ITALIAN INSURANCE

2022 - 2023

Ania

Associazione Nazionale fra le Imprese Assicuratrici

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INSURANCE: THE RESULTS FOR THE YEAR

Total premiums decline by 6.0% …

The total premiums of the Italian insurance portfolio, direct and indirect, gross of reinsurance, diminished by 6.0% in 2022, after growth of 4.5% in 2021.

…-10.4% in life and +6.3% in non-life…

The overall growth for the year is the resultant of a sharp decline in life premiums (-10.4%, +4.6% in 2021) and expansion in non-life insurance (+6.3%, +4.4% in 2021).

… overall technical account result: life -€2.2 billion; non-life +€2.6 billion …

The result of the technical account in life insurance was negative (-€2.2 billion), following a positive outturn of €4.0 billion in 2021. Its ratio to premiums thus went from 3.8% in 2021 to -2.3% last year. For non-life business, the technical account was positive by €2.6 billion (+€3.1 billion in 2021), its ratio to premiums slipping from 9.7% to 7.7%.

… result on ordinary and extraordinary activity: +€0.9 billion

The aggregate result on ordinary activity in 2022 was +€0.9 billion (+€7.9 billion in 2021); that on extraordinary activity improved from +€369 million to +€690 million. Summing the two, the overall pre-tax result for the year came to +€1.6 billion (in 2021 it was +€8.3 billion).

… net overall result for the year: +€2.3 billion

Thanks to the positive effect of the tax account (recouping tax credits worth €0.7 billion), the overall result for the insurance industry was an after-tax profit of €2.3 billion (€6.7 billion in 2021). As noted, this was due exclusively to the positive performance of non-life business, which generated profits of €2.7 billion (up slightly from €2.4 billion the previous year), while life insurance registered a loss of €0.4 billion, against profits of €4.3 billion in 2021.

The Report also examines the Solvency II balance sheet for the Italian insurance industry.

Total liabilities come to €840 billion

In 2022 the total liabilities of insurance companies in Italy amounted to €840 billion, down by over 14% from 2021.

Life technical provisions come to €717 billion, non-life to over €50 billion …

Technical provisions against life insurance policies (excluding linked policies) diminished by 18.3% on the year to €513 billion; they account for 61% of total liabilities.

The technical provisions against linked policies declined by 8.6% to €204.2 billion, accounting for 24.3% of total liabilities.

Those for non-life insurance declined 4.5% on the year to €51 billion and account for 6.1% of total liabilities.

… investment is about €890 billion

At the end of 2022 insurance companies' total investment came to some €890 billion, 75% of it for non-linked life and non-life policies, the remaining 25% for linked life policies.

The surplus of assets over liabilities was €132 billion (€141 billion at the end of 2021), or 13.6% of total assets (12.6% in 2021).

Solvency ratio for the entire market: 2.47 …

The Solvency ratio for the entire insurance industry was 2.47 in 2022, down marginally from 2.52.

This ratio is the ratio of eligible own funds (amounting to €145 billion last year) and the Solvency Capital Requirement of €59 billion.

… for non-life companies, 2.27 …

In detail, for non-life insurers the solvency ratio went from 2.26 to 2.27.

… for life companies, 2.12 …

For life insurance companies, the ratio slipped from 2.34 to 2.12.

… for mixed business companies, 2.70

For insurers doing both life and non-life business, the ratio went up from 2.64 to 2.70.

The insurance industry runs a direct tax credit of €0.7 billion

The insurance business registered a direct tax credit with the Revenue Agency of €0.7 billion in 2022.

FORECAST FOR 2023

Geopolitical and economic uncertainty will continue to limit the growth of the life insurance market

The ongoing war in Ukraine and the uncertainty over its eventual duration continue to have negative indirect effects on the Italian insurance market, essentially in the life sector.

The inflation rate, after peaking in 2022, is still high, far above the European Central Bank's target. Interest rates too will likely stay high for all of 2023, and Italian households' saving rate hit a low in the last quarter of 2022 that had not been seen for many years.

These are the main factors limiting the growth of life insurance policies, as households' disposable income has been eroded by high inflation, and their capacity for saving has diminished. Furthermore, investors are seeking alternative financial assets with higher yields, as the rates paid on government securities, for example, are now quite attractive.

Total premium income should gain nearly 3% in 2023 …

Despite this highly complicated situation, the Italian insurance market (insurers with registered offices in Italy only) should grow in the course of the year, with an increase in total direct premiums (life and non-life) of almost 3% to €133 billion. As a consequence the ratio of insurance premiums to GDP should edge up from 6.8% to 6.9%.

… +8.5% in the non-life sector …

The volume of direct written non-life insurance premiums is predicted to increase substantially, by 8.5%, in 2023 to almost €39 billion (from €35.7 billion). All the main non-life classes are expected to contribute to the gain: motor liability as well as the others.

Motor liability insurance, after many years of flat or declining premiums – down by €6 billion or 35% since 2011 – is expected to score a gain of 5% in premium income, to €12.3 billion, in part because the sector has now entered the "hard" or negative phase of the insurance cycle. Already in 2022 motor liability insurers had outlays of €108 in compensation for damages and expenses for every €100 in premiums. Moreover, the technical indicators (as of March 2023) show a deterioration: claims frequency was 3% higher in the first quarter of 2023 than a year earlier, and the average cost of claims settled was up 4.5% owing to inflation, which increased the cost both of material damage and of personal injury, especially mild injury up to 9% permanent disability.

The written premiums of all the other non-life classes should continue to increase this year, by 10.0%, to a volume of over €26 billion, led above all by sickness insurance (+19%), land vehicles (+12%) and general liability (+9%).

The ratio of non-life premiums to GDP, on this basis, should rise slightly, from 1.9% to 2.0%.

… +0.4% in life insurance

After the sharp decline of 11% registered in 2022 consequent to the deterioration in the economic and financial situation, life insurance premiums may reverse the downtrend and stabilize at about the same level as in 2022 (+0.4%, to €95 billion). However, different trends are forecast in the different life classes. Traditional, Class I policies with guaranteed yield, thanks to a possible rebalancing of the underlying assets, should gain the favor of risk-averse investors: premiums in this sector should gain 12.5% and surpass €68 billion.

By contrast, policies in which the risk is borne by the insured (Class III linked policies) are forecast to see a significant decline of 28% in premiums, following that of 27.4% registered already in 2022. The availability on the market of relatively high-yielding bonds and the uncertainty over the performance of the financial and stock markets make this type of insurance product less attractive to Italian households. The trend in the market for life insurance policies is confirmed by an analysis of new individual life insurance policies, sales of which through April 2023 were up nearly 15% for Class I policies but down drastically (by over 45%) for Class III policies.

Total written life insurance premiums should hold at 4.9% of GDP this year.

LIFE INSURANCE: THE DIRECT ITALIAN PORTFOLIO

Italian households' disposable income increased nominally in 2022, but declined in real terms …

In 2022, households' disposable income increased (+6.2%, +3.5% in 2021) thanks to the growth in employees' compensation (+7.1%, +7.5%). The sharp increase in consumer price inflation, however, drove households' disposable income down in real terms, by 1.2%.

… propensity to save falls back to pre-pandemic levels …

Households' propensity to save again dropped significantly, almost down to the average values of the pre-pandemic period (8.1%) from the exceptionally high values of 2021 (13.2%) and 2020 (15.6%).

… and net financial saving diminishes

In 2022, the net financial savings of Italian households and non-profit institutions was equal to +€47.7 billion, with a further sharp decrease from 2021 (€107.1 billion), but still significantly above the average before the pandemic.

A decreased flow into all assets except government and private bonds, which gain substantially; investment in managed assets is down

As for assets, net inflows to all asset classes decreased in 2022 (or outflows increased), with the exception of government and corporate bonds, which boomed from -€19.4 billion in 2021 to +€64.8 billion in 2022. Managed assets - defined as the sum of investment fund units, life insurance, pension funds and supplementary pensions (excluding severance pay) - had positive investment inflows (+€7.4 billion) even if less than a tenth as much as in 2021 (+€74.1 billion). The investment flow into insurance policies dropped significantly but remained positive (+€9.4 billion, against +€20.9 billion in 2021).

EXECUTIVE SUMMARY

Households' stock of financial assets is €5,138 billion

At the end of 2022, the stock of financial assets held by Italian households amounted to €5,138 billion, down by €100 billion from a year earlier. The largest share of Italian households' financial wealth still consists in liquid instruments, i.e. bank deposits (27.8%, 26.2% at end-2021), followed by shares and other equity (25.7%, 26.2% in 2021), and then insurance, pension funds and employee severance pay provisions (20.7%, 22.4%), including life insurance provisions (14.6%, 16.4%). Mutual fund units were also decreasing, to 12.9% in 2022 from 14.1% in 2021.

Life premiums total €93 billion …

In 2022 premiums from direct domestic business of the 41 insurance companies operating in the life sector totaled €93.1 billion, the lowest amount since 2014 and a 10.7% drop from a year earlier when they increased by 4.5%. The uncertainty characterizing almost the whole year due to the Russian-Ukrainian conflict and the negative trends of the financial markets led to this particularly low result in life policies; 81% of premiums was generated by the issuance of new contracts or by additional single premiums on existing policies. Percentage-wise, in 2022 life premiums amounted to 72.3% of the total (life and non-life), 3 points less than the previous year.

… net cash flow is €16.3 billion …

Due to the negative trend of inflows and the increase in outflows, the net cash flow, defined as the difference between premiums and incurred claims, amounted to €16.3 billion, the lowest figure since 2013 and down by 46.6% from the previous year.

… technical provisions fall 2.1% …

Total technical provisions, amounting to €782.7 billion, recorded a negative annual change for the first time since 2009 (-2.1% from 2021). This figure was also altered by an extraordinary operation by a company that sold part of its portfolio in the last quarter. Excluding that company, provisions at the end of 2022 were just 1.5% less than a year earlier, and in the last quarter they actually scored a marginal increase.

… the cost of claims rises by 4.2% .,..

Incurred claims, defined as amounts paid and the changes in provisions against payable amounts net of recoveries, amounted to €76.7 billion in 2022, up by 4.2% from 2021, owing to the significant increase in surrenders mainly in the last three months of the year, more than offsetting the drop at the end of the year in maturing policies and accrued yields, while mortality claims and other life-related events remained almost unchanged from the previous year.

… an investment loss of €25.3 billion is incurred …

For the first time since 2009, the investment result was negative, amounting to -€25.3 billion, much worse than in 2021 when it was positive by €29 billion. This result was almost exclusively due to the sharp devaluation of the assets backing unit-linked policies (by contrast, in 2021 the change was diametrically opposite). The investment result was positive, instead, for assets relating to Class I and Class V products, with a gain of €5.6 billion (more than halved, however, from 2021).

… the technical account result is -€2.6 billion…

The direct technical account balance was negative at -€2.6 billion, showing a sharp deterioration from a positive balance of over €3.8 billion in 2021.

The balance on reinsurance cessions and net indirect business amounted to +€99 million (+€128 million in 2021).

... and the overall technical account is negative by €2.5 billion

Taking the balance on outward reinsurance into account, the overall balance of the technical account was negative by €2.5 billion, against a positive outturn of practically €4 billion in 2021; thus the ratio to premiums went from 3.8% in 2021 to -2.7% in 2022, while that to technical provisions moved from 0.50% to -0.31%.

Average annual yield on segregated accounts over 5 years: 2.7%

The average annual return on segregated funds was 2.7% (2.56% in 2022), against 1.4% for government securities and inflation of 2.2%.

Supplementary retirement plan enrollees number 10.3 million

Enrollments in supplementary pension plans continued the gradual growth of recent years; the number of new members came to 830,000 in 2022, around 171,000 more than the previous year. At the end of 2022, the number of pension plan accounts reached 10.3 million, with 5.8% growth from the previous year.

The Report informs on:

New multiclass policy production ...

New multi-class policy production contracted significantly in 2022, by 16% to €45 billion.

... the estimated share of guaranteed yield contracts in total life policies ...

At the end of 2022, guaranteed yield products constituted 72% of total life business, showing a slight reduction from the previous year (74%). That share consists almost exclusively of Class I with-profit policies, including the Class I component of multi-class policies and the Class V component, which in total amount to 71%, while the guaranteed components in linked contracts and pension funds account for the other 1%.

A residual share (1%) consists in contracts or components of multi-class products characterized by financial protections - such as the "protected" unit-linked funds. The remaining 27% is constituted by contracts related to unit-linked funds with no guarantees or protections.

... the relevant tax measures in the 2023 Budget Law ...

The Budget Law for 2023 institutes a voluntary release regime for the latent accrued returns on Class I and Class V life policies and raises the tax on mathematical reserves.

... ANIA's updated estimate of the correlation between inflation and the demand for life policies

The report updates the estimated correlation between life insurance premiums and inflation in order to outline the mid-term trend. On the basis of quarterly insurance and macroeconomic data, the study offers an econometric analysis of the correlation between the aggregate demand for life products and key macroeconomic variables, especially monetary-financial variables.

NON-LIFE INSURANCE – THE DIRECT ITALIAN PORTFOLIO

Non-life premium income comes to €35.7 billion

The volume of direct written non-life premiums rose by 4.6%, amounting to €35.7 billion. This growth was the resultant of a fall in motor and watercraft liability (-2.1%) and a significant expansion of other non-life business, whose premiums rose by 8.2%.

The ratio to total premiums (non-life plus life) was equal to 27.7%, up from 24.4% in 2021 due in part to the drop in life premiums.

EXECUTIVE SUMMARY

… the combined ratio worsens; the overall technical account result is +€2.8 billion

The combined ratio for the year worsened slightly, to 91.1% from 90.4%, owing to higher claims costs.

Considering investment income of €0.3 billion (down from €0.8 billion in 2021), the direct technical account result was positive by €2.8 billion (€3.4 billion in 2021). Its ratio to earned premiums came to 7.9% (10.1% in 2021).

The Report contains sections on: medical malpractice …

There is a special section on the liability of healthcare structures and medical practitioners. At 31 December 2022 the average ratio of claims to premiums for the entire malpractice sector as regards some of the older claims generations was close to 100% or even higher.

… fire insurance and its extension to natural catastrophes …

According to ANIA's statistics, on 31 March 2023 the total number of active policies (for the whole market) was 11.7 million, down by 1.7% from the previous survey, but up by 4.0% from March 2021 (an extra 500,000 policies in two years). The total value insured was €3,957 billion for the 11.7 million policies, up by 0.9% compared with 2022 and about the same as in 2021.

The survey found that 14.8% of the active policies were also extended to natural catastrophes, more than in March 2022.

… and other special studies

The Report offers specific examination of a broad range of topics:

– natural catastrophes: events in 2022, estimate of current insurance exposure;
– exposure of Italian insurance industry to natural disasters and events, firms and households;
– diffusion of fire insurance and natcat coverage;
– agricultural risk: the AgriCAT Fund;
– analysis of diffusion of non-life and health policies and supplementary retirement plans among Italian households, on Bank of Italy data;
– healthcare spending in Italy and Europe;
– guarantees offered in accident and sickness insurance;
– medical malpractice liability: regulatory changes;
– malpractice: compendium of the main data;
– VAT on out-patient and in-hospital healthcare services of structures with no convention with National Health Service;
– diffusion of policies for operational risk among Italian firms with 20 or more employees: results of a Bank of Italy survey;
– support for households' utility bill payments: the SACE convention;
– the new public procurement code;
– buildings to be constructed: new schema for suretyships and the 10-year post-construction policy;
– latest changes to "Ecobonus" program rules;
– maritime liability: potential coverage gap, work on revision of the Montreal Treaty of 1910 on collisions;
– effects of the war in Ukraine on maritime, aviation and transport insurance;
– the new integrated logistics contract (Article 1667-bis of the Civil Code, introduced by Law 79/2022).

MOTOR LIABIILITY

Premiums decline by 2.1% in 2022 …

Written motor liability premiums fell by 2.1% in 2022, less sharply than in 2021 (-4.5%). The combined ratio for the 2022 accident year, owing to the 5.7% rise in claims, rose by a further eight percentage points over 2021 (from 100% to 108%). The positive contribution of the financial component, i.e. returns on investment, smaller than in 2021, together with the mobilization of the reserves against previous years' claims, pushed the technical result into negative territory for the first time in eleven years.

… the number of vehicles insured increases …

There was a modest decline of 0.9% in the number of vehicle/years insured by Italian and non-EEA companies in 2022, but counting all the other types of insurer doing business in Italy, the number of insured vehicles rose to nearly 44 million.

… the average premium falls by a further 1.3% …

The average motor liability premium declined again last year, by 1.3%. This is confirmed by IVASS's survey of actual motor liability prices, which found a 1.7% decrease with respect to 2021. Based on these statistics, it is estimated that between the peak in March 2012 and the fourth quarter of 2022, the average premium in Italy dropped by 36% (from €567 to €363). Accordingly, the difference between Italian premiums and those in the other main European countries narrowed further.

… claims rise by 3.1% but do not regain pre-pandemic levels; consequently, claim frequency also increases

The number of claims incurred and reported during the accident year that have given or will give rise to compensation rose by 3.1% to 1.8 million in 2022 but still did not regain pre-pandemic levels. Claims frequency increased by 4.2 percent, from 4.53% in 2021 to 4.72% last year. Counting IBNR claims as well, the frequency was 5.13% (4.92% in 2021). Vehicle circulation is still below its 2019 level, owing in part to the higher fuel prices provoked by the war in Ukraine. Overall, despite an increase of 23.5 percent by comparison with 2020, claims frequency for motor liability did not recover its pre-pandemic level.

Claims cost for current accident year: €10.1 billion …

The incurred claims cost for the current accident year, defined as the sum of the total cost paid and the total cost reserved for all claims incurred in 2022, amounted to €10.1 billion, nearly 6% higher than in 2021. For all the claims relating to the year 2022 (including an estimate of those incurred but not yet reported), the average cost rose 2.6% in 2022 to €5,113. The key factor in the increase was higher inflation, which implies both higher costs for labor and parts and, as of April 2022, an upward adjustment of the compensation for mild personal injury (9 percentage points of permanent disability or less), which increased by an average of 7% (to adjust also for the increased inflation registered in 2020 and 2021).

… outlays for claims: €9.4 billion …

The outlay for incurred claims in the financial year came to €9.4 billion (€9.1 billion in 2021). The difference with respect to incurred claims in the accident year reflected the utilization of €0.6 billion in excess reserves for previous years. The loss ratio nevertheless rose from 74.3% in 2021 to 80.7% last year.

… operating expenses: €2.5 billion …

Operating expenses amounted to €2.5 billion (€2.6 billion in 2021). Their ratio to premiums was down slightly, from 21.8%to 21.6%, owing to the decline in written premiums.

… technical balance: negative by €0.3 billion

The variations in the relevant components produced a negative technical balance of -€0.3 billion (positive by €0.4 billion in 2021). Counting the profit on investments (€130 million, but in decline for the year), the result of the technical account was negative by €188 million (against a positive result of €738 million in 2021). Taking the balance for reinsurance into account (positive by €61 million in 2022), the overall technical account result was negative by €127 million, compared with a positive outturn of €736 in 2021.

There a special sections dedicated to a number of issues of particular relevance to motor insurance:

The Interior Ministry data on car thefts in 2022, showing a substantial increase, together with ANIA's figures on the technical performance and the diffusion of fire and theft insurance for land vehicles.

An analysis of the cost of personal injury, which accounted for 59.1% of the total cost of compensation for motor liability claims, or €6.0 billion in 2022.

The estimate of the number of uninsured vehicles on the roads. Using the open data of the Motor Vehicles Bureau, there were some 2.6 million in 2022, or 5.6% of the total.

An examination of the change, quarter by quarter from 2015 to March 2023, in average fuel prices and consumption, compared with that in claims frequency, producing statistical evidence on the presumed factors in the movement in that technical indicator over the years.

The calculation of the CARD-CID single compensation amounts for 2023. For the geographical areas with coefficient 1, that for motorcycles and scooters was €3,400, for other vehicles €2,060.

Court of Cassation sentence 31574/2022, which ruled to allow compensation in the form of an annuity in favor of a minor who had suffered serious injury in a case of medical malpractice.

The main results for 2022 concerning utilization of the IT platform for document exchange. Thanks to the platform, insurers adhering to the CARD Convention can view the evidence produced by the other party's insurer to confirm or contest the claim submitted by its own policyholder and/or to apply the direct indemnity procedure on a timetable compatible with the legal deadline for the presentation or denial of a settlement offer.

The state of advancement of the focus group for the revision of the CARD Convention rules so as to make them more amenable to interpretation.

The alignment of the agreement on the IT support service for co-insurance (Servizio Informatico di Supporto per la Coassicurazione – SISCO), consequent to the revision and application of ANIA's new self-disciplinary code.

Sentence 35318/2022 of the joint sections of the Court of Cassation, which settled conflicts on two specific issues in particular: applicability of Article 141 of the Insurance Code also to accidents involving only one vehicle; and extension of the concept of "happenstance" to human conduct defined as total liability of the driver of the counterparty vehicle.

Update on implementation of the project for a new survey of actual motor insurance prices (IPER) by the insurance supervisor IVASS, also as a function of the new survey procedures used by ISTAT to estimate inflation of the price component consisting of motor liability insurance.

The paper on the possibilities and limits of applicability of parametric insurance of land vehicles for damage caused by natural events, also in the light of inputs from technological advances and innovation.

The trilateral discussion now under way at European level on the Commission's proposed Data Act, whose main objective is to foster the sharing of data and create a single market in data.

The mapping of personal mobility devices by Insurance Europe, updated to take account of the latest legislative and regulatory developments.

The operational clarifications that ANIA has asked IVASS to provide concerning the possibility for insurers to continue to offer motor liability policies containing the suspension clause, with the certainty of the clause's compliance with the new regulatory and jurisprudential context.

THE REGULATORY FRAMEWORK

The Report discusses regulatory developments relevant to the insurance industry at some length, and in particular considers:
the state of the art on Solvency II…

With the publication in September of the proposal for a Directive revising the Solvency II rules, the co-decision procedure began, with the involvement of the European Parliament and the Council.

The main areas of discussion concern: i) Long-term guarantee measures and valuation of technical provisions; ii) elements for the calculation of the Solvency Capital Requirement; iii) the principle of proportionality; iv) reporting to markets and audit requirements; v) macroprudential supervision and instruments; vi) sustainability risk); vii) supervision of groups; viii) cross-border supervision.

The state of the art on IRRD

The publication in September 2021 of the proposal for the Insurance Recovery and Resolution Directive initiated the co-decision procedure, with the involvement of the European Parliament and the Council. The Council reach a common position on 20 December 2022; the Parliament has yet to set out its position. The main points currently under discussion relate to: i) scope and the institution of national resolution authorities; ii) obligations, instruments, preventive powers; iii) resolution powers and instruments and financing.

EIOPA's other consultations and initiatives…

In the course of 2022 EIOPA undertook a series of consultations and initiatives:

– the new implementing technical standards for supervisory reporting
– discussion paper on prudential treatment of sustainability risks for insurance undertakings
– call for evidence for revision of nat cat parameters in the standard formula
– guidelines on contractual limits and valuation of technical provisions, with consultation of IVASS
– consultation on Supervisory Statement on governance arrangements in third countries
– Application Guidance on running climate change materiality for ORSA
– discussion paper on methodological principles of insurance stress testing, with a focus on cyber risk
– study on treatment of credit and market risks in internal models.

… ANIA's initiative on Solvency II financial statements…

In 2016 ANIA launched a project to support insurers, intended to produce an analysis on the qualitative and quantitative information in their reports, so as to highlight differences and good practices.

… the suspension of capital losses on securities not held to maturity …

In view of the persistence of exceptional financial market turbulence, Decree Law 73 of 21 June 2022, converted with amendments as Law 122 of 4 August 2022, reinstituted a measure applied in the past, namely the possibility for firms not applying international accounting standards to derogate, in the 2022 accounting year, from the Civil Code norm on the valuation of securities not held on a long-term basis; that is, allowing them to be valued at purchase price as specified in the last regularly approved balance sheet and not at current market price, save in the case of durable losses.

…the Post Implementation Review on classification and valuation of financial instruments, and future steps …

In October 2020 the IASB initiated its Post Implementation Review of IFRS 9 to determine, in the spirit of review of every standard, whether the objectives had been attained, whether the information generated by the standard was useful to balance-sheet users, whether the estimate of expected costs, in audit terms, say, was effectively on the mark, and whether the standard can be applied consistently.

… sustainability disclosure in financial services …

In keeping with their mandate, on 12 April 2023 the ESAs released a consultation paper for comment, open until 4 July, with a series of proposals to amend the Regulatory Technical Standards in order to:

– refine the principal adverse impact indicators in definitions, methodologies and calculation formulas, and extend the list of social indicators;
– add product information concerning the objectives of decarbonization, including intermediate objectives, degree of ambition, and means of attainment;
– improve information on how sustainable investments "do not significantly harm" any environmental or social objectives;
– simplify the templates for precontractual and periodic information on financial products.

Once the ESAs have examined the observations submitted, they will draft a Final Report for submission to the Commission by the end of October.

… the Taxonomy Regulation …

The “Complementary Climate Delegated Act” on mitigation of and adaptation to climate changes was published in July 2022, for application as of 1 January 2023. The Act supplements previous delegated acts by providing for the inclusion, on strict conditions, of specified gas and nuclear energy activities in the list of eco-sustainable activities specified in the Taxonomy.

… the new Corporate Sustainability Reporting Directive and sustainability standards …

Following the release of the Commission’s proposal for a directive in April 2021 and the negotiations with the Council and European Parliament, the Corporate Sustainability Reporting Directive (EU) 2022/2464 was published in the *Official Journal of the European Union* in December 2022 and went into effect on 5 January 2023. The Directive, which must be transposed into the Member States’ national law within 18 months, modifies the scope and requirements laid down in the present Non-Financial Reporting Directive (NFRD).

…ANIA’s initiative on non-financial reporting …

In 2017 ANIA together with ANIA SAFE began a project to support insurers with an analysis of the non-financial reporting requirement laid down in the NFRD, so as to offer the insurance industry a summary of the contents of the reports of a sample of Italian and European insurance undertakings and groups.

… and the first edition of a study on “Sustainability in the Italian insurance industry”

ANIA and the Forum for Sustainable Finance have conducted a research project, with the participation of 21 insurance companies and groups accounting for 73% of Italian insurance premiums. The objective was to examine the ways in which sustainability and environmental, social and governance standards are included in the insurers’ corporate governance, investment policies and underwriting policies.

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THE ITALIAN INSURANCE MARKET: KEY FIGURES 2022

THE ITALIAN INSURANCE MARKET: KEY FIGURES 2022

In 2022 the net profit for the year of Italian insurance companies was €2.3 billion, more than €4 billion less than in 2021. ROE for the insurance industry was down by almost 7 percentage points to scarcely 3%. This overall positive result was due exclusively to non-life insurance business, which scored a profit of €2.7 billion, while the life sector recorded a loss of €400 million. In the course of the year the number of insurance companies established and operating in Italy decreased from 192 to 186.

OPERATING INSURANCE COMPANIES

Insurance companies operating in Italy numbered 200 as of 31 December 2022, compared with 192 at the end of the previous year. In particular, the number of companies with registered offices in Italy was practically unchanged (89, down from 90), while that of branch offices of foreign companies fell from 102 to 97; most of the latter (93) are EU companies. In addition, about 900 insurance companies with registered offices in other EU countries (or other countries belonging to the European Economic Area) were operating in Italy under the freedom to provide services.

Insurance companies by legal status

BUSINESS SECTOR	YEAR (at 31 December)	DOMESTIC COMPANIES				FOREIGN BRANCHES		TOTAL DOMESTIC AND FOREIGN COMPANIES
		Ltd. companies	Cooperatives	Mutual	Total	w. registered office in non-EU country	w. registered office in EU country	
Non-life	2021	47	–	2	49	4	58	111
	2022	46	–	2	48	4	56	108
Life	2021	28			28	–	24	52
	2022	28			28	–	23	51
Professional reinsurers	2021	–	–	–	–	–	7	7
	2022	–	–	–	–	–	6	6
Multi branches	2021	12	–	1	13	–	9	22
	2022	12	–	1	13	–	8	21
TOTAL	2021	87	–	3	90	4	98	192
	2022	86	–	3	89	4	93	186

At the end of 2022, 51 insurance companies (52 in 2021) engaged exclusively in life business (of which 23 branch offices) and 108 (111 in 2021) exclusively in non-life business (of which 56 branch offices). A total of 21 companies (of which 8 branch offices) did business in both the life and non-life sectors, accounting for a third of total premium income. Six undertakings, all of them branches of foreign companies, engaged only in reinsurance. At 31 December 2022 ANIA counted 132 member companies (of which 14 operating under the freedom to provide services), representing 85% of the insurance business in terms of premiums. The 89 insurers with registered offices in Italy comprised, by legal form, 86 limited share companies and three mutual companies.

The data reported in the first part of this chapter refer to the statutory financial statements (prepared in accordance with the national accounting standards) of the Italian insurance undertakings and differ from those of the Solvency II regime both as regards fair *value accounting and as regards balance-sheet item classification. The statutory financial statements of Italian companies are not marked to market, in contrast with Solvency II requirements. The results for 2022 reported in the tables and charts below lack the data for one company whose data were not available when this Report went to press. The variations between 2021 and 2022 are nevertheless given for a homogeneous sample and are therefore statistically significant. The data generated using the Solvency II standards are dealt with in the last part of this chapter.*

Income statement
Euro million

INCOME STATEMENT – STATUTORY FINANCIAL STATEMENTS

	2015	2016	2017	2018	2019	2020	2021	2022
Technical account of non-life and life classes (*)								
Written premiums	146,005	132,954	129,288	133,094	138,421	132,902	138,273	126,895
Changes in reserves (-)	53,343	49,039	38,943	26,053	54,985	36,711	51,743	-9,760
Investment income	17,770	18,291	20,053	2,045	35,829	19,545	30,702	-24,263
Other technical income	2,325	2,624	2,821	3,071	3,365	3,394	4,044	4,080
Incurred claims (-)	90,530	82,209	90,518	91,935	95,874	94,222	96,087	97,923
Operating expenses (-)	12,382	12,213	12,349	12,512	12,935	12,626	13,179	13,499
Other technical costs (-)	3,330	3,619	3,842	4,028	4,316	4,630	4,915	4,657
Balance	**6,516**	**6,789**	**6,510**	**3,682**	**9,505**	**7,652**	**7,095**	**393**
Technical account non-life (*)								
Written premiums	30,501	29,777	30,008	30,485	31,766	30,998	31,715	33,121
Changes in premium reserves (-)	-173	190	440	611	734	338	247	757
Investment income	1,288	1,161	1,278	825	1,346	890	1,085	699
Other technical income	382	401	401	379	353	345	427	398
Incurred claims (-)	19,291	18,826	18,770	18,745	19,757	17,742	19,779	20,554
Operating expenses (-)	8,318	8,219	8,316	8,510	8,889	8,717	9,079	9,502
Other technical costs (-)	984	1,015	1,013	966	943	1,179	1,046	843
Balance	**3,751**	**3,089**	**3,148**	**2,857**	**3,142**	**4,258**	**3,076**	**2,562**
Technical account life (*)								
Written premiums	115,504	103,177	99,280	102,609	106,654	101,904	106,558	93,774
Changes in mathematical and other technical provisions (-)	53,516	48,849	38,503	25,442	54,251	36,373	51,496	-10,517
Investment income	16,482	17,130	18,775	1,220	34,483	18,655	29,617	-24,962
Other technical income	1,943	2,223	2,421	2,692	3,012	3,049	3,617	3,682
Incurred claims (-)	71,239	63,383	71,749	73,190	76,117	76,480	76,308	77,369
Operating expenses (-)	4,064	3,994	4,033	4,002	4,046	3,909	4,100	3,997
Other technical costs (-)	2,346	2,604	2,828	3,062	3,373	3,451	3,869	3,814
Balance	**2,765**	**3,700**	**3,363**	**825**	**6,363**	**3,394**	**4,019**	**-2,169**
Non-technical account (*)								
Other non-life income	860	1,121	1,395	1,319	1,656	2,061	1,548	1,199
Other life income	1,821	1,824	1,773	1,442	2,200	2,373	1,962	1,480
Balance of other income and expenses	-2,104	-2,251	-2,361	-2,483	-2,700	-2,693	-2,688	-2,142
Balance of ordinary activities	**7,093**	**7,483**	**7,317**	**3,960**	**10,662**	**9,393**	**7,917**	**930**
Balance of extraordinary activities	**1,010**	**223**	**459**	**541**	**533**	**965**	**369**	**690**
Taxes (-)	2,395	2,006	1,800	335	2,565	1,774	1,595	-679
Result for the financial year	**5,709**	**5,700**	**5,975**	**4,166**	**8,630**	**8,585**	**6,691**	**2,299**
Profit/loss for the financial year, non-life sector	*1,956*	*2,114*	*2,439*	*2,183*	*2,652*	*3,852*	*2,357*	2,694
Profit/loss for the financial year, life sector	*3,753*	*3,586*	*3,536*	*1,983*	*5,978*	*4,733*	*4,335*	-395
Return on Equity	9.6%	9.4%	9.9%	6.8%	14.1%	13.5%	9.9%	3.3%
Return on Equity (non-life)	7.9%	8.4%	9.6%	8.5%	10.2%	14.5%	8.1%	8.8%
Return on Equity (life)	10.8%	10.2%	10.0%	5.6%	16.9%	12.8%	11.1%	-1.0%

(*) Net of cessions and back-cessions

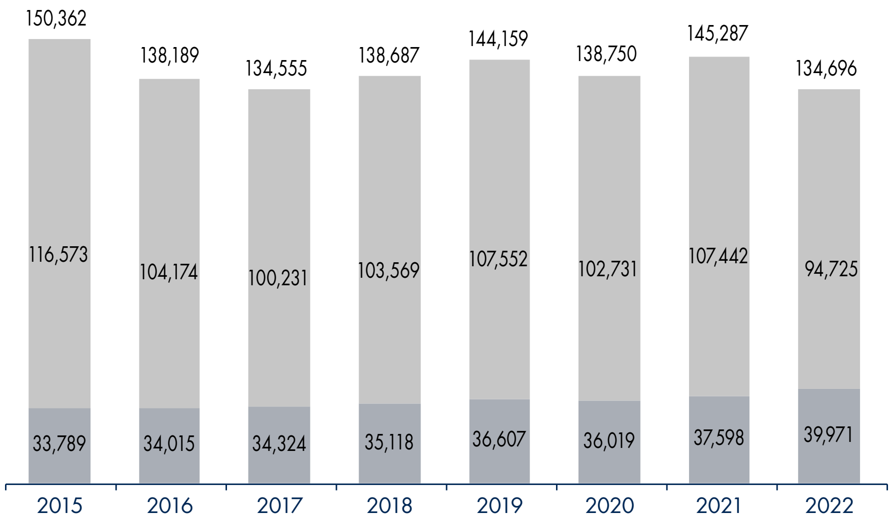
Premiums

Premiums from domestic and foreign business, direct and indirect, gross of reinsurance, collected by the companies having their registered office in Italy and by the Italian branches of non-EU companies totaled €134.7 billion in 2022, of which €40.0 billion from non-life policies and €94.7 billion from life policies. This resulted in an overall decrease of 6.0%, compared with growth of 4.5% in 2021. The decline recorded in 2022 was accounted for entirely by the life sector, where premiums fell by 10.4% (+4.6% in 2021), while non-life premiums gained 6.3% (+4.4% in 2021). As a consequence, the share of non-life premiums in the total rose from 26.2% to 29.7%, while that of life premiums slipped from 73.8% to 70.3%.

Gross total premiums
Euro million

Life

Non-life

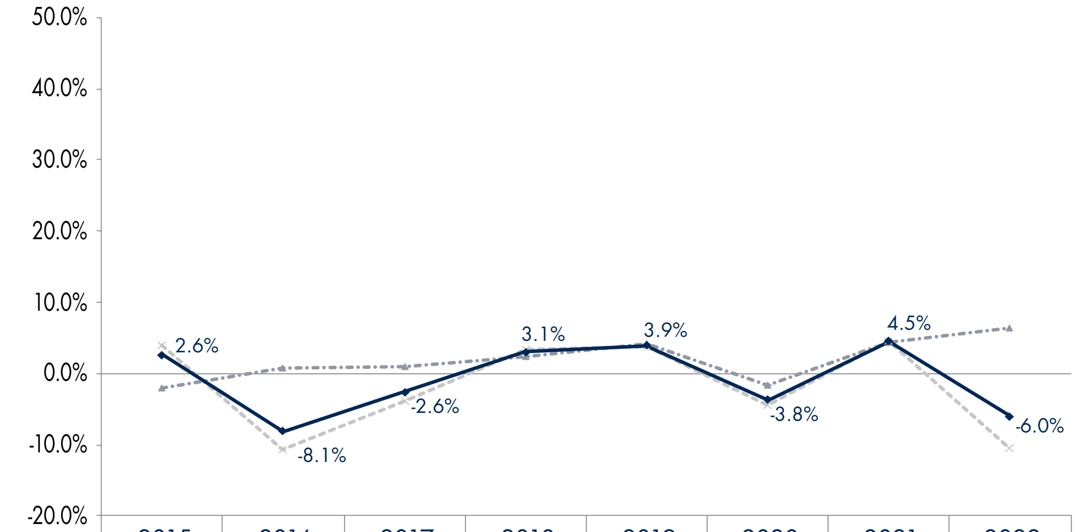


Nominal change in gross premiums – Life, Non-life, and total portfolio

Non-life

Life

Total



	2015	2016	2017	2018	2019	2020	2021	2022
Non-life	-1.9%	0.7%	0.9%	2.3%	4.2%	-1.6%	4.4%	6.3%
Life	4.0%	-10.6%	-3.8%	3.3%	3.8%	-4.5%	4.6%	-10.4%
Total	2.6%	-8.1%	-2.6%	3.1%	3.9%	-3.8%	4.5%	-6.0%

Total premiums, net of those ceded (€7.8 billion or 5.8% of the total), came to €126.9 billion, of which €33.1 billion from non-life policies and €93.8 billion from life policies.

Claims and benefits paid

Benefits and claims paid to insured parties and other persons entitled, **gross of reinsurance**, are calculated as the sum of the following:

- incurred claims costs plus the change in the premium reserves for non-life classes;
- incurred claims costs plus the change in the mathematical provisions and other technical provisions for life classes.

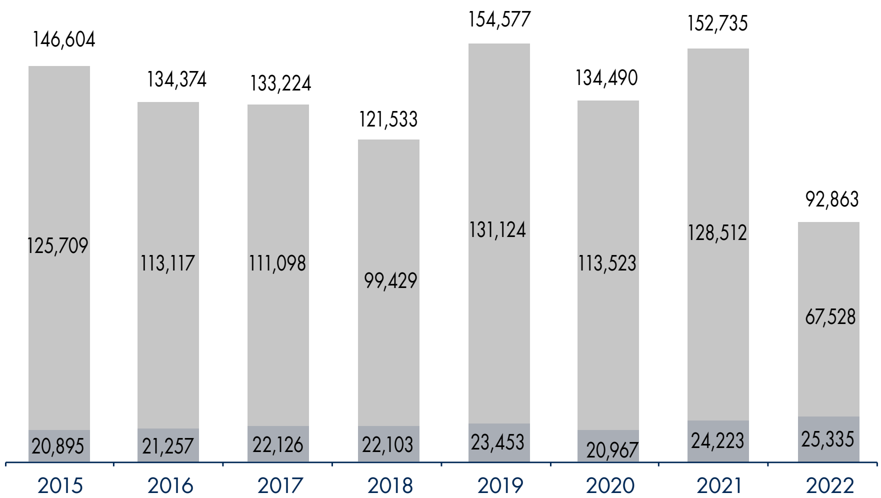
Overall, benefits and claims plunged by 38.3% compared with 2021 to total €92.9 billion: €25.3 billion in non-life classes (+4.6%) and €67.5 billion in life classes (-46.5%).

The **share borne by reinsurance** was €4.7 billion, and as a result **benefits and claims paid, on a net basis**, fell by 39.5% to €88.2 billion: €21.3 billion in non-life classes and €66.9 billion in life classes.

Gross total benefits and claims paid
Euro million

Life

Non-life

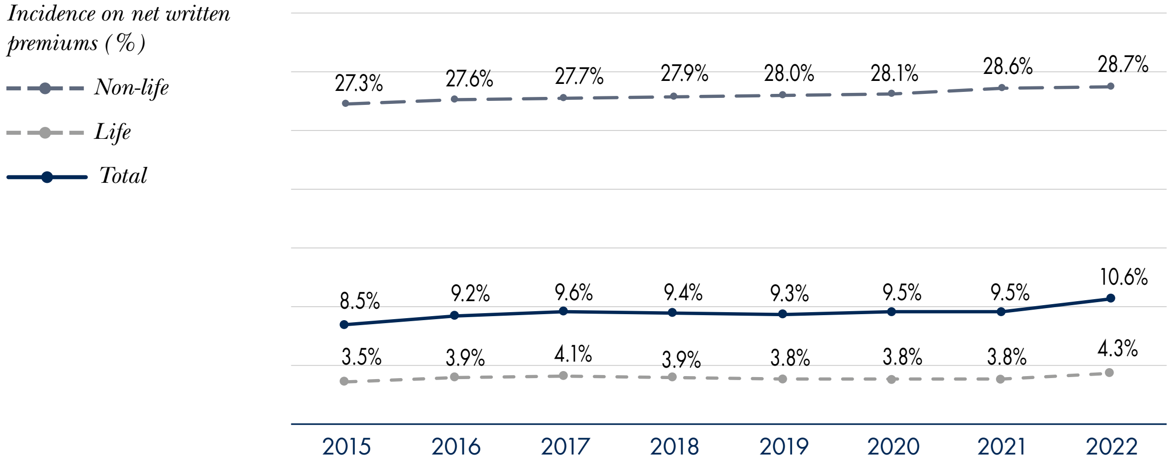


Operating expenses

Operating expenses relating to direct and indirect business, net of reinsurance cessions, which comprise contract acquisition, premium collection, distribution network organizational and operating costs, and the administration expenses relating to technical management of insurance business, totaled €13.5 billion, 3.2% more than in 2021. Given the decline in premiums, the ratio of total operating expenses to written premiums rose from 9.5% to 10.6% in 2022.

In particular, operating expenses for non-life business rose by 4.7% in 2022 to €9.5 billion, and their ratio to premiums thus increased from 28.6% to 28.7%. In the life sector, meanwhile, operating expenses totaled €4.0 billion (-0.2%), the ratio to premiums thus rising from 3.8% to 4.3%.

Operating expenses
Incidence on net written premiums (%)



Technical account result

The **overall technical account result** (non-life plus life), net of reinsurance, was positive by €0.4 billion, equal to 0.3% of net direct and indirect premiums, down from 2021. For non-life business the technical account result was positive by €2.6 billion (down from €3.1 billion in 2021); its ratio to premiums dropped from 9.7% to 7.7% last year. In the life sector, however, the result was negative by €2.2 billion, after a positive outturn of €4.0 billion in 2021, and its ratio to premiums accordingly worsened from 3.8% to -2.3%.

