expenses relating to the technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. These operating expenses represented 32.2% of the premiums (33.3% in 1999).

The **technical balance for direct business** was positive at Itl. 129 billion (Itl. 92 billion in 1999).

Considering investment income, the direct technical account result was positive at Itl. 132 billion (Itl. 96 billion in 1999).

Taking the reinsurance balance into due account, the **overall technical account result** was positive at Itl. 98 billion (Itl. 69 billion in 1999), representing 24.9% of the premiums (19.5% in 1999).

(Itl. billion)	1999	2000
Gross accounted premiums	354	394
Changes in premium reserves (-)	3	14
Incurred claims (-)	129	123
Balance of other technical items	-12	-1
Operating expenses (-)	118	127
Direct technical balance	92	129
Investment income	4	3
Direct technical account result	96	132
Reinsurance result and other items	-27	-34
Overall technical account result	69	98

REINSURANCE

Professional reinsurance continues to reflect a loss.

The following data result from final figures for 1999.

Indirect premiums amounted to Itl. 9,057 billion, with a decrease of 10.6% with reference to 1998. Indirect premiums represented 7% of direct and indirect premiums (9.3% in 1998).

PROFESSIONAL REINSURERS

Indirect premiums for domestic and foreign business for the insurance companies engaged only in reinsurance business (so-called professional reinsurers) amounted to Itl. 3,231 billion in **1999** (Itl. 2,945 billion in the Non-Life classes and Itl. 286 billion in the Life Insurance classes), representing a 9.1% decrease compared to 1998.

The market share of professional reinsurers for the whole indirect business increased slightly: from 35.1% in 1998 to 35.7% in 1999.

The technical account result for the Non-Life and Life classes, net of retroceded premiums, was positive at Itl. 18 billion, representing 0.8% of the net indirect premiums.

The result for the financial period was negative at Itl. 260 billion, representing 11.8% of the premiums.

Domestic and foreign indirect business		
Whole market	(Itl. billion)	change. %
1995	9,449	6.2
1996	9,463	0.1
1997	10,098	6.7
1998	10,133	0.3
1999	9,041	-10.8
Professional reinsurers		
1995	2,819	-6.7
1996	3,085	9.4
1997	3,347	8.5
1998	3,554	6.2
1999	3,231	-9.1

Professional reinsurers	
(Itl. billion)	1999
PROFIT AND LOSS ACCOUNT (*)	
Technical account	
Indirect premiums	2,197
Changes in premium reserves (-)	373
Investment income	307
Incurred claims (-)	1,472
Operating expenses (-)	657
Balance other profits and losses	16
Balance	18
Non-technical account	
Profits	64
Balance other profits and losses	-67
Balance of ordinary activities	15
Balance of extraordinary activities	-292
Taxes on income (-)	-17
Result for the year	-260
BALANCE SHEET	
Liabilities	
Net capital	821
Technical reserves	9,480
Funds and deposits from reinsurers	590
Debts and other liabilities	2,757
Total	13,648
Assets	
Intangible assets	572
Investments	8,839
Technical reserves from reinsurers	2,099
Amounts owed by debtors	1,219
Miscellaneous	919
Total	13,648

(*) Technical items net for retrocessions

INSURANCE COMPANIES

The number of Life insurance companies operating in Italy is increasing

OPERATING INSURANCE COMPANIES

As at 30 April 2001, 253 insurance companies were operating (249 as at 30 April last year), of which 203 were insurance companies with registered Offices in Italy and 50 were branch offices of foreign insurance companies, mainly from European Union member countries (47).

94 insurance companies write only Life insurance business, (of which 12 are foreign branch offices) and 129 companies only write Non-Life business (of which 32 are foreign branch offices); 21 companies write both Life and Non-Life business; 9 companies write

only reinsurance business (of which 5 are foreign branch offices).

212 insurance companies are ANIA members (of which 15 are corresponding members): these insurance companies represent more than 98% of the premiums of the entire market.

Having regard to the legal status of the 203 companies that have Legal Offices in Italy, 196 are joint stock companies, 6 are mutual companies and one is a co-operative company.

Companies with the registered Offices in Italy controlled by foreign entities represent more than 25% of the total premium income for direct domestic business.