Technical account result / Premiums
Incidence on net written premiums (%)

	2015	2016	2017	2018	2019	2020	2021	2022
Non-life and Life	4.5%	5.1%	5.0%	2.8%	6.9%	5.8%	5.1%	0.3%
Non-life	12.3%	10.4%	10.5%	9.4%	9.9%	13.7%	9.7%	7.7%
Life	2.4%	3.6%	3.4%	0.8%	6.0%	3.3%	3.8%	-2.3%

RESULT ON INVESTMENT ACTIVITY

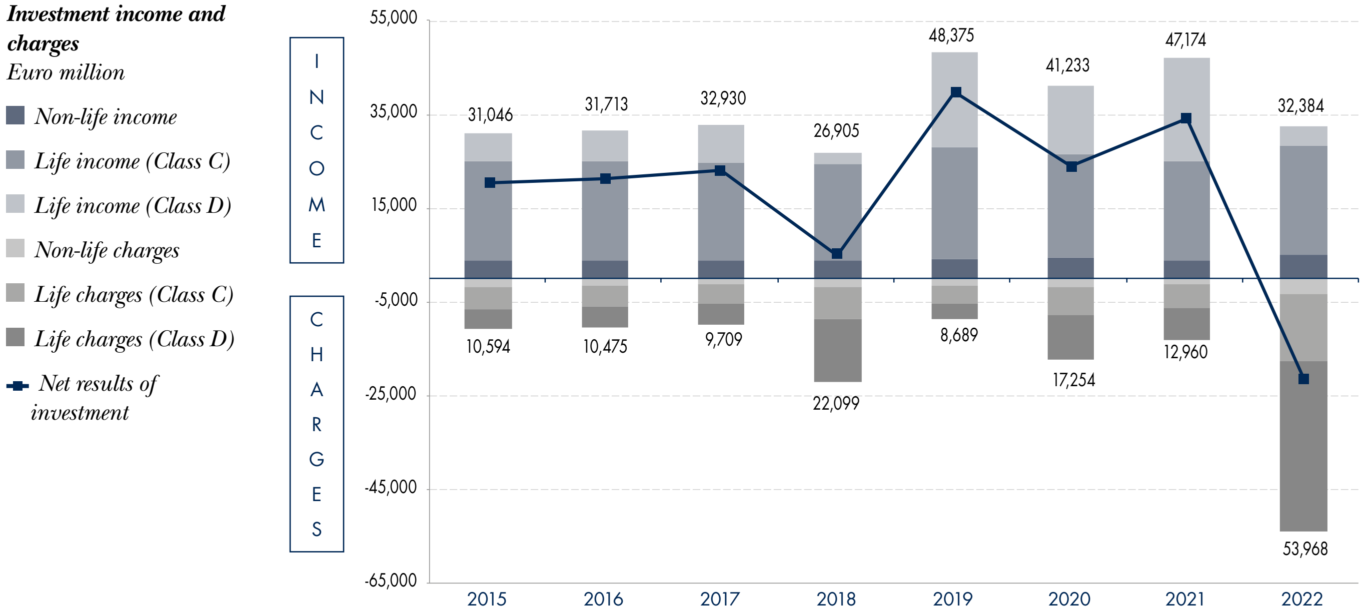
In 2022 **net investment income** was €32.4 billion, plummeting nearly 30% from 2021, with significant differences according to insurance class:

- non-life investment income gained 34.1% to €5.1 billion;
- Class C life investment income increased by 12.3% to €23.3 billion;
- Class D life investment income fell by over 80% to €4.0 billion.

More specifically, as shown in the table below, the **ordinary gross investment income of life and non-life classes** is divided as follows:

- *income from securities, bonds, and other investments*, amounting to €18.3 billion (+8.6% on 2021): 56.5% of the total;
- *income from investments held for the benefit of life insurance policyholders and from the management of pension funds* (Class D), amounting to €4.0 billion (-81% on 2021): 12.4% of the total;
- *revaluation gains and realized profits on investment*, amounting to €3.7 billion (+21.6%): 12.1% of the total;
- *income from shares and investment fund units*, amounting to €6.0 billion (+39.3%): 18.5% of the total;
- *income from land and buildings*, amounting to €157 million (+11.1%): 0.5% of the total.

Investment income and charges
Euro million



Breakdown of gross ordinary investment income %
Life and non-life

	2015	2016	2017	2018	2019	2020	2021	2022
Shares and other equity	8.7%	9.3%	9.4%	13.0%	8.2%	13.3%	9.1%	18.5%
Land and buildings	0.7%	0.6%	0.6%	0.7%	0.4%	0.4%	0.3%	0.5%
Securities, bonds, and other inv.	56.7%	56.4%	54.6%	67.0%	37.1%	42.0%	36.4%	56.5%
Revaluation gains and realized profits	15.0%	12.5%	10.3%	10.3%	11.7%	8.9%	7.1%	12.1%
Inv. benefiting policyholders	18.9%	21.2%	25.0%	9.1%	42.7%	35.4%	47.2%	12.4%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The overall reduction in investment income was accompanied by an enormous increase in **investment charges**, which rose from €13.0 billion to €54.0 billion in 2022. In particular:

– in the non-life sector, investment charges soared by over 170%, resulting in a positive net investment result of €1.9 billion, about €700 million (28%) less than in 2021;

– in the Class C life sector, investment charges increased by over 180% to €14.3 billion, yielding net investment income still positive at some €9 billion but 28% less than in 2021;

– in the Class D life sector, investment charges increased by €30 billion, coming to €36.4 billion for the year; this produced a net investment loss of €32.4 billion, a deterioration of €48 billion by comparison with 2021.

The insurance industry's overall **net investment result** was negative by €21.6 billion, compared with a positive outturn of €30 billion in 2021. The technical account alone produced a loss of €24.3 billion (against profit of €30.7 billion in 2021), while the non-technical account showed a positive result of €2.7 billion (+€3.5 billion in 2021).

Extraordinary income, gross of charges, amounted to €1.5 billion, up from €0.6 billion in 2021. The relevant **charges** totaled €0.8 billion (€0.3 billion in 2021).

THE RESULT FOR THE FINANCIAL YEAR

In 2022 the **result from the ordinary activity** of the life and non-life sectors was positive at €0.9 billion (down from €7.9 billion in 2021); **extraordinary income** (which is added to that from ordinary activity) gained, rising from €369 million in 2021 to €690 million last year. Overall, pre-tax profit for the year thus amounted to €1.6 billion (€8.3 billion in 2021).

After a net tax credit of €0.7 billion, the industry showed an **overall net profit of €2.3 billion** (against €6.7 billion in 2021), thanks exclusively to non-life insurance. In fact, non-life business turned in profits of €2.7 billion, slightly better than the outturn of €2.4 billion in 2021, while the life sector's result was negative by €0.4 billion, after a positive results of €4.3 billion.

Given this decline in overall net profit, the sector's profitability, expressed in terms of ROE, dropped from 9.9% to 3.3%. By sector, non-life insurance recorded ROE of 8.8% (8.1% in 2021), while life insurance recorded ROE of -1.0% (+11.1% in 2021). The profits of the **non-life sector**, in particular, rose from €2.4 billion to €2.7 billion; this was the result of different trends shown by the following items:

– an **intermediate operating result** (the sum of the technical result plus the net investment result pertaining to the non-technical account) of €3.8 billion (€0.8 billion less than in 2021);

– a negative balance of €1.2 billion on **other income less other charges** (-€1.9 billion in 2021);

– a positive balance of over €300 million on **other net extraordinary income** (€170 million in 2021);

– **income taxes** decreased by €400 million, from €532 million to scarcely €150 million.

Profit-and-loss account by sector
Euro million

	2015	2016	2017	2018	2019	2020	2021	2022
Non-life								
Technical account result	3,751	3,089	3,148	2,857	3,142	4,258	3,076	2,562
Net investment income	860	1,122	1,395	1,319	1,656	2,061	1,548	1,199
Intermediate operating result	4,612	4,211	4,543	4,176	4,798	6,319	4,624	3,761
Other net income	-1,469	-1,438	-1,471	-1,571	-1,666	-1,702	-1,905	-1,216
Net extraordinary income	72	137	208	176	269	173	170	300
Income tax for year (–)	1,259	795	841	599	750	938	532	151
Profit/loss for the year	1,956	2,114	2,439	2,183	2,652	3,851	2,357	2,694
Life								
Technical account result	2,765	3,700	3,363	825	6,363	3,394	4,019	-2,169
Net investment income	1,821	1,824	1,773	1,442	2,200	2,373	1,962	1,480
Intermediate operating result	4,586	5,525	5,136	2,267	8,563	5,767	5,981	-689
Other net income	-636	-814	-891	-913	-1,034	-991	-783	-926
Net extraordinary income	939	86	250	365	264	793	199	389
Income tax for year (–)	1,136	1,211	959	-262	1,815	835	1,063	-830
Profit/loss for the year	3,753	3,586	3,536	1,983	5,978	4,733	4,335	-395

The **life sector** for 2021 registered a loss of €0.4 billion in 2022, after making a profit on over €4 billion the previous year. This result was due to different trends registered by the following items:

– an **intermediate operating result** (the sum of the technical result plus the net investment result pertaining to the non-technical account) that was negative by €0.7 billion (against a positive result of nearly €6 billion in 2021);

– a negative balance of €926 million on **other income less other charges** (-€783 in 2021);

– a positive balance of €389 million on **net extraordinary income**, up sharply from €199 million);

– a **net income tax** credit of €830 million, compared with tax liability of over a billion in 2021.

BALANCE SHEET — STATUTORY FINANCIAL STATEMENTS

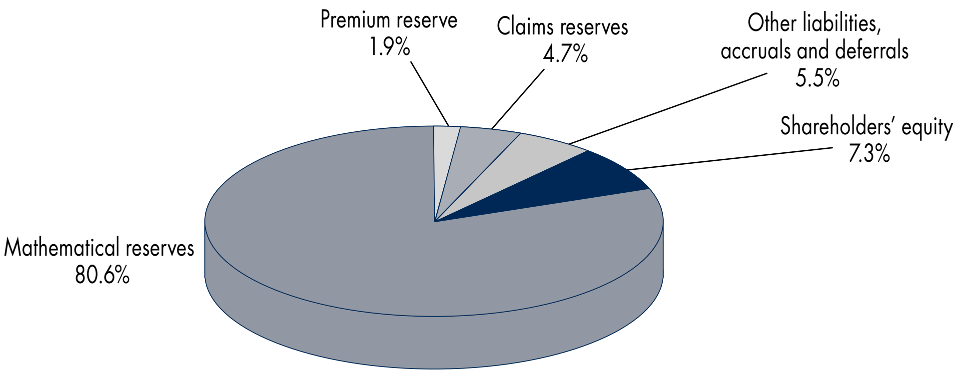
Balance sheet
Euro million

	2015	2016	2017	2018	2019	2020	2021	2022
LIABILITIES	762,742	810,241	848,694	867,907	926,658	966,823	1,022,752	983,954
NET WORTH	66,223	66,361	66,805	65,475	69,906	74,313	76,799	72,040
TECHNICAL PROVISIONS	647,523	693,910	729,542	749,245	801,268	836,585	889,457	857,468
Non-life classes	*62,005*	*61,384*	*60,015*	*58,872*	*58,781*	*58,802*	*62,440*	*64,849*
Life classes	*585,518*	*632,525*	*669,527*	*690,373*	*742,487*	*777,783*	*827,016*	*792,619*
OTHER LIABILITIES	48,380	49,353	51,829	52,611	54,972	55,405	55,931	53,885
ACCRUALS AND DEFERRALS	616	617	518	575	512	520	564	561
ASSETS	762,742	810,241	848,694	867,907	926,658	966,823	1,022,752	983,954
AMOUNTS OWED BY SHAREHOLDERS	0	0	0	0	0	0	0	0
INTANGIBLE ASSETS	6,664	6,521	6,374	6,095	5,745	5,310	4,914	4,598
INVESTMENTS:	692,645	741,207	778,997	798,917	856,428	896,711	948,415	906,066
Land and buildings	6,645	6,251	6,188	5,530	5,723	4,820	4,801	4,671
Shares and other equity	57,022	56,808	59,899	61,324	61,440	61,152	64,958	66,870
Bonds and other fixed income securities	437,571	464,578	473,506	484,750	503,263	519,008	526,598	512,673
Shares of mutual funds and other investments	63,156	74,049	85,160	95,061	106,587	115,245	119,143	114,711
Investments benefiting policyholders and proceeds from management of pension funds	128,252	139,521	154,243	152,252	179,414	196,486	232,914	207,141
TECHNICAL PROVISIONS BORNE BY THE REINSURERS	14,104	13,734	13,667	12,794	12,409	11,470	12,792	12,753
AMOUNTS OWED BY DEBTORS	26,559	28,200	29,765	31,298	33,964	34,474	35,403	39,748
OTHER ASSETS	16,954	14,664	14,167	13,142	12,497	13,444	15,968	15,675
ACCRUALS AND DEFERRALS	5,814	5,914	5,725	5,661	5,615	5,414	5,261	5,113

Liabilities

At the end of 2022, balance-sheet liabilities totaled €984 billion, 2.0% less than a year earlier.

Breakdown of liabilities (%) – 2022



983,954 million

In detail:

– *Shareholders' equity*, or net worth, at €72 billion, contracted by 5.6% compared with 2021; it accounts for 7.3% of total liabilities.

– *Technical provisions*, which represent the commitments undertaken vis-à-vis the insured, diminished by 1.7% to €857 billion; they made up 87.1% of total liabilities. Life provisions, which accounted for 80.6% of the total, decreased by 2.1% to €792.6 billion, while non-life provisions (for claims and unpaid premiums) increased by 3.9% to €64.8 billion.

– *Other liabilities*, amounting to €53.9 billion (5.5% of the total), were down 2.6% from a year earlier;

– *Accrued expenses and deferred income* amounted to €561 million (0.1% of the total).

Assets

On the asset side the main items composing the total of €984 billion, squaring with total liabilities, are investments, the reinsurance share of technical provisions, debtors, other asset items, accrued income and prepaid expenses.

In particular:

– *Investments* totaled €906.1 billion, a decrease of 2.7% from a year earlier, and made up 92% of total assets. Investments in the non-life sector amounted to €91.5 billion (10% of the total) and those of the non-life sector to €814.5 billion (90%). In detail, total investment was distributed as follows:

  • debt securities and other fixed-income securities: €512.7 billion, down 0.9% (56.6% of the total);
  • investments pertaining to Class D: €207.1 billion, down 8.3% (22.9% of the total);
  • mutual funds and other investments: €114.7 billion, down 2.5% (12.7% of the total);
  • shares and other equity: €66.9 billion, up 3.0% (7.4% of the total);
  • land and buildings: €4.7 billion, down 2.7% (0.5% of the total).

– *Technical provisions borne by reinsurers* came to €12.8 billion, up 1.9% from a year earlier, and made up 1.3% of total assets.

– Claims due from *debtors* came to €39.7 billion, up 13.6% (4.0% of the total).

– Claims on shareholders (nil), intangible assets (€4.6 billion) and other assets (€15.7 billion) declined by 2.3% to €20.3 billion (2.1% of the total).

– *Accrued income and prepaid expenses* were equal to €5.1 billion, down 0.8% (0.5% of the total).

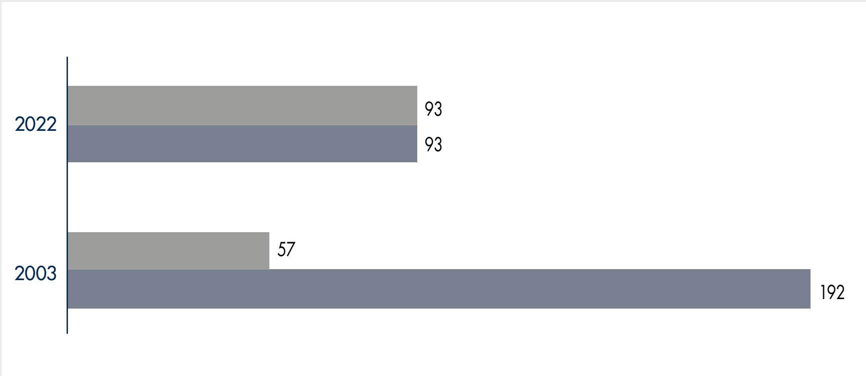
BRANCHES OF EU INSURERS ESTABLISHED IN ITALY DOING NON-LIFE BUSINESS: THE MAIN FIGURES

There are currently 93 branches of EU insurance undertakings established in Italy. Of these, 23 are active in life insurance, 56 in non-life, 8 are multiclass, and 6 are so-called professional reinsurers. Their number has nearly doubled over the past two decades, from 57 in 2003 to the current 93. Meanwhile, the number of Italian insurers and branches of non-EU undertakings has been more than halved, from 192 in 2003 to 93 in 2022 (Figure 1).

Figure 1 – Insurance undertakings established in Italy

EU insurers

Italian and non-EU insurers



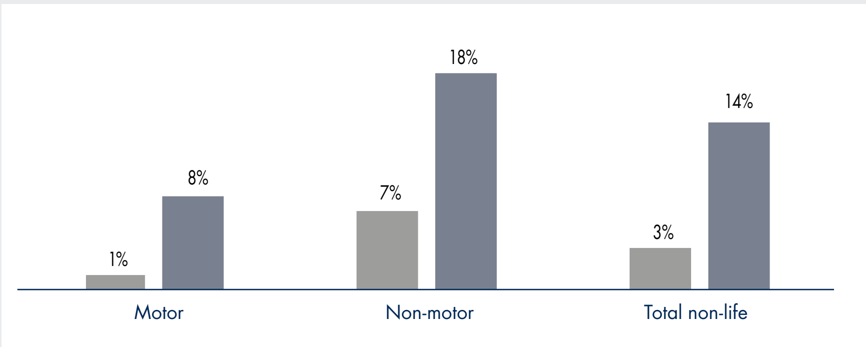
The analysis here focuses on the branches of EU insurers in Italy that have developed non-life business, whose relative incidence has more than tripled over 20 years, from 3% in 2003 to 14% of total written premiums in 2022. By comparison the life business of EU insurers in Italy accounted for 4% of total written premiums (as against less than 1% in 2003).

More specifically, in the motor insurance class (liability and land vehicles), these EU branches accounted for 8% of total premiums in 2022 (scarcely 1% in 2003); their incidence on total non-life business was much higher, nearly 20% (up from 7% in 2003) (Figure 2).

Figure 2 – Market share of EU insurers in Non-life business, 2003-2022

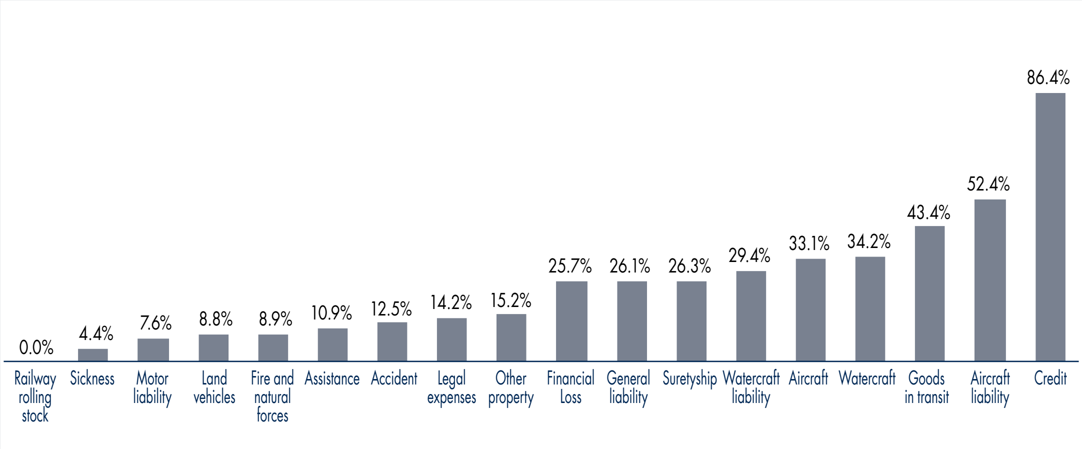
2003

2022



In greater detail, examining the latest available financial statements (for 2022), the incidence of these branches' premiums on the total is above 40% in some classes: goods in transit (43.4%), aircraft liability (52.4%), and credit (over 86%). Their share is much lower, below 10%, in other classes: railway rolling stock (nil), sickness (4.4%), motor liability (7.6%), land vehicles (8.8%) and fire (8.9%) (Figure 3).

Figure 3 – EU insurers' share of premiums, by class, 2022



The branches of undertakings with head office in EU member countries wrote premiums worth nearly €6 billion in 2022, an increase of 15.3% for the year. In the motor sector the increase came to 14.0%, compared with 17% in 2021. There was growth both in liability premiums (+14.2%), while Italian insurers registered a contraction of 2.1%, and in land vehicle premiums (+13.4%). Non-motor non-life premiums increased by nearly 16%. General liability insurance, a sector in which EU branches account for over a quarter of total premiums (€1,325 million), grew by some 12% for the year. Among the most important classes, those with over €400 million in premiums, we find accident insurance (€488 million, +7.9%), other property damage (€636 million, +13.1%), and credit (€727 million, +31.6%).

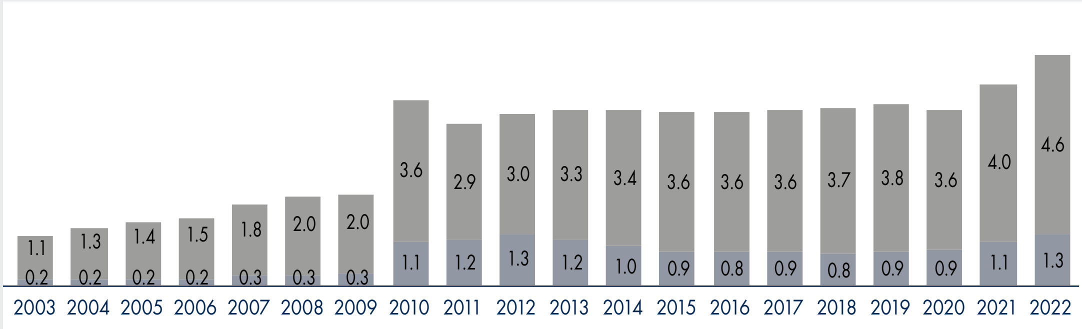
Below we trace the evolution of EU insurers' branches' written non-life premiums over the past twenty years, in the two main categories, namely motor and non-motor insurance. The time series for these premiums (constituting about 95% of the total business of these branches) shows distinct trends before and after 2010, when a major insurer switched from the set of Italian and non-EU companies to become part of the EU aggregate.

Premiums rose substantially over the decades, from just over €1 billion in 2002 (€0.2 billion motor and €1.1 billion non-motor) to almost €6 billion in 2022. Non-motor insurance retained its dominant position, with €4.6 billion in written premiums in 2022 (€4.0 billion in 2021 and €3.6 billion in 2020). Motor insurance business also expanded, to €1.3 billion worth of premiums in 2022.

Figure 4 – Direct premiums, 2003-2022

Non-motor

Motor



As to the distribution of the policies of EU insurers in Italy, the following two tables show the development over the past ten years of the market shares of the various sales channels.

Figure 5 – Distribution by sales channel, motor insurance

Agents

Brokers

Banks

Other

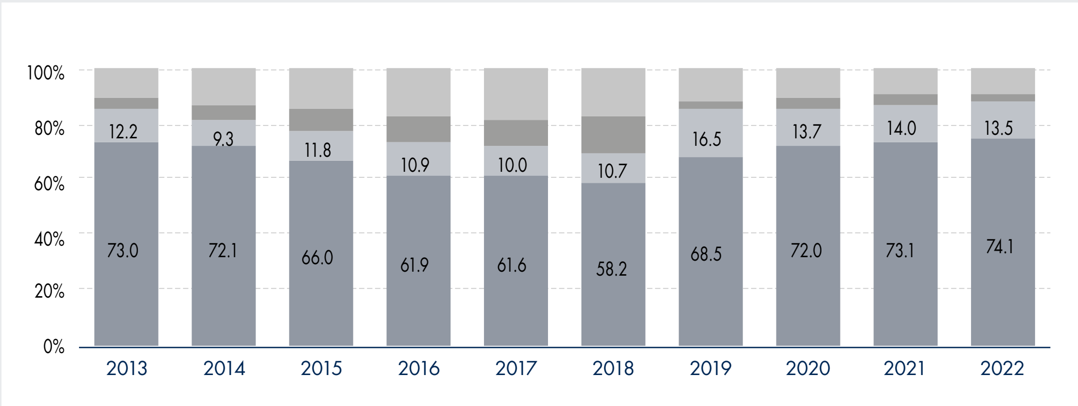


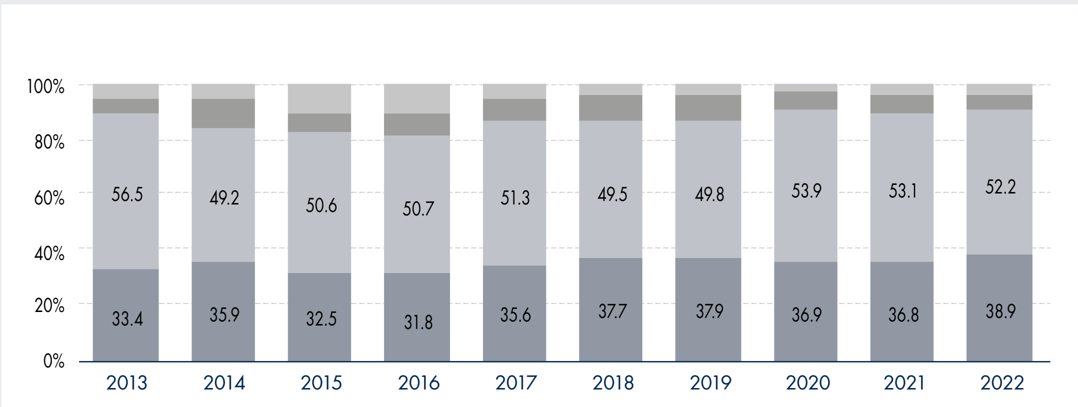
Figure 6 – Distribution by sales channel, non-motor insurance

Agents

Brokers

Banks

Other



Premiums for motor liability and land vehicles (motor insurance) are produced chiefly by agents, whose market share has risen in recent years, from 58.2% in 2018 to 74.1% in 2022, very close to the share recorded at the start of the decade, in 2013-2014. The share of brokers diminished over the first six years surveyed here, from 12.2% in 2013 to 10.7% in 2018, before rising to nearly 14% in the last three years. In 2022, at 13.5%, brokers were the second-leading channel for motor insurance policies. For non-motor non-life insurance, instead, they are the main channel, accounting steadily for around

50% albeit with a slight decline in recent years. Smaller – but rising – is the share of agents, which gained from 33.4% in 2013 to 38.9% in 2022.

For the first time ANIA has asked for some technical, balance-sheet information from these EU branches, which under home country control are not required to draw up balance sheets by Italian standards. The responses, representing about 50% of the market, are sufficient to make a comparison with Italian insurance undertakings.

Figure 7 makes it clear that the EU insurance companies established in Italy, in the last two years, registered a combined ratio that is basically stable (about 90%) and practically equal to that of Italian insurers. Even though the underlying mix of policies by insurance class is different, there are no significant differences from Italian companies in this technical indicator.

Figure 7 – Combined ratio for the year

EU branches

Italian and non-EU companies

THE SOLVENCY II BALANCE SHEET

The following data on the financial situation of insurance companies are drawn from the reporting system established by the Solvency II regime and are characterized both by a different valuation method for assets and liabilities (fair value accounting) and by a different, more detailed classification of balance-sheet items than the statutory financial statements described above.

Solvency II – Balance sheet of Italian companies
Euro million

	2018	2019	2020	2021	%	2022	%	Change % 22/21
Total assets	**911,093**	**1,019,677**	**1,088,145**	**1,120,688**	**100.0%**	**972,154**	**100.0%**	**-13.3%**
Buildings, plant, and equipment for own use	2,026	2,508	2,476	2,408	0.2%	2,271	0.2%	-5.7%
Investments (net of linked policies)	690,376	768,196	815,020	809,737	72.3%	677,584	69.7%	-16.3%
Assets held in respect of linked policies	152,219	179,225	196,374	232,696	20.8%	212,943	21.9%	-8.5%
Mortgages and loans	7,374	6,797	7,222	7,226	0.6%	5,969	0.6%	-17.4%
Amounts recoverable from reinsurance	11,201	11,098	9,897	10,685	1.0%	9,785	1.0%	-8.4%
Deposits with ceding undertakings	5,732	5,249	4,545	5,506	0.5%	5,258	0.5%	-4.5%
Receivables in insurance and from intermediaries	8,812	9,244	8,725	7,936	0.7%	8,416	0.9%	6.0%
Receivables from reinsurance	848	1,198	1,024	1,221	0.1%	1,090	0.1%	-10.7%
Trade credits	12,463	14,518	14,994	15,810	1.4%	17,313	1.8%	9.5%
Cash and cash equivalents	8,671	7,583	8,732	11,738	1.0%	10,931	1.1%	-6.9%
Deferred tax assets	3,632	6,284	10,001	6,578	0.6%	10,167	1.0%	54.6%
Own shares (directly owned)	64	69	228	126	0.0%	670	0.1%	430.4%
Other assets	7,673	7,709	8,906	9,020	0.8%	9,758	1.0%	8.2%
Total liabilities	**801,948**	**896,592**	**962,024**	**980,011**	**100.0%**	**840,103**	**100.0%**	**-14.3%**
Non-life technical provisions	51,728	51,983	51,462	53,714	5.5%	51,288	6.1%	-4.5%
Life technical provisions (net of linked policies)	538,966	600,202	643,176	628,286	64.1%	513,077	61.1%	-18.3%
Technical provisions for linked policies	146,973	172,678	189,507	223,449	22.8%	204,156	24.3%	-8.6%
Deposits received from reinsurers	6,005	5,571	4,853	4,854	0.5%	4,584	0.5%	-5.6%
Derivatives	986	939	1,136	1,467	0.1%	1,614	0.2%	10.0%
Financial liabilities	13,437	14,627	13,614	13,415	1.4%	10,991	1.3%	-18.1%
Payables in insurance and to intermediaries	4,691	5,082	5,932	5,287	0.5%	5,525	0.7%	4.5%
Payables to reinsurers	610	564	742	792	0.1%	965	0.1%	21.8%
Trade payables	5,124	7,044	7,756	6,634	0.7%	5,496	0.7%	-17.2%
Subordinated liabilities	19,025	17,948	19,642	19,405	2.0%	17,267	2.1%	-11.0%
Other non-technical provisions	1,500	1,523	1,707	2,072	0.2%	2,054	0.2%	-0.9%
Deferred tax liabilities	7,666	12,330	16,232	14,483	1.5%	17,872	2.1%	23.4%
Other liabilities	5,238	6,101	6,265	6,153	0.6%	5,213	0.6%	-15.3%
Excess assets over liabilities	**109,145**	**123,085**	**126,121**	**140,677**		**132,050**		**-6.1%**
Excess over total assets (%)	*12.0%*	*12.1%*	*11.6%*	*12.6%*		*13.6%*		

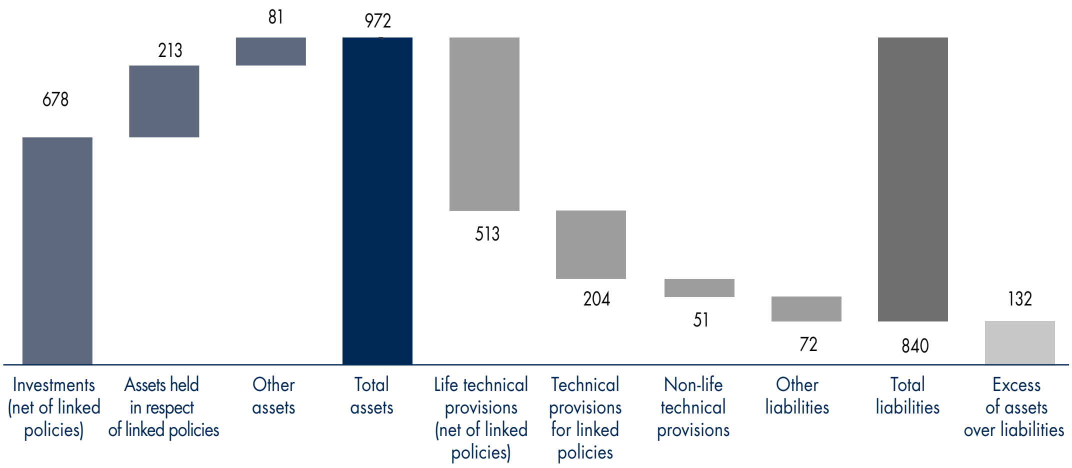
Liabilities (Solvency II)

In 2022, balance-sheet liabilities contracted by 14.3%, to total €840 billion.

In detail:

- life insurance technical provisions (net of linked policies) totaled €513.1 billion, down by 18.3% from 2021, accounting for 61% of total liabilities; the risk margin, i.e. the component of the technical provisions that serves to ensure that, in the event that the policy portfolio is transferred to another company, the technical provisions are sufficient and equivalent to the price the company would pay in a regulated market for said liabilities, was 1.9% (€9.7 billion);
- technical provisions for linked policies, amounting to €204.2 billion, decreased by 8.6%, thus accounting for 24.3% of total liabilities; the risk margin for these provisions was 1% (about €2.0 billion);
- non-life insurance technical provisions decreased by 4.5% to €51.3 billion, accounting for 6.1% of total liabilities; the risk margin was 4.3% (€2.2 billion);
- subordinated liabilities diminished by 11.0% to €17.3 billion over the last year, accounting for 2.1% of total liabilities;
- other liability items in the balance sheet include financial liabilities (€11.0 billion, 1.3% of the total, -18.1% compared with 2021) and deferred tax liabilities (€17.9 billion, 2.1% of the total, +23.4%).

The balance sheets of Italian companies in 2022
Euro billion



Assets (Solvency II)

At the end of 2022, Italian insurers had assets of €972 billion, 13.3% less than a year earlier.

The consequent excess of asset over liability items was €132 billion (down from €141 billion). The incidence of the excess on the balance-sheet assets was 13.6% (12.6% at the end of 2021).

Specifically:

- investments (net of those in respect of linked policies) decreased by 16.3% to €677.6 billion over the last year, accounting for 70% of total assets;
- assets held in respect of linked policies went down by 8.5% to €212.9 billion, accounting for 22% of total assets;
- other asset items in the balance sheet include trade credits (€17.3 billion, 1.8% of the total, +9.5% compared with 2021) and cash (€10.9 billion, 1.1% of the total, -6.9%).

INVESTMENTS (SOLVENCY II)

As described in the previous section specifying the different balance sheet assets, the investments of the insurance industry came to €891 billion at the end of 2022, falling by 14.6% in the 12 months. Of this, €678 billion (-16.3% on 2021) refers to insurance contracts net of linked policies, the remaining €213 billion (-8.5%) to linked policies in the life sector.

Type of investment
Euro million

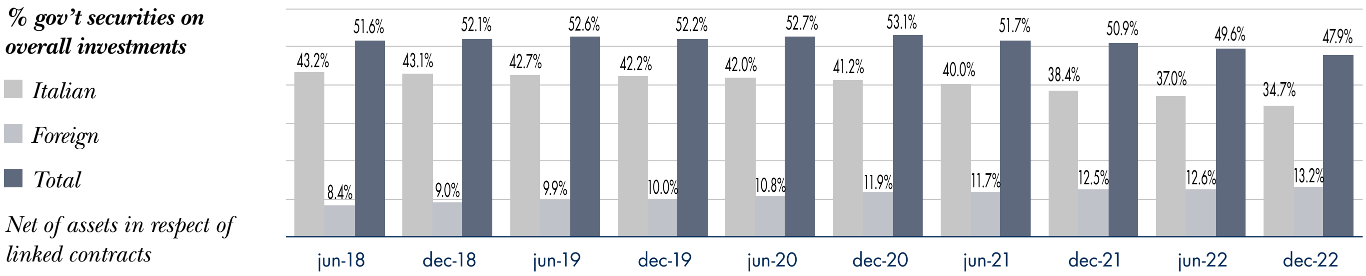
	2018	2019	2020	2021	%	2022	%	Change % 22/21
Investments (net of assets in respect of linked contracts)	690,376	768,196	815,019	809,735	100.0%	677,584	100.0%	-16.3%
Italian government securities	297,301	324,966	336,029	310,896	38.4%	234,832	34.7%	-24.5%
Bonds	138,187	150,595	157,508	156,144	19.3%	128,596	19.0%	-17.6%
Shares of affiliated undertakings, including holdings	83,205	87,113	89,419	97,722	12.1%	91,794	13.5%	-6.1%
UCITS	80,106	97,163	105,705	110,048	13.6%	98,580	14.5%	-10.4%
Foreign government securities	62,448	76,250	96,742	101,096	12.5%	89,597	13.2%	-11.4%
Structured securities	10,140	10,325	11,119	11,502	1.4%	11,814	1.7%	2.7%
Listed equity instruments	8,057	10,615	7,341	9,910	1.2%	8,724	1.3%	-12.0%
Unlisted equity instruments	2,857	3,149	3,522	4,479	0.6%	5,424	0.8%	21.1%
Buildings (other than own use)	4,691	4,951	4,010	3,958	0.5%	3,997	0.6%	1.0%
Covered securities	2,537	2,053	2,150	2,735	0.3%	2,497	0.4%	-8.7%
Deposits other than cash-equivalent	361	359	359	412	0.1%	742	0.1%	80.0%
Derivatives	469	639	1,097	815	0.1%	983	0.1%	20.6%
Other investments	17	17	18	18	0.0%	3	0.0%	-85.4%
Assets held in respect of linked policies	152,219	179,225	196,374	232,696	100.0%	212,943	100.0%	-8.5%
Investment funds	125,036	148,647	165,654	196,709	84.5%	179,717	84.4%	-8.6%
Italian government securities	10,864	11,459	7,846	8,184	3.5%	6,712	3.2%	-18.0%
Foreign government securities	4,611	5,308	5,575	5,902	2.5%	7,009	3.3%	18.8%
Cash and deposits	3,571	2,849	4,023	4,507	1.9%	3,634	1.7%	-19.4%
Equity	5,075	6,700	7,282	9,433	4.1%	8,307	3.9%	-11.9%
Bonds	2,970	4,132	5,760	7,619	3.3%	6,953	3.3%	-8.7%
Other investments	91	131	234	342	0.1%	610	0.3%	78.4%
Total investments	842,595	947,421	1,011,393	1,042,431		890,526		-14.6%

A more specific analysis of the €678 billion in insurance industry investment excluding linked policies shows that companies made the following investment choices:

- €235 billion in Italian government securities (34.7% of the total), down by almost 25% compared with 2021;
- €129 billion in corporate bonds (19.0% the total), down 17.6%;
- €92 billion in equity in affiliated undertakings (13.5% of the total), down by 6.1%;
- €99 billion in UCITS (14.5% of the total), down by more than 10%;
- €90 billion in foreign government securities (13.2% of the total), down by 11.4%;
- €12 billion in structured securities (1.7% of the total), up by 2.7%;
- over €14 billion in equities, of which €8.7 billion (-12.0%) in listed instruments and €5.4 billion (+21.1%) in unlisted instruments.

The following figure shows a breakdown of the €324 billion invested in government securities (both Italian and foreign) in respect of non-linked policies:

% gov't securities on overall investments



Net of assets in respect of linked contracts

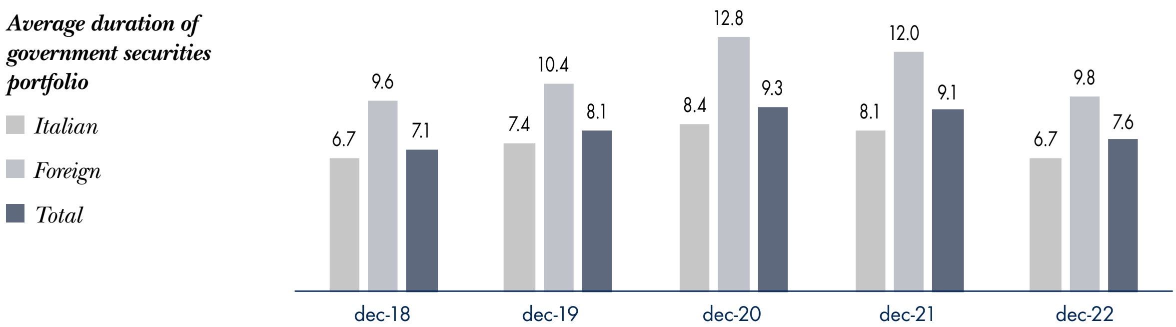
Source: ANIA

In the second half of 2018 investment in government securities held broadly stable at around €360 billion and accounted for 52% of total investment. The value of the government securities portfolio then rose to €400 billion in 2019 and peaked at €430 billion in 2020, before contracting to €324 billion at the end of 2022, its share of total investment assets slipping below 48%.

More specifically, Italian government securities, taking into account both changes in value and net sales/purchases (details on page 55 below), rose from €300 billion at the end of 2018 to €325 billion at the end of 2019 and €335 billion at the end of 2020, before falling back to €235 at the end of 2022, while their incidence on total investments declined from 43.1% to 34.7%; foreign government securities, instead, increased significantly, from some €62 billion at the end of 2018 to over €100 billion at the end of 2021, before slipping back to €90 billion in 2022), and their incidence on total investments rose steadily, from 9.0% to 13.2%.

Finally, an analysis of the duration, i.e. the average residual maturity, of the insurance industry's government securities portfolio shows that during the last two financial years maturity has diminished (7.6 years in 2022, 9.1 years in 2021), after lengthening by over two years between 2018 and 2020. In particular, over the past two years the average financial duration of both Italian and foreign government securities has decreased, slipping respectively from 8.4 to 6.7 years and from 12.8 to 9.8 years.