Number of companies by juridical nature

	Life	Non-Life	Multi branches	Professional Reinsurers	Total companies
Situation at April 30, 2000					
Limited companies	76	93	18	4	191
Cooperatives	-	-	1	-	1
Mutuals	-	6	1	-	7
Domestic companies	76	99	20	4	199
Foreign branches	12	33	-	5	50
<i>in U.E. countries</i>	11	30	-	4	45
Total companies	88	132	20	9	249
Situation at April 30, 2001					
Limited companies	82	92	18	4	196
Cooperatives	-	-	1	-	1
Mutuals	-	5	1	-	6
Domestic companies	82	97	20	4	203
Foreign branches	12	32	1	5	50
<i>in U.E. countries</i>	12	30	1	4	47
Total companies	94	129	21	9	253

Insurance Companies and the Italian Stock Exchange at April 30, 2001

	Insurance Companies	Total	% of Total
Number of listed companies	13	238	5.5%
Market capitalization (Euro million)	98,977	730,386	13.6%

source: Italian Stock Exchange

Number of companies in E.U. countries

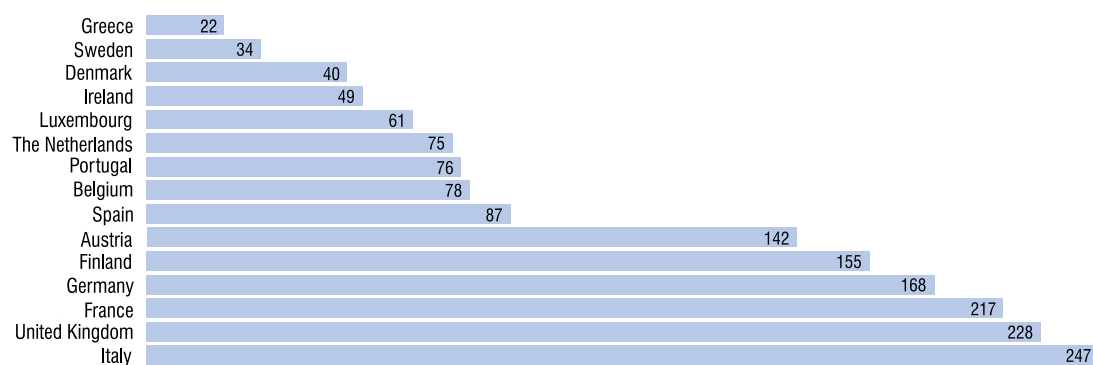
Data at 31/12	1996	1997	1998	1999
Austria	78	77	77	77
Belgium	257	242	234	219
Denmark	266	264	260	260
Finland	57	62	63	66
France	570	543	539	525
Germany	719	714	714	773
Greece	139	130	126	114
Ireland	145	154	161	169
Italy	271	261	251	250
Luxembourg	90	91	93	94
The Netherlands	503	511	521	517
Portugal	89	86	90	88
United Kingdom	814	841	832	829
Spain	374	368	378	370
Sweden	492	490	492	473
Total	4,864	4,834	4,832	4,824

Premiums per companies in E.U. countries

(EURO million)	1996	1997	1998	1999
Austria	136	127	133	142
Belgium	46	52	64	78
Denmark	33	35	41	40
Finland	143	129	148	155
France	192	225	192	217
Germany	166	164	173	168
Greece	12	14	16	22
Ireland	32	34	41	49
Italy	131	161	203	247
Luxembourg	33	49	54	61
The Netherlands	56	56	65	75
Portugal	53	56	63	76
United Kingdom	139	168	174	228
Spain	62	69	69	87
Sweden	21	23	23	34
Total	101	112	116	135

Market shares of E.U. insurance companies in 1999 (%)