Average duration of government securities portfolio



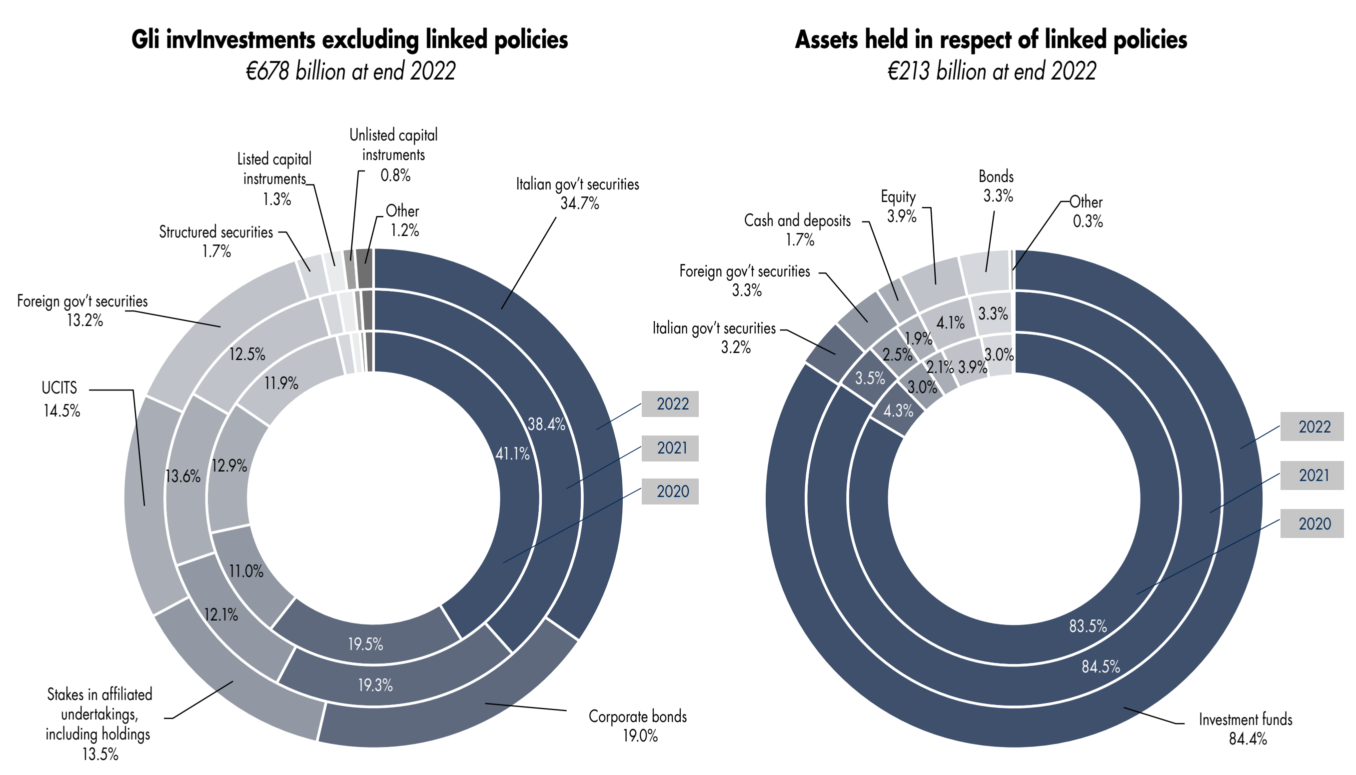
With regard, finally, to the €213 billion in assets held in respect of linked policies, the following lines of investment emerge:

- €179.7 billion (84.4% of the total) in UCITS, down by nearly 9% from 2021;
- €8.3 billion in equities (4% of the total), down by some 12%;
- €6.7 billion in Italian government securities (3.2% of the total), down 18%.

THE DIVERSIFICATION OF INSURANCE INDUSTRY INVESTMENTS

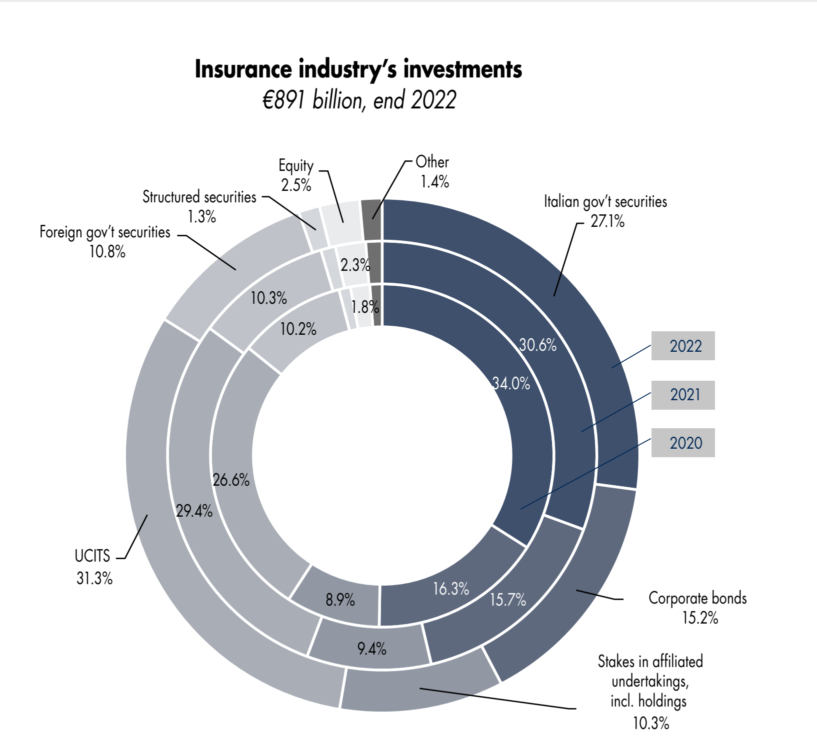
In December 2022, the total investment assets of Italian insurance companies exceeded €890 billion, of which 76% for life and non-life contracts other than linked policies and the remaining 24% for linked policies alone (Figure 1). Looking at the overall portfolio, the subset known as the **direct portfolio**, so called because it is managed directly by insurance companies, constitutes 70% of the total and is composed of government securities (Italian and foreign), corporate bonds, strategic shareholdings, and equity. The **managed portfolio** subset, instead, accounts for the remaining 30% of the total and comprises only investment funds (UCITS) (Figure 2).

Figure 1 – Breakdown of insurance industry's investments by type of asset



Source: ANIA, InfoQRT

Figure 2 – Distribution of total insurance industry investment

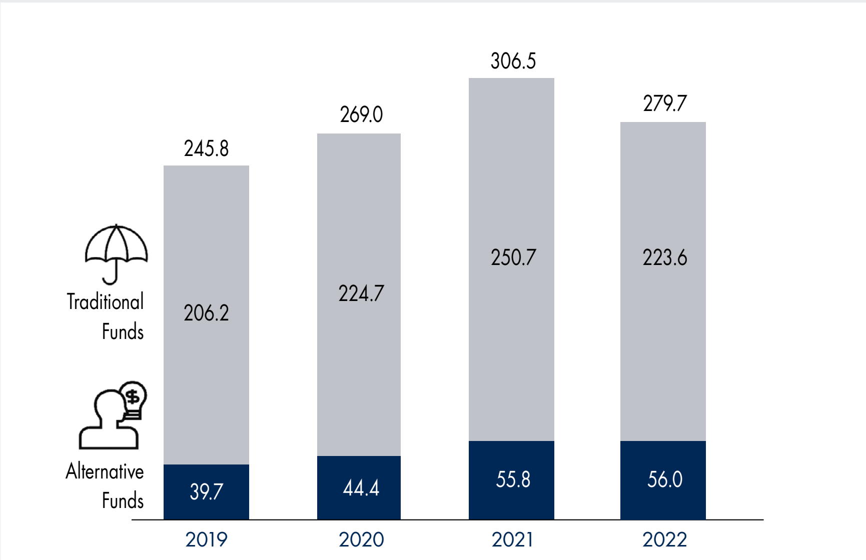


Source: ANIA, InfoQRT

With regard to the **total portofolio**, Italian government securities have the greatest incidence, over 27% at the end of 2022, albeit lower than in the previous two years (31% in 2021 and 34% in 2020). As these assets are marked to market, the decline is consistent with their decline in value consequent to the significant rise in world interest rates during the year. The diversification of investment into foreign government securities continued in 2022, and they increased their share of the total from 10.2% in 2020 and 10.3% in 2021 to 10.8% last year. Clearly, this reflects a strategy of diversification of directly held government securities. Corporate bonds account for just over 15%, down from 16.3% in 2020 and 15.7% in 2021, and consist mainly in investment grade securities, whereas strategic shareholdings account for 10%, more than in 2020 (8.9%) and 2021 (9.4%)

The share of **managed portfolios**, which includes all investments in UCITS, amounted to €280 billion at the end of 2022 (as against €270 billion at the end of 2020 and €306 billion at the end of 202; Figure 3).

Figure 3
Breakdown of the insurance market's investments in UCITS (2019-2022)
Euro billion



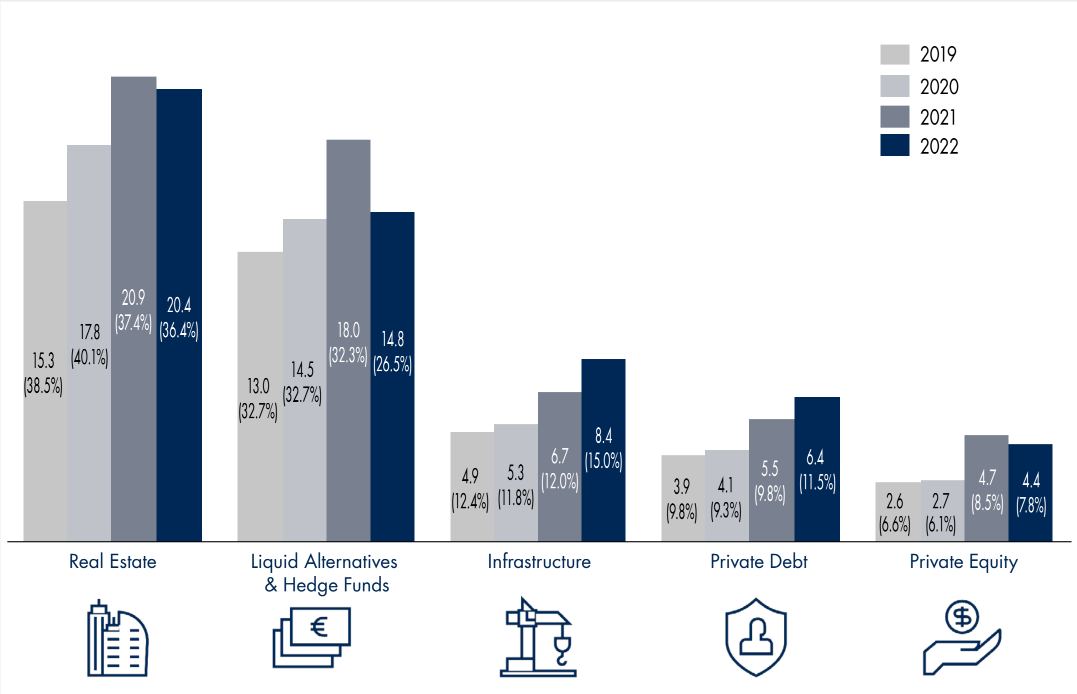
Source: ANIA, InfoQRT, market providers

The portion invested in UCITS consists overwhelmingly (80%) in traditional investment funds, investing mainly in fixed income funds, with assets well diversified among investment grade, high yield and emerging market securities, and only a small amount in government securities and money market instruments. Geographically, the investments are concentrated in non-European countries or funds with global reach (nearly 69% of the bond exposure, 66% of shares, and virtually all the balanced funds). Thus, with regard to UCITS the investment strategy would seem to consist in the diversification of the portfolio among asset classes different from those comprised in the direct portfolio.

The **share of non-traditional or alternative funds** (20% or €56 billion in 2022) has increased progressively over the past three years (it was 16% in 2019 and 2020 and 18% in 2021), rising to 6.3% of the overall investment portfolio from 4.4% in 2020 and 5.3% in 2021.

Figure 4, instead, traces the development of alternative investment fund units, showing that insurance companies have already begun to reposition their portfolios towards the energy transition, as is indicated by the increased investment in infrastructure funds, which now accounts for 15% of total alternative UCITS investment, compared with 12% in 2019. With regard to alternative funds, the main share is made up of real estate funds (over 36% in 2022) and liquid alternatives (that is to say, strategies uncorrelated with traditional asset classes), whose incidence was over 26% at the end of 2022, followed by private equity funds at 8%. The most marked investment growth in 2022 was in infrastructure (affected by the energy transition) and private debt, given the rise in interest rates during the year.

Figure 4
Distribution of insurance investment in UCITS (2019-2022)
Euro billion



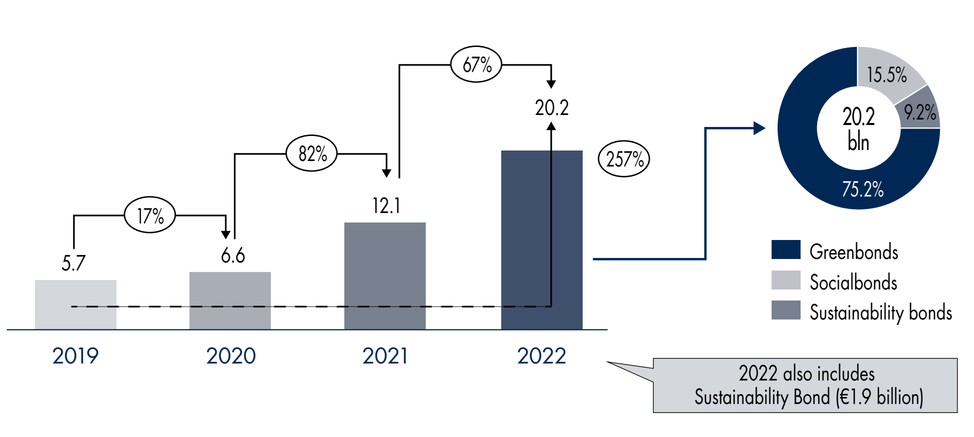
Source: ANIA, InfoQRT, market providers

Insurers have integrated environmental, social and governance objectives (ESG) into their portfolio management strategy, investing in direct and indirect sustainable instruments.

The **direct sustainable bond portfolio** has scored growth of 257% over the past four years, from under €6 billion at the end of 2019 to over €20 billion, most of this in green bonds (Figure 5). In the last year, in order to take account of the worldwide growth up; in sustainable instruments, monitoring of sustainability bonds was stepped; these instruments now amount to nearly €2 billion.

Figure 5
Direct investment in green, social and sustainability bonds by issuer sector

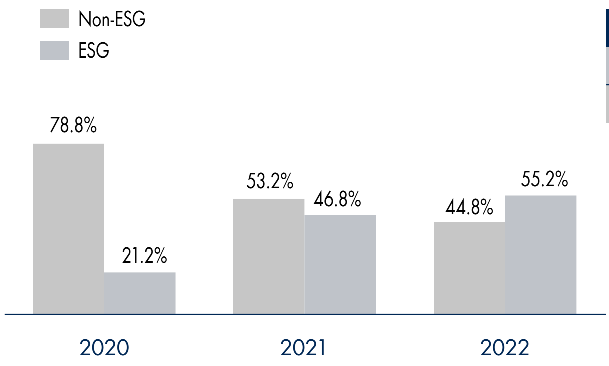
Euro billion



As to the indirect portfolio, more than half the funds analyzed are classified as Article 8 and 9 funds pursuant to the Sustainable Finance Disclosure Regulation (SFDR), for a value of about €114 billion (55.2%) up from 21.2% in 2020 and 46.8% in 2021 (Figure 6).

Figure 6
Investment in ESG and non-ESG funds, 2020-2022

Euro billion

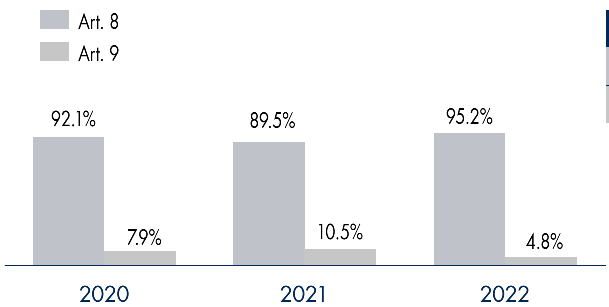


	2020	2021	2022
ESG	40.8	100.7	114.3
Non-ESG	151.7	114.6	92.7

Considering sustainable funds alone, practically the entire value of the ESG funds held by Italian insurance undertakings is classed as SFDR Article 8 (light green), with a residual portion invested in SFDR Article 9 funds (dark green), less than a year ago, in line with the overall market trend as a consequence of the greater transparency required by the regulation (Figure 7).

Figure 7
SFDR Article 8 and 9 funds, 2020-2022

Euro billion



	2020	2021	2022
Art. 8	37.6	90.1	108.7
Art. 9	3.2	10.6	5.6

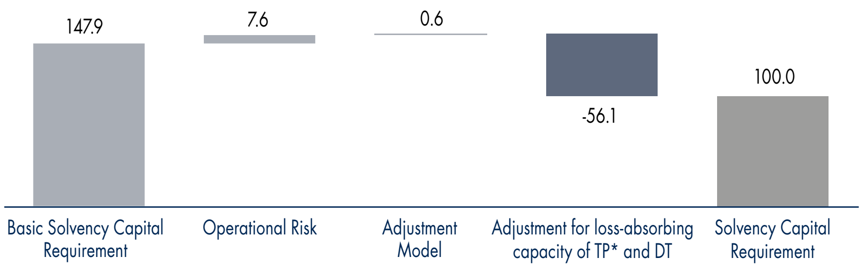
THE SOLVENCY OF THE ITALIAN INSURANCE MARKET

Composition of the Solvency Capital Requirement (SCR)

In accordance with current legislation, each insurance undertaking must calculate its Solvency Capital Requirement (SCR) either by the standard formula or by a partial or total internal model. For application, the internal models must be pre-validated and authorized by the Supervisory Authority, whereas companies adopting the standard formula may, with the Authority's approval, add to the calculation of the underwriting risk modules their own, designated *Undertaking-Specific Parameters* (USPs) instead of the pre-set parameters of the formula. Based on an estimate calculated on annual data received by ANIA (practically the entire industry in terms of premiums), the SCR for all Italian insurers was about €59 billion at 31 December 2022 (down 3% compared with 2021). Of this, €36 billion (61%) relates to the 14 undertakings that adopted internal models (partial or total), and the remaining €23 billion (39%) to those using the standard formula.

Figure 1 shows the composition of the SCR in percentage values and for the whole insurance market, calculated as the sum of the *Basic Solvency Capital Requirement* (BSCR), operational risk, and the Adjustment components for 2022.

Figure 1
SCR % composition
Year 2022
Standard Formula
and Internal Model



(*) The majority of companies using internal models reported – for the individual risk module requirements – only the amounts net of the technical provision (TP) adjustment. Therefore, the "Gross SCR" and "TP Adjustment" could not be broken down and so are already included in the individual risk modules in the next chart.

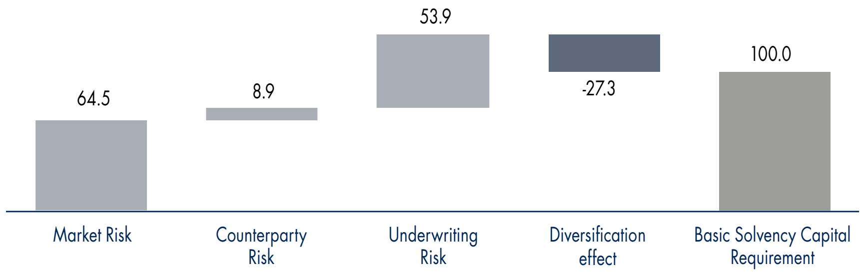
Source: InfoQRT ANIA

The chart shows that operational risk – defined as the risk of loss due to the inefficiency of personnel, processes, and systems or to events such as fraud or service suppliers' activities – accounts for 8% of the SCR, as in 2021. While the benefit from the fine-tuning of methods and processes is marginal (0.6%), the adjustment for the loss-absorbing capacity of technical provisions (TP) and deferred taxes (DT) has a considerable impact on the SCR, reducing it by 56.1% (-35.6% in 2021). In particular, the reduction comes to 15.4% for companies using internal models and 122.0% for those using the standard formula. This divergence reflects the fact that most companies adopting internal models report the impact of the adjustment for the loss-absorbing capacity of technical provisions and deferred taxes in the individual risk modules and do not itemize it explicitly. The adjustment component for these companies is therefore understated.

Figure 2 reports the percentage composition by risk class of the *Basic Solvency Capital Requirement*:

Figure 2
BSCR % composition
Year 2022
Standard Formula
and Internal Model

Source: InfoQRT ANIA



The main source of risk for the insurance industry is market risk, at 64.5% (down from 81.1% in 2021): 82.5% for companies using internal models and 49.6% for those using the standard formula.

Counterparty risk measures the vulnerability of different types of assets held by insurers to default of issuers and other counterparties. This risk accounts for 8.9% of the overall risk (12.2% in 2021); more specifically, 15.1% for companies using internal models and 3.6% for those using the standard formula.

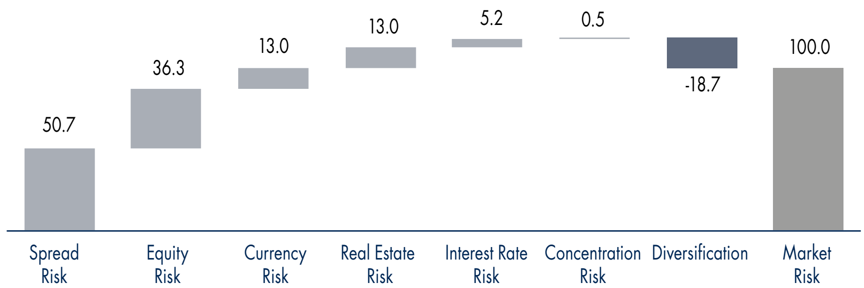
Underwriting risks (life, non-life, and health) constitute 53.9% of the BSCR (almost twice the share of 27.4% registered in 2021): 29.3% for companies using internal models and over 74% (65% life, 7% non-life, and 2% sickness) for those using the standard formula.

Thanks to diversification, companies with a portfolio composed of different types of policies and assets geographically distributed across different markets may exploit the negative correlation of risks, thus reducing, by offsets, the solvency requirement. For the insurance market as a whole, the impact of diversification was on average 27.3%.

With regard only to companies that adopted the standard formula, Figure 3 provides a more detailed analysis of the individual components of market risk.

Figure 3
Market Risk % composition
Year 2022
Standard Formula

Source: InfoQRT ANIA



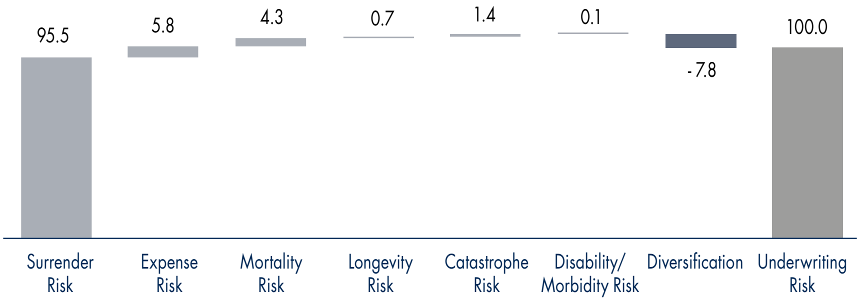
The results show that the greatest source of risk for the industry is the spread (accounting for 50.7% of total risk, down slightly from 51.7% in 2021). This share is considerably higher than that of equity risk (36.3%, down from 37.8% in 2021), even though the latter is intrinsically volatile. Currency risk weighs for over 13.0%, the same as real estate risk, while interest rate risk and concentration risk are considerably lower at 5.2% and 0.5% respectively.

Also in this case, there is a significant diversification effect, about 19%.

For companies which adopt the standard formula, the underwriting risk was analyzed by insurance class: life (Figure 4), non-life (Figure 5) and, within the latter class, catastrophe (Figure 6).

Figure 4
Underwriting Risk
% composition
(Life Policies)
Year 2022
Standard Formula

Source: InfoQRT ANIA



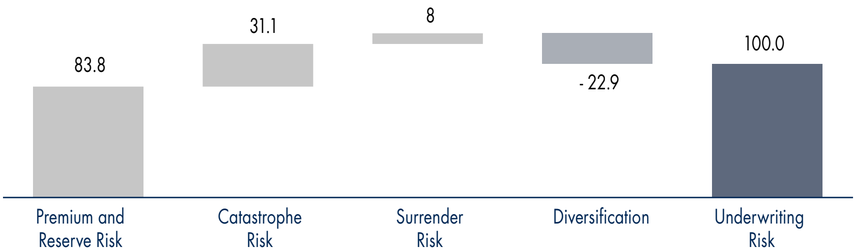
A major component in the composition of the underwriting risk for life policies is surrender risk, which accounts for 95% of the overall risk (81% in 2021) for the average company, followed at a distance by mortality risk (5.8%), expense risk (4.3%), and longevity risk (0.7%). The diversification benefit is 8%.

A major component in the composition of the underwriting risk for non-life policies is premium and reserve risk, which accounts for 84% of the overall risk (90% in 2021), followed at a distance by catastrophe risk (31.1%). The diversification benefit is 23%.

A detailed analysis of the catastrophe risk for non-life policies (Figure 6) shows that natural catastrophes have an incidence of 90.2%, about three times that of man-made catastrophes (27.3%). More specifically, among the latter (not shown in the figure), net of the diversification effect, fires have a 40% incidence on the total, whereas general third-party liability accounts for roughly 30%, and credit and suretyship for 17%.

Figure 5
Underwriting Risk
% composition
(Non-life Policies)
Year 2022
Standard Formula

Source: InfoQRT ANIA

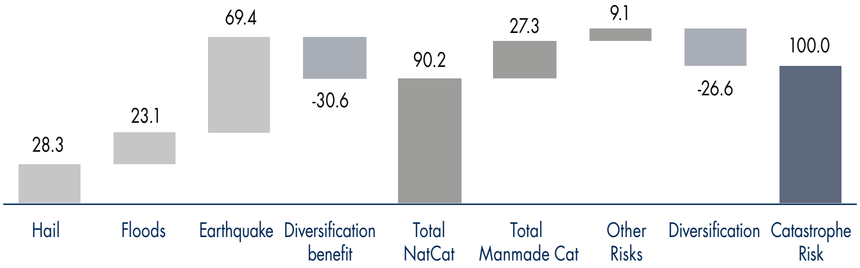


As for natural catastrophes, instead, the greatest risk is earthquakes (69.4%), followed by hail (28.3%), and floods (23%).

The overall diversification benefit is around -27%.

Figure 6
Catastrophe Risk
% Composition (Non-Life)
Year 2022
Standard Formula

Source: InfoQRT ANIA



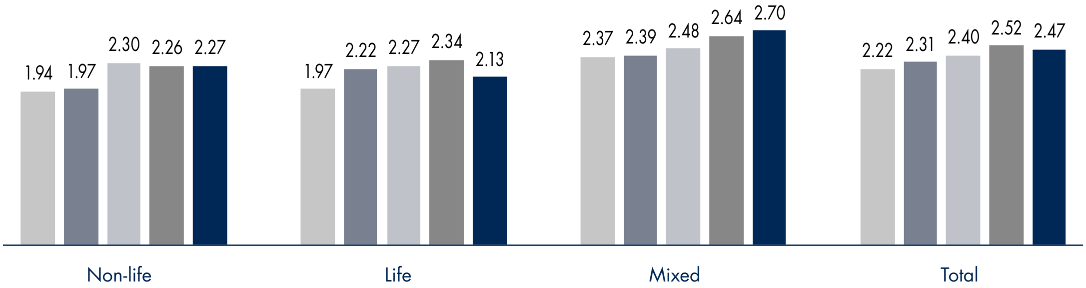
The Solvency Ratio

This indicator measures the extent to which the companies' own capital is adequate to face the technical/financial risks specific to the insurance sector; it is calculated as the ratio of eligible own funds to the Solvency Capital Requirement (SCR).

Figure 7 below shows the evolution of the indicator for Italian insurance companies in the period 2018-2022 by business sector. In 2022, the solvency ratio was 2.47, slightly less than in 2021 (2.52). The breakdown by business sector in 2021 and 2022 shows that the decline occurred solely for life insurance undertakings (from 2.34 to 2.13), while mixed and non-life insurers both registered a minor increase – from 2.64 to 2.70 and from 2.26 to 2.27, respectively. The solvency ratio for the total market (2.47) is calculated as the ratio of the industry's total eligible own funds (€145 billion) to the *Solvency Capital Requirement* (€59 billion).

Figure 7
Solvency ratio
2018
2019
2020
2021
2022

Source: InfoQRT ANIA

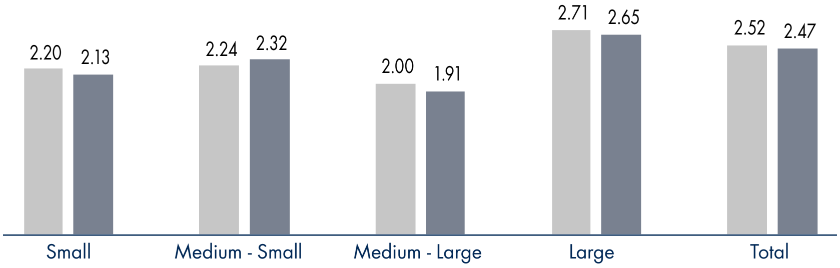


The indicator has also been decomposed according to firm size (Figure 8). The results (comparing annual data for 2021 and 2022) show a significantly higher value for large companies with premiums of more than €4.5 billion (2.65 in 2022, down from 2.71 the year before). The solvency ratio for small companies (total premiums of less than €0.3 billion) fell from 2.20 at the end of 2021 to 2.13 a year later, while for medium-large companies it slipped from 2.00 to 1.91 and for medium-small companies it rose from 2.24 to 2.32.

Figure 8
Insurance sector's Solvency ratio by company size*

2021
2022

Source: InfoQRT ANIA



(*) Company size is calculated based on written premiums in the direct portfolio, with the following criteria: Small: premiums <€0.3 bln; medium-small: €0.3 bln<=premiums<€1.0 bln; medium-large: €1.0 bln<=premiums<€4.5 bln; large: premiums>=€4.5 bln

The excess of assets over liabilities

The excess of asset items over liability items plays a crucial role in the Solvency II system, as together with subordinated liabilities it forms an integral part of basic own funds.

One of the system's *Key Performance Indicator* (KPI) is based on this element, namely the excess of assets in relation to total assets. In particular, Figures 9 and 10 below provide an analysis of the ratio by sector and by company size. In 2022 the indicator was 13.6% (12.6% in 2021) on average, but unevenly distributed according to business sector. For non-life and mixed companies the excess amounted to between 26% and 36% of total assets, but for the life sector it was far lower (7%). All three sets of companies registered an increase of the excess for the year.

The distribution by company size also painted a varied picture: at the end of 2022 for small insurers (with less than €300 million in premiums) the excess was almost 30% of total assets, while for all the other companies it was significantly lower at between 7% and 18%.

Figure 9
Excess asset ratio (%) by company type

2021
2022

Source: InfoQRT ANIA

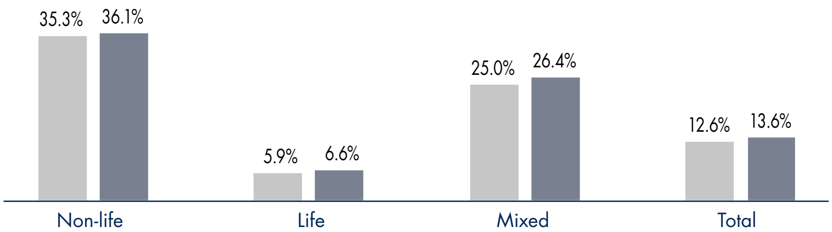
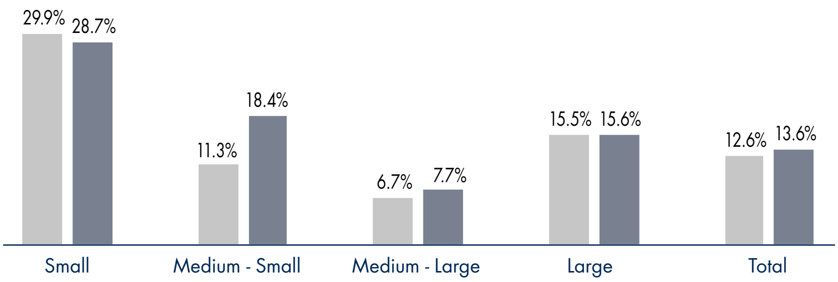


Figure 10
Excess asset ratio (%) by company size – 2022

Source: InfoQRT ANIA



Own Funds

Own funds allocated to cover the capital requirement consist of the excess of assets over liabilities, minus the amount of own shares held by the company and subordinated liabilities; at the end of 2022, own funds amounted to €145 billion.

Own funds are classified in three tiers on the basis of their quality, defined as their ability to absorb losses over time. In particular, the characteristics considered for the classification in tiers include the level of subordination, the absence of incentives for redemption, the absence of mandatory service costs, the absence of surcharges and constraints. The range is from Tier 1 capital (paid-up ordinary share capital, paid-up preferred shares, retained earnings, reconciliation reserve) to Tier 2 and Tier 3 items with progressively lower absorption capacity. Tier 1 own funds themselves are divided into restricted funds, subject to specific caps (such as subordinated liabilities), and unrestricted funds.

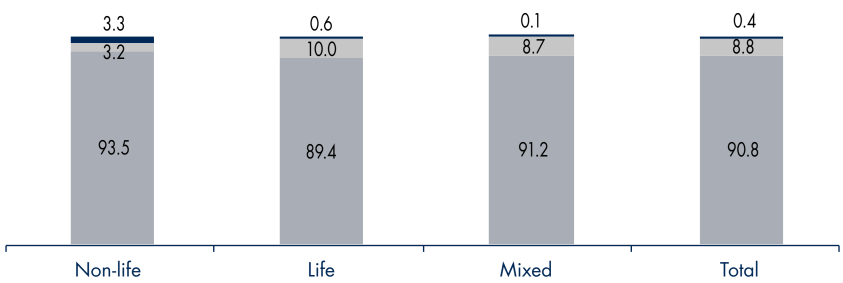
Table 1 and Figure 11 show the percentage distribution of eligible own funds according to tier and insurance sector. At the end of 2022 the incidence of Tier 1 own funds was 91%; Tier 2 accounted for 8.8%, and the remaining 0.4% consisted of Tier 3 elements. The tier composition showed a greater incidence of Tier 3 elements in the non-life sector, while Tier 2 elements were more common in life and mixed companies.

Table 1
Composition (%) of eligible funds by Tier, 2022

	T1 limited	T1 unlimited	Total Tier 1	Tier 1	Tier 2	Tier 3	Total
Non-life	0.3	99.7	100.0	93.5	3.2	3.3	100.0
Life	4.7	95.3	100.0	89.4	10.0	0.6	100.0
Mixed	4.7	95.3	100.0	91.2	8.7	0.1	100.0
TOTAL	4.5	95.5	100.0	90.8	8.8	0.4	100.0

Figure 11
Composition (%) of eligible own funds by Tier and sector, 2022

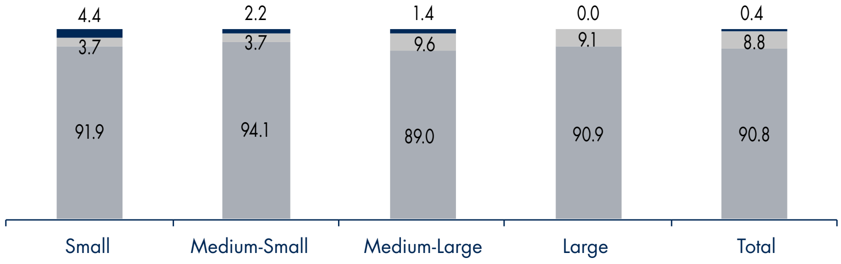
Tier 1
Tier 2
Tier 3



Source: InfoQRT ANIA

The distribution by company size (Figure 12) shows that Tier 2 funds make up as much as 10% of the total only for large and medium-large companies (those with over €1 billion in premiums). The smaller the company, the less the incidence.

Figure 12
Composition % of eligible own funds by Tier and company size, 2022



Tier 1
Tier 2
Tier 3

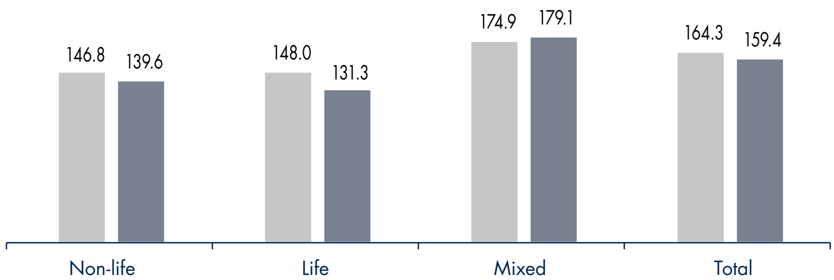
Source: InfoQRT ANIA

The figures below decompose a series of indicators derived from the solvency data; each of these indicators is broken down by insurance sector and company size.

Reconciliation reserve over SCR

The reconciliation reserve is part of basic own funds and equals the excess of assets over liabilities, minus own shares (directly and indirectly owned), expected dividends, distributions, foreseeable charges and other elements of basic own funds. The indicator in Figure 13 measures the percentage incidence of the reconciliation reserve on the SCR. At the end of 2022, this was 159.4%, lower than the 164.3% recorded a year earlier. In general, across the types of undertaking (non-life, life, and mixed), the overall reconciliation reserve was larger than the SCR, with a resulting indicator always above 100%. In particular, at the end of 2022 the indicator for mixed companies was 179.1% (174.9% in 2021), higher than the 139.6% registered by companies operating exclusively in the non-life sector and the 131.3% registered by life companies, both lower than in 2021.

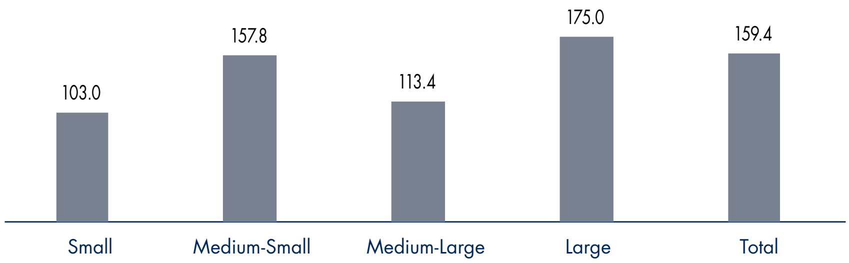
Figure 13
Reconciliation Reserve on SCR (%) by type of undertaking



2021
2022

Source: InfoQRT ANIA

Figura 14
Reconciliation reserve on SCR (%) by company size, 2022



Source: InfoQRT ANIA

The analysis by company size carried out at the end of 2022 shows no particular correlation between the indicator and the volume of written premiums. In any event, large undertakings with over €4.5 billion in premiums have the highest indicator at 175.0%.

Reconciliation reserve over eligible own funds

Figure 15 shows that at the end of 2022 the incidence of the reconciliation reserve on total eligible own funds amounted to 64.7% overall, down slightly from 65.4% a year earlier. Looking at the data by company type, the highest incidence was found among mixed insurers (66.2%).

Figure 15
Reconciliation reserve over eligible own funds (%) by sector

2021
2022

Source: InfoQRT ANIA

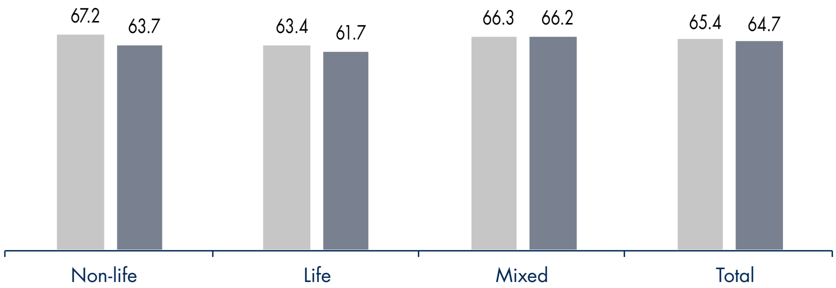
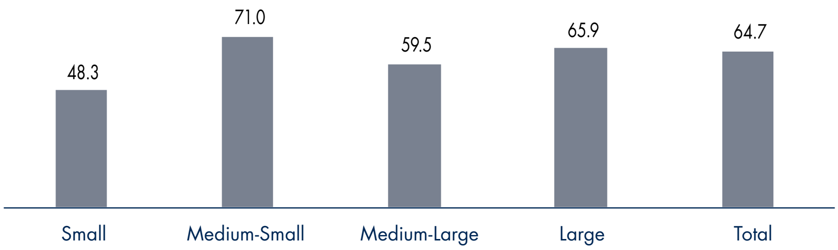


Figure 16
Reconciliation reserve over eligible own funds (%) by company size, 2022

Source: InfoQRT ANIA



MCR/SCR

This indicator measures the ratio of the *Minimum Capital Requirement* (MCR) to the *Solvency Capital Requirement* (SCR). Without prejudice to the minimum levels set for MCR, this ratio cannot be less than 25% or more than 45%. The end-year results for 2022 are very similar to those registered a year earlier, showing that, especially for companies operating exclusively in the life or non-life sector, the ratio is close to the ceiling (45%), whereas for mixed companies, at 34%, it is essentially mid-way between the lower and upper limits. The breakdown by size shows that for large companies the value of the indicator (35.7%) is lower than for other insurance companies.

Figure 17
MCR/SCR (%) by sector

2021
2022

Source: InfoQRT ANIA

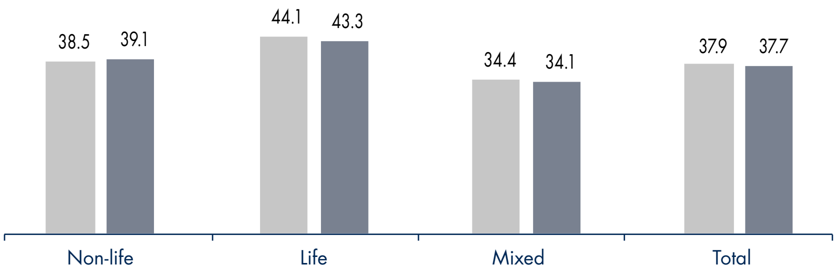
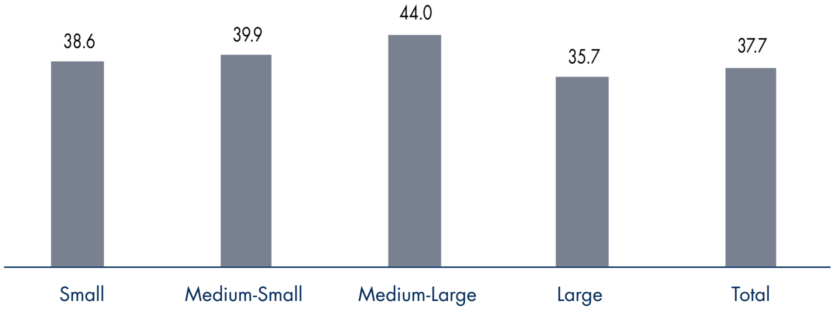


Figure 18
MCR/SCR (%)
by company size, 2022

Source: InfoQRT ANIA



EPIFP/Reconciliation Reserve

The ratio of expected profits included in future premiums (EPIFP) to reconciliation reserves is much more highly diversified. It averaged 19.8% at the end of 2022, but more in detail it was 7.0% for non-life companies, 44.4% for life companies, and 9.4% for mixed insurers.

Figure 19
EPIFP/reconciliation reserve (%) by sector

2021
2022

Source: InfoQRT ANIA

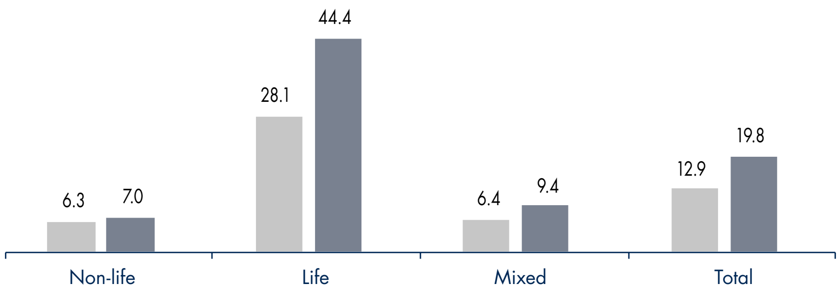
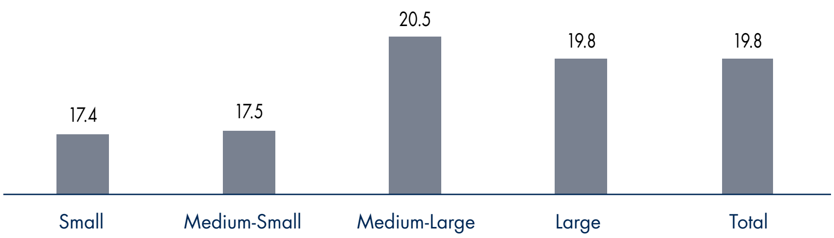


Figure 20
EPIFP/reconciliation reserve (%) by company size, 2022

Source: InfoQRT ANIA



Results for the first quarter of 2023

This section reports the main results of the Italian insurance industry in the first quarter of 2023, applying Solvency II standards.

At the end of March 2023, the value of the total investments of the insurance industry, €910 billion calculated at current value, was some €20 billion greater than at the end of 2022 (+2.2%). In particular, investments in respect of linked policies edged up from €213 billion at the end of last year to €220 billion at the end of March, gaining some 3% in the three months. The remaining investments (€690 billion), mainly in respect of with-profit policies, recorded an increase of almost 2%.

On the liability side, total provisions (€778 billion) increased marginally, by 1.2%; in particular, those inrespect of linked policies expanded from €204 billion at the end of 2022 to €211 at the end of March (+3.2%), while the remainder, mostly in respect of with-profits policies, gained just over 1%.

Type of investment
Euro million

	Mar-22	Dec-22	Mar-23	Change (%) Mar. 2023 / Dec. 2022
Investments (net of assets in respect of linked contracts)	777,172	677,584	690,253	1.9%
Investments in respect of linked contracts	225,061	212,943	219,834	3.2%
Total investments	1,002,233	890,526	910,087	2.2%

Source: ANIA, InfoQRT

Technical provisions
Euro million

	Mar-22	Dec-22	Mar-23	Change (%) Mar. 2023 / Dec. 2022
Provisions (net of assets in respect of linked contracts)	644,215	564,366	567,348	0.5%
Provisions in respect of linked contracts	216,319	204,156	210,638	3.2%
Total provisions	860,534	768,522	777,986	1.2%

Source: ANIA, InfoQRT

An immediate consequence of these balance-sheet developments was an increase in the excess of assets over liabilities, and therefore in own funds, which rose from €144.7 billion at the end of 2022 to nearly €152 million three months later (+4.7%).

As the market SCR held largely stable, the final result was an increase in the aggregate solvency ratio from 2.47 at end-2022 to 2.60 at the end of March 2023.

Components of solvency ratio
Euro million

	Mar-22	Dec-22	Mar-23	Change (%) Mar. 2023 / Dec. 2022
SCR	58,550	58,610	58,180	-0.7%
Eligible own funds	153,420	144,730	151,540	4.7%
Solvency ratio	2.62	2.47	2.60	+0.13 b.p.
- Non-life companies	2.17	2.27	2.31	+0.04 b.p.
- Life companies	2.53	2.13	2.32	+0.19 b.p.
- Mixed companies	2.72	2.70	2.81	+0.11 b.p.

Source: ANIA, InfoQRT

The rise in the solvency ratio was much more pronounced for life insurance companies, which have larger holdings of fixed income securities in their portfolios and were therefore affected more strongly by the economic developments. In the three months, their solvency ratio rose by 19 basis points, from 2.13 to 2.32. The impact was more limited on mixed companies, with a rise of 11 b.p. from 2.70 to 2.81, and on non-life companies, with a rise of 4 b.p., from 2.27 to 2.31.

THE ITALIAN INSURANCE PORTFOLIO OF GOVERNMENT SECURITIES AND CORPORATE BONDS

Background: The reason for the study

By volume of assets, insurance undertakings are the principal European institutional investor, with a corresponding fundamental role in the financial market. Insurance companies, in fact, can produce a range of beneficial effects, acting counter-cyclically and following sustainable, long-term strategies, all built on the financial soundness that distinguishes the insurance business model.

The entry into effect of the Solvency II regime in January 2016 radically altered the concept of prudential capital and the accounting representation of supervisory data. For the first time, insurance undertakings had to think in terms of current market value and cope with the new prudential rules.

Solvency II requires insurance companies to mark their assets to market, i.e. to take constant account of the variations in current asset prices (the "Solvency II" value). The variation in a securities portfolio's value is the result of:

– an effect deriving from purchases, sales or maturity of securities;
– an effect deriving from change in the market prices of securities.

Since 2016 ANIA has collected data on Italian insurance undertakings on the InfoQRT[1] platform and used them to estimate the trends in purchases and sales of debt securities, shorn of the effects of market price fluctuations.

(1) The InfoQRT portal, which collects the information from the Quantitative Reporting Templates that the companies are required to compile under Solvency II, covers 99% of the insurance market in terms of total investment.

The study described here covers the period from the fourth quarter of 2019 to the first quarter of 2023 and focuses on government and corporate bonds (Italian and foreign) held in Italian insurers' portfolios.

The methodology

This analysis is based on the data in QRT S.06.02. On assessment of the various methodological options available, considering the type and quality of the data available, the study:

i. identified individual securities to follow over time;

ii. reconstructed, by techniques of aggregation, the current value of the portfolio examined, decomposing it into gross purchases, gross sales/redemptions at maturity, and market value changes.

For each pair of consecutive quarters (*t-1* and *t*), this method made it possible to distinguish between: sales/redemptions at maturity,[(2)] purchases, and value changes.

As to sales or redemptions, the value of the sale in quarter *t* was set at:

- the current value at the end of quarter *t-1*, if the security was present in *t-1* but not in *t* (sale or redemption of a security in the portfolio);[(3)]
- the change (if negative) in the purchase price, if the security is present in both quarters (partial sale of a security in the portfolio).

For new securities, the purchase price is set at:

- the purchase price reported by the company for quarter *t* if the security was not already in the portfolio on the reference date for the previous quarter (new security purchase);
- the change (if positive) in the purchase price if the security is present in both quarters (new purchase of security already in portfolio).

Finally, change in value is calculated as:

- difference in current value of the security between the two quarters, net of net flows (for securities already in portfolio);
- difference between current value in quarter t and purchase price during the same quarter,[(4)] for new securities.

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(2) Not, however, between sales of the entire holding of a security and redemptions.
(3) Given the impossibility of determining the exact time of sale during the quarter, the sale value is set at its market value in the previous quarter.
(4) This does not permit identification of any flows during the quarter.

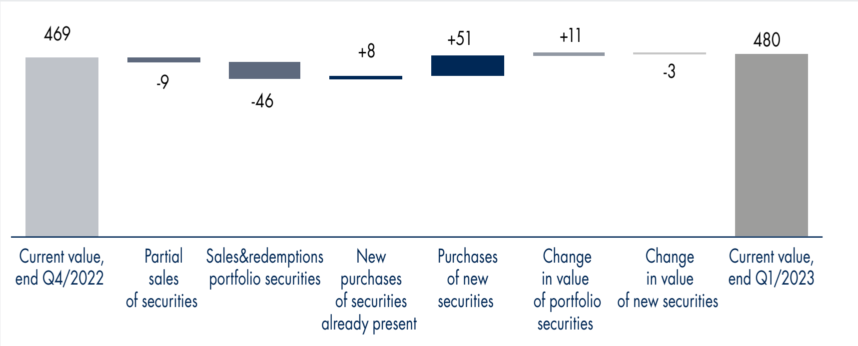
The results

As an example, let us show the results of the application of this method to compare the first quarter of 2023 with the fourth quarter of 2022 (Figure 1).

The figure shows that between Q4/2022 and Q1/2023 the current value of the investment portfolios of Italian insurance undertakings increased by €11 billion. The bond portfolio, valued at €469 billion at the end of December 2022 (52.7% of total investments), rose to €480 billion (52.8%) at the end of March.

Figure 1 – Current value of bond portfolio, Q4/2022 and Q1/2023

Euro billion



That is, the main developments during the first quarter of 2023 were:

- net purchases (purchases less sales/redemptions) of €4 billion (€59 billion worth of purchases and €55 billion in sales or redemptions of maturing securities);
- a net change in value of +€8 billion, stemming from a gain of €11 billion in securities already in the portfolio and a loss of €3 billion for new securities.

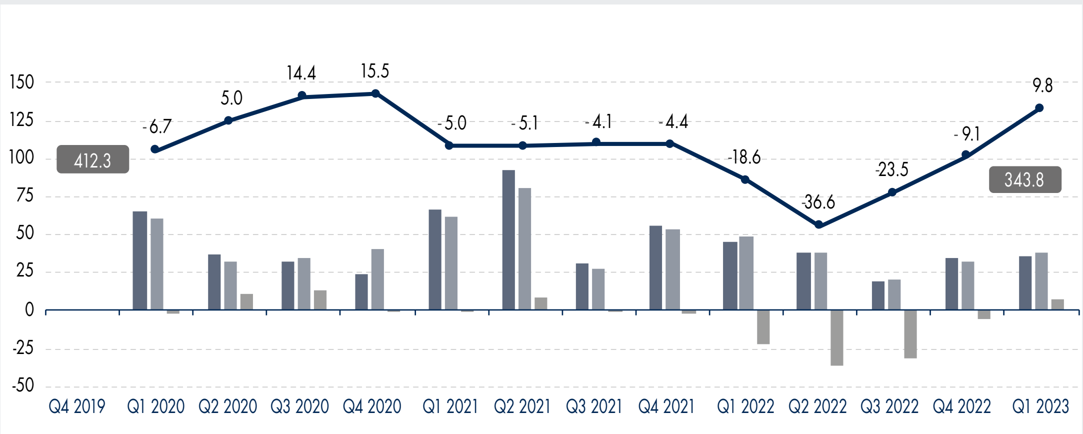
In short, the increase in the "Solvency II" value was due chiefly (two-thirds, or €8 billion) to developments in the public and corporate bond markets and in part (one third, or €4 billion) to purchases and sales of portfolio securities.

This same analysis was conducted, separately for government securities and corporate bonds, for all the intervals from Q4/2019 to Q1/2023.

Figure 2 – Government securities portfolio (Italian and foreign), Q4/2019 – Q1/2023

Euro billion

Sales
Purchases
Change current
Change current value between t-1 and t
XX,X *Solvency II value of portfolio*



The portfolio of government securities (Italian and foreign) contracted during these years from over €412 billion in 2019 to €344 billion, a decline in current value of some €70 billion (Figure 2).

More in detail, Q1/2020 turned in a value loss of €7 billion, amply recouped in the rest of that year.

From Q1/2021 through Q4/2022 the total value of this portfolio diminished steadily, with an especially large negative variation of nearly €37 billion in Q2/2022.

The change in the most recent quarter, Q1/2023, was instead positive, the portfolio value of government securities rising by nearly €10 billion. Examining the changes and their components more closely:

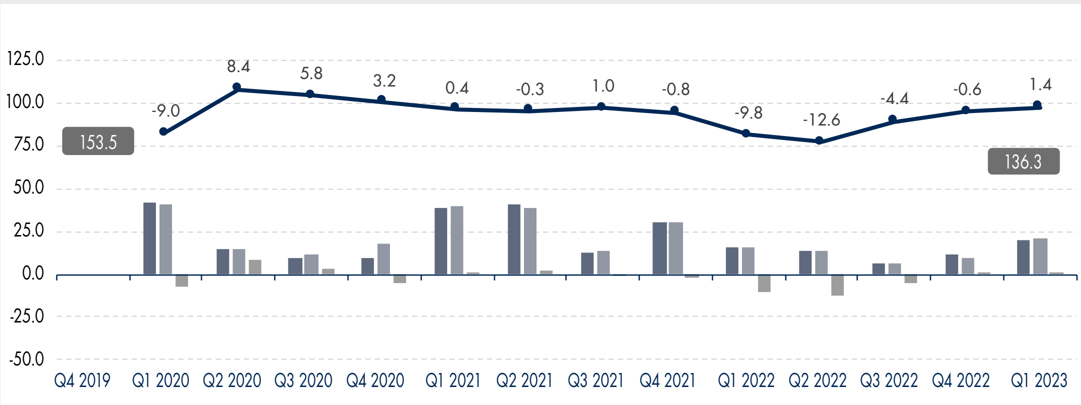
- The quarters with the most portfolio turnover (more purchases and sales) were Q1/2020 (sales for €64 billion and purchases for €60 billion, in a total portfolio of €400 billion); Q1/2021 (sales of €66 billion and purchases of €61 billion, on a total of €435 billion); and Q2/2021 (sales of €92 billion and purchases of €80 billion, on a total of €430 billion).
- Q2/2021 registered the largest net negative balance (-€12.8 billion), between sales of €92.4 billion and purchases of €79.6 billion.
- Q4/2020 showed the largest positive balance (+€16.2 billion) between purchases of €40.1 billion and sales of €23.9 billion.
- Market trends had an especially positive impact in Q2/2020 and Q3/2020, with positive value changes in the government securities portfolio of €10 billion and €12.4 billion respectively; they had a significant negative impact, instead, in Q1/2022, Q2/2022, and Q3/2022, when the current market value of the portfolio fell by €22.2 billion, €37.3 billion and €25.1 billion respectively.
- In conclusion, over the entire period of more than three years from the end of 2019 through the first quarter of 2023, the overall value decline of some €70 billion in the value of the government securities portfolio was due to a net negative balance of €10 billion between purchases and sales and a negative change in market value of €60 billion.

The portfolio of corporate bonds (Italian and foreign) diminished from over €153 billion to €136 billion over the period, an overall loss of €17 billion (Figure 3).

Figure 3 – Corporate bond portfolio (Italian and foreign), Q4/2019 – Q1/2023

Euro billion

Sales
Purchases
Change current
Change current value between t-1 *and* t
XX,X *Solvency II value of portfolio*



A more detailed look at the data shows that Q1/2020 registered a loss of €9 billion in current value, amply recouped in the course of that same year, as in the case of the government securities portfolio. Between Q1/2021 and Q4/2022, the overall value of the corporate bond portfolio declined regularly, with an especially sharp drop of nearly €13 billion in Q2/2022. In the most recent quarter, instead, there was a gain in value, insurers' holdings of corporate bonds rising by €1.4 billion. Examining the changes and their components more closely:

- The quarters with the highest portfolio turnover were Q1/2020 (sales of €42 billion and purchases of €41 billion on a total portfolio of €144 billion); Q1/2021 (sales of €39 billion and purchases of €40 billion on a total of €162 billion); and Q2/2021 (sales of €41 billion and purchases of €38 billion on a total of €162 billion).
- Q2/2021 recorded the largest negative balance (-€2.6 billion), between sales of €41.0 billion and purchases of €38.4 billion.
- Q4/2020 registered the largest positive balance (+€8.9 billion), between purchases of €18.3 billion and sales of €9.4 billion).
- As with the government securities portfolio, market developments had positive impact especially in Q2/2020 and Q3/2020, generating gains of €8.5 billion and €3.5 billion respectively; they had a particularly negative impact, instead, in Q1/2022 and Q2/2022, with current losses on the corporate bond portfolio of €10.2 billion and €12.3 billion respectively.
- In conclusion, over the entire period of more than three years from the end of 2019 through the first quarter of 2023, the overall value decline of some €17 billion in the value of the corporate bond portfolio was the resultant of a negative change in market value of €26 billion, more than offsetting the net positive balance of €9 billion between purchases and sales.

THE IMPACT OF TAXATION ON FINANCIAL STATEMENTS

For many years now, insurance undertakings have been burdened by a series of specific fiscal measures targeted exclusively at them. In particular, the measures described below have consisted in "special" levies or rates higher than those applied to taxpayers in general.

As a premise, we can report that in 2022 the industry ran a direct tax credit of almost €680 million (in the form of tax losses carried forward), owing to the negative outturn for many insurers in the financial year. Clearly, the multiple global economic and financial difficulties had heavy repercussions on the technical results of the insurance industry.

Direct taxes

Tax period	TOTAL TAXES (Euro million)
2018	335
2019	2,565
2020	1,774
2021	1,606
2022	-679

The impact of each *ad hoc* fiscal measure on the latest financial statements of insurance companies is estimated here below.

Higher IRAP rate

Since 2011 insurance companies have been subject to IRAP – the Regional Tax on Productive Activities – at a rate 2 percentage points higher than that applied to other industries (5.90% as against 3.90%). This surcharge for insurance companies is also much higher than that – it too ad hoc – for banks (4.65%).

In addition, under Article 16(3) of Legislative Decree 446/1997, most Regions (including Emilia Romagna, Lazio, Liguria, Lombardy, Piedmont, Tuscany, and Veneto) have adopted a further 0.92% surcharge for companies operating in the insurance business, thus bringing the IRAP tax rate in these regions to 6.82%.

There is no theoretical or conceptual justification for the higher IRAP rate, given that insurance undertakings do not per se generate more taxable income from production than other business sectors. The amount of IRAP taxes paid by insurance companies was estimated at €420 million in 2022, up from €319 million in 2021.

IRAP

Tax period	Estimated IRAP (Euro million)	of which amount paid for surcharge (2%) by the insurance industry (Euro million)	"Total" tax rate (%)	of which: "standard" nat'l govt. tax rate (%)	of which: reg. govt surcharge (%)
2018	325	95	6.82%	5.90%	0.92%
2019*	240	70	6.82%	5.90%	0.92%
2020	607	178	6.82%	5.90%	0.92%
2021	319	94	6.82%	5.90%	0.92%
2022	420	123	6.82%	5.90%	0.92%

(*) Since 2019 data refers to tax liability as calculated in the tax return filed for the previous year (year X-1 is the reference year for the year X IRAP tax return), whereas in 2018 the table considers the amounts paid for IRAP during the previous year, consisting in payment of the balance due for year X-1 and payments on account for year X.

Tax on life mathematical provisions

Since 2003, insurance companies have been subject to a tax on the stock of mathematical provisions against written life premiums.[5]

This tax constitutes an advance payment on the tax that will be due on the income produced by the policy when the benefit is paid at maturity or partial or total redemption: the legislation (Article 1 of Legislative Decree 209/2002), in fact, establishes that such payment gives rise to a tax credit to be used to offset withholding and substitute tax liabilities on the taxable investment income when the policy starts to pay benefits.

In practice, to be clear, the levy on mathematical provisions is tantamount to a forced loan (non-interest-bearing, to boot) from insurance companies to the Treasury, given that the companies must pay in advance taxes that would otherwise be due later, when the benefits are paid.

The rate of this tax has been modified numerous times over the years (mostly increasing). More in detail it was:

- 0.20% from 2003 to 2007
- 0.39% in 2008
- 0.35% from 2009 to 2011
- 0.50% in 2012
- 0.45% from 2013 to 2022
- 0.60% in 2023 (under Decree Law 48/2023, Article 44).

Over the years, as a consequence of the increase in the tax rate and the practically constant increase in mathematical provisions, insurance companies have been confronted with the outright impossibility of recovering in full the amounts advanced to the Treasury. In an attempt to resolve this problem, at first an automatic tax credit recovery mechanism was implemented whenever the tax paid on policy yields for the year was less than that paid in the fifth year previous. In this case, the difference could be offset, with no cap, with other taxes or social security contribution liabilities or, alternatively, ceded to other companies within a group.

This mechanism, however, proved practically incapable of ensuring full recovery of the amounts advanced to the Treasury as tax on mathematical provisions, chiefly because the credit generated by the tax payment cannot be received in the form of a tax refund, even partial.

For this reason, Law 228/2012 (the 2013 budget law) introduced an automatic cap in order to limit the amount due in the year where tax credits yet to be recovered exceed a given percentage of the balance-sheet mathematical provisions (1.6% in 2022).

(5) Excluding reserves against policies for death or permanent disability for whatever cause, for non-self-sufficiency, or for pension funds or insurance contracts for retirement.

Despite these correctives, at the end of 2022 the industry's unused tax credit, while edging downward, still amounted to nearly €9.5 billion. More specifically, this is a tax credit for less than five years of taxes, since the tax credits accumulated previous to that, as noted, can be used to offset other tax or social security liabilities (or else be transferred to other companies within a group).

Advance payment of tax on life insurance reserves

Tax period	Estimated tax credit not recovered as of 31 December (Euro million)	Annual change (Euro million)
2018	9,086	813
2019	9,351	265
2020	9,574	223
2021	9,719	145
2022	9,467	-252

FORECAST PREMIUMS FOR 2023

The ongoing war in Ukraine and the uncertainty over its eventual duration continue to have negative indirect effects on the Italian insurance market, essentially in the life sector.

The inflation rate, after peaking in 2022, is still high, far above the European Central Bank's target. Interest rates too will likely stay high for all of 2023, and Italian households' saving rate hit a low in the last quarter of 2022 that had not been seen for many years.

This are the main factors limiting the growth of life insurance policies, as households' disposable income has been eroded by high inflation, and their capacity for saving has diminished. Furthermore, investors are seeking alternative financial assets with higher yields, as the rates paid on government securities, for example, are now quite attractive.

Despite this highly complicated situation, the Italian insurance market (insurers with registered offices in Italy only) should grow in the course of the year, with an increase in **total direct premiums** (life and non-life) of almost 3% to €133 billion. As a consequence the ratio of insurance premiums to GDP should edge up from 6.8% to 6.9%.

Direct written premiums in the **non-life** sector are predicted to increase substantially in 2023, by 8.5% to nearly €39 billion (as against €35.7 billion in 2022). All the main non-life classes are expected to contribute to the gain: motor liability as well as all the classes.

Motor liability insurance, after many years of flat or declining premiums – down by €6 billion or 35% since 2011 – is expected to score a gain of 5% in premium income, to €12.3 billion, in part because the sector has now entered the "hard" or negative phase in the insurance cycle. Already in 2022 motor liability insurers had outlays of €108 in compensation for damages and expenses for every €100 in premiums. Moreover, the technical indicators (as of March 2023) show a deterioration: claims frequency was 3% higher in the first quarter of 2023 than a year earlier, and the average cost of claims settled was up 4.5% owing to inflation, which increased the cost both of material damage and of personal injury, especially mild injury up to 9% permanent disability.

Table 3
Forecasts of insurance premiums in Italy
Euro million

CLASS	PREMIUMS 2022	PREMIUMS 2023	CHANGE 2023-2022	MEMO:	
				CHANGE 2022-2021	CHANGE 2021-2020
Motor and marine liability	11,664	12,308	5.5%	-2.1%	-4.5%
General T.P.L.	3,751	4,088	9.0%	8.2%	5.2%
Other damage to property	3,539	4,211	19.0%	12.5%	5.4%
Land vehicle insurance	3,543	3,968	12.0%	6.3%	6.5%
Accident	3,548	3,797	7.0%	8.3%	6.3%
Sickness	3,418	3,589	5.0%	4.3%	3.4%
Fire and natural forces	2,968	3,176	7.0%	6.2%	5.7%
Other classes	3,245	3,586	10.5%	11.7%	7.0%
TOTAL OTHER NON-LIFE (excluding motor and marine liability)	24,012	26,416	10.0%	8.2%	5.6%
TOTAL NON-LIFE	35,677	38,724	8.5%	4.6%	1.8%
As a % of GDP	*1.9%*	*2.0%*			
Class I - Life	60,648	68,201	12.5%	-2.6%	-5.2%
Class III - Investment funds	28,910	20,814	-28.0%	-27.4%	34.5%
Other Life	4,710	5,653	20.0%	24.5%	-37.0%
TOTAL LIFE	94,268	94,667	0.4%	-11.0%	4.5%
As a % of GDP	*4.9%*	*4.9%*			
TOTAL LIFE AND NON-LIFE	129,944	133,391	2.7%	-7.2%	3.8%
As a % of GDP	*6.8%*	*6.9%*			

The written premiums of all the other non-life classes should continue to increase this year, by 10.0%, to a volume of over €26 billion, led above all by sickness insurance (+19%), land vehicles (+12%) and general liability (+9%).

The ratio of non-life premiums to GDP, on this basis, should rise slightly, from 1.9% to 2.0%.

After the sharp decline of 11% registered in 2022 consequent to the deterioration in the economic and financial situation, life insurance premiums may reverse the downtrend and stabilize at about the same level as in 2022 (+0.4%, to €95 billion). However, different trends are forecast in the different life classes. Traditional, Class I policies with guaranteed yield, thanks to a possible rebalancing of the underlying assets, should gain the favor of risk-averse investors: premiums in this sector should gain 12.5% and surpass €68 billion.

By contrast, policies in which the risk is borne by the insured (Class III linked policies) are forecast to see a significant decline of 28% in premiums, following that of 27.4% registered already in 2022. The availability on the market of relatively high-yielding bonds and the uncertainty over the performance of financial and stock markets make this type of insurance product less attractive to Italian households. The trend in the market for life insurance policies is confirmed by an analysis of new individual life insurance policies, the sales of which through April 2023 were up nearly 15% for Class I policies but down drastically (by over 45%) for Class III policies.

Total written life insurance premiums should hold at 4.9% of GDP this year.

2

THE ITALIAN INSURANCE INDUSTRY IN THE EUROPEAN CONTEXT

MAIN DATA FROM THE EUROPEAN MARKET

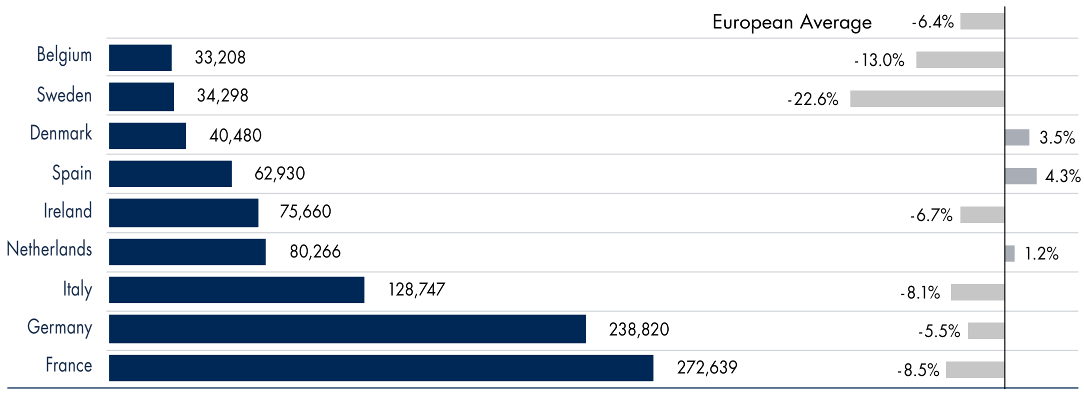
Using the yearly data provided by EIOPA, the main data of nine European countries (Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Spain and Sweden), accounting for around 90% of total European premium income in 2022, were compared. Note that EIOPA data are drawn from the Solvency II supervisory reports, meaning that some of the data might be different from those given in other chapters of this report, whose data were obtained from financial statements, thus following national accounting standards. These chapters use OECD data for the international comparison of Return on Equity (updated to 2021 data with a slightly different sample of countries compared to the EIOPA sample, depending on data availability).

Premium income and the premium-GDP ratio

After the 5.4% growth recorded in 2021, in 2022 total premium income in the main EU countries was almost €970 billion (over a total amount of €1,125 billion in Europe), down by 6.4% for the year. In detail, in Sweden (-22.6%), Belgium (-13.0%), France (-8.5%), Italy (-8.1%) and Ireland (-6.7%) premium income shrank more than the average of the sample, while in Germany (-5.5%) premium income dropped less. Conversely, premium income rose in Spain (+4.3%), Denmark (+3.5%) and the Netherlands (+1.2%).

Direct premiums in main EU countries in 2022 – Total
€ million

% change in direct premiums 2022/2021 – Total



Source: EIOPA

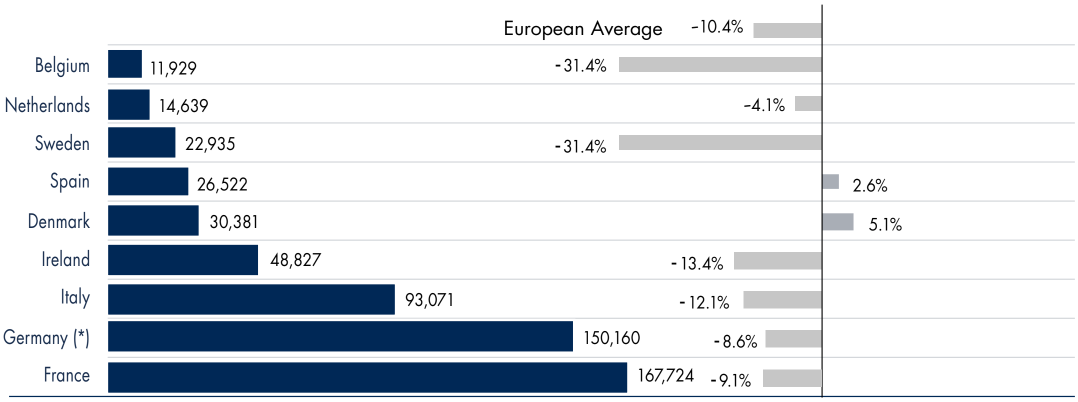
After rebounding in 2021, life sector premium income in the sample countries dropped by 10.4% to €566 billion (over a total of €646 billion in Europe). This result was affected by the premium collection of all EU sample countries, with the exception of Denmark and Spain where premiums grew by 5.1% and 2.6% respectively. Premium income dropped sharply in Belgium and Sweden (-31.4% in both countries) and to a lesser extent in Ireland (-13.4%), Italy (-12.1%), France (-9.1%), Germany (-8.6%) and the Netherlands (-4.1%).

Direct premiums in main EU countries in 2022 – Life
€ million

(*) Life sector premiums in Germany also includes sickness insurance, which is therefore not calculated in non-life premiums

Source: EIOPA

% change in direct premiums 2022/2021 – Life

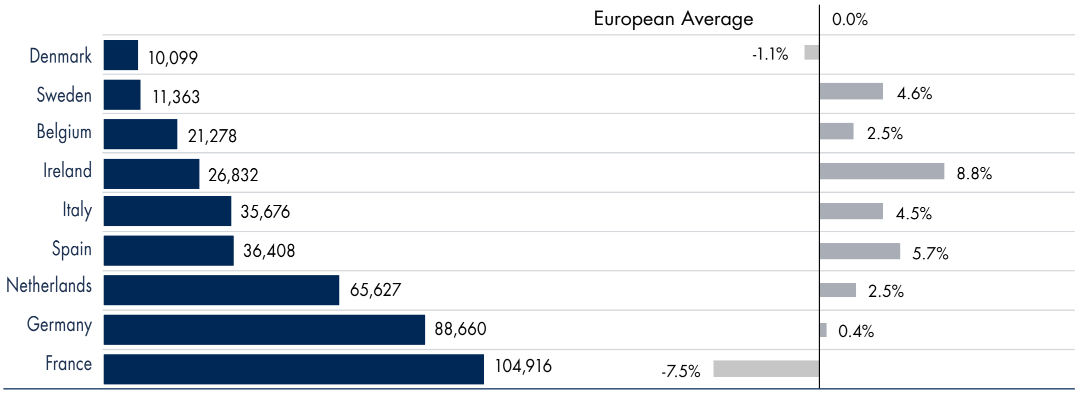


In 2022, non-life sector premium income, amounting to €401 billion (on a total of €480 billion in Europe), remained unchanged from the previous year. While France and Denmark, the countries with the highest and lowest premium income, respectively, dropped by 7.5% and 1.1%, premiums in the other countries grew. In detail, premium income increased in Ireland (+8.8%), Spain (+5.7%), Sweden (+4.6%), Italy (+4.5%), Belgium and the Netherlands (+2.5% in both countries) and Germany (+0.4%), albeit at a much slower rate.

Direct premiums in main EU countries in 2022 – Non-life
€ million

Source: EIOPA

% change in direct premiums 2022/2021 – Non-life

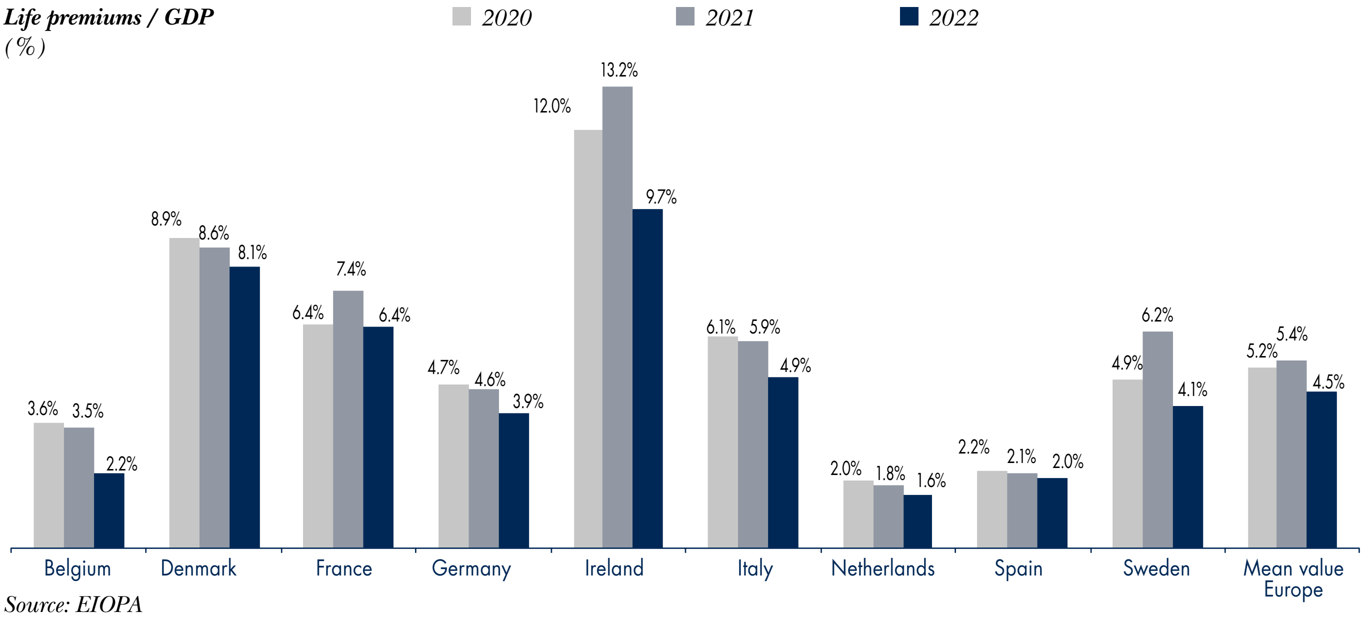


In the three years from 2020 through 2022 the ratio of the volume of premiums to GDP – the so-called insurance penetration index – performed differently in the life and non-life sectors.

In detail, in 2022 the ratio of life premiums to GDP dropped everywhere. In particular, in Ireland, after rising to 13.2% in 2021, the index dropped to 9.7% in 2022; in Denmark it fell to 8.1% in 2022 from 8.9% in 2020 and in France, after rising in 2021, it fell back to 6.4%, its 2020 level. The ratio dropped to 4.9% in Italy after being stable at 6% in the two previous years, while in Sweden this figure shrank to 4.1% in 2022 after growing to 6.2% in 2021. The ratio dropped progressively over the three-year period in the other countries: in Germany from 4.7% in 2020 to 3.9% in 2022, in Belgium from 3.6% to 2.2%, in Spain from 2.2% to 2.0% and in the Netherlands from 2.0% to 1.6%.

The ratio in Italy, then, is higher than in Germany, Spain and the Netherlands but lower than in the rest of the sample countries. Compared to the mean value of the sample, Italy maintained a higher ratio over the three-year period.

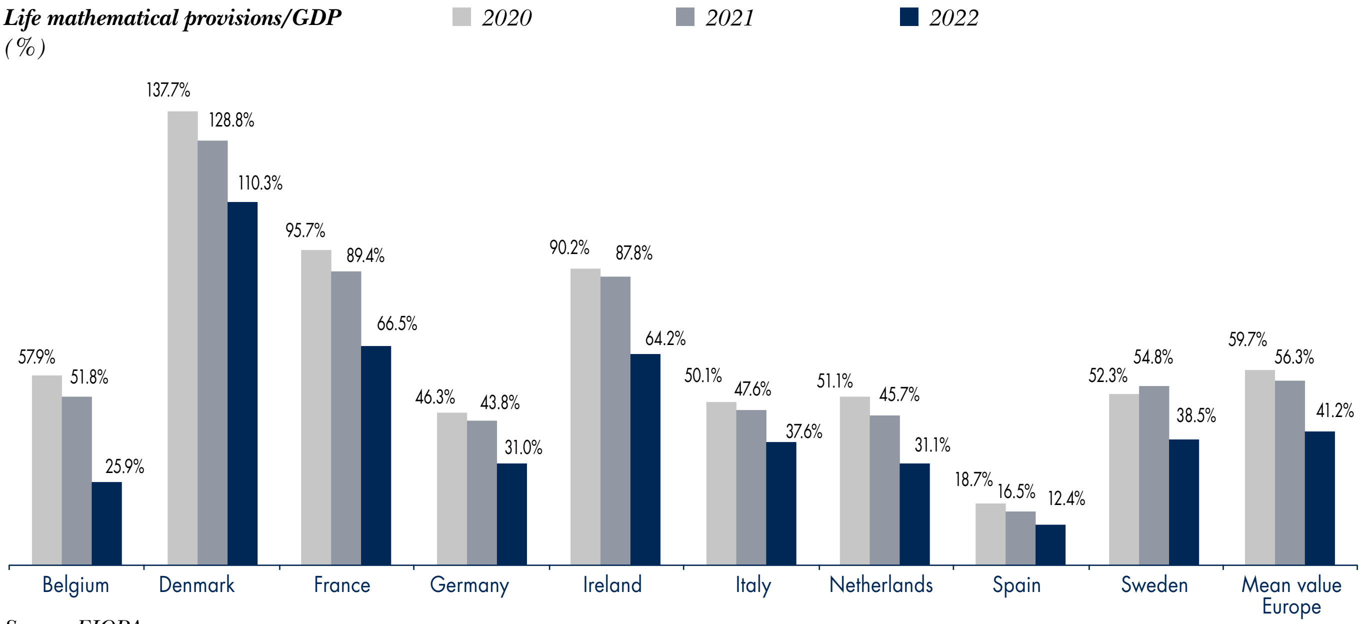
Life premiums / GDP
(%)



Source: EIOPA

In Italy the ratio of mathematical provisions to GDP – an indicator that can proxy for the degree of maturity of the life insurance market – showed a decrease in 2022 (as for all the analyzed countries), from 47.6% in 2021 to 37.6%. In particular, the Italian ratio ranks above the Netherlands, Germany and Belgium, whose ratios, respectively amounting to 31.1%, 31.0% and

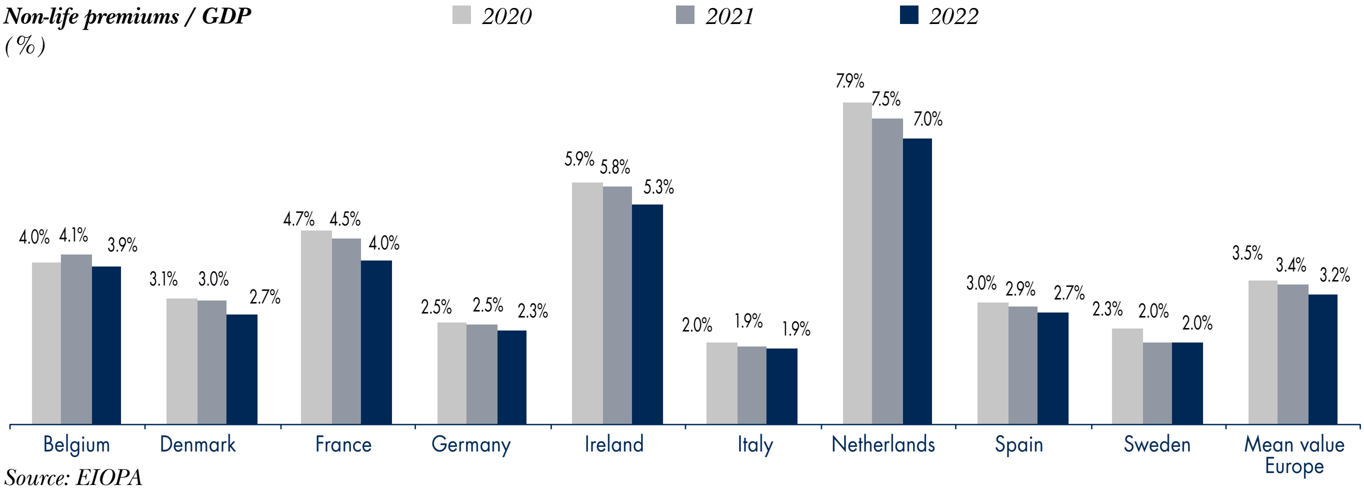
Life mathematical provisions/GDP
(%)



Source: EIOPA

25.9% in 2022, showed a downswing resembling Italy's. With regard to Spain, on a similar downtrend, the ratio in Italy is more than three times higher. The other European countries have a higher ratio than Italy. In 2022 Denmark had the highest ratio, three times that of Italy, followed by France and Ireland with ratios almost twice as high, though on a progressive three-year drop. The Swedish ratio, after growing in 2021, plunged from 54.8% to 38.5% in 2022. Over the three-year period, Italy had a ratio lower than the average of the sampled countries, showing that there is further room for development and penetration of life policies.

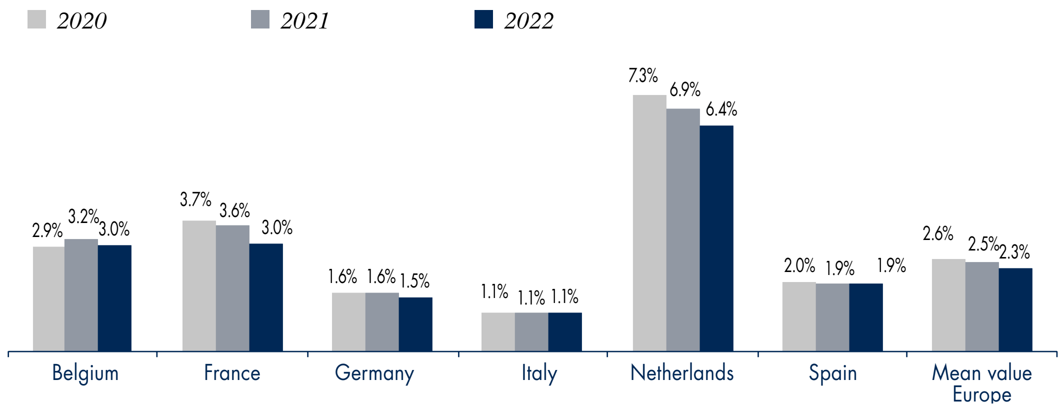
Non-life premiums / GDP
(%)



Source: EIOPA

In the non-life sector, again in 2022 Italy had the lowest ratio of premiums to GDP with an index of 1.9%, unchanged from the previous year but 1.5 points lower than the three-year average for the sample countries. With the exception of Sweden, where the index held steady at 2.0%, it declined in 2022 in all the countries considered. In particular, in Germany it slipped from 2.5% in 2021 to 2.3% in 2022, in Denmark from 3.0% to 2.7%, in Spain from 2.9% to 2.7%, in Belgium from 4.1% to 3.9%, in France from 4.5% to 4.0% and in Ireland from 5.8% to 5.3%. Finally, the Netherlands' non-life insurance penetration continued to be the highest in Europe, more than 5 percentage points above the Italian indicator in 2022 but down from 2021, reflecting the positive impact on premiums of the privatization of the healthcare system in 2006.