	Life			Non-Life		
	First 5	First 10	First 15	First 5	First 10	First 15
Austria	49.4	72.6	83.9	55.8	76.4	87.5
Belgium	73.2	90.0	94.6	56.7	74.1	84.7
Denmark	55.5	73.3	83.1	71.5	85.4	92.0
Finland	99.7	100.0	100.0	88.9	98.0	99.6
France	56.3	82.0	91.4	55.1	72.9	83.3
Germany (1998)	31.0	46.2	56.8	25.7	37.4	46.9
Greece	70.4	87.8	97.0	46.4	61.9	71.4
Ireland	64.3	88.5	98.8	65.2	90.8	98.5
Italy	28.7	46.1	57.7	35.4	55.0	67.8
Luxembourg	44.3	64.3	77.1	81.3	94.8	99.2
The Netherlands	62.6	86.7	94.6	48.5	67.9	78.4
Portugal	78.4	88.7	94.5	55.4	82.5	90.6
United Kingdom	42.3	60.7	74.5	55.0	67.6	75.9
Spain	35.2	51.1	62.7	27.8	43.7	56.2
Sweden	69.6	97.2	99.8	81.6	93.1	97.0

Premiums per company in E.U. countries at December 31, 1999

source: CEA

HUMAN RESOURCES

The number of staff employed continues to decrease, but at a much slower rate.

The number of staff employed by insurance companies as at 31 December 2000 was 42,264 (-358 persons). The number of administrative staff, including management, was 38,280 (-201 persons) while the number of sales staff was 3,984 (-157 persons).

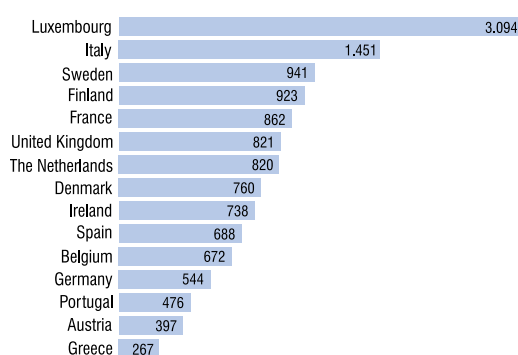
(number)	Admin.	Sales	Total
1996	40,802	4,437	45,239
1997	39,757	4,229	43,986
1998	38,813	4,173	42,986
1999	38,481	4,141	42,622
2000	38,280	3,984	42,264

The negative trend in the level of employment has eased therefore: in fact, compared to 1999, the number of administrative, organisation and sales staff recorded a 0.5% and 3.8% decrease, respectively; the total decrease was equal to 0.8%.

The trend of total costs relating to staff is detailed in the table below.

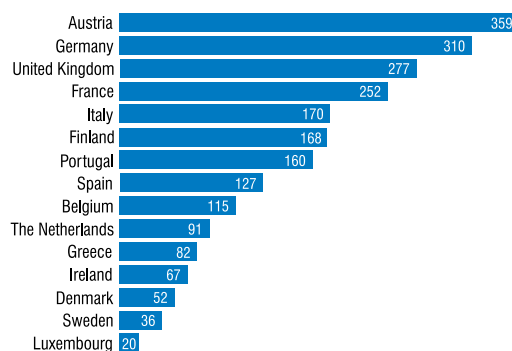
(Itl. billion)	Admin.	Sales	Total
1996	4,284	270	4,554
1997	4,361	271	4,632
1998	4,128	260	4,388
1999	4,133	280	4,413
2000	4,262	301	4,563

Premiums per employee in E.U. countries- 1999
EURO (000's)



source: CEA

Employees per company in E.U. - 1999
Number



source: CEA

INSURANCE DISTRIBUTION

Competition also begins between distribution channels in the Non-Life classes in line with the other European countries. The performance of third party motor liability sales by telephone and over the Internet were interesting.

The distribution system confirms itself as being highly competitive due to the incisive presence of other operators alongside the so-called traditional channels, which are found attractive to customers, particularly with reference to standardised and readily understandable products.

The consolidation of a structured distribution system for the Life classes, which has led to a reduction in acquisition and premium collection costs, is also followed by a continuous growth in business for Non-Life classes through the so-called innovative channels.

It is therefore increasingly easier for the consumer not only to select the most appropriate product to meet the customer's needs, but also the channel through which to purchase that given product.

the rate of growth for the Life insurance business was slower compared to the rates experienced in preceding years.

Whereas, both the distribution through financial advisers (-16.5% compared to 1999), due to a decrease in the collection of all forms of individual insurance, and the distribution through brokers (-14.3%), caused by a significant decrease in the sales of capital redemption policies, reflected a downturn.