Non-life premiums net of motor liability / GDP
(%)



Source: EIOPA

Note: the table does not include Denmark, Ireland and Sweden due to data unavailability

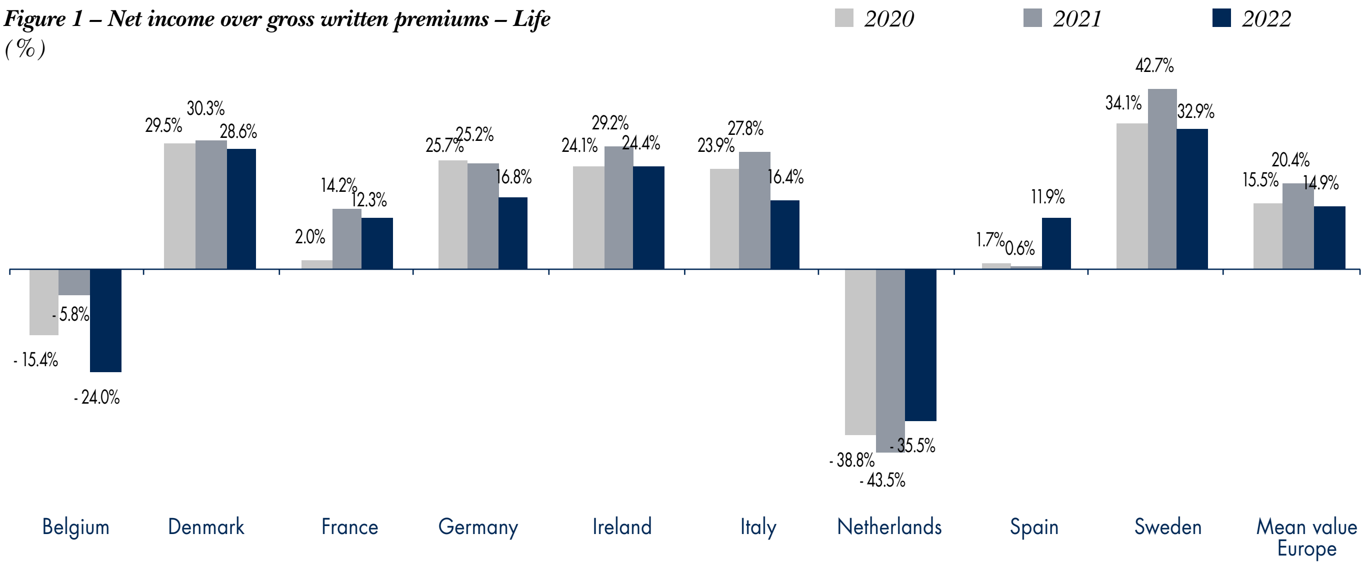
Main technical indicators

Life

In Italy **the ratio of net premium income (premiums minus charges) to gross written premium volume** came to 16.4% in 2022, a sharp drop from the previous year (27.8%). The value is close to the average of the sample countries, 14.9% (20.4% in 2021). A similar trend was observed in Germany, whose indicator shrank from 25.2% in 2021 to 16.8% in 2022. The Swedish ratio also dropped to 32.9%, the highest over the three-year period, the Danish ratio to 28.6%, the Irish to 24.4% and the French to 12.3%. On the other hand, the Spanish ratio improved to 11.9% in 2022 (from 0.6% in 2021). In Belgium and the Netherlands the ratio remained negative (from -5.8% to -24.0% and from -43.5% to -35.5%, respectively).

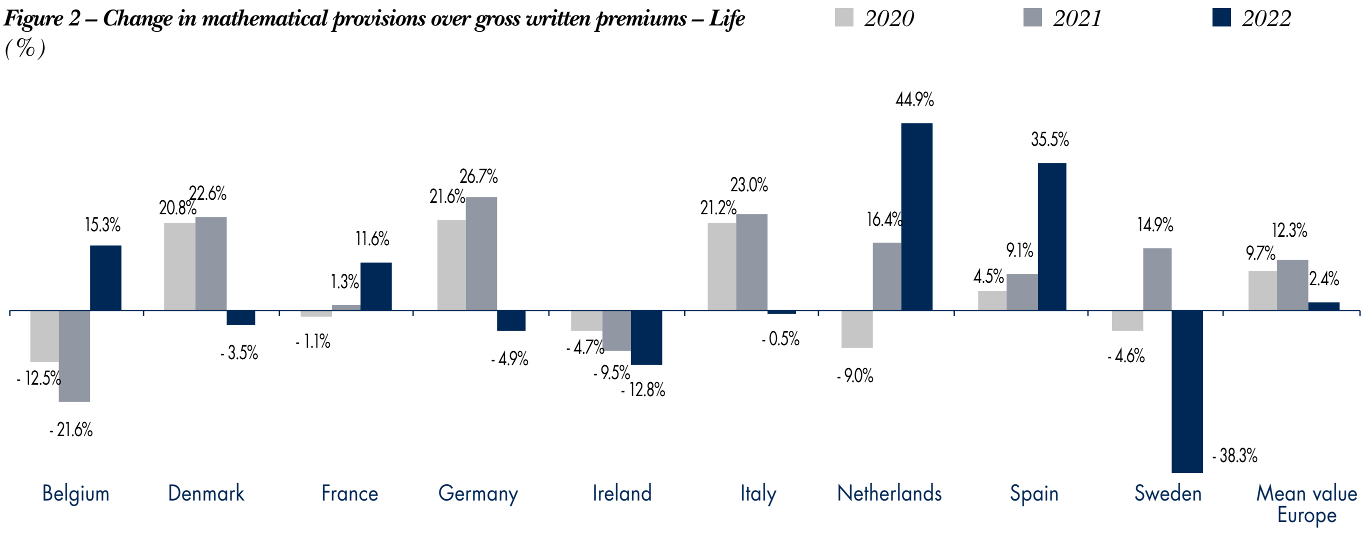
In 2022 **the ratio of the change in mathematical provisions to gross written premiums** of the average of the European sample plummeted to 2.4% from 12.3% in 2021. This drop is mostly related to the reduction in the life business and the negative net flows in some of the main EU countries. In Italy the ratio turned negative for the first time over the three-year period, at -0.5% (it was 23.0% in 2021). The ratio was negative, and sharply worsening, also in Sweden (-38.3% from +14.9% in 2021), Ireland (-12.8% from -9.5% in 2021) Germany (-4.9% from +26.7% in 2021) and Denmark (-3.5% from +22.6% in 2021). Conversely, the ratio of the Netherlands grew from 16.4% to 44.9%, the highest among the analyzed countries; in Spain it grew from 9.1% to 35.5% and in France from 1.3% to 11.6%. In Belgium, the ratio went positive for the first time over the three-year period, amounting to 15.3%.

Figure 1 – Net income over gross written premiums – Life
(%)



Source: EIOPA

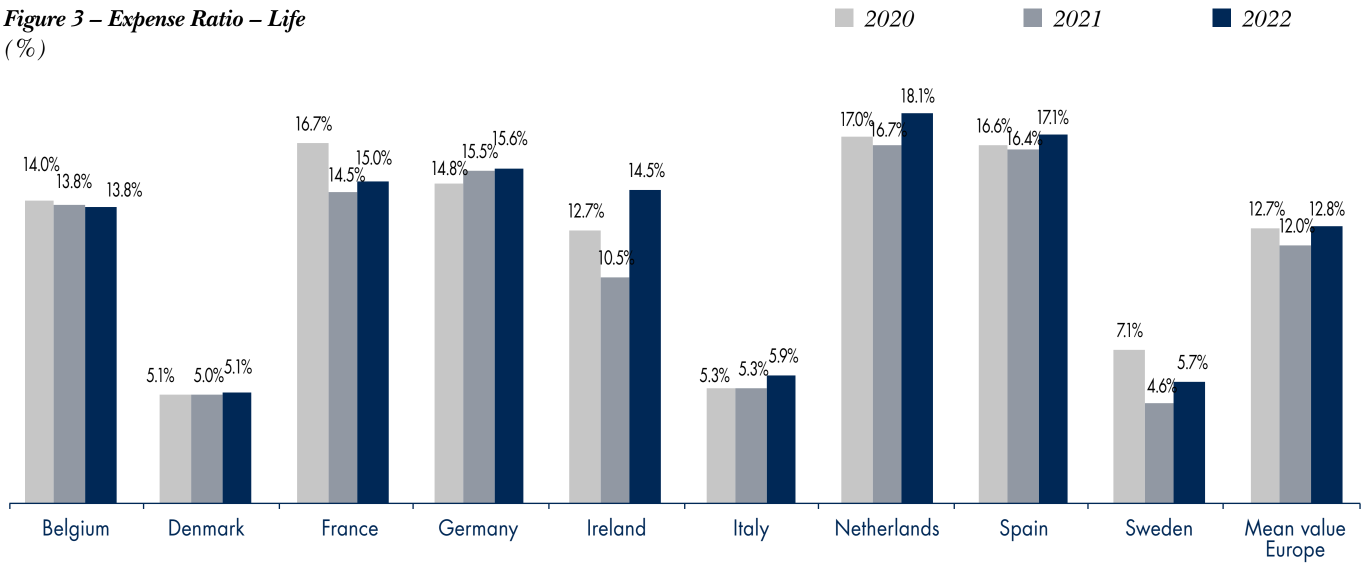
Figure 2 – Change in mathematical provisions over gross written premiums – Life
(%)



Source: EIOPA

In Italy, the life sector expense ratio, relating operating expenses to gross written premiums, increased slightly over the three-year period and amounted to 5.9%. Italy has one of the lowest expense ratios, together with Denmark (5.1%) and Sweden (5.7%). In the European context, the Italian ratio is less than half the mean (12.8%). The ratio rose in all other countries with respect to 2021 except Belgium, where it remained stable at 13.8%. The highest values over the three-year period are found in the Netherlands (18.1%), Spain (17.1%) and Germany (15.6%).

Figure 3 – Expense Ratio – Life
(%)

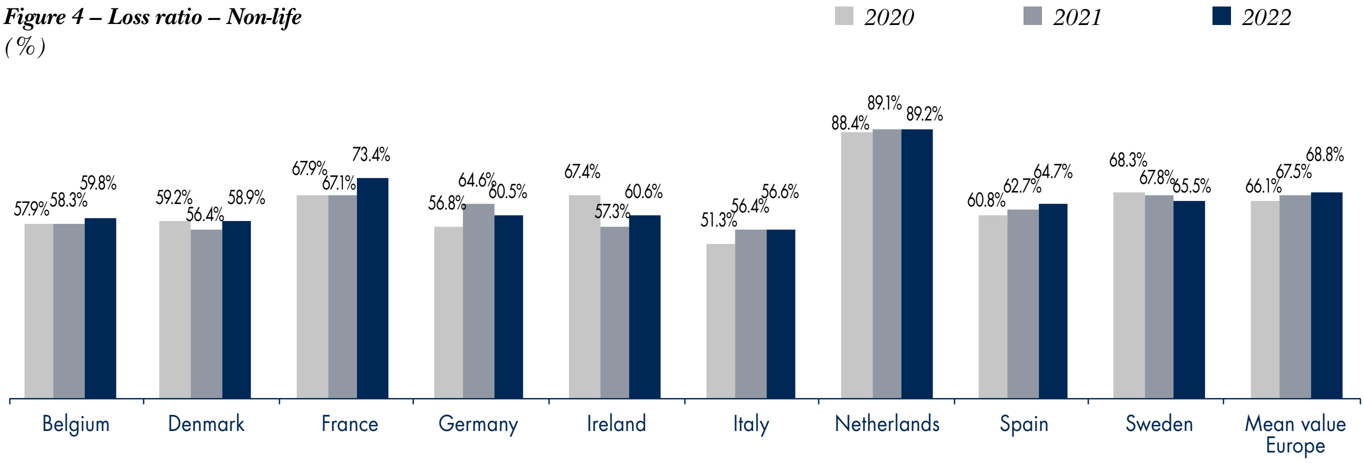


Source: EIOPA

Non-life

The ratio of **total incurred claims to earned premiums (the loss ratio)** amounted to 56.6% in Italy in 2022, broadly unchanged from the previous year, around 11 percentage points below the European average. The Dutch ratio remained unchanged at 89.2%. France had a ratio of 67.1% in 2021, worsening sharply to 73.4% in 2022. Smaller increases were recorded in Belgium (59.8% from 58.3% in 2021), Denmark (58.9% from 56.4%), Ireland (60.6% from 57.3%) and Spain (64.7% from 62.7%). Conversely, the ratio improved in 2022 in Germany (60.5% from 64.6% in 2021) and Sweden (65.5% from 67.8% in 2021).

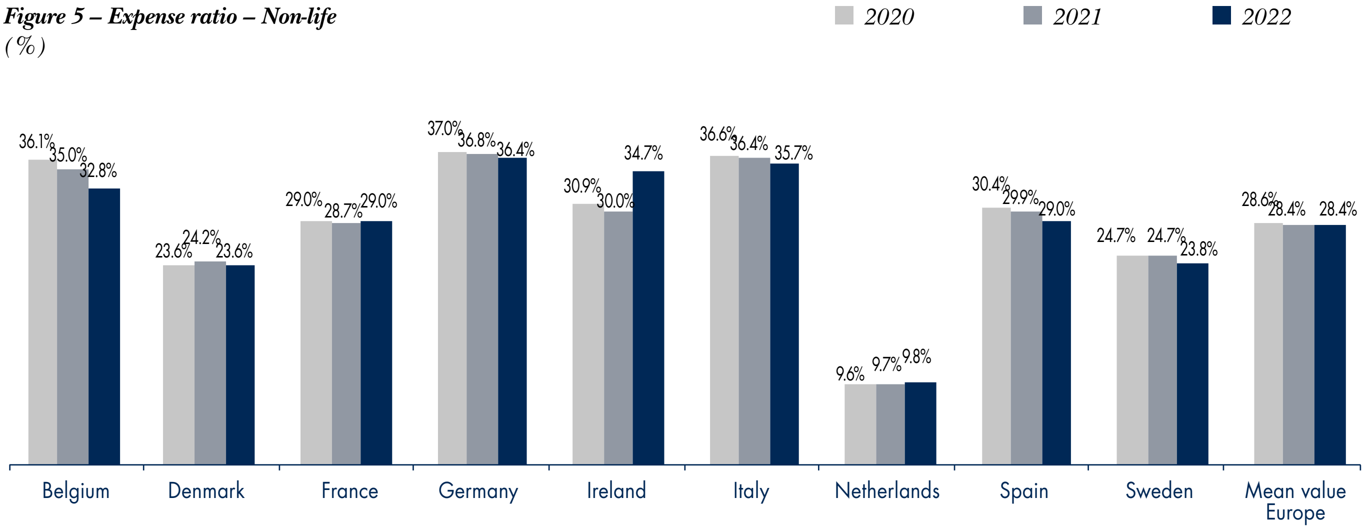
Figure 4 – Loss ratio – Non-life
(%)



Source: EIOPA

The **expense ratio** of the non-life sector, i.e. the ratio of operating expenses to gross written premiums, was largely unchanged over the three-year period in all the countries except Belgium (32.8% in 2022 from 35.0% in 2021) and Ireland (34.7% from 30.0% in 2021). In 2022 the ratio in Italy was 35.7% (36.4% in 2021), similar to Germany (36.4%, the highest value). The extremely low value in the Netherlands is explained by that country's different method of allocating outlays between incurred claims and operating expenses, which may differ from country to country.

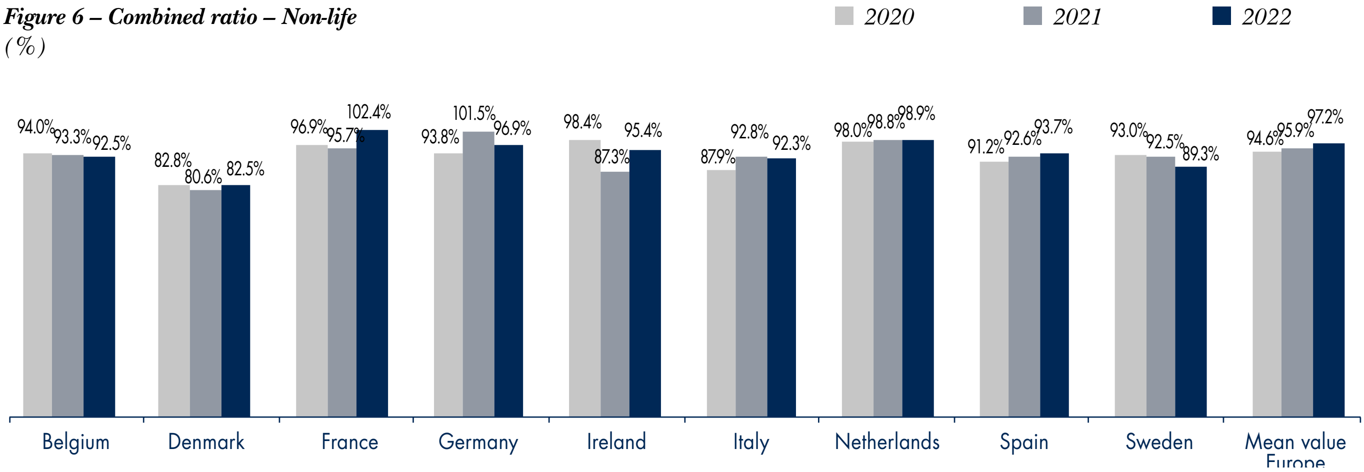
Figure 5 – Expense ratio – Non-life
(%)



Source: EIOPA

The sum of the loss ratio and the expense ratio gives the **combined ratio**, which came to 92.3% in Italy in 2022, down from 92.8% in 2021 and 5 percentage points lower than the mean of the European sample. A significant improvement was observed also in Germany, whose ratio fell from 101.5% in 2021 to 96.9% in 2022, and Sweden (from 92.5% to 89.3%).The Belgian indicator went down slightly from 93.3% in 2021 to 92.5%. The Dutch indicator remained unchanged at 98.9% in 2022. The other countries showed worsening ratios, with France having the highest value recorded to date (102.4% in 2022 from 95.7% in 2021), and Ireland (95.4% from 87.3% in 2021).

Figure 6 – Combined ratio – Non-life
(%)



Source: EIOPA

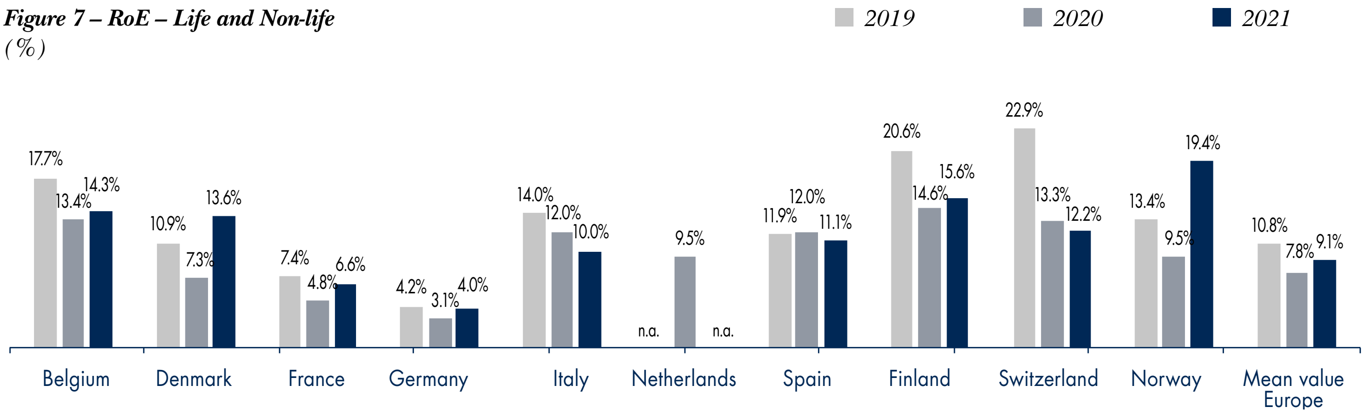
Return on Equity (RoE)

The Return on Equity (RoE), calculated by relating the profit (loss) for the year to the net worth, is a ratio embodying an overall assessment of the economic performance of an industry or company. RoE might therefore be considered as the capacity of any managed asset to generate profits (or losses). Hence, it is a useful ratio to check the remuneration rate of equity capital investment for the year. A European-wide comparison for the insurance business picks out those countries that generate more profits on the investors' capital and that, as a consequence, had the best economic results.

The ratio comparison (Figure 7) was carried out using OECD data for the main European countries (for which data were available) for the whole insurance industry (life and non-life) from 2019 through 2021 (last available year). The data used for this comparison, though they refer to a slightly different variable than those used in the Italian local GAAP analysis, produced practically identical RoE values for Italy.

In 2021, the Italian RoE, at 10%, was slightly (less than one percentage point) above the European mean of about 9%, down from 2020 (12.0%). Only Germany and France, despite improvement, recorded lower RoE than Italy in

Figure 7 – RoE – Life and Non-life
(%)



Source: ANIA elaborations based on OECD data

2021: 4.0% and 6.6%, respectively. The ratio also rose in all other countries with the exception of Spain and Switzerland, which, however, have a higher RoE than Italy.

Investments

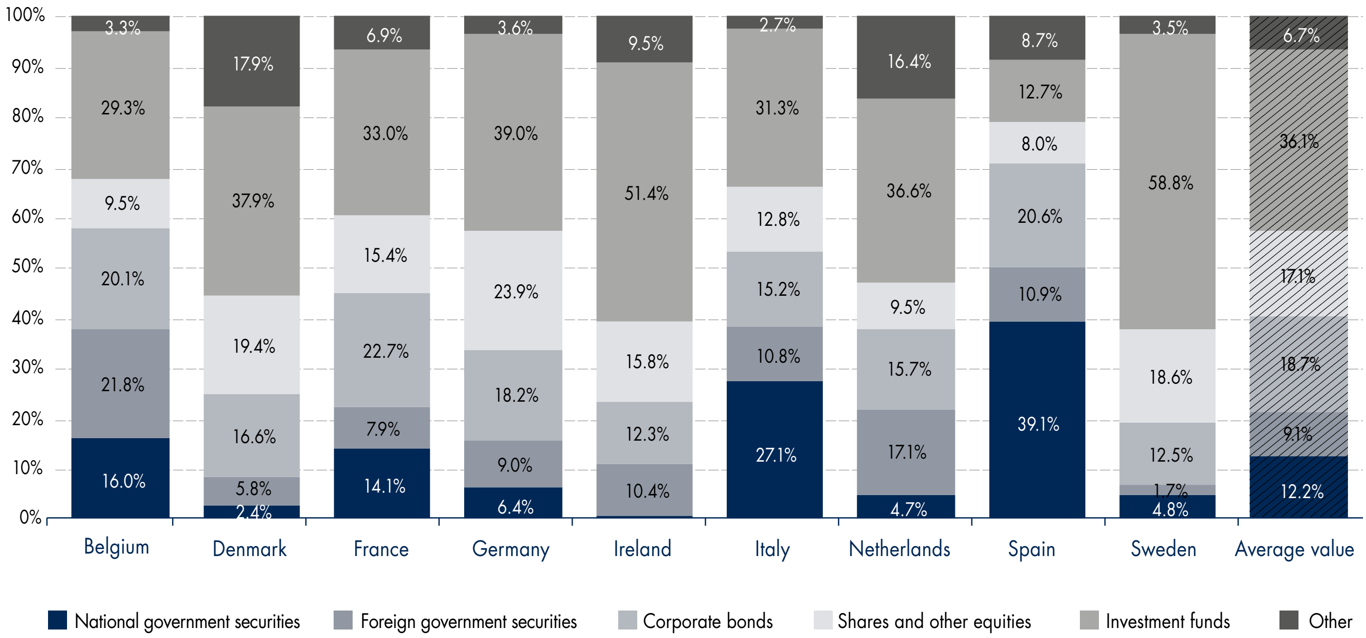
An analysis of the composition of the assets in the main insurance markets in Europe shows a rather heterogeneous picture in 2022, similar to 2021.

The analysis, based on data published by EIOPA on the Quantitative Reporting Templates (QRTs) for the fourth quarter of 2022, covered Italy, Belgium, Denmark, France, Germany Ireland, the Netherlands, Spain and Sweden.

Fixed-income securities are the main investment instruments across all markets, albeit with varying levels of exposure between corporate and government bonds. The concentration of government securities in the nine countries averaged slightly more than 12% at the end of 2022 (down from 14% at the end of 2021 in the same countries). In Italy, the concentration of the portfolio on government securities, despite the progressive disinvestment of the past few years, is still more pronounced than in the other countries examined; in fact, at 27.1% it is lower only than Spain (39.1%). The investment share for this category of assets was 16.0% in Belgium, 14.1% in France, far below the average in Germany (6.4%), in Sweden (4.8%), in the Netherlands (4.7%) and Denmark (2.4%), and practically nil in Ireland. The share of foreign government securities was particularly high in the Netherlands (17.1%) and Belgium (21.8%), lower in the other countries (around 10% for France, Germany, Ireland, Italy and Spain, 5.8% for Denmark and 1.7% for Sweden).

The average exposure of the European sample to corporate bonds was around 19%. French companies were the leading investors in this asset class (22.7%), followed by Spanish, Belgian and German companies (20.6%, 20.1% and 18.2% respectively). The share of this asset class in the portfolios of Italian, Dutch and Danish insurers was lower, between 15% and 17%.

Investments of European insurance companies – Q4, 2022
(%)



Note: Other investment comprises Structured bonds, Guaranteed securities, Cash and deposits, Mortgages and loans, Real estate.
Source: ANIA Elaborations based on data from EIOPA, Insurance statistics

The portfolio share of investment funds was predominant, higher than the average of the nine countries analyzed, for Swedish (58.8%), Irish (51.4%), German (39.0%) and Danish (37.9%) insurers. Substantial figures can also be seen in the Netherlands (36.6%), France (33.0%), Italy (31.3%) and Belgium (29.3%).

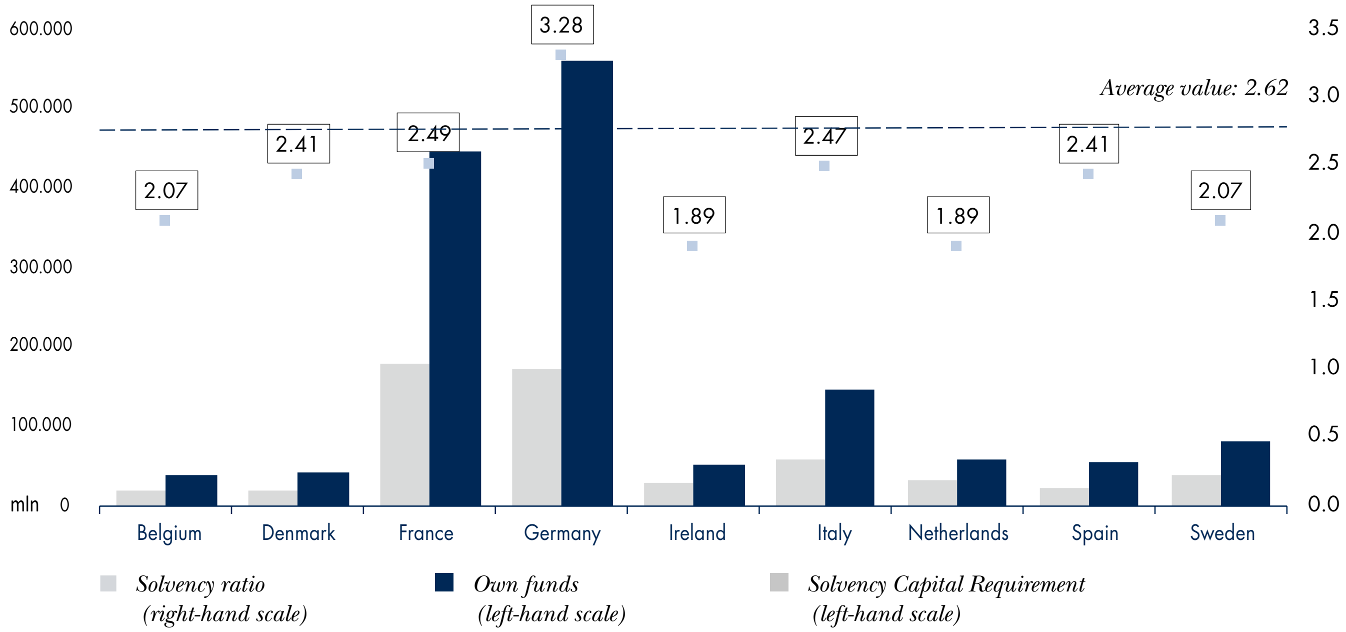
As for equity instruments, which averaged around 17% of total investments including stakes in affiliated companies, the largest portion was that of German insurers (23.9%), followed by Swedish (18.6%), Irish (15.8%), French (15.4%), and Italian (12.8%).

Solvency

The average Solvency ratio of the companies analyzed (representing in excess of 90% of the companies operating in the European Economic Area) came to 2.62 on 31st December 2022, stable from the end of 2021 (2.63).

Turning to the individual countries, Italy had a ratio just barely below the European average, own funds amounting to 2.47 times the solvency capital requirement (2.52 in 2021). German companies showed results far above the average (3.28), while Irish and Dutch companies had lower solvency ratios (around 1.90).

The Solvency ratio of European insurance companies
Data at 31/12/2022



Source: ANIA elaborations based on EIOPA data, Q4, 2022; 2022 Annual – InfoQRT for Italy

THE TAXATION OF PREMIUMS IN THE EUROPEAN UNION

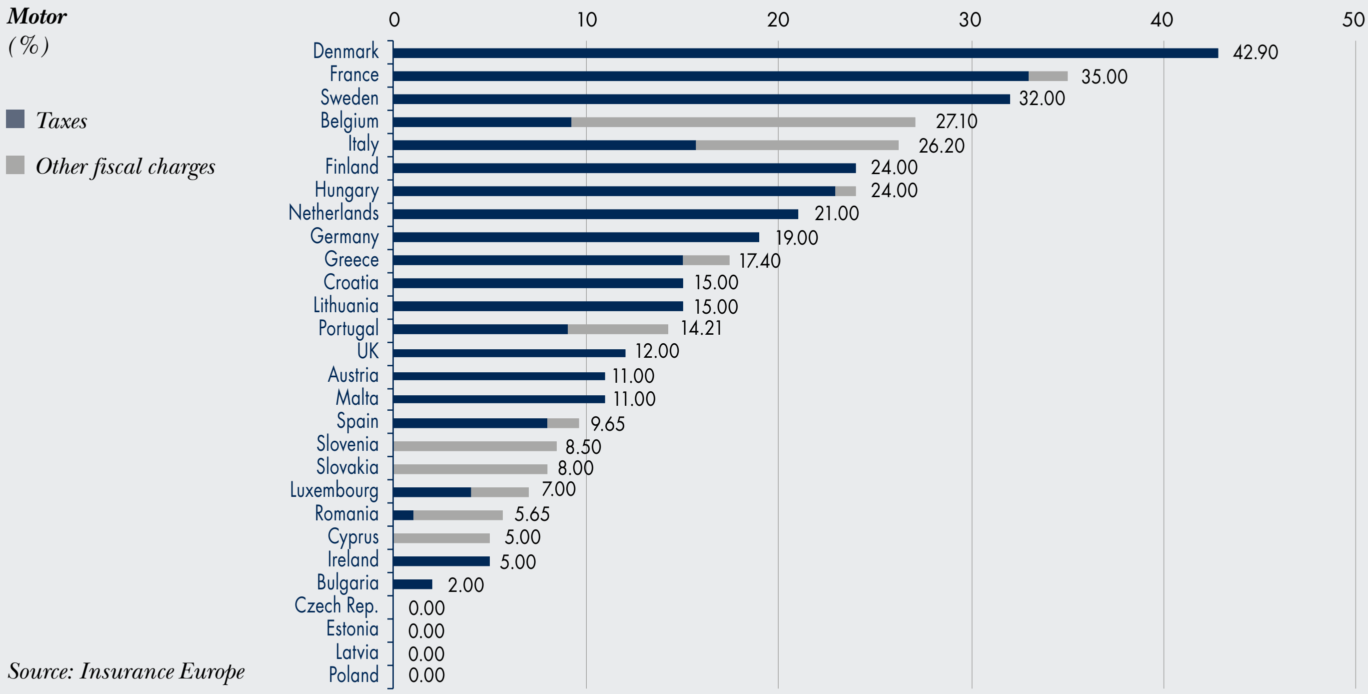
In 2022 there was substantial stability in the indirect taxation of insurance premiums in EU countries. As in previous years, Italy still stands out for an especially high tax rate on insurance, especially for the motor liability, fire, general liability and goods in transit classes.

The situation is summarized in the charts below, which specify the tax rates applied to insurance premiums in the various EU countries and the United Kingdom.

In the motor liability class the average total tax rate on premiums in Italy was again 26.2% in 2022, the result of the 15.7% average tax rate on insurance plus social contribution charges of 10.5%. The 15.7% value is the average de facto rate applied at local level throughout Italy inclusive of the local surtaxes on the 12.5% base tax rate up to a ceiling of 16%, the rate imposed by almost all Italian provinces, to which the tax revenue is allocated, with the exception of motor liability for motor scooters.

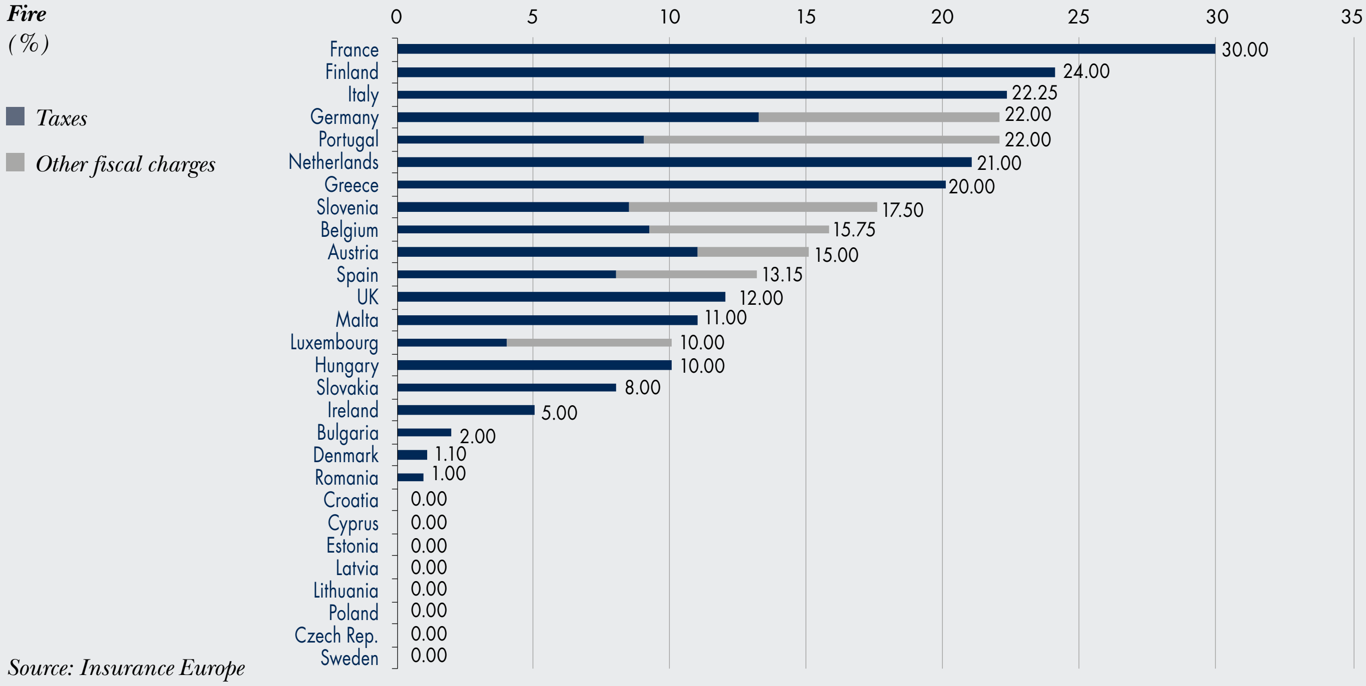
The Fiscal Federalism Bureau of the Finance Department has monitored the resolutions passed by the Italian provinces, confirming that only the three special statute provinces kept a tax rate (at 9%) lower than the 12.5% basic rate; all the other provinces, except for a very few that have not yet passed any resolution on motor liability tax rates, have raised the rate over the years, in most cases up to the ceiling of 16%.

Motor
(%)



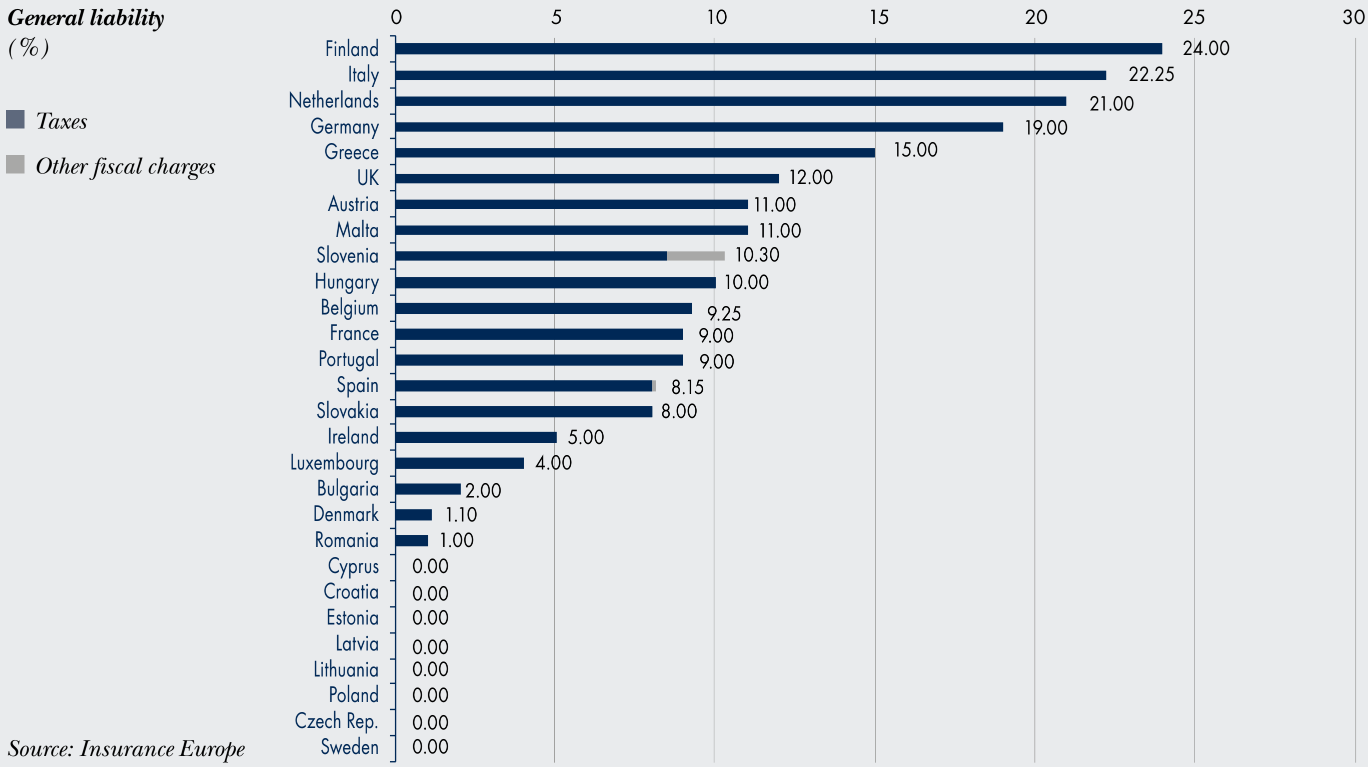
Source: Insurance Europe

Fire
(%)



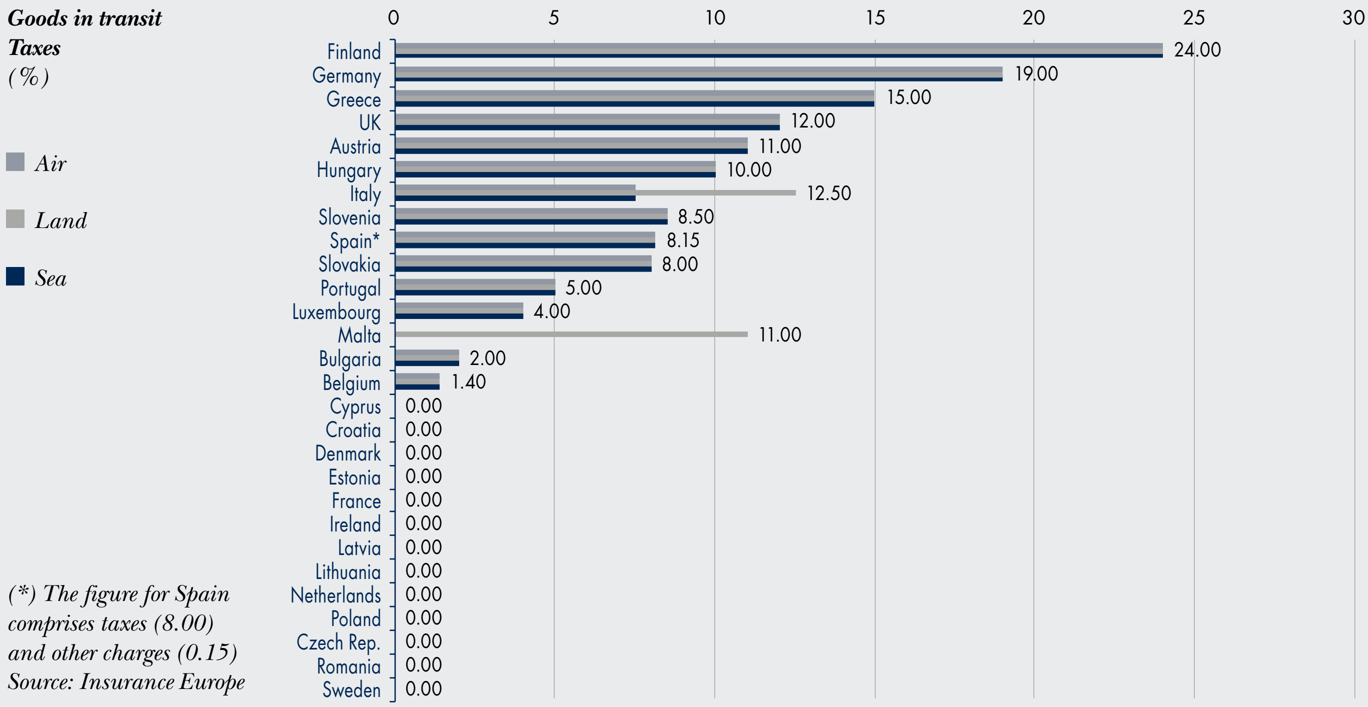
Source: Insurance Europe

General liability
(%)



Source: Insurance Europe

Goods in transit
Taxes
(%)



(*) The figure for Spain comprises taxes (8.00) and other charges (0.15)
Source: Insurance Europe

The average tax rate on motor liability premiums in the EU was 19.6%, appreciably lower than in Italy, where the rate continues to be higher than Spain (9.65%), Austria (11%) and the UK (12%). In the Netherlands the tax rate is slightly above the average (21%). The overall charge in France is far above the average (35%), but an exemption has been enacted, up to 2023, for electrical vehicles purchased starting in 2021.

For years now the tax on fire insurance premiums in Italy (22.25%) has been significantly higher than in the UK, Spain, and Austria (12%, 13.15%, and 15% respectively) and exceeded only by France (30%) and Finland (24%), which had the highest rates again in 2022.

For general third-party liability, the graph confirms Italy and Finland as the countries with the most onerous tax burdens in Europe (22.25% and 24% respectively), consistently higher than in Germany (19%), the United Kingdom (12%), France (9%) and Spain (8.15%).

There were no changes last year in Italy in the indirect taxation of shipping insurance premiums, taxed at 7.5% for goods transported by sea or air and at 12.5% for those shipped overland. The European countries with the highest tax rates in this sector are, once again, Finland (24%), Germany (19%), Greece (15%) and the United Kingdom (12%). In France and most of the other countries such premiums are either exempt or taxed at a rate close to zero.

3

LIFE INSURANCE

LIFE INSURANCE

For the life sector, in 2022 premium volume dropped approximately by 11% from the previous year due to the many uncertainties characterizing the general economic scenario and to the negative trends in financial and stock markets. This drop and the increase in incurred claims (+4.2% from 2021) almost halved the net cash flow (amounting to €16 billion). The variation in mathematical provisions was negative, shifting from an increase of €51 billion in 2021 to a decrease of €10 billion in 2022, ascribable to the considerable depreciation of the assets underlying unit-linked policies; likewise, investment income on the technical account showed a negative result for the first time since 2009 (-€25 billion, from +€29 billion in 2021). The overall technical balance was negative by €2.5 billion, much worse than in 2021 when it was positive by almost €4 billion.

LIFE TECHNICAL ACCOUNT

The values reported hereunder for the 2022 financial year in the tables and graphs do not include the data from one insurance company whose information was not available at the time of publication of this volume; however, the 2022/2021 percentage variations are expressed with a homogeneous sample and are therefore statistically significant.

Total life classes (domestic business)
Euro million

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross written premiums	110,518	114,947	102,252	98,611	102,048	106,012	101,329	105,887	93,071
Incurred claims (-)	64,577	71,196	62,932	71,155	73,223	76,158	76,446	75,630	76,740
Changes in mathematical and other technical provisions (-)	59,967	53,023	48,448	38,428	24,937	53,418	35,821	51,449	-10,386
Balance of other technical items	-381	-378	-328	-370	-330	-373	-390	-216	-96
Operating expenses (-)	3,812	3,974	3,842	3,920	3,901	3,947	3,814	4,000	3,905
- commissions	2,206	2,349	2,181	2,240	2,203	2,168	2,068	2,178	2,005
- other acquisition costs	686	701	686	671	667	741	703	716	738
- other administration costs	921	924	975	1,009	1,030	1,038	1,043	1,106	1,163
Investment income	20,588	15,976	16,611	18,181	825	34,010	18,130	29,274	-25,289
Direct technical account result	**2,369**	**2,352**	**3,313**	**2,919**	**483**	**6,126**	**2,987**	**3,865**	**-2,574**
Reinsurance results and other items	383	315	289	294	257	168	506	128	99
Overall technical account result	**2,752**	**2,667**	**3,602**	**3,213**	**739**	**6,293**	**3,493**	**3,993**	**-2,474**
Net cash flow	**45,941**	**43,751**	**39,320**	**27,456**	**28,825**	**29,854**	**24,882**	**30,257**	**16,331**
Annual % change in premiums	29.9%	4.0%	-11.0%	-3.6%	3.5%	3.9%	-4.4%	4.5%	-10.7%
Expense ratio	3.4%	3.5%	3.8%	4.0%	3.8%	3.7%	3.8%	3.8%	4.2%
– Commissions/ Written premiums	2.0%	2.0%	2.1%	2.3%	2.2%	2.0%	2.0%	2.1%	2.2%
- Other acquisition costs/Written premiums	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%
- Other administration costs/Written premiums	0.8%	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.2%
Investment income/Technical provisions	4.3%	3.0%	2.8%	2.9%	0.1%	4.8%	2.4%	3.7%	-3.1%
Technical account result/Written premiums	**2.1%**	**2.0%**	**3.2%**	**3.0%**	**0.5%**	**5.8%**	**2.9%**	**3.7%**	**-2.8%**
Overall technical account result/Written premiums	**2.5%**	**2.3%**	**3.5%**	**3.3%**	**0.7%**	**5.9%**	**3.4%**	**3.8%**	**-2.7%**
Overall technical account result/Technical provisions	**0.57%**	**0.49%**	**0.61%**	**0.51%**	**0.11%**	**0.89%**	**0.47%**	**0.50%**	**-0.31%**
Premiums to total life and non-life premiums ratio (%)	*77.1%*	*78.2%*	*76.2%*	*75.3%*	*75.5%*	*75.6%*	*75.1%*	*75.6%*	*72.3%*

Indexes and changes (%) are calculated on data in Euro thousands

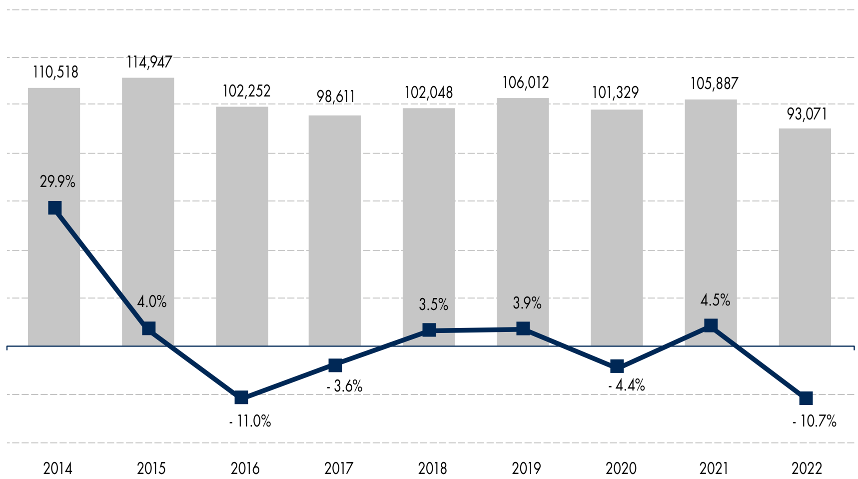
LIFE INSURANCE

In 2022 premiums from direct domestic business of the 41 insurance companies operating in the life sector totaled €93,071 million, the lowest amount since 2014 and a 10.7% drop from a year earlier when they increased by 4.5%. The uncertainty characterizing almost the whole year due to the Russian-Ukrainian conflict and the negative trends of the financial markets led to this particularly low result in life policies; 81% of premiums was generated by the issuance of new contracts or by additional single premiums on existing policies. Percentage-wise, in 2022 life premiums amounted to 72.3% of the total (life and non-life), 3 percentage points less than the previous year.

Total direct premiums (Life)
Euro million

Premiums

Growth rate (annual % variation)



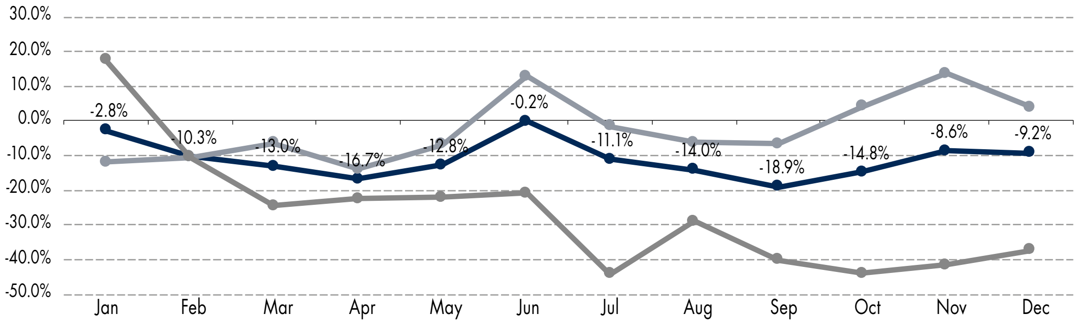
The contraction in life business is evident in the annual variations of earned premiums in the single months of 2022. The data on written premiums showed negative results throughout the whole year, especially in the first months after the outbreak of the conflict in Ukraine, but also in September-October with changes of -19% and -15% from the same months of the previous year.

Written premiums % change over every month in 2022 (ANIA estimates)

Total Life

Class I

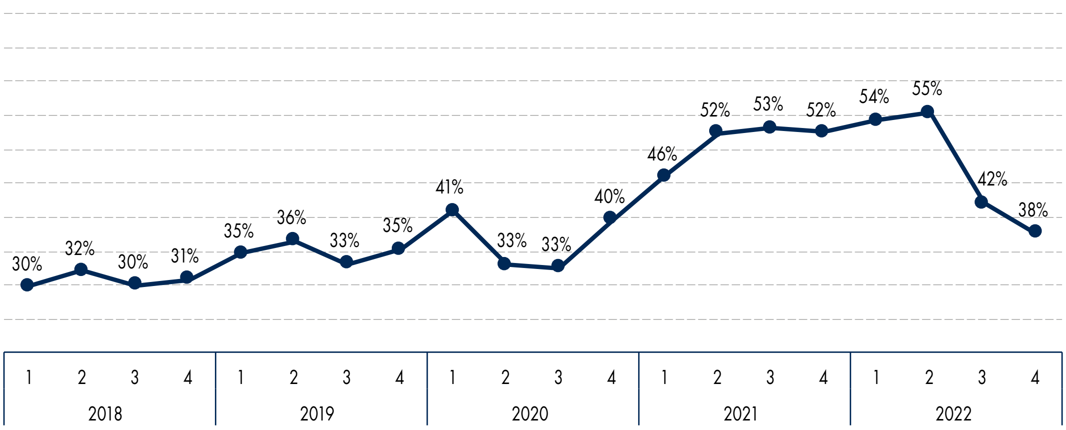
Class III



The graph shows how the decrease of life business is mainly ascribable to Class III policies (unit-linked), whose premium income dropped by 27.5% in 2022 due to the high volatility of the financial and stock markets throughout the year with a significant fall in their indices, bringing assets to lower values than in 2021. Premiums of traditional Class I life policies – straight human life insurance – went down especially in the first half of the year (-6.5% from the first half semester of 2021), but with a partial recovery at the end of the year to register a decline of 2.2% for the year as a whole (despite the strong inflationary pressures, which entailed a broad rise in interest rates). The substantial resilience of traditional life policies depends on the fact that – in a complex international financial scenario – the possibility of investing in forms of saving guaranteeing at least to maintain the invested capital (often combined with a minimum guaranteed return) remained attractive.

Multi-class products, a combination of the traditional insurance component characterized by a minimum guaranteed return (Class I) and more unit- linked investment options (Class III), showed a sharp drop in 2022, especially in the second half of the year. The premiums collected for these products amounted to around €45 billion (60% of which through bank and post office branches), down by 16% from 2021, and accounting for 48% of all life business (the figure shows the trend of multi-class products in the single quarters, especially the significant decrease of the third quarter, with a share falling to 42% from 55% in the second quarter). More than 90% of overall multi-class products consists in so-called pure multi-class products – i.e. excluding pension plans and individual saving plans – which registered premium volume of €41 billion in 2022: the main portion is still Class I products (65%, equal to €27 billion, or 44% of total Class I premiums), while the remaining 35% is represented by Class III products (€14 billion, 50% of total Class III premiums).

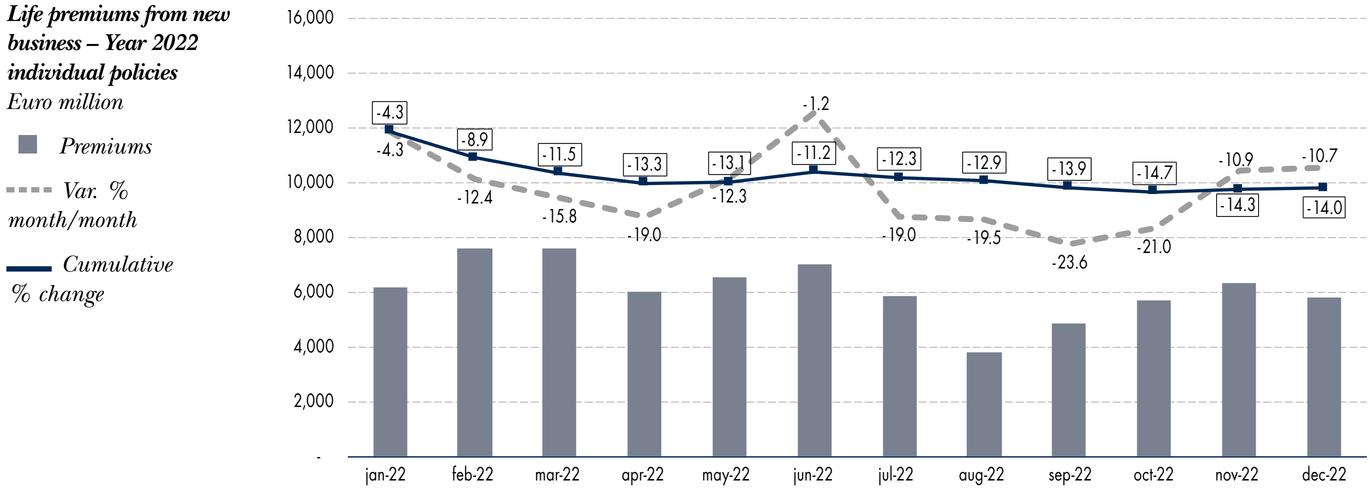
Incidence (%) of overall multi-class products on total premium income



The market in long-term Individual Savings Plans (*Piani Individuali di Risparmio*, PIR), characterized by the tax exemption of yields when they meet specified conditions for investment in the real economy, was still very limited in 2022 (scarcely €430 million), slightly up from the previous year.

The trend in life business products marketed in 2022 can also be seen in the month-by-month change in new business premiums (individual policies) earned by Italian and extra-EU companies. In detail, Class I premiums went down by 3.1% from 2021 (-7.4% in the first half), followed by Class V new business, which closed the year with a 5.0% drop in income (-28.1% in the first six months). New Class III premiums, instead, after recording an annualized drop of 17.0% in the first half, worsened further in the second half, turning in a decrease of 30.5% for the year. Total new life business, also including group policies, amounted in 2022 to €76.8 billion (€73.2 billion coming from individual policies), down by 12.8% against 2021 (-14.0% for individual policies only). The contraction affected all distribution channels, except for direct sales.

Life premiums from new business – Year 2022 individual policies
Euro million



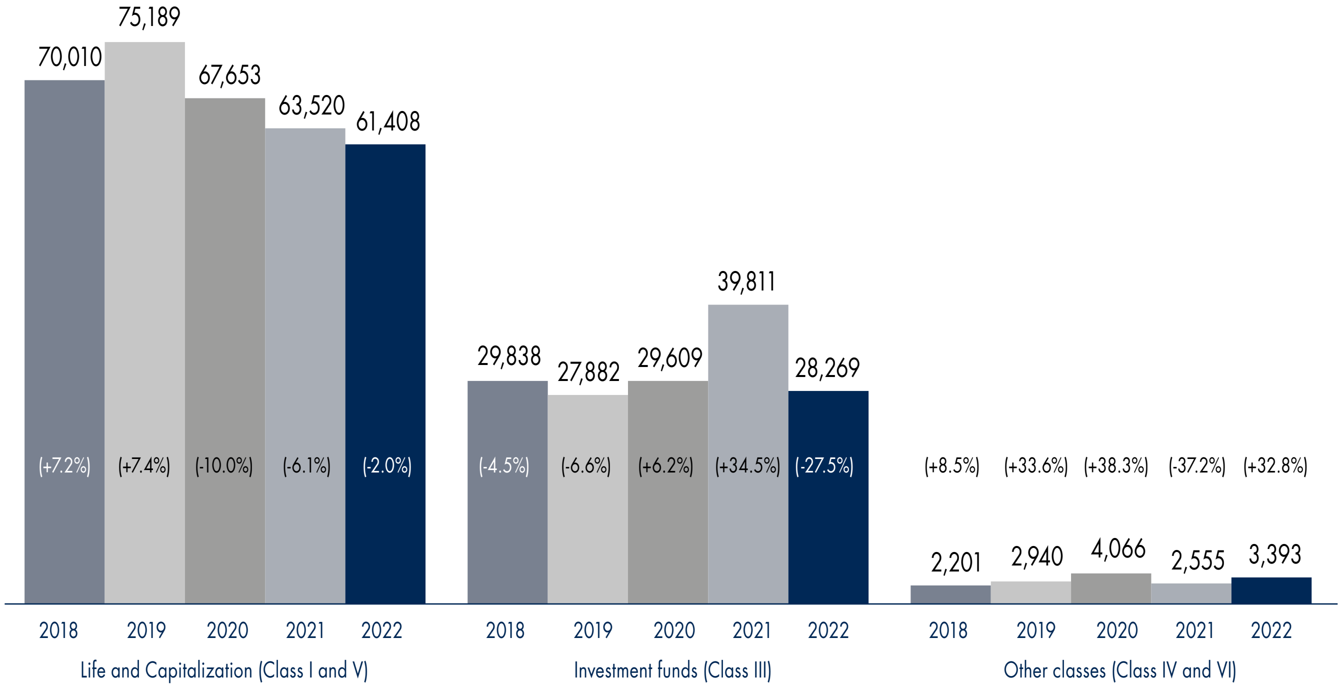
Analyzing the trends of **written premiums** in each class, in 2022 there was premium collection of €61,408 million in traditional policies (Class I and V), decreasing for the third consecutive year and down by 2.0% from 2021. In 2022, these premiums accounted for 66% of the entire life portfolio (60% in the previous year), 98% of which consists in Class I policies (down 2.2% in volume from 2021) and the other 2% related to Class V policies (up by 8.2%). The drop in Class I policies is mostly ascribable to agencies and direct sales.

The trend in Class III premiums (investment funds or index-linked), collecting €28,269 million in 2022, was even more markedly negative, with a 27.5% drop from 2021, when the annual change was positive (+34.5%). In 2022, these products represented 30% of the total life business, seven percentage points less than in 2021. Premium collection in 2022 came mainly through banks, post office branches and financial salesmen, accounting for over 80% of the entire Class III portfolio.

Other life policies (Class IV and VI) showed an opposite trend. The two classes recorded a positive variation (+32.8%), and their total premium volume was €3,393 million (4% of all life insurance premium income). In detail, €221 million related to long-term care and protracted illness policies (Class IV), up by 25.3% from 2021 (mostly marketed by mandated agents), while the remaining €3,172 million refers to the management of pension funds (Class VI), with a 33.4% increase as compared to the previous year. The main distribution channel for this class was direct sales, with a market share exceeding 50%.

Incurred claims, defined as amounts paid and the changes in provisions against payable amounts net of recoveries, amounted to €76,740 million in 2022, up

Premiums from direct domestic business by insurance class
Euro million
(x,x%) annual average change



by 4.2% from 2021, owing to the significant increase in surrenders mainly in the last three months of the year, more than offsetting the drop at the end of the year in maturing policies and accrued yields, while mortality claims and other life-related events remained almost unchanged from the previous year.

As for **surrenders**, the increase in early repayments of life policies in the Italian market in the second half of 2022 is mainly ascribable to the policyholders' choices due to liquidity needs in the light of the new macroeconomic scenario (higher inflation). The trend in surrenders can be better analyzed by relating their monthly amount in the last three years 2020-2022 (based on estimates from the ANIA survey on life business monthly flows) to the stock of mathematical provisions, since the latter item has been less volatile than the premium volume over the years. Over the three-year period, this indicator showed a progressive increase, from an average of 0.47% in 2020 to 0.52% in 2021 and 0.56% in 2022. Given the total volume of surrenders over the whole year and relating it to the average amount of mathematical provisions, the surrender rate reached 6.7% in 2022, up from 5.5% in 2020 and 6.1% in 2021.

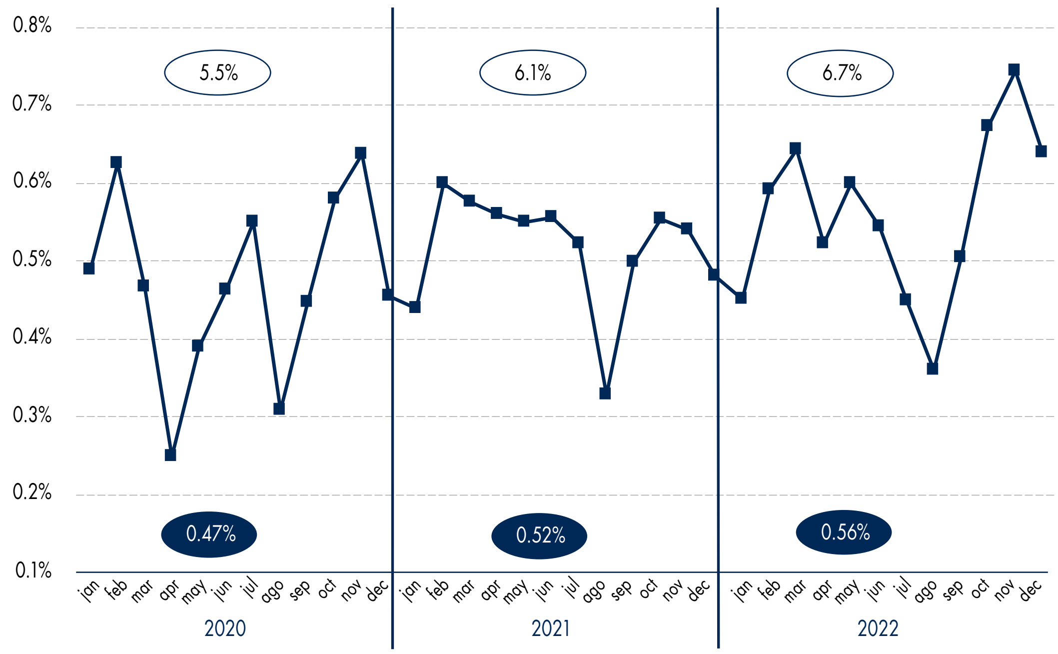
Due to the negative trend of inflows and the increase in outflows, the **net cash flow**, defined as the difference between premiums and incurred claims, amounted to €16,331 million, the lowest figure since 2013 and down by 46.6% from the previous year. In 2022, the balance for pure multi-class products (excluding pension and individual savings plans) amounted to nearly €22 billion (almost 70% of which relating to Class I policies), down by 33% from 2021.

In detail, the net cash flow for Class I and V products totaled €5,593 million, down by 48.9% from the previous year, mainly due to the significant increase

Ratio of surrenders to total life provisions (%)

Average for year

Weighted average of ratios, January-December

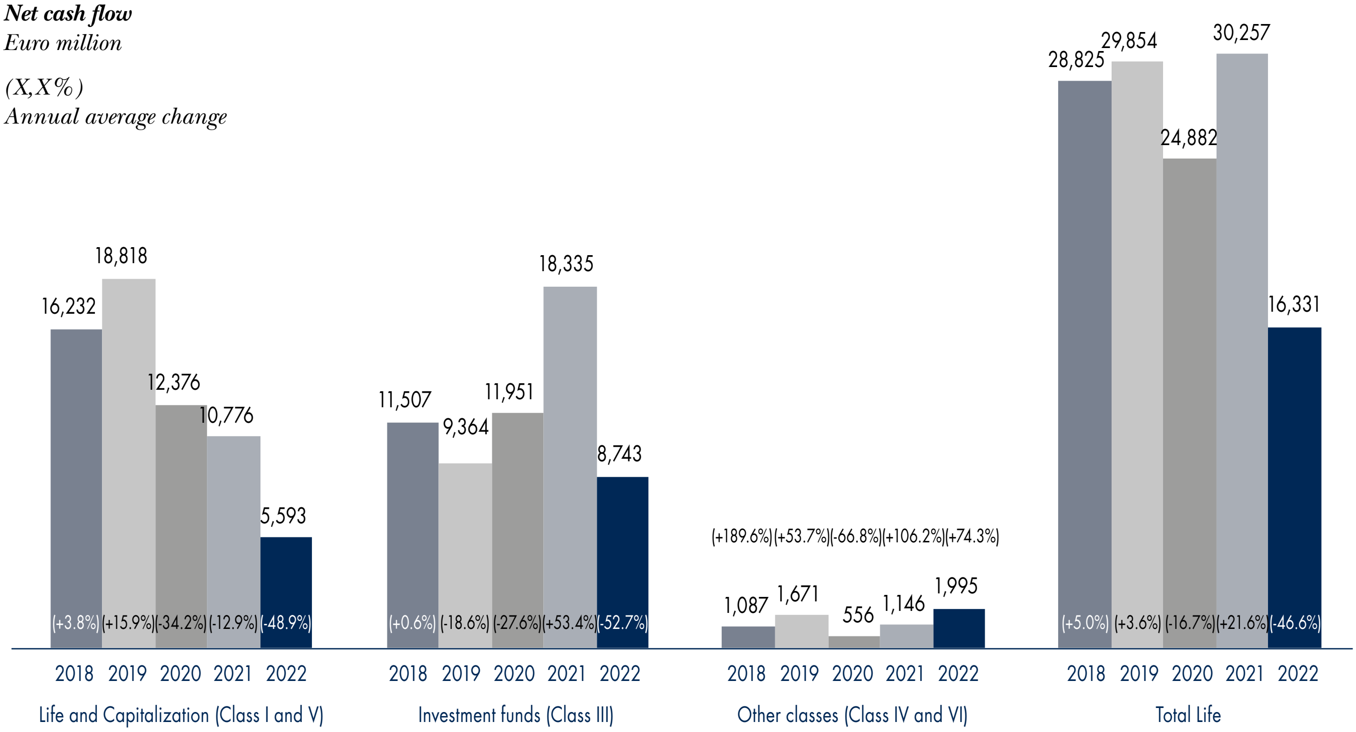


in surrenders. As for Class III, the net cash flow went down by 52.7% to €8,743 million, exclusively due to the reduction in premiums. Even though the volumes are still very small, the net cash flow achieved in the other life classes (Class IV and Class VI) totaled almost €2 billion, increasing for the second consecutive year.

In 2022, the **change in the mathematical reserves and diverse technical provisions** was negative with a contraction of €10,386 million, a significant drop

Net cash flow
Euro million

(X,X%)
Annual average change



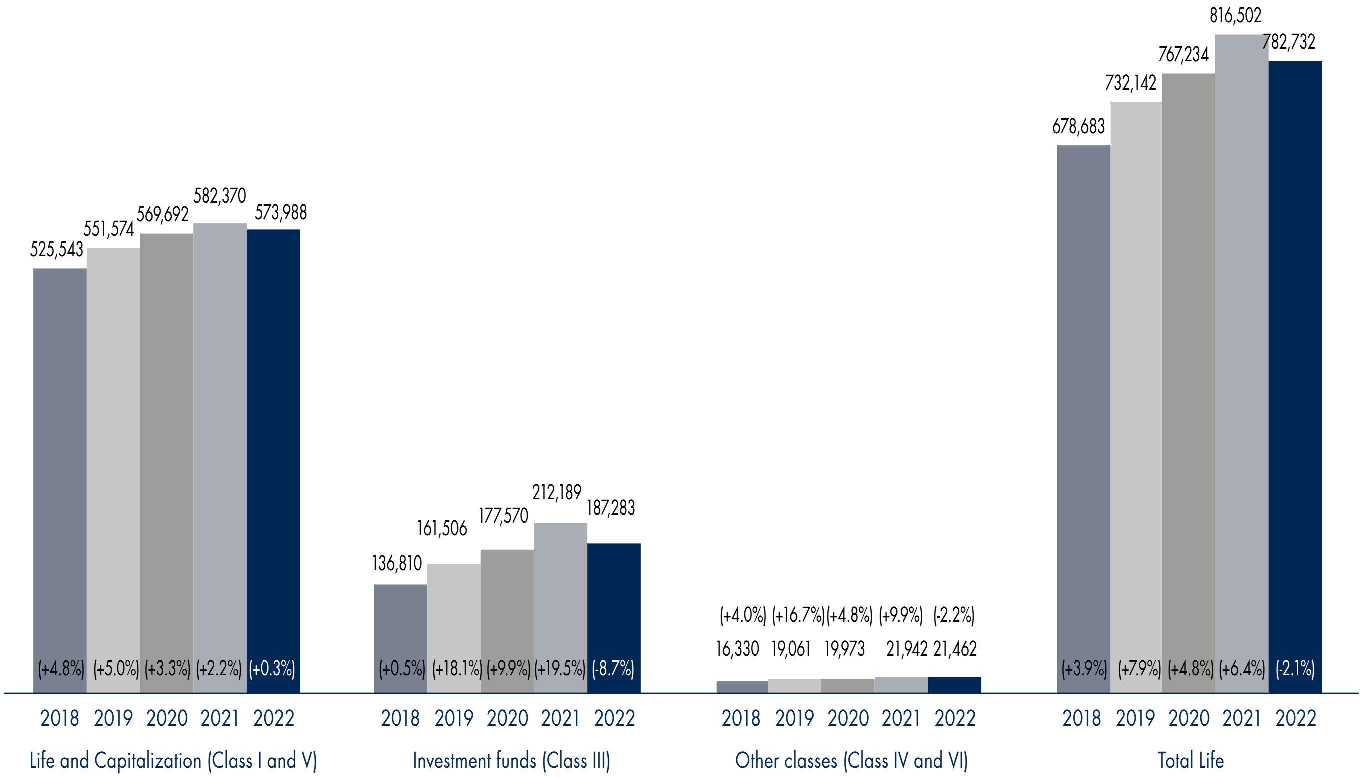
from the previous three years when it exceeded €35 billion in 2020 and €50 billion in 2019 and 2021, mainly due the reduction in Class III provisions as a consequence of the write-downs of the assets underlying unit-linked policies owing to the negative effects of instability in the financial and stock markets.

Total technical provisions, amounting to €782,732 million, recorded a negative annual change for the first time since 2009 (-2.1% from 2021). *This figure was also altered by an extraordinary operation by a company that sold part of its portfolio (mainly Class I products) to a group representing EU companies in the last quarter, therefore transferring volumes of mathematical provisions from the reporting scope of this survey (exclusively fed by data from Italian and extra-EU companies). For a homogeneous perimeter, instead, i.e excluding that company, provisions at the end of 2022 are just 1.5% less than a year earlier, and in the last quarter they actually scored a marginal incease.* At the end of 2022, technical provisions relating to pure multi-class contracts (excluding pension and individual savings plans) amounted to slightly more than one fourth of total life provisions, up by 5% from 2021; over 60% of this relates to Class I products.

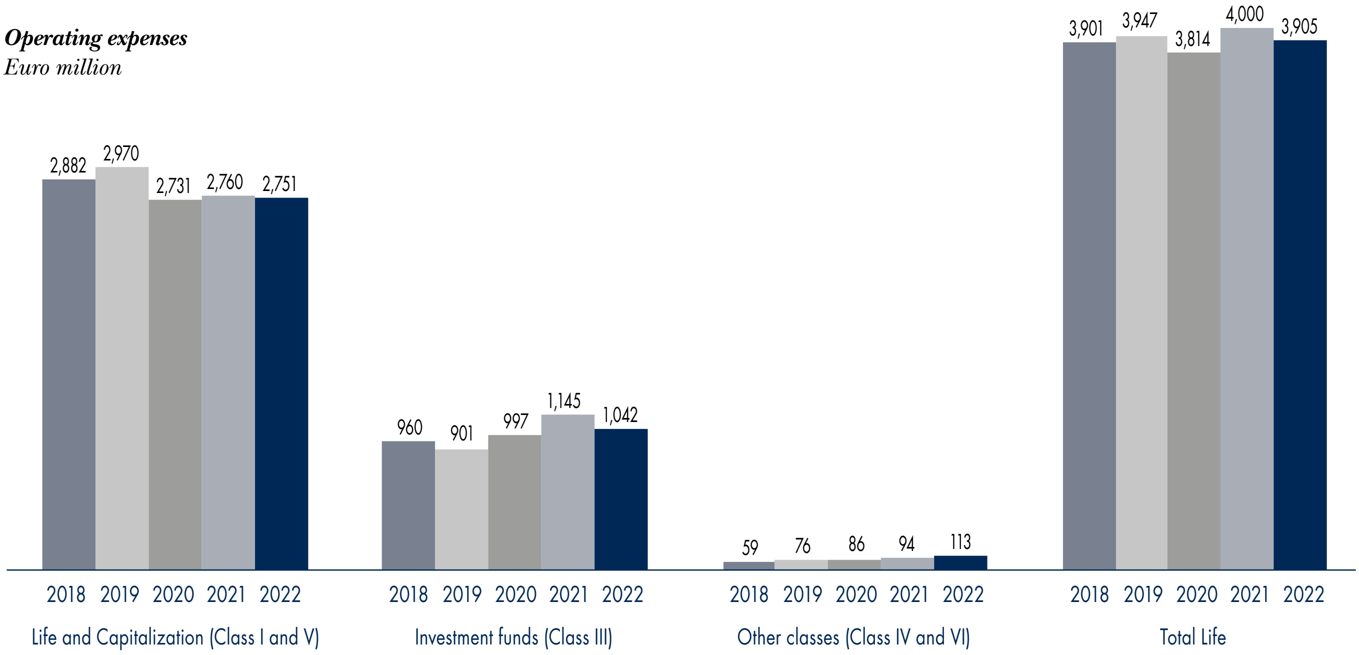
In detail, the provisions set aside in Classes I and V amounted in 2022 to €573,988 million (of which €553,260 million related to Class I), rising by a mere 0.3% from the previous year. These provisions account for 73% of the total life provisions (one percentage point more than in 2021). The technical provisions related to unit-linked policies amounted to €187,283 million, down by 8.7% from 2021, with an incidence on total provisions of 24%, as

Overall technical provisions
Euro million

(x,x%) annual average change



Operating expenses
Euro million



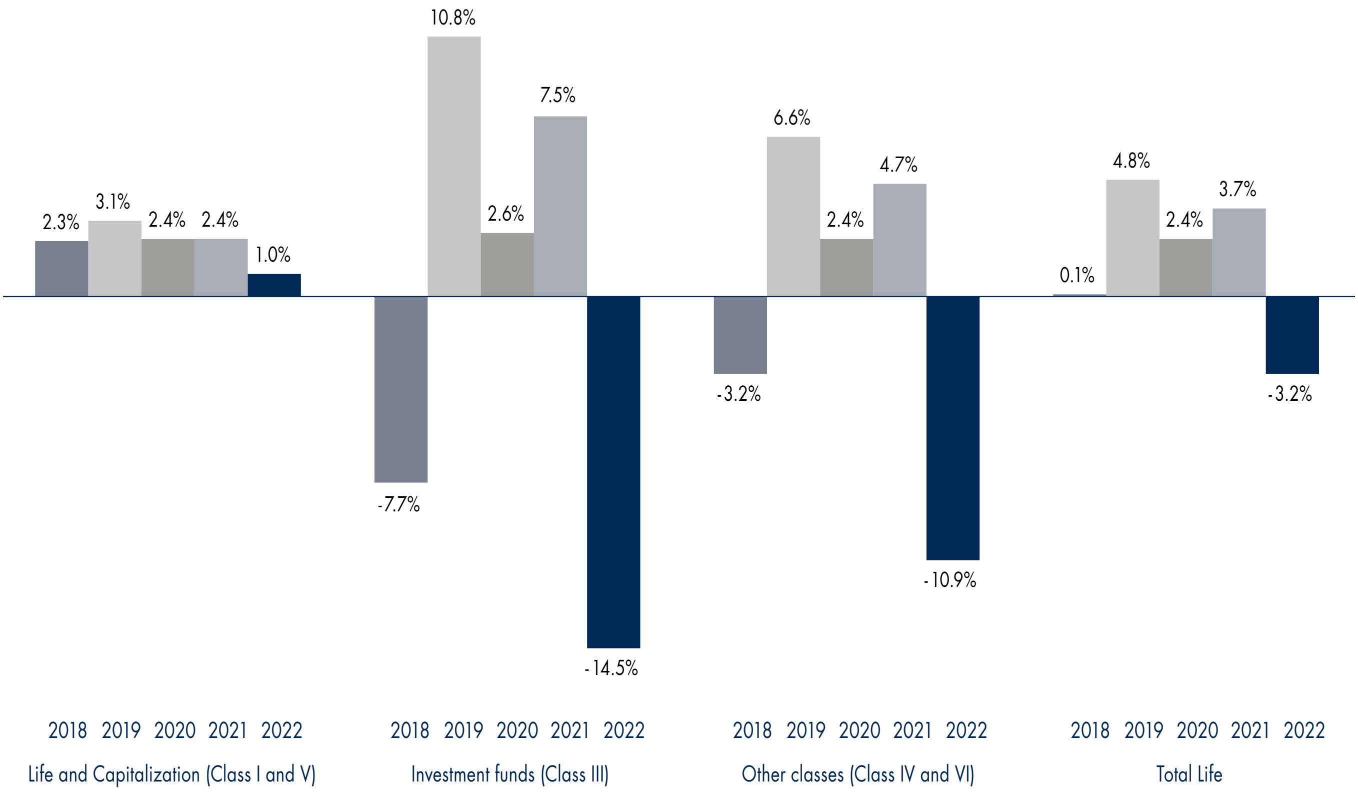
against 26% in 2021. The provisions set aside in other classes (Class IV and VI) amounted in 2022 to €21,462 million, down by 2.2%.

Operating expenses, which include contract acquisition costs and costs relating to the organization and management of the distribution network, and administration expenses, amounted to €3,905 million (70% of which related to Class I and V, 27% to Class III and 3% to other life classes), remaining unchanged from 2021 thanks to the reduction in costs related to unit-linked policies (-5.6%), which offset the increase in those for traditional policies (+1.7%).

For the first time since 2009, the **investment result** was negative, amounting to -€25,289 million, much worse than in 2021 when it was positive by almost €30 billion. This result was almost exclusively due to the sharp devaluation of the assets backing unit-linked policies, especially in the second half of the year, determining an investment loss of €28,507 million (by contrast, in 2021, the assets trend caused a significant revaluation of assets in this class, resulting in an investment profit exceeding €14 billion); the investment result was positive, instead, for assets relating to Class I and Class V products (whose underlying consists mainly in government securities), with a gain of €5,582 million (more than halved, however (-58.3%) from 2021). In detail, over the five-year period, investment income in the traditional insurance classes (Class I and Class V), as a ratio to average mathematical reserves, registered a peak value in 2019 (3.1%) before slipping to 2.4% in the following two years and to 1.0% in 2022. For Class III (investment funds or index-linked) the ratio went from 7.5% in 2021 to -14.5% in 2022. The same pattern marked the other life classes, albeit with smaller figures, declining from 4.7% in 2021 to -10.9% in 2022.

The **direct technical account** balance was negative at -€2,574 million, showing a sharp deterioration from a positive balance of over €3.8 billion in 2021.

Profits from investments on mathematical provisions
%



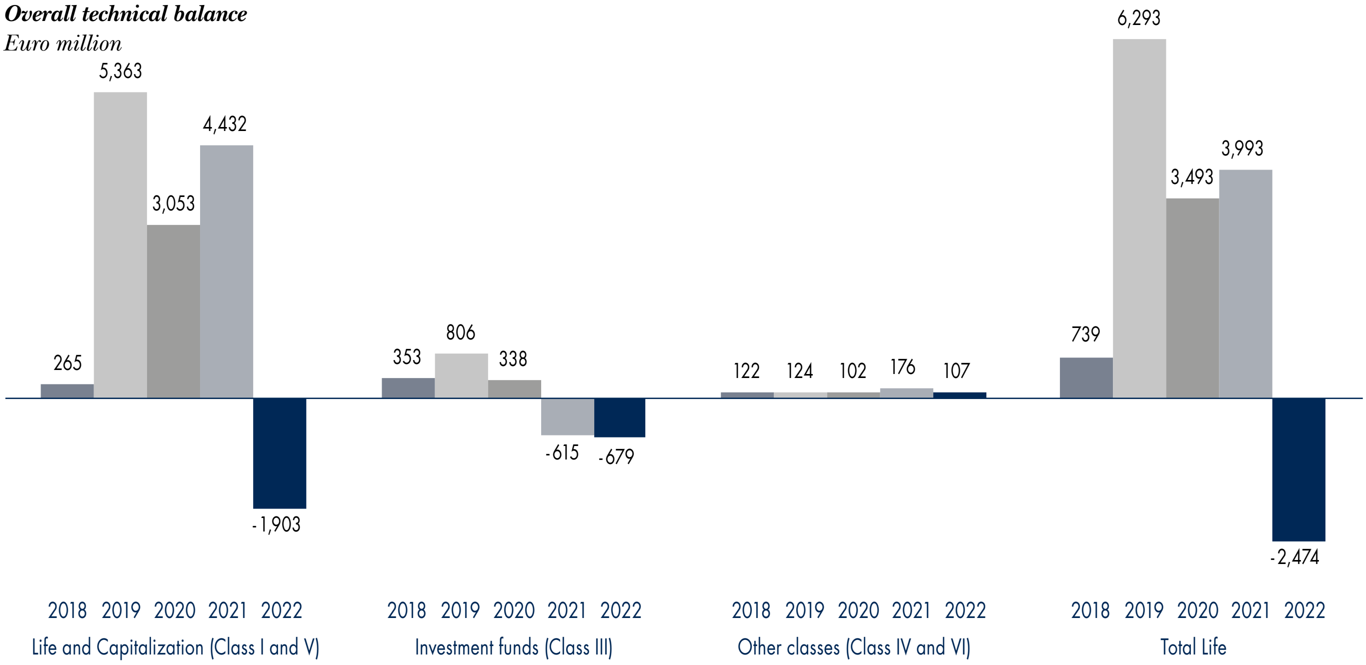
The balance on reinsurance cessions and net indirect business amounted to +€99 million (+€128 million in 2021).