Individual contracts	Traditional	"Linked"	Capitalization
Bank counters	35.5	69.5	63.4
Agents	37.5	18.8	33.2
Financial advisors	10.0	10.2	1.3
Direct sales	16.5	1.4	1.3
Broker	0.5	0.1	0.8
Total	100.0	100.0	100.0

LIFE BUSINESS

A further increase in the premiums directly written by insurance companies was recorded in 2000 (+4.8% compared to 1999) or via bank counters (+21.3%) and agents (+11%) although

The collection of contracts for the management of pension funds is mainly achieved through agencies (43.7% of the total for this class) and at bank counters (33.3%): the overall volumes for this class remain however unsatisfactory, amounting to Itl. 180 billion.

	1999 Premiums		2000 Premiums	
	(Itl. billion)	%	(Itl. billion)	%
Bank counters	34,325	49.8	41,624	54.1
Agents	18,748	27.2	20,805	27.0
Financial advisors	8,684	12.6	7,248	9.4
Direct sales	6,341	9.2	6,647	8.6
Broker	827	1.2	709	0.9
Total	68,925	100.0	77,033	100.0

NON-LIFE BUSINESS

Agencies are confirmed as being the prevailing distribution channel for the sale of Non-Life insurance: agencies represent approximately 78% of the total premiums after disregarding the data which refers to business handled through brokers and channelled by the brokers to the agencies and not directly to the insurance companies.

Whereas, the business gathered through brokers has decreased slightly (-5.8% compared

	1999 Premiums		2000 Premiums	
	(Itl. billion)	%	(Itl. billion)	%
Agents	44,976	88.5	47,534	88.1
Broker(*)	3,659	7.2	3,448	6.4
Direct sales	1,931	3.8	2,544	4.7
Financial advisors and bank counters	254	0.5	407	0.8
Total	50,820	100.0	53,933	100.0

(*) Data on brokers do not keep into account the premiums they gathered and presented non-directly, but through agencies; these premiums are estimated at around 10%

to 1999), due mainly to a decrease in the non-motor business.

The significant increase, in percentage terms, of the business gathered at bank counters and through financial advisers (+60% compared to 1999) and by direct sales (+32%) is due to the growth in the sales of motor insurance products. For these latter products an increase exceeding 120% has been recorded in sales at bank counters and approximately 42% for telephone sales.

The growth of sales over the Internet also appears to be significant, these sales have reached Itl. 60 billion in the third party motor liability class in a single year. Even if the absolute value is not yet significant, this result demonstrates that the use of the net is beginning to introduce important innovations as regards distribution, since it improves market transparency, reduces the search costs of insurance for consumers and increases competition among operators.

Agents and brokers operating in Italy

22,858 natural persons (+451 persons compared to 1999) were registered in the first section of the national List of insurance agents at 31 December 2000, referring to agents authorised to operate on the basis of a mandate, conferred thereto by insurance companies.

22,442 natural persons (+1,308 persons compared to 1999) were registered in the second section of the List referring to parties authorised to engage in the specific business, but unable to operate because they had not received a mandate from an insurance company.

Again referring to 31 December 2000, 2,358 natural persons (+295 persons compared to 1999) and 808 bodies corporate (+18 entities compared to 1999) were registered in the national List of insurance and reinsurance brokers.

INSURANCE AND CONSUMERS

The freeze of motor liability rates and the government planning roundtable have characterised the relationships between insurers and consumer associations.

THE PROTOCOL OF UNDERSTANDING

Relationships between insurers and consumer associations during 2000 focused on third party motor liability insurance.

The encounter was held in the institutional framework of the "Third party motor liability insurance planning roundtable", launched by the Minister for Industry, following implementation of the rates freeze, to identify proposals and solutions for this class.

The following organisations were invited to take part in the roundtable: ANIA (National Association of Insurance Companies), the National Council of consumers and users (CNCU), which combines the national representative consumer associations and the Private Insurance Company Supervisory Authority (ISVAP).

The encounter led to the preparation of a protocol of understanding, signed by the parties and by the Minister of Industry on 25 October 2000 in which ten themes that needed to be addressed were identified in order to resolve the third party motor liability problem:

1. compensation of injury to persons;
2. improved information to policyholders and greater competition between insurance companies;
3. prevention and repression of fraudulent events;
4. improved transparency and quality of the service;
5. containment of repair costs;

6. prevention of claims and road safety measures;
7. strengthening of powers assigned to ISVAP;
8. definition of conciliation procedures;
9. insurance rating systems for policyholders with a bad claims record and serious risks;
10. reforming of Law No. 990/1969 and Law No. 39/1977 and the preparation of a single text on third party motor liability insurance.