Taking the balance on outward reinsurance into account, the **overall balance of the technical account** was negative by €2,474 million, against a positive outturn of practically €4 billion in 2021; thus the ratio to premiums went from 3.8% in 2021 to -2.7% in 2022, while technical provisions moved from 0.50% to -0.31%. In detail, the balance for the traditional classes (I and V) went from €4,432 million in 2021 to -€1,903 million in 2022 (as investment profit was more than halved); Class III (investment funds or index-linked) showed, for the second consecutive year, a negative technical result (-€679 million, as against -€615 million in 2021) owing to substantial losses on the investment of the assets underlying unit-linked policies. The balance for the other life classes, €107 million in 2022, went down as compared to 2021 but was about the same as in 2020.

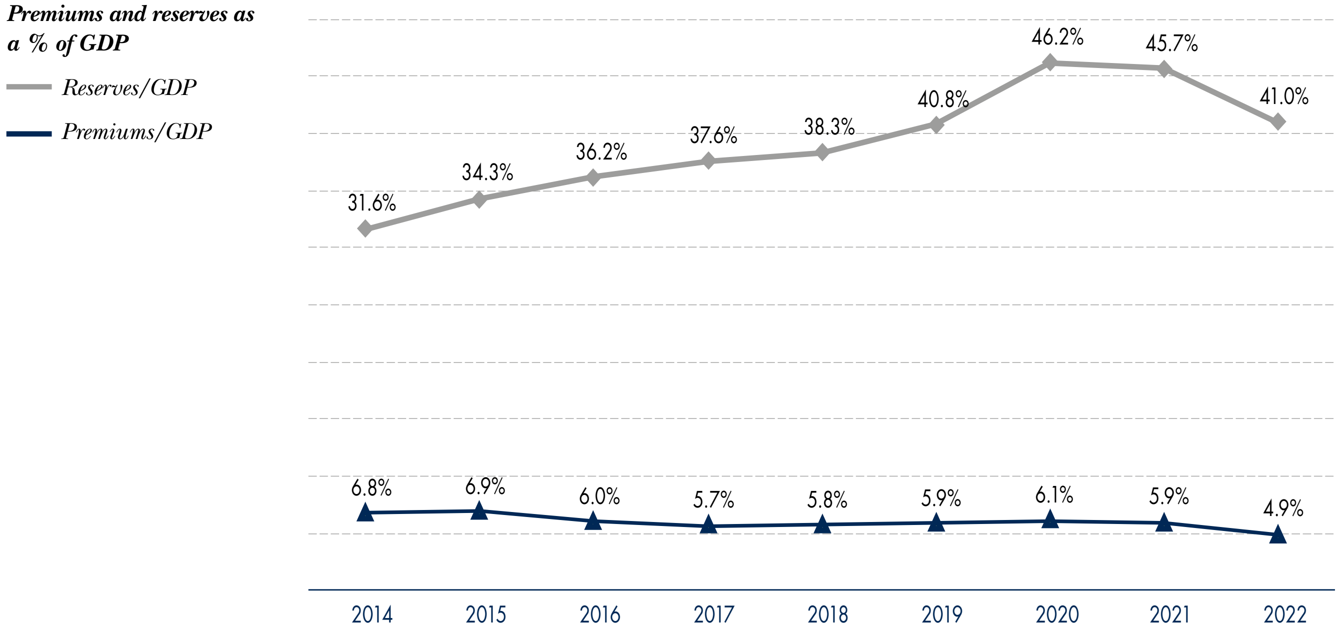
In 2022 the shrinkage in life insurance technical provisions by 2.1% was accompanied by an increase of +6.8% in economic activity, so their ratio to GDP accordingly dropped to 41.0% from 45.7% in 2021, when it had declined in turn from 46.2% in 2020. For the same reason, the ratio of life premiums to GDP also dipped from 6.1% in 2020 to 5.9% in 2021 and more sharply to 4.9% in 2022.

LIFE INSURANCE

Overall technical balance
Euro million



Premiums and reserves as a % of GDP



EVOLUTION OF THE SUPPLY OF LIFE PRODUCTS

Estimate of the composition of contracts by type of guarantee

Using industry statistics, with some elaborations, we can estimate the composition, in terms of mathematical reserves, of investment-related life insurance products by type of guarantee.

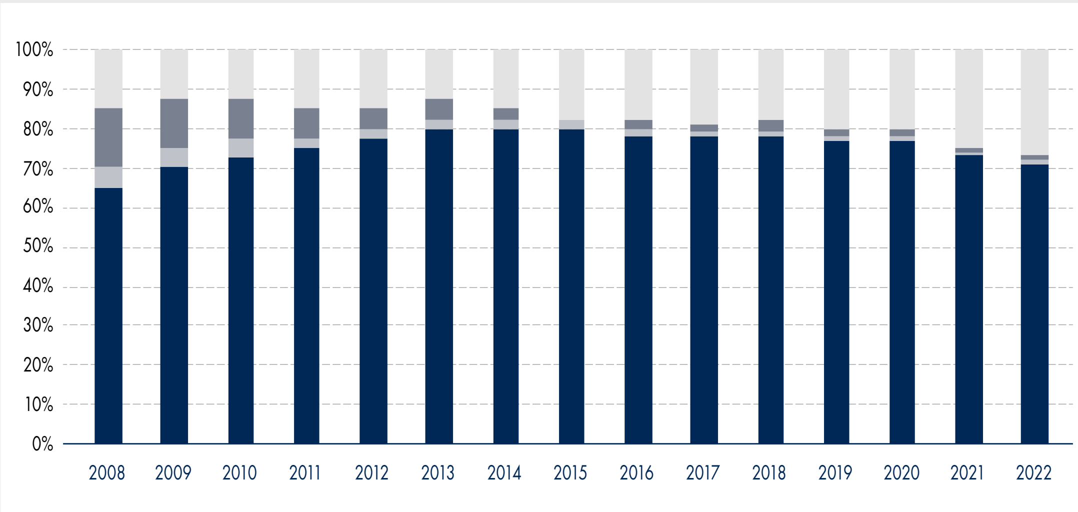
At the end of 2022, guaranteed yield products[1] constituted 72% of total life business (Figure 1), showing a slight reduction from the previous year (74%). That share consists almost exclusively of Class I with-profit policies, including the Class I component of multi-class policies and the Class V component, which in total amount to 71%, while the guaranteed components in linked contracts and pension funds account for the other 1%.

A residual share (1%) consists in contracts or components of multi-class products characterized by financial protections – such as the "protected" unit-linked funds.[2] The remaining 27% is constituted by contracts related to unit-linked funds with no guarantees or protections.

Over the period 2008-2022, the guaranteed component of Class I and V policies increased from 65% to over 70%, owing to the increasing incidence of with-profits policies, which, however, has diminished since peaking at 80% in

Figure 1
% composition of managed assets by type of guarantee

With risk borne by the insured
With financial protection
Guaranteed yield contracts (Class III and VI)
Guaranteed yield contracts (Class I and V)



Sources: Ania elaborations based on IVASS and COVIP data

(1) The policies with guaranteed yields are the following:
– profit-sharing products, "multi-class" contracts or pension products, with reference to products with a minimum yield or the repayment of premiums;
– unit-linked contracts or unit-linked components of "multi-class" contracts classified as "guaranteed", meaning with contract protection and not merely protection for the capital invested;
– lines guaranteed by open pension funds or occupational pension funds.

(2) These funds, through the use of special management techniques, pursue an investment policy aimed at minimizing the probability of capital losses.

2014. The shares of guaranteed contracts in Class III and VI have dropped from 5% in 2008 to the current 1%, while the share of totally unguaranteed contracts, covering around 15% at the beginning of the period, reached 27% at the end of 2022.

Asset allocation for life products

Table 1
Composition of investments of total life products at the end of 2022

Asset allocation capital	Composition of investment			
	Total life	of which: contract share profit-sharing	of which: Sub-total linked and pension funds	
			Total	of which: unit-linked only
Government securities	48.5%	60.0%	20.8%	17.6%
Corporate bonds	30.2%	28.1%	35.2%	38.4%
Shares and other equities	13.9%	3.4%	39.3%	38.8%
Liquidity	2.3%	1.3%	4.6%	5.2%
Property and other	5.1%	7.2%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

Using industry statistics, with some elaborations[3] and assumptions, the effective composition of asset allocation related to life insurance contracts is estimated with a look-through approach to obtain the elementary assets (government securities, bonds, etc.) composing the investment.

These elaborations showed that at the end of 2022 government securities constituted 48.5% of the assets (Table 1) and corporate bonds just under 30%, while equities accounted for around 14% of the portfolio.

Regarding with-profit and profit-sharing products offering guaranteed minimum returns, the share invested in government securities amounted to 60%, while corporate bonds accounted for more than one fourth. Equities accounted for just a few percentage points.

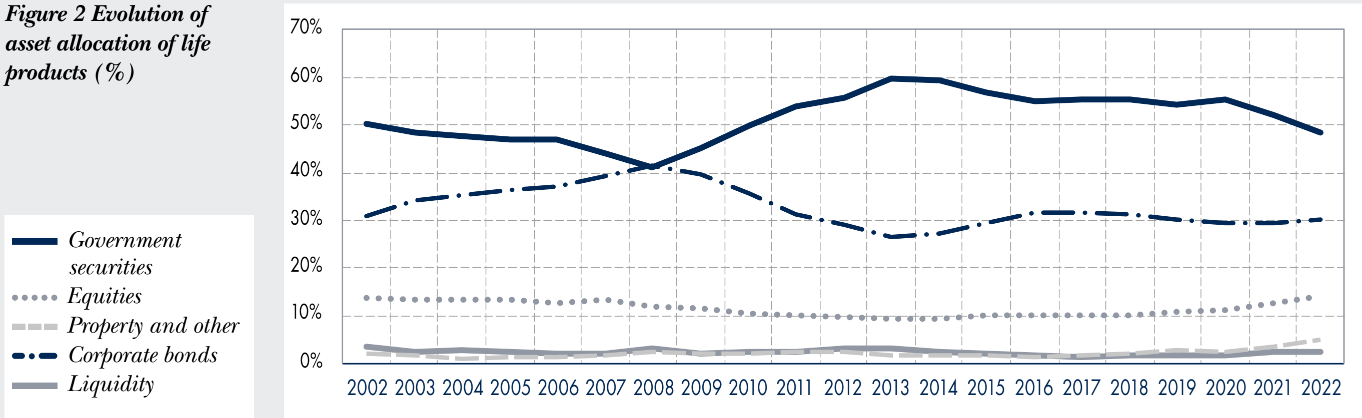
As for linked products and pension funds, there is a higher risk-yield profile. In particular, the portion invested in corporate bonds and in equities exceeded 38% of the portfolio.

Taking a look at asset allocation since 2002 (Figure 2), with reference to all life contracts, we find a decline in government securities investment in recent years and a very moderate upward trend in corporate bonds. The investment shares of these two macro-asset classes were more or less equal in 2008 but then diverged progressively and, in recent years, came closer once again.

In recent times, equities, which represent a limited part of the portfolio, grew slightly to 14% in 2022 due to the increased number of unit-linked contracts, while the portion of liquidity, real estate and other investment is still negligible.

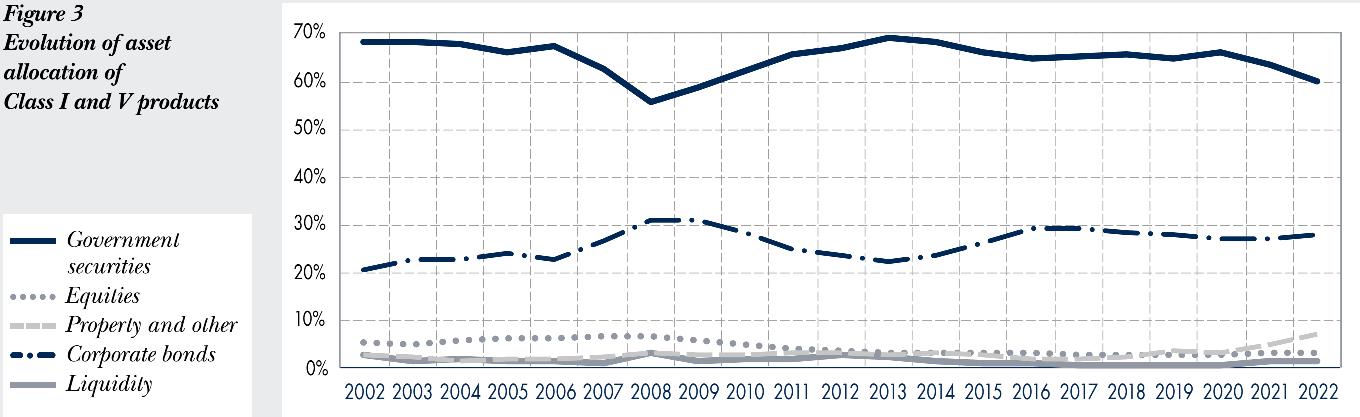
(3) In particular, the effective composition of investments in UCITS is estimated with a look-through approach to obtain the elementary assets (government securities, bonds, etc.) composing the investment.

Figure 2 Evolution of asset allocation of life products (%)



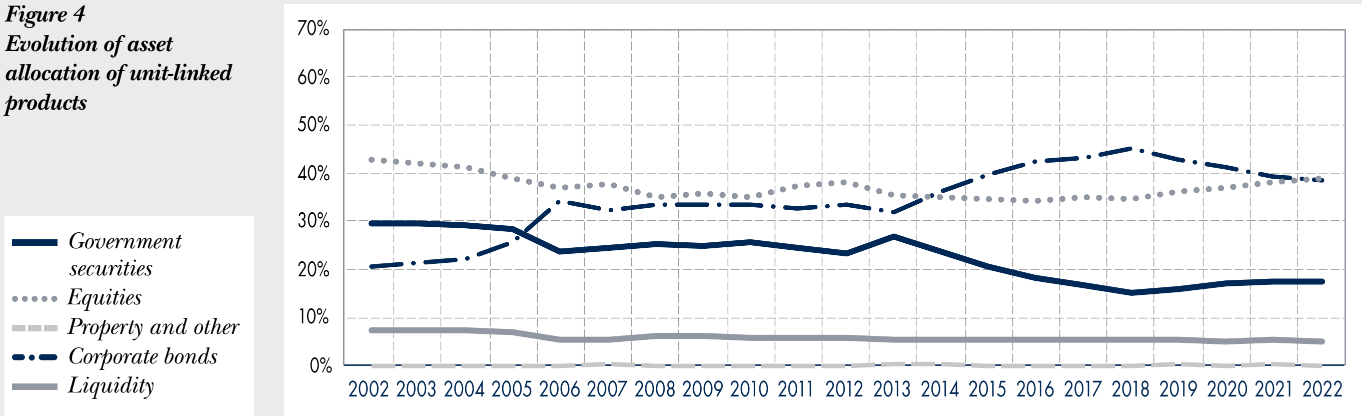
With reference to Class I and V contracts, profit-sharing policies backed by minimum guaranteed rates (Figure 3), the still prevalent incidence of government bonds has dropped over the last years against a mostly stable share of corporate bonds (30%) and slight growth in other asset classes.

Figure 3 Evolution of asset allocation of Class I and V products



Finally, as for the composition of investment covering the unit-linked components of contracts, over the last year the share of equities has overtaken that of corporate bonds for the first time since 2014 (Figure 4).

Figure 4 Evolution of asset allocation of unit-linked products

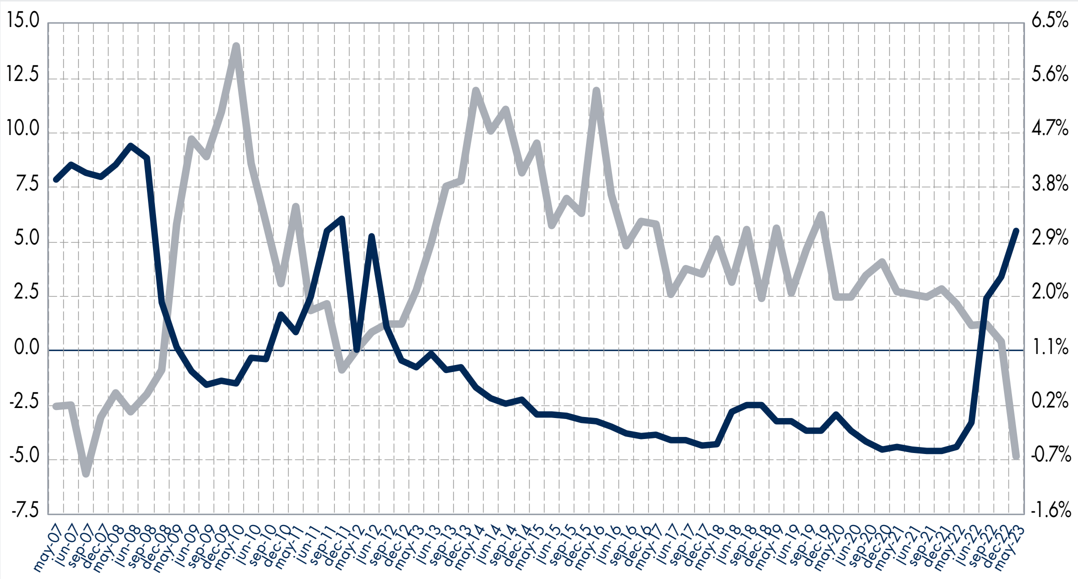


Long-term evolution of net premium income

Over the period from 2007 to the first quarter of 2023, the quarterly performance of net premium income in life insurance – meaning, the difference for the life classes between written premiums and amounts paid for surrenders, policies maturing, claims and annuities – has gone up and down, alternating negative and positive periods.

Over this period the income generated by Class I and V products shows a clear inverse correlation with the nominal yield of short-term Italian government securities (Figure 5).

Figure 5
Net premium income of traditional policies and yield on six-month Italian Treasury bills



Source: ANIA, Refinitiv

In particular, over the recent quarters of rapidly rising interest rates, the Class I and V net premium income has fallen progressively, to a negative outturn of -€4.8 billion in the first quarter of 2023, with the 6-month Italian Treasury bills yielding over 3%. A similar situation was observed in the third quarter of 2007 when net premium income registered an all-time low for Class I and V in absolute terms, with 6-month T-bills at over 4%.

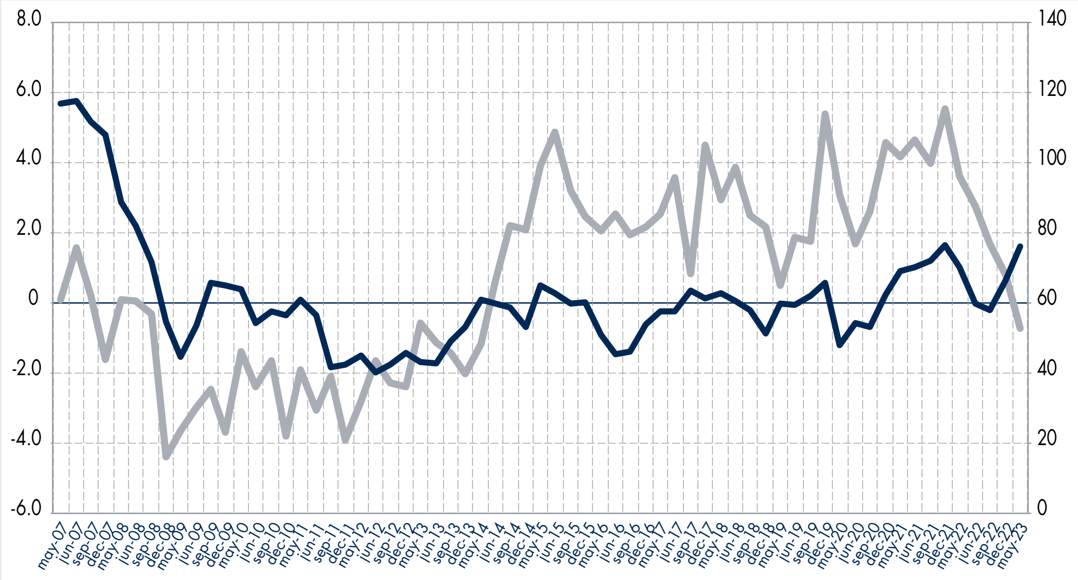
The net premium income of linked policies also declined through 2022, actually turning negative for all asset classes (except for segregated accounts) in the first quarter of 2023 after a lengthy period of positive net income, despite the market upturn at the beginning of the year (Figure 6).

Finally, developments from 2020 to the first quarter of 2023 have been analyzed with particular reference to the year-on-year changes in premiums as well as surrenders and claims.

Figura 6
Net premium income of linked policies and FTSE MIB index

Net life premium income (Class III) € bn (left-hand scale)

FTSE MIB index base 1.1.2006 = 100 (right-hand scale)



Source: ANIA, Refinitiv

As illustrated in Figure 7, in 2022 and in the first quarter of 2023 premium income showed contractions ranging between -15% and -3% compared with the year-earlier quarter.

As for the surrender rate, calculated as the ratio between the amounts paid for policy surrenders and the average value of reserves in the period, it recorded significant increases starting in the third quarter of 2022 and by the first quarter of 2023 exceeded 60%.

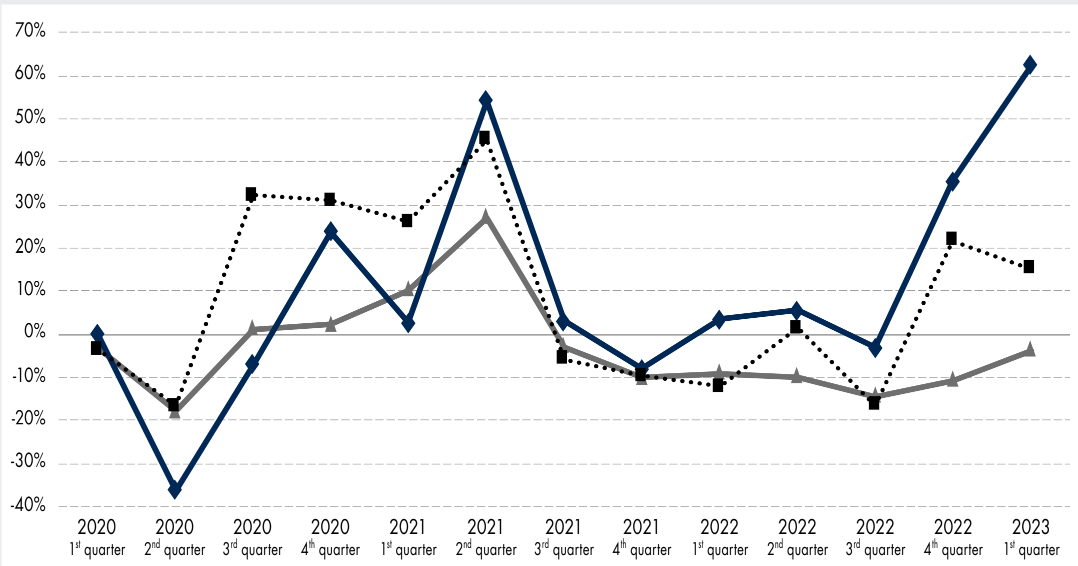
The claims rate – the ratio of amounts paid for claims to the average value of reserves – showed values that were lower than a year earlier or substantially unchanged up until the third quarter of 2022. The rate then rose steadily through the rest of the year, increasing by over 20% increase from the end of 2021 and 15% in the first quarter of 2023.

Figure 7
Quarterly variation in premium income, redemptions and claims over previous year quarter

Claims variation

Premium income variation

Surrender variation



ECONOMETRIC ANALYSIS OF LIFE POLICY DEMAND AND MACROECONOMIC VARIABLES

Households' savings decisions are powerfully affected by inflation rates, both current and expected. Saving is practically the only instrument whereby consumers can allocate consumption over time, transferring income from the present to the future. The purchasing power of one's income is determined by price movements, which are thus a fundamental variable for consumers in how much consumption to defer and by what instruments.

Every financial instrument is distinguished by its risk-yield characteristics. Life policies – beyond the demographic risk – are, generally speaking, a fairly low-risk savings product basically characterized, for a series of reasons, by the limited variability in nominal yield flows.

But it is precisely this feature – generally desired by income earners – that makes life policies more sensitive than other products to consumer price variations.

Real yields for life policies – especially for Class I products – are counter-cyclical. They tend to decrease more than proportionally as compared to other financial assets when consumer prices rise and vice versa. After a decade of very moderate inflation – due at first to the long global financial crisis and then to the pandemic – in 2022 and in the first months of 2023 consumer prices have suddenly spiked.

This section analyzes the correlation between life insurance premiums and inflation in order to outline mid-term trends to provide data on the impact that the recent rise in prices is having on life products.

On the basis of quarterly insurance and macroeconomic data, the study offers an econometric analysis – i.e. a statistical analysis in which causal relations are derived indirectly from economic theory – of the correlation between the aggregate demand for life products and key macroeconomic variables, especially monetary-financial variables.

The cut-off date for the data included in the elaborations contained in this publication is March 2023, more than a year after the beginning of the Russian-Ukrainian conflict, a moment that is believed to have originated this acceleration in price increases and the consequent measures adopted by the main central banks to bring it back to the target levels.

The variables affecting life product demand

The number of variables affecting the decision to acquire a life insurance policy is potentially very high. Since this is at once a portfolio choice and a decdision to invest, it is natural to draw on the causal relations set out in aggregate saving theory. These suggest that the insurance policy demand might depend on variations in three macroeconomic variables, plus a set of "technical" control variables.

1) **Monetary and financial variables.** These are strictly interconnected, and measuring their impact is the focus of this study. The main variables considered are current and expected inflation and its influence on such other relevant variables as the yield on various asset classes.
2) **Real economic variables.** These are the variables relating to current and expected economic output and income and how the latter is utilized (consumption and saving).
3) **"Sentiment" variables.** These represent the opinion of economic agents, describing vision and mood, especially for the future, on the evolution of the economic, financial and monetary situation.
4) **Control variables.** These variables were designed to "purge" the estimates of seasonal and temporary components and of structural changes so as to avoid spurious correlations.

The table below contains a list of the variables considered with a brief description and the type of macroeconomic variable they are intended to represent. The data collection frequency is quarterly, carried out through indexes, producing short-term annualized percentage variations (from the previous quarter) and longer-term trends (from the same quarter of the previous year). The sources are ISTAT, the Italian Stock Exchange and the Ministry of Economy and Finance.

Among the control variables, the "observation year" variable (called "structural change") is in binary format, always having the same value "1" until 2011 and value "0" from 2012. This choice was made to highlight whether the life product business (both Class I and III) might have been changed permanently after the 2011 crisis in the spread on Italian bonds. In mid-2012, the ECB committed to purchase the bonds of countries under speculation attack, which eased the yield pressure, with a consequent impact on the life product supply mix.

Variable	Description	Type
BOT6	6-month T-bill yield rate	Monetary and financial
BOT12	12-month T-bill yield rate	Monetary and financial
INFLAT	Short-term change in consumer prices (FOI)	Monetary and financial
REAL_T	12-month T-bill real yield (BOT12-INFLAZ)	Monetary and financial
EQUITY	12-month change in FTSEMIB index	Monetary and financial
FTSEMIB	FTSEMIB stock market index	Monetary and financial
FTSEMIB_VARTRIM	Quarterly change in FTSEMIB index	Monetary and financial
FOI	Index of consumer prices	Monetary and financial
VALUE_EXCHANGES	Volume of stock market transactions	Monetary and financial
EQUITY-1	12-month change in quarterly FTSEMIB index in previous quarter	Monetary and financial
FTSEMIB-1	FTSEMIB index in previous quarter	Monetary and financial
FTSEMIB_VARTRIM-1	Short-term change in FTSEMIB index in previous quarter	Monetary and financial
VALUE_EXCHANGES-1	Volume of stock market transactions previous in previous quarter	Monetary and financial
ABITAZ	Property price index (quarterly average)	Real
VAR_T_INV	% change in consumer households investment rate	Real

Variable	Description	Type
VAR_T_RISP	% change in consumer households saving rate	Real
VAR_RED_DISP	% change in consumer households disposable income	Real
T_INV	Consumer households investment rate	Real
T_RISP	Consumer households saving rate	Real
FID_CON	Consumer confidence index	Sentiment
VAR_FID_CON	Short-term variation in consumer confidence index	Sentiment
GIU_SEFM	Assessment of household's own economic situation	Sentiment
ATT_SEFM	Households' expectations for own economic situation	Sentiment
GIU_SEIT	Assessment of Italian economic situation	Sentiment
ATT_SEIT	Expectations for Italian economic situation	Sentiment
GIU_PZ	Assessment of price change	Sentiment
ATT_PZ	Expected price change	Sentiment
ATT_DIS	Expected unemployment	Sentiment
ACQBD_ATT	Current advantage of purchasing durable goods	Sentiment
ACQBD_FUT	Future intentions to purchase durable goods	Sentiment
RISP_ATT	Current advantage of saving	Sentiment
RISP_FUT	Potential future advantage of saving	Sentiment
GIU_BIFM	Assessment on household budget	Sentiment
Flag_Anno	Structural change dummy	Control
Flag_trim1	Q1 dummy	Control
Flag_trim2	Q2 dummy	Control
Flag_trim3	Q3 dummy	Control
Flag_trim4	Q4 dummy	Control

Dependent variable and estimation methodologies

The purpose of this analysis is to estimate the sensitivity of life product demand to current and expected changes in some macroeconomic variables, with special attention to consumer price variations. Unlike the case of ordinary goods, however, determining the prices and quantities of insurance products is not straightforward. The simple data on premiums paid, either new or periodic, does not include the payments to policyholders and thus potentially overestimates the actual life product demand, especially in periods characterized by a strong macroeconomic variability.

That is why we decided to take as our dependent variable net insurance premium inflows, i.e. the difference for an insurer between the premiums earned in a quarter and payments to insured parties/policyholders for annuities, surrenders and claims. The specification strategy envisages the estimate of two sectoral models related respectively to Class I (essentially with-profit policies) and Class III (linked policies) to take account of the substantial differences in product features and the distribution of capital risk.

The econometric model chosen is a standard one: a multivariate linear economic model estimated on quarterly time series aggregated with the least squares method, hence assuming homoscedasticity and a correct specification and orthogonality of residuals. The usual robustness checks were carried out.

Given the high number of macroeconomic variables that might potentially affect life policy demand, we used a bottom-up approach that has only weak justifications in economic theory, estimating linear correlation coefficients adopting a stepwise methodology with a 10% significance level, starting from a single-variable model and adding (or removing) other variables one at a time starting from the coefficient with the most highly significant estimate, implying a revision of the number of variables introduced.

Data frequency is quarterly and the sample interval runs from 2007 to the first quarter of 2023, thus covering the two global economic-financial crises of 2007-2008 and 2011-12, the pandemic crisis and the beginning of the Russia-Ukraine war. No significant regulatory changes have occurred in the Italian life insurance sector over the period.

The results

Class I

The dependent variable is the log balance between Class I inflows and outflows in each quarter. A stepwise estimation technique was employed with a 10% significance threshold. The percentage variability of the dependent variable that is explained by the model, measured by the R2, is very high, close to 75%.

The independent variables that proved to be significant, along with seasonal adjustments, are listed in the table below, with signs indicating their impact on net flows.

After nearly two years of growing inflation, its direct impact is clear in the negative estimated coefficient for INFLAT variable and its indirect impact on the negative estimated coefficient of the T-REAL variable on net premium income. Households save relatively less since the rising cost of living lowers the value of future consumption and, at the same time, they move their savings to higher yield investments which tend to prevail in periods of growing inflation to protect their future purchasing power. This result clearly confirms the theoretical assumption outlined in the introduction. An increase in real market yields tends to shift savings from Class I products, containing several generations' assets, to more recently issued instruments. The effect takes the form of a shift in the new saving demand, together with the increase in negative policy demand given by early redemptions.

The variables related to the assessment of household's own economic situation (GIU_SEFM) and prices (GIU_PZ) now have a negative effect, confirming that the substitution effect now prevails over the income effect.

The negative coefficient of the variable indicating the future intentions to purchase durable goods (ACQBD_FUT) is ascribable to the need for households to free financial resources to carry out their own long-term consumption plans.

The stock exchange trends captured by the estimated coefficient on variable FTSEMIB_VARTRIM is negative, confirming the prevalence of the portfolio effect over the income effect.

Variabile	Coefficient	Significance (*)
Intercepts	+8.683	+++
INFLAZ	-20.525	+++
GIU_SEFM	-0.010	+++
GIU_PZ	-0.004	++
ACQBD_FUT	-0.005	++
Flag_Anno_Rel	+0.498	+++
FTSEMIB_VARTRIM	-0.494	+
T_REALE	-21.618	+++

(*) Significance level: (+++): <1%; (++): >1% and <5%; (+) <10%

Class III

Again, the dependent variable is the log balance between Class III inflows and outflows in each quarter. A stepwise estimation technique was employed with a 10% significance threshold. The percentage variability of the dependent variable that is explained by the model, measured by the R2, is very high, over 75%. The independent variables that proved to be significant are listed in the table below, with signs indicating their impact on net flows.

Starting from the significant variables for this study – the current and expected price trend – no significant correlations were found.

The positive value of the volume of stock exchange trading (VALUE_EXCHANGES) confirms the impact of stock market trends on Class III product demand, given their high stock component.

Variabile	Coefficient	Significance (*)
Intercepts	+8.522	+++
Flag_Anno_Rel	-0.747	+++
ACQBD_ATT	+0.007	+++
VALORE_SCAMBI	+0.039	+++
GIU_PZ	-0.005	+++

(*) Significance level: (+++): <1%; (++): >1% and <5%; (+) <10%

The positive coefficient of the intention to purchase durable goods in the future (ACQBD_FUT) is ascribable to a pro-cyclical income effect whereby savings and consumption both increase in the positive phases, and viceversa.

Conclusion

After nearly two years of growing inflation, two models have been estimated to measure the impact on Class I and Class III life product demand.

The estimation of the equation for the Class I balance shows that the net demand for these products is negatively correlated with consumer price trends and the real yields of alternative assets.

No significant impact of inflation on the demand for Class III products emerges from the estimation of the model. The positive correlation between demand and stock exchange trends is therefore confirmed.

LIFE INSURANCE AND ITALIAN HOUSEHOLDS' SAVINGS

In 2022, households' disposable income increased (+6.2%, +3.5% in 2021) thanks to the growth in employees' compensation (+7.1%, +7.5%), income from self-employment (+5.5%, +7.1%) and income from property (+6.7%, +1.6%). The sharp increase in consumer price inflation, however, drove households' disposable income down in real terms: by 1.2% as measured by the consumption deflator, by 8.1% considering expected inflation as well, and by 7.5% considering past but not expected inflation (Table 1).

Table 1
Gross disposable income and households' propensity to save [1] ***(current prices, except where indicated***
% change from the previous period

	Composition %	Change %		
	2022	2020	2021	2022
		% variation		
Compensation of employees	63.7	-5.8	7.5	7.1
Income from self-employment [2]	23.0	-11.6	7.1	5.5
Net income from property [3]	21.3	-4.3	1.6	6.7
Social benefits and other net transfers	34.9	11.0	0.4	2.3
Net social contributions (–)	24.3	-4.9	7.3	6.1
Current taxes on income and property (–)	18.6	-2.9	7.6	1.8
Gross disposable income	**100.0**	**-2.1**	**3.5**	**6.2**
in real terms [4]	–	-2.3	1.9	-1.2
in real terms and adjusted for expected inflation [4] [5]	–	-1.6	-0.8	-8.1
in real terms and adjusted for past inflation [4] [6]	–	-1.8	-0.6	-7.5
		% ratios		
Average propensity to save [7]	–	15.6	13.2	8.1

Source: based on ISTAT and Bank of Italy data

[1] Referred to consumers households. – [2] Mixed income and withdrawals from income of quasi-corporations. [3] Gross result (mainly rental income). net income from land and intangible assets, net interest, dividends and other profits distributed by companies. – [4] Deflated by consumption deflator of consumer households. – [5] Gross disposable income in real terms, net of inflation losses on net financial assets calculated on the expected inflation elaborated by Consensus Economics. – [6] Gross disposable income in real terms net of inflation losses on net financial assets calculated on the realised inflation. – [7] Ratio between gross savings and gross disposable income adjusted by the variation in pension rights.

Social benefits returned to growth (+2.3%, +0.4% in 2021), while the growth in net social contributions slowed slightly (+6.1%, +7.3%) and overall income tax receipts slowed sharply (+1.8%, +7.6%).

Households' propensity to save dropped significantly, almost reaching the average values of the pre-pandemic period (8.1%) from the exceptionally high values of 2021 (13.2%) and 2020 (15.6%).

Financial saving

In 2022, the net financial savings of Italian households and non-profit institutions (hereinafter: "households") was equal to +€47.7 billion, with a further sharp decrease from 2021 (€107.1 billion), but still significantly above the average before the pandemic. This figure essentially reflects the sharp contraction in households' asset inflows, from €140 billion in 2021 to €80 billion in 2022. Financial outflows dropped only marginally, from €36 billion to €32.4 billion (Table 2).

Table 2 - Financial assets of Italian households [(1)]

Items	STOCKS (millions of euro)	YEAR-END STOCKS / TOTAL ASSETS (%)		FLOWS (millions of euro)	
	2022	2021	2022	2021	2022
ASSETS [(2)]					
Bank instruments	204,247	3.7	4.0	12,914	6,149
Deposits [(3)]	1,429,160	26.2	27.8	57,266	8,791
Italian	1,405,847	25.8	27.4	57,266	8,791
sight deposits	994,775	18.0	19.4	71,793	20,637
other deposits	411,073	7.8	8.0	-14,527	-11,846
Bonds	260,001	4.4	5.1	-19,428	64,782
Italian	187,973	3.0	3.7	-10,737	58,610
of which: Public	148,520	2.2	2.9	-6,295	54,207
bank	30,556	0.5	0.6	-6,220	7,791
Foreign	72,028	1.4	1.4	-8,691	6,172
Units of mutual funds	663,999	14.1	12.9	49,835	-4,576
Italian	197,451	4.2	3.8	630	-5,560
Foreign	466,548	9.9	9.1	49,205	984
Shares and other equity	1,321,325	26.2	25.7	-8,173	-25,451
Italian	1,213,897	24.0	23.6	-10,771	-29,034
Foreign	107,428	2.1	2.1	2,598	3,582
Insurance, pension funds, severance pay	1,065,324	22.4	20.7	27,255	12,554
of which: reserves of the life sector	751,432	16.4	14.6	20,901	9,422
Other assets issued by residents [(4)]	194,312	3.2	3.8	23,461	17,840
Total assets	**5,138,370**	**100.0**	**100.0**	**143,130**	**80,089**
memo item: managed savings [(5)]	1,536,649	32.9	29.9	74,056	7,399
LIABILITIES					
Short-term debt [(6)]	48,330	4.6	4.7	2,549	3,709
of which: bank	44,812	4.3	4.3	2,152	3,545
Medium and long-term debt [(7)]	748,248	72.5	72.6	25,109	24,116
of which: bank	635,834	61.8	61.7	19,815	17,729
Other liabilities [(8)]	234,535	22.9	22.7	8,415	4,535
Total liabilities	**1,031,112**	**100.0**	**100.0**	**36,074**	**32,360**
BALANCE	4,107,258			107,056	47,729

Source: Conti Finanziari, Banca d'Italia

[(1)] Consumer households, producer households and non-profit institutions serving households For a definition of series and calculation methods, see the item Italian assets and liabilities under the Methodological Note to the Appendix. The last figures are rounded. – [(2)] Invested assets through managed asset portfolios are included in the single instruments. – [(3)] Includes Bancoposta current accounts and Cassa Depositi e Prestiti liabilities. [(4)] Commercial credit, derivatives, employees' stock-options and other minor items. – [(5)] Includes common funds, life insurance, pension funds and supplementary funds, excluding severance pay. – [(6)] Includes funds from factoring companies. – [(7)] Includes securitised loans, payables to leasing companies, consumer credit from financial companies and loans from other residents. – [(8)] Trade payables, severance pay funds and other minor items.

As for assets, net inflows to all asset classes decreased in 2022 (or outflows increased), with the exception of government and corporate bonds, which boomed from -€19.4 billion in 2021 to +€64.8 billion in 2022. Managed assets – defined as the sum of investment fund units, life insurance, pension funds and supplementary pensions (excluding severance pay) – had positive investment inflows (+€7.4 billion) even if scarcely a tenth as much as in 2021 (+€74.1 billion). The investment flow into insurance policies dropped significantly but remained positive (+€9.4 billion, against +€20.9 billion in 2021).

At the end of 2022, the stock of financial assets held by Italian households amounted to €5,138 billion, down by €100 billion from a year earlier. The largest share of Italian households' financial wealth still consists in liquid instruments, i.e. bank deposits (27.8%, 26.2% at end-2021), followed by shares and other equity (25.7%, 26.2% in 2021), and then insurance, pension funds and employee severance pay provisions (20.7%, 22.4%) – including life insurance provisions (14.6%, 16.4%). Mutual fund units were also decreasing, to 12.9% in 2022 from 14.1% in 2021.

The apparent contradiction between the evolution of Italians' portfolio mix and that of households' asset inflows and outflows, as elicited by the diminished incidence of some asset classes – such as managed assets, including life policies – despite substantial inflows over the year is resolved when one considers that the stocks are calculated at current prices – i.e. incorporating the wealth effects given by the increase and decrease of assets' prices from one year to the next – while the flows are valued at constant asset prices, i.e. net of the wealth effects.

SUPPLEMENTARY PENSION FUNDS: KEY FIGURES AND MAIN REGULATORY CHANGES

Enrollments, contributions and managed resources

Enrollments in supplementary pension plans continued the gradual growth of recent years; the number of new members came to 830,000 in 2022, around 171,000 more than the previous year.

At the end of 2022, the number of pension plan accounts reached 10.3 million, with 5.8% growth from the previous year (Table 1).

Table 1
Evolution of accounts by pension plan

Pension plans	Number of accounts 2021	Number of accounts 2022	Change %
Occupational funds and Fondinps	3,452,593	3,806,064	10.2%
Open funds	1,735,459	1,841,702	6.1%
Individual retirement plans	3,935,069	4,006,489	1.8%
Pre-existing funds	648,838	676,092	4.2%
Total	**9,729,589**	**10,290,085**	**5.8%**

Source: ANIA elaborations based on COVIP data

At the end of 2022, the effective number of enrollees (shorn of multiple enrollments) was 9.2 million, 36.2% of the labor force (persons employed plus job seekers above 15 years of age), with 5.4% growth from the previous year (Table 2). However, in 2022 the number of enrollees who had stopped paying contributions remained significant at more than 2.5 million, up by almost 200,000 from the previous year: such non-payment was most common for open pension funds and individual retirement plans.