The solutions identified in the protocol as regards a number of the above-mentioned questions found a partial and not always consistent realisation in Law No. 57 dated 5 March 2001.

In particular, the provisions governing compensation of damage to persons deriving from minor injuries differs from the solutions proposed in the protocol and its effects appear to be wholly uncertain, at least for the immediate future, therefore, both with regard to the rationalisation of the subject and as regards containing the cost of compensation.

And in fact, in relation to the generalised hope that the new discipline of biological damage deriving from minor injuries will guarantee certain and consistent compensation for everyone, thereby limiting the number of legal cases and establish compensation amounts consistent with the need to control third party motor liability rates, the approved regulation continues to leave space for discretion as regards the amounts of the compensation, therefore, will not ensure containment of the number of legal cases and in many cases increases the amounts of the compensation

compared to the amounts of the compensation currently paid.

The other structural reforms unanimously identified in the protocol designed to break the perverse spiral of costs/third party motor liability insurance prices continue to remain without implementation. These refer to the interventions that concern:

- **road safety**: to reduce the high number of accidents and the number of victims;
- **a points system for driving licences**: to seriously make drivers assume their responsibilities;
- **containment of repair costs**: enabling insurance companies to manage the repair of the vehicle as an alternative to offering compensation;
- **personal injury in its entirety**: the valuation of which must be more certain and above all compatible with available economic resources;
- **the battle against fraud**: by increasing sanctions and reducing the timescale for legal procedures;
- **the special management of higher risk policyholders**: by repealing the obligation to stipulate contracts and identifying specific mutual systems for these policyholders.

COMPLAINTS SERVICE MANAGED BY ANIA

ANIA set up a service over ten years ago which gathers complaints regarding poor service submitted by individual consumers, in an endeavour to achieve a rapid solution to the problems experienced.

The service has been entirely computerised and is able to dialogue virtually in real-time with the insurance companies involved. Therefore, the timeframes to manage the individual complaints have decreased significantly and the number of notifications and requests for information that can be catered for have increased. The service standards established currently foresee approximately 48 hours for a first reply to the policyholder that submitted the complaint and an average of 30 days to completely manage an individual case.

1,777 written complaints and more than 10,000 requests for information made by telephone were managed by the service during 2000.

69% of the complaints received referred to third party motor liability insurance, 7% referred to accident insurance, 6.5% to Life insurance, 4% to general third party liability, 3.5% to motor liability other than third party cover, 3.3% to fire insurance class, 6.7% to all the other insurance classes.

It should be noted that only 58% of claims were submitted directly by the claimant, possibly assisted by a consumer association (1.3%) and that no less than 41.7% were submitted by professionals who represented the claimant: three-quarters of which were lawyers, followed by trustees and consulting offices. The data confirms the high level of recourse made to professional figures even in the out-of-court phase, the involvement of which significantly influences the cost of compensation and therefore the price of the third party motor liability policy.

57% of the complaints received were also submitted to ISVAP, as well as to the insurance company involved and to other parties. Among the latter, 10% were consumer associations and approximately 2% were newspapers.

Approximately 70% of complaints referred to the claim or the settlement of damages. The complaints were mainly motivated by delays in the settlement procedures (approximately 20%), of difficulties experienced in contacting the insurance companies (15%) and differences in opinion as regards quantifying the claim (7%).

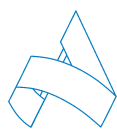
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ANIA - Statistical and Actuarial Department, ROME
phone: +39 06 326881

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00152 Rome - Via Raffaele Paolucci, 12/14



ANIA

Associazione
Nazionale fra le
Imprese
Assicuratrici

Piazza San Babila, 1
20122 Milano
Phone: +39 02 77641
Fax: +39 02 780870

Via della Frezza, 70
00186 Roma
Phone: +39 06 326881
Fax: +39 06 3227135

Email: info@ania.it
Internet: www.ania.it