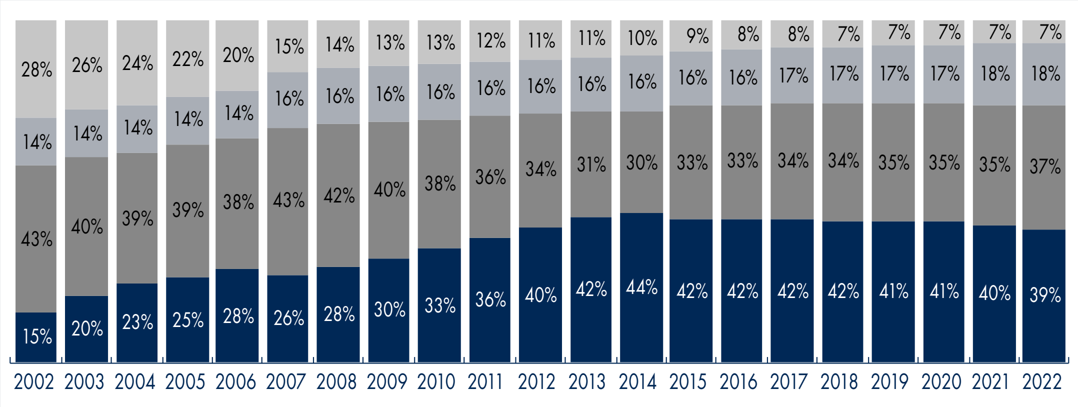
Table 2
Evolution of participants by pension plan

Pension plans	Number of participants 2021	Number of participants 2022	Change %
Occupational funds and Fondinps	3,364,223	3,695,940	9.9%
Open funds	1,694,029	1,796,429	6.0%
Individual retirement plans	3,766,907	3,834,982	1.8%
Pre-existing funds	620,195	647,564	4.4%
Total	**8,764,233**	**9,240,387**	**5.4%**
Labor force (millions)	25,3	25,1	- 0,6%
Share of labor force	34,7%	36,2%	1,5%

Source: ANIA elaborations based on COVIP data

Occupational pension funds showed the sharpest growth in enrollments (9.9%) both in relative terms and in absolute value (more than 330,000). Its growth was driven first by the contract procedure – namely the “automatic participation” with the employer’s contribution only (currently applied to 14 funds) and, secondly, by the principle of tacit consent made operational in 2022 for the newly hired public employees fund since 2019 (Figure 1).

Figure 1
Positions
By type of pension fund



Source: ANIA elaborations based on COVIP data

The total contributions paid to pension funds went up by 3.6% from 2021 (Table 3). In particular, this increase was due chiefly to open funds, inflows to which gained almost 7.8%, while increases in the other pension plans were rather limited.

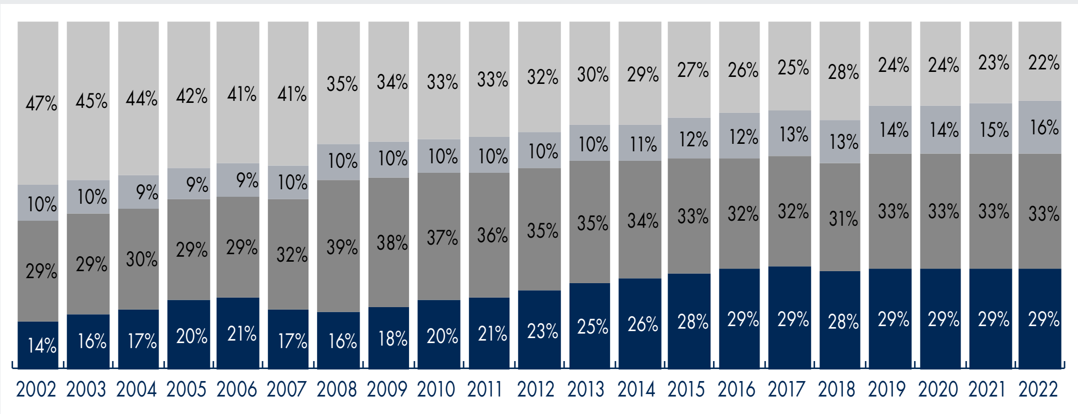
Table 3
Evolution of pension fund contributions
Euro million

Pension plans	Contributions 2021	Contributions 2022	Change %
Occupational funds and Fondinps	5,788	6,051	4.5%
Open funds	2,641	2,846	7.8%
Individual retirement plans	5,128	5,237	2.1%
Pre-existing funds	4,043	4,103	1.5%
Total	17,600	18,237	3.6%

Source: ANIA elaborations based on COVIP data

Figure 2 shows the evolution of pension fund contributions since 2002; the shares going to the various types of fund in 2022 were practically unchanged from 2021.

Figure 2
Time series of contribution flows by type of supplementary pension fund



Source: ANIA elaborations based on COVIP data

The financial market turmoil in 2022 affected the net financial income adversely for nearly all pension plans, with a consequent drop in net assets. Therefore aggregate average yields – net of management costs and taxes – were negative: against a revaluation of severance pay entitlements equal to 8.3% in

2022, the various contractual pension plan lines showed a loss of 9.8%, open funds lost 10.7%, IRPs and unit-linked funds lost 11.5%. The only exception was the average performance of IRPs' segregated funds, which was positive, amounting to +1.2%.

The resources allocated to benefits amounted to €206 billion, or 10.8% of nominal GDP and 4.0% of households' financial saving, with drop of 3.6% with respect to the end of 2021 (Table 4).

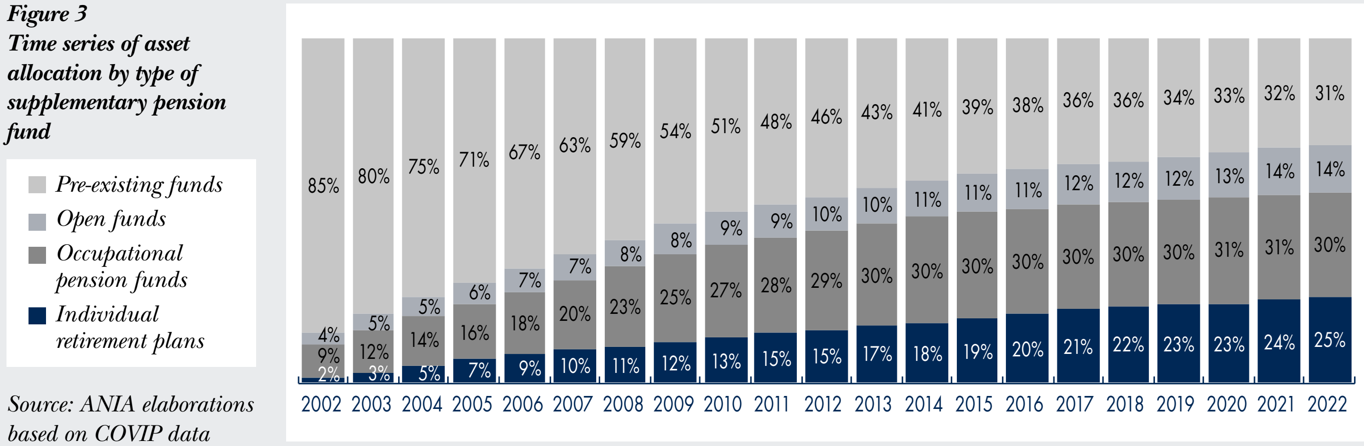
Table 4
Resources set aside for benefits by type of supplementary pension
Euro million

Pension plans	Resources managed 2021	Resources managed 2022	Change %
Occupational funds and Fondinps	65,322	61,101	-6.5%
Open funds	28,966	28,047	-3.2%
Individual retirement plans	51,326	52,109	1.5%
Pre-existing funds	67,627	64,338	-4.9%
Total	**213,241**	**205,596**	**-3.6%**
Share of GDP	12.0%	10.8%	-1.2%
Share of households' financial savings	4.1%	4.0%	-0.1%

Source: ANIA elaborations based on COVIP data

The sharpest contraction in relative terms was registered for occupational pension funds, while IRPs were the only type with a positive variation from the previous year (+1.5%). Pre-existing funds, despite the reduction in resources managed in 2022 and the gradual contraction in their share in the total of pension plans, still show the highest percentage of resources managed (31%) (Figure 3).

Figure 3
Time series of asset allocation by type of supplementary pension fund



Source: ANIA elaborations based on COVIP data

Main regulatory changes

Adaptation of Italian legislation to the new EU norms on PEPP

On 8 August 2022, Italy issued the Legislative Decree 144 of 3 August 2022 on “Implementation of Regulation (EU) 2019/1238 of the European Parliament and the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP)”.

As is known, the Regulation and the related Delegated Regulation 2021/473 of 18 December are directly applicable to all European countries as of 22 March 2022; the Legislative Decree is aimed at adapting Italian law to the PEPP regulation.

In particular, the Decree names the national competent Authorities for the powers and functions envisaged by the PEPP Regulation, including PEPP registration and the supervisory activity on PEPP distribution (articles 1-7). The decree also regulates additional information (art. 9), the conditions during the accumulation phase (art. 10), the segregation of assets and liabilities of PEPPs to protect members (art. 11), transfer requests (art. 12), the conditions during the decumulation phase, both before the payment of the final pension and during the payment of the pension (arts. 13 and 15) and the sanctions for the violation of the European regulation (art. 8) as well as the out-of-court settlement procedures (art. 17).

In addition, the Decree includes provisions on the taxation of yields (art. 14), as well as coordination with the current tax regulations (art. 16) and it ends with some final provisions (art. 18).

COVIP is the national competent Authority tasked with the supervision of the general compliance with the obligations set forth by the PEPP Regulation, with the exception of the specific tasks assigned by the decree to the Bank of Italy, CONSOB and – with regard to insurance companies – IVASS (art. 2).

In particular, pursuant to art. 3, COVIP is the relevant Authority for receiving PEPP registration applications submitted by PEPP providers located in Italy, as well as for deciding any potential cancellation of the registrations, having heard the other relevant Authorities.

In addition, COVIP is in charge of receiving the notifications on the opening of potential PEPP “sub-accounts” in other European countries as well as having the power to veto or limit the marketing of a PEPP, having heard the other Authorities for their own fields of competence (art. 5 section 1).

As far as the supervision on investment compliance is concerned, COVIP is competent for pension funds, banks, investment firms and managed asset companies, while IVASS is competent for insurance companies (art. 5, section 4).

COVIP, Bank of Italy, CONSOB and IVASS shall create complaint procedures for potential PEPP Regulation violations (art. 5 section 5).

The Authorities are called to cooperate also through memorandums of understanding (art. 7).

The supervision on the application of the rules on brokering and pre-contract information is assigned to IVASS for insurance companies and brokers (art. 4, section 1).

Art. 9 adds more provisions to the European regulations envisaging that PEPP providers must give additional pension projections to the savers, other than those provided by individual pension plans regulated by Leg. Dec. 252/2005 (resolution of 22 December 2020).

Art. 10 of the new decree lists the conditions of the accumulation phase, largely carried over from the provisions of the Leg. Dec. n. 252/2005. However, Italy did not include severance pay among the possible PEPP pension funding sources. The tax regulation on PEPP contributions explicitly draws from past regulations.

The assets and liabilities of PEPP pension accounts, as under Leg. Dec. 252/2005, are placed in the segregation regime and managed separately and autonomously. Before the payment of pensions, art. 13 states that PEPPs have several payout options (down payment, redemption, advance on temporary supplementary income – Italian acronym R. I. T. A.) for the accrued pension assets of the PEPP saver having similar characteristics and requirements to those laid down by Leg. Dec. n. 252/2005.

Once the minimum requirements for the payment have been met, the PEPP saver may access the decumulation phase in the forms already established by the European provision, allowing to pay the pension as an annuity, as a lump sum, in the form of planned withdrawals, or as a combination of the above (see art. 15).

However, Italy wanted to preserve the favorable regime for PEPPs regarding the payment of an annuity as set forth by Leg. Dec. 252/2005, envisaging that the PEPP pension benefits paid as a lump sum or as planned withdrawals, up to a 50% cap of the total accrued amount, are subject to a 15% withholding tax, reduced by 0.30 percentage points for every year beyond the fifteenth of accrual of the individual account in the Italian sub-account with a maximum reduction of 6 points.

Conversely, PEPP pensions paid as lump sum or withdrawals exceeding 50% of the accrued amount are subject, “for their full amount”, to a 23% withholding tax.

The rules for the decumulation phase are supplemented by the specific provision of section 8, art. 15 of the Decree, where it is stated that PEPP contracts may envisage, in the case of death of the beneficiary, the return of the residual amount to the persons indicated by the PEPP beneficiary or else “the payment to such persons of an annuity calculated on the basis of the residual amount”, presumably determined according to the residual life expectancy of the person or persons indicated by the beneficiary.

The PEPP pension accounts may be transferred by procedures analogous to those for personal pension plans pursuant to Leg. Dec. 252/2005 even where they are originated by a PEPP provider located outside Italy. However, the transfer may only be made from or to a PEPP (see art. 12).

For this reason, the Italian legislators preferred to retain a restriction by which no pension account may be transferred among other pension forms.

PEPP providers located in Italy must adopt out-of-court settlement procedures for disputes relating to the PEPP Regulation, the Decree and individual contracts.

The sanction regime for insurance operators is very similar to the one reported in the Private Insurance Code.

Art. 14 simply carries over the so-called ETT system (with annual substitute taxation of the net accrued yield) for the Italian subaccounts of PEPPs, characterizing pension plans and IRPs regulated by Leg. Dec. 252/2005..

COVIP measures on the new sustainability information obligations

COVIP issued a circular dated 21 December 2022 (prot. 5910/22) providing clarifications to companies providing open pension funds and IRPs on their obligations with reference to the implementation of the European Regulation on sustainability reporting, setting the deadlines for compliance and updating some contents of the reporting templates that were already drafted by the Authority.

The instructions of the Circular are related to:

– the Information Note templates, with specific reference to sustainability;

– the Sustainability Appendix template, including the pre-contract information templates envisaged by the European regulations;

– a new sustainability reporting template drafted by COVIP.

In the Circular, COVIP stated that, by 31 March 2023, websites must have a section called “Sustainability reporting” to be placed within the public area giving the product information – meaning the pension product characterized by the promotion of environmental or social issues or by a sustainable investment goal – envisaged by the European provisions on sustainability disclosure. As for the contents of the website, the Authority makes reference to the European provisions.

In addition, COVIP stated that, no later than 30 June 2023, websites must declare – specifically, in the “Sustainability reporting” section under “Policies on the integration of sustainability risks into the investment decision-making process” – the information required pursuant to article 3 of the Sustainable Finance Disclosure Regulation (SFDR).

The Authority also mandated, by 30 June, that the "Sustainability reporting" section of the websites of pension funds or the companies issuing open pension funds or PIPs must contain:

– if the main negative effects of investment decisions on sustainability are taken into account, bearing in mind the size, nature and scope of the activities of the pension funds or issuing company and the type of products offered, a declaration on due diligence policies on such effects, to be placed under "Declaration on the main negative effects of investment decisions on sustainability".

– if the main negative effects of investment decisions on sustainability are not taken into account, a clear motivation for that decision, to be placed under item "Failure to take into account the negative effects of investment decision on sustainability", including, where applicable, information on whether and how those negative effects will be taken into account.

On the updates of the Information Note and the "Sustainability reporting" Appendix, COVIP, in the Circular, noted that it had made the updated templates of said documents available.

If there are multiple lines or products promoting environmental or social issues or aiming at sustainable investments, the Appendix must be drafted for each line or product. Conversely, where such lines or products are not present, the Appendix can be drafted as a whole at pension plan level.

According to this Circular, updates shall also be applied to existing pension funds with full or partial insurance management models in line with the deadlines set by the current instructions.

Finally, on the regular sustainability information, the Authority required companies to insert the information documents in the website public area, making explicit reference, for occupational and open funds, to a single collocation within the pension fund's balance sheet or financial report.

THE HISTORICAL PERFORMANCE OF WITH-PROFIT POLICIES AND THE ANALYSIS OF SEGREGATED FUNDS

The return on with-profit policies

The insured return of with-profit policies increases with the yields obtained by segregated funds, special insurance funds mostly investing in fixed-incomesecurities. To determine the yields for the insured parties, segregated funds enter the assets into the accounts at purchase or book value, also referred to as historical cost, which reduces the volatility of returns for the insured. The yield of a single segregated fund in a given observation period, usually annual, is determined by the ratio between the yield – from coupons, interest, dividends and net capital gains or losses – along with average asset deposit over the same period. The yield calculated in this way, with the deduction of a percentage or a fixed amount envisaged in the contract, is allocated as a revaluation of the amount insured, without prejudice to the minimum guaranteed interest rate set by contract conditions.

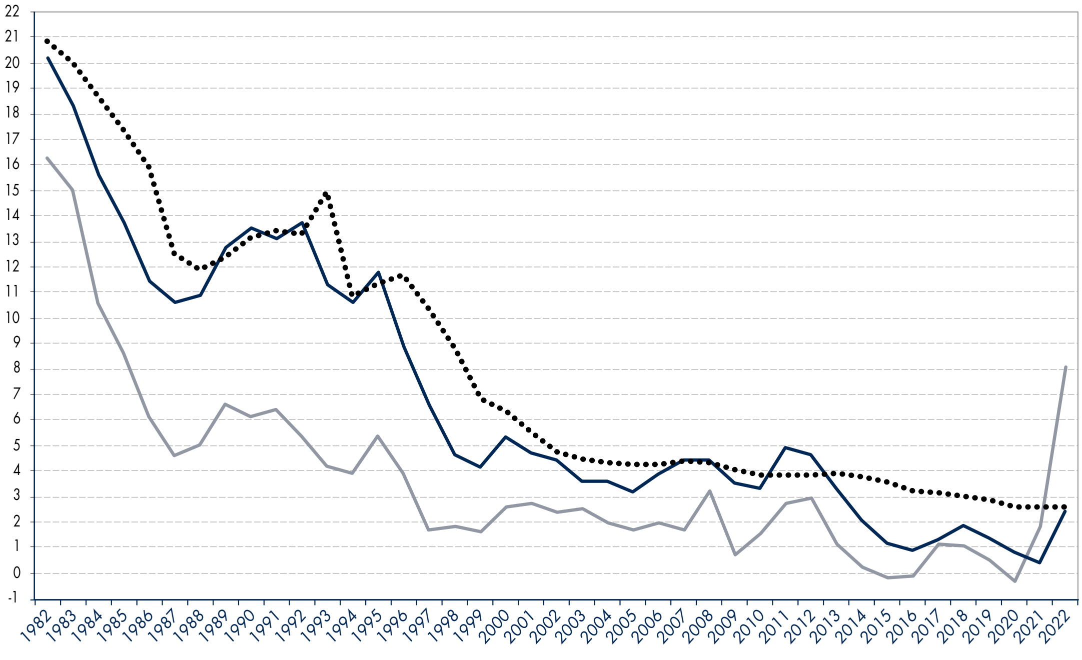
Historically, the average gross yield of segregated funds in the Italian market has always been positive, in line with the average rate on government bonds and higher than inflation, with the exception of the last year, owing to an extraordinary spike in inflation (Figure 1). Over the last five years, in particular, the average yield amounted to 2.7% (2.6% in 2022), against 1.4% for the Rendistato index (a basket of government securities with residual maturity of more than one year), and inflation of 2.2%.

Figure 1
Average return on segregated funds, government securities, Inflation (%)

Inflation
Rendistato (*)
Segregated funds

(*) Weighted average return of a basket of government securities with residual maturity of more than one year

Sources: ANIA elaborations based on ISTAT and Bank of Italy data



If the equivalent of €100 had been invested in 1982 in a segregated fund, according to the average annual yields rcorded byl these funds, one would have €1,949 in 2022 (Figure 2) with an average annual yield of 7.7% (4.3% in real terms) and annual volatility (standard deviation) of 5.5%.

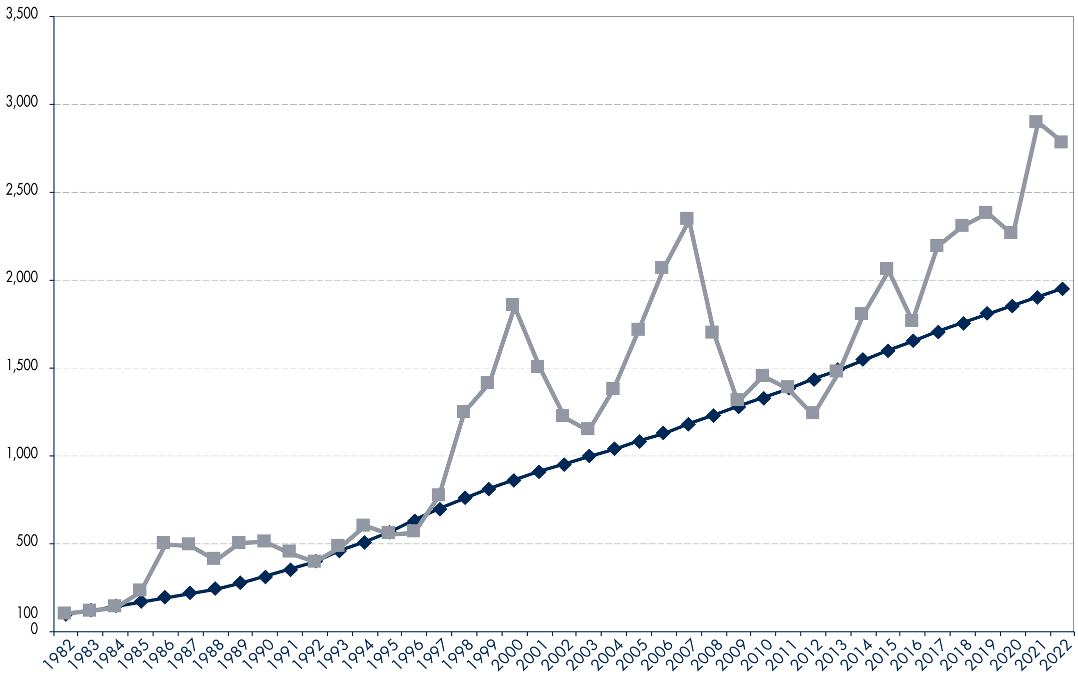
The same investment in Italian equities over the same time frame, assuming full re-investment of dividends, would have produced a value of €2,778, with an average annual return slightly above 8.7% but much higher annual volatility of 27.3%.

Figure 2
Yields of segregated funds and Italian equities

Investment in segregated funds

Investment in Italian equities (Datastream index including dividends; annual average)

Source: ANIA elaborations on Thomson Reuter data



Over this period the Sharpe ratio, i.e. the ratio of return to standard deviation, which serves to adjust performance for financial risk, was 1.40 for segregated funds and 0.32 for Italian equities. While these figures do not consider investment costs, and over the long term the absolute result is best for equity investments, the Sharpe ratio confirms the advantages of insurance segregated funds: positive and stable returns, as well as neutralization of fluctuations in the value of the investment.

Segregated funds' investment composition and returns

The Association has detailed data on the amounts, the yields and the trend of segregated funds in 2022. These figures are related to the summary report and the investment composition of each fund at the end of the year, compared with the data at the end of 2021. The dataset covers 286 segregated funds (8 of which with a profit-reinvestment fund), 8 fewer than the previous year, managed by 38 insurance companies.

In 2022 (Table 1), the assets under management increased by 1.4% to €594.3 billion, covering contractual commitments of the insurers for €580.2 billion (€573.7 billion in 2021), with a coverage ratio (ratio of provisions to assets) of 102.4% (102.2% in 2021).

Table 1
Breakdown of investments of segregated funds. From the online "Segregated Funds Information Portal - 2022 Edition" (*)

Euro thousands

Items	2021		2022		Annual change
	Amounts	%	Amounts	%	
Bonds and other fixed-income securities	**467,625,342**	**79.8%**	**475,693,055**	**80.0%**	**1.7%**
BTPs	223,183,578	38.1%	218,459,071	36.8%	-2.1%
Listed bonds in Euro	122,874,410	21.0%	123,630,715	20.8%	0.6%
Other government securities in Euro	93,688,863	16.0%	108,414,119	18.2%	15.7%
Equity securities	**9,549,524**	**1.6%**	**10,011,694**	**1.7%**	**4.8%**
Listed shares in Euro	6,378,002	1.1%	6,113,069	1.0%	-4.2%
Other assets	**109,133,650**	**18.6%**	**108,572,722**	**18.3%**	**-0.5%**
UCITS	95,659,343	16.3%	97,208,574	16.4%	1.6%
Liabilities	**-1,065**	**0.0%**	**-938**	**0.0%**	**12.0%**
Balance of assets in segregated funds	**586,307,451**	**100.0%**	**594,276,532**	**100.0%**	**1.4%**
Mathematical provisions	**573,661,175**		**580,223,366**		**1.1%**
Average rate related to the observation period	*2.57%*		*2.56%*		
Ratio assets/mathematical provisions	*102.20%*		*102.42%*		

Note: Only the main items are reported in the asset categories
(*) The web portal with full details is available at: www.statvita.ania.it/qlikview

Regarding the composition of investment, the amount invested in fixed income bonds increased by 1.7%, its incidence on total assets rising from 79.8% in 2021 to 80.0% in 2022. In detail, in spite of a 2.1% drop and a percentage share falling to 36.8% from 38.1% in 2021, Italian BTPs are still the main asset, with €218.5 billion invested. Conversely other Italian and euro area government bonds grew by 15.7% in 2022 to €108.4 billion, 18.2% of the total assets managed by the funds. Equity investment is growing (+4.8% from 2021) but is still marginal, representing 1.7% of the total. Among other asset classes, which declined overall by 0.5%, investment funds (UCITS) kept growing, reaching an incidence of 16.4% (16.3% in 2021) and value of €97.2 billion.

Table 2 extends to analysis of the composition of investment of segregated funds to the five-year period 2018-2022. Considering the assets of the three macro-categories, the main feature is the reduction in the portion accounted for by fixed-income securities (from 82.3% in 2018 to 80.0% in 2022), determined essentially by the decline in BTPs (from 43.6% to 36.8%), only partly offset by the increase in other euro-denominated government securities (from 11.7% to 18.2%). Other assets increased their share over the period (from 15.9% to 18.3% in 2022), mostly due to investment fund units, reaching 16.4% from 14.0% in 2018. Conversely, the allocation to equities was broadly stable (1.8% in 2018, 1.7% in 2022).

Table 2 Breakdown of investment and returns on segregated funds, 2018-2022.
From the online "Annual Segregated Funds information Portal"

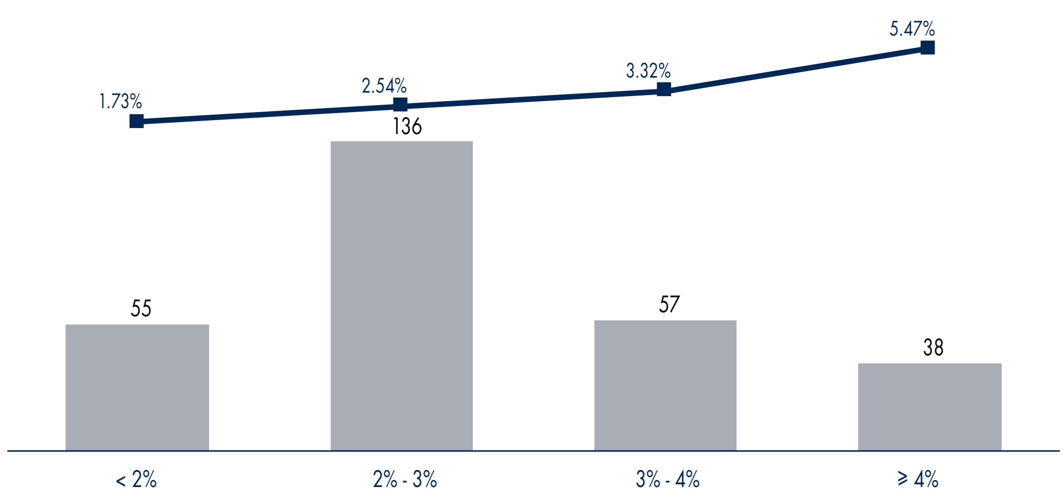
Asset allocation	2018	2019	2020	2021	2022
Bonds and other fixed-income securities	82.3%	81.3%	80.7%	79.8%	80.0%
BTPs	43.6%	42.3%	40.1%	38.1%	36.8%
CCT	2.1%	1.6%	1.4%	1.4%	0.8%
Other government securities issued in Euro	11.7%	12.9%	14.9%	16.0%	18.2%
Listed bonds in Euro	22.0%	21.2%	20.9%	20.9%	20.8%
Listed bonds in other currency	0.5%	0.5%	0.5%	0.6%	0.6%
Unlisted bonds in Euro	0.5%	0.5%	0.7%	0.6%	0.7%
Other	*2.0%*	*2.2%*	*2.3%*	*2.1%*	*2.1%*
Equity securities	1.8%	1.9%	1.6%	1.6%	1.7%
Listed shares in Euro	1.3%	1.5%	1.1%	1.1%	1.0%
Unlisted shares in Euro	0.3%	0.3%	0.4%	0.5%	0.6%
Other	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*
Other assets	15.9%	16.9%	17.7%	18.6%	18.3%
UCITS	14.0%	15.2%	16.0%	16.3%	16.4%
Liquidity	0.9%	0.6%	0.6%	1.3%	0.8%
Other	*1.0%*	*1.0%*	*1.1%*	*1.0%*	*1.1%*
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%
Average yield	3.03%	2.84%	2.62%	2.57%	2.56%

The average return on segregated funds in 2022 came to 2.56%, in line with the previous year (2.57%), thus halting the downtrend of recent years.

The average return of the 8 segregated funds with profit-reinvestment funds was 1.54% in 2022, including the effect of the amounts already set aside in previous years and attributed to the financial result for the year and the capital gains transferred to the profit-reinvestment fund.

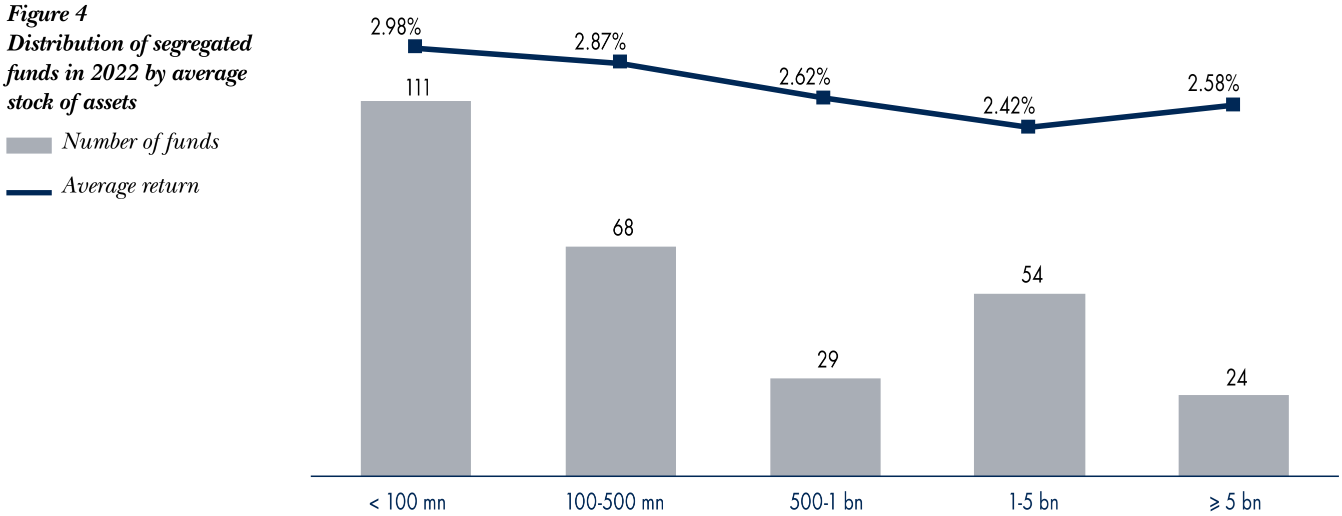
The distribution of segregated funds according to 2022 return class (Figure 3) shows that, of the 286 funds, 136 (accounting for 81% of average invested assets) achieved returns of between 2% and 3%, a range that also spans average market performance; 55 funds (9% of total assets) failed to yield 2%, and the rest (95 funds, with an asset share of 10%) achieved gross returns better than 3%.

Figure 3
Distribution of segregated funds by return in 2022



In addition, analyzing the performance of the segregated funds by size, defined as average assets (Figure 4), the first three ranges, with assets of less than €1 billion, had higher returns than the market average: the 111 segregated funds with assets below €100 million achieved the highest average performance, with a yield of 2.98%. The biggest funds, those with capital in excess of €5 billion (72% of total), also achieved a better-than-average return (2.58%), while the 54 segregated funds with an average balance of between €1 and €5 billion (21% of the total) had the lowest average return (2.42%).

Figure 4
Distribution of segregated funds in 2022 by average stock of assets



THE 2023 BUDGET LAW – TAX MEASURES RELEVANT TO THE INSURANCE INDUSTRY

The budget law for 2023 (Law 197 of 29 December 2022) contains two tax measures specifically relevant to insurance companies:

– a voluntary release regime, upon payment and once for all, of the latent returns accrued at 31 December 2022 on Class I and Class V life policies (Art. 1 para. 114);
– the increase by 0.05% of the tax rate on life mathematical provisions (Imposta sulle reserve matematiche, IRM) pursuant to art. 1, para. 2 et seqq. Decree Law Decree 209/2002 (art. 1, para. 264).

ANIA criticized both measures (as in the memorandum delivered at the parliamentary hearings during the drafting of the budget law), asking for their withdrawal and informing the relevant authorities of the reasons for this request.

However, the efforts of the Association did not produce the hoped-for result, owing mainly to the pressing need of the government to find resources to fund the many expenditure provisions of the Budget Law. And in fact a good part of the resources (in excess of €500 million in 2023, as per the estimates reported in the technical report annexed to the draft 2023 budget) were procured by the two measures.

Optional release of latent returns on Class I and V life policies

The 2023 Budget Law envisaged the possibility (once and for all, since it refers solely to the 2022 tax year) to release (and therefore recognize the income tax effects) the latent yields at 31 December 2022 of Class I and V life policies.

This release has the following characteristics:

– it is at a cost, i.e upon payment of a 14% ad hoc substitute tax;
– it is applied on a tax base equal to the difference between the mathematical provisions at 31 December 2022 and the medio tempore premium amount paid on the policy to be released;
– the amount corresponding to the substitute tax is "provided by the policyholder", as expressly envisaged by the law;
– the substitute tax needed for the release, even though it is a tax on insurance capital income, cannot be used by the insurance company to offset the tax credit corresponding to the payment of the IRM pursuant to art. 1, para. 2 et seqq., of the 209/2022 Law Decree.

With specific reference to this last point, in the memorandum delivered during the parliamentary hearings on the 2023 draft budget law, ANIA stressed the patent unreasonability of the measure, since it represents a further penalty for the companies operating in the life class. Insofar as this substitute tax determines the definitive – advance – taxation of latent policy returns at 31 December 2022, disallowing any offsetting tax credit from previous IRM payments means those payments can never be recovered, thus negating the essential nature of the IRM as a tax advance.

For this reason, during the hearing, ANIA asked to remove at least the mathematical provisions of the released policies from the stock of those subject to the annual IRM payment.

In order to avoid the possible incentive for early termination of insurance contracts that such a measure might generate, the provision envisages:

– the impossibility to redeem the insurance capital before 1 January 2025 for those policies using the release option;
– using the release options for those policies expiring before 1 January 2025.

Increase in the IRM tax rate

The 2023 Budget Law contains an evident tax penalization for the insurance industry, in this case bearing expressly on insurers as such.

Starting from the 2023 tax year (the tax period following that ending on 31 December 2022), the IRM rate is increased by 0.05 percentage points, from 0.45% to 0.50%. The new tax rate thus applies to the mathematical provisions entered in the financial statements for the financial year ending on 31 December 2023, with a subsequent payment of IRM in 2024 (as usual, by the income tax payment deadline).

This measure, harshly criticized by the Association in the relevant institutional forums, is open to severe criticism for at least two reasons:

- it will very likely end up in another tax credit increase within the five-year period (i.e. usable to offset exclusively the tax on policy returns, not to offset any other taxes and/or to be transferred to other companies in the same group). At the end of 2021, for the insurance sector, this credit already amounted to nearly €10 billion;
- it is in contrast with several laws and provisions introducing corrective measures to stop the growth of the tax credit and foster conditions for running it down.

The IRM increase will be partially offset by the possibility of activating the ceiling on the annual IRM payment, triggered every time the five-year-period tax credit (increased by the theoretical IRM to be paid in a given year) exceeds a given percentage(1.5% in 2023) of the mathematical provisions entered in the financial statements.

UPDATE ON DORMANT POLICIES

In 2022, a working group was re-established to discuss the direct access of insurance companies and banks to the National Register of Resident Population (ANPR) to check that the holders of life and accidental death policies are still living and verify positions at risk of dormancy.

ANIA participated in a meeting with representatives of the Department for Digital Transformation of the Office of the Prime Minister, the Bank of Italy, IVASS and ABI.

The focus of the discussion was the content of the regulatory updates that shall regulate the conditions and modalities for accessing the ANPR directly.

The amendments will be introduced, according to the statements of the representatives of the government, in a future measure after which the process envisaged should be the following: insurance companies (and banks) will be able to start the accreditation process at the Register through the Ministry of the Interior, in charge of the ANPR, signing specific agreements for access that are already used by public administrations. From 30 September 2023 onwards (at least once a year) companies must check the register's data on the policyholders' continuance in life; by 31 December of each year, companies will have to take stock of the verifications and, by 31 March of every year (and by 31 March 2024 for the first time) they must submit a report on the verification to IVASS.

After the meeting, ANIA (in agreement with IVASS) and ABI, together with the other stakeholders, sent their observations and proposals to the Office of the Prime Minister in order to define the regulatory amendments and to guarantee that access to the ANPR will be rapid and functional for all operators.

Meanwhile, IVASS issued a new letter to the market (December 2022) asking the companies, as usual, to provide the tax codes of life and injury policyholders for a crosscheck with the Tax Register in order to ascertain any potential deaths of the policyholders. In another letter, IVASS asked them to submit, by 30 June 2023, a report on the activities carried out for the settlement of life contracts and accident policies in case of death, with particular reference to the policies crosschecked after the December 2022 letter and also to those crosschecked in previous years. Together with the reports, life companies will also have to send a specific document with the data on payments made; a document on deaths covered by injury policies was discussed by IVASS and ANIA in a specific workshop in which ANIA, finding some characteristics and specificities of accident insurance that make it difficult to apply the observation as designed for life policy, proposed to use a different template for accident policies, but to date this is still unused.

Finally, a new "time window" for the reimbursement of "dormant" policy amounts (with a 50% cap) paid to the CONSAP Fund (with a 50% cap) has been set. The instructions for the correct application of the procedures and the forms to be used have been published on the websites of the Ministry of Enterprises and Made in Italy and CONSAP. As usual, the insurance companies collaborated to the fullest extent in releasing the certificates requested by the interested customers.

4

NON-LIFE INSURANCE

NON-LIFE INSURANCE

In 2022, non-life classes' premium income amounted to €35.7 billion, up 4.6% from 2021. Their share of total premiums (life and non-life) rose from 24.4% to 27.7%, owing in part to the drop in life premiums. The combined ratio for this accident year worsened slightly (91.1% against 90.4% in 2021), due to an increase in claims costs.

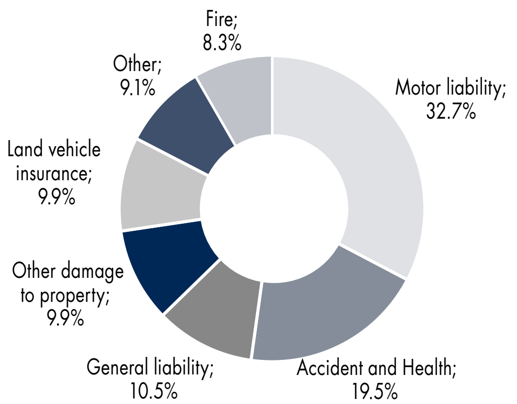
NON-LIFE TECHNICAL ACCOUNT

The volume of **direct written premiums** of the 68 Italian and extra-EU companies in this sector rose by 4.6%, amounting to €35,676 million. This growth is the resultant of:

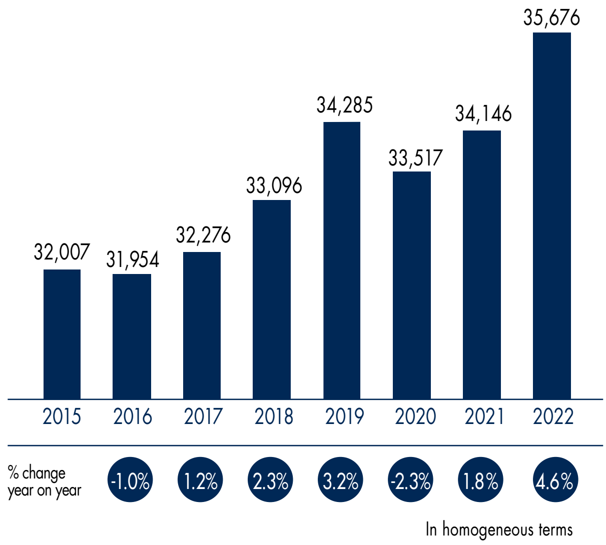
– a fall in motor and watercraft liability (-2.1%);
– a significant expansion of other non-life business, whose premiums rose by 8.2%.

The ratio to total premiums (non-life plus life) was equal to 27.7%, up from 24.4% in 2021 due in part to the drop in life premiums.

Breakdown of main non-life classes – 2022



Direct premiums and change on year (%)
Euro million



Earned premiums, calculated as the difference between written premiums and the changes in premium reserves and other balance items, amounted to €34,892 million, with an increase of 3.0% compared with 2021.

The **incurred claims cost**, defined as the sum of the total settlement costs and the total amount reserved for all claims incurred in the current financial year, amounted to €23,869 million, up 6% from 2021 due to a broad rise in claims during the year. Given that premiums recorded a smaller rise, the ratio of claims to premiums worsened by almost 2 percentage points as compared to 2021 (from 66.5% to 68.4%).

NON-LIFE INSURANCE

Non-life technical account
Euro million

	2015	2016	2017	2018	2019	2020	2021	2022
Written premiums	32,007	31,954	32,304	33,096	34,285	33,517	34,146	35,676
Changes in premium reserve and other items (-)	-176	104	499	556	812	322	280	784
Incurred claims (-):	20,080	20,008	20,234	20,372	21,204	18,892	20,969	21,758
- incurred claims cost for the current accident year (-)	21,691	21,842	22,311	22,431	23,356	20,566	22,515	23,869
- excess/shortfall of reserves for claims in previous years	1,611	1,833	2,077	2,059	2,153	1,674	1,547	2,111
Balance of other technical items	-599	-612	-609	-577	-593	-823	-592	-442
Operating expenses (-)	8,647	8,767	8,907	9,172	9,549	9,410	9,734	10,237
- commissions	5,378	5,565	5,688	5,844	6,023	5,912	6,182	6,557
- other acquisition costs	1,617	1,489	1,477	1,523	1,674	1,662	1,636	1,689
- other administration costs	1,652	1,713	1,742	1,806	1,852	1,836	1,916	1,991
Direct technical balance	**2,856**	**2,462**	**2,055**	**2,419**	**2,126**	**4,070**	**2,570**	**2,455**
Investment income	1,220	1,044	1,155	704	1,194	651	841	309
Direct technical account result	**4,077**	**3,507**	**3,210**	**3,123**	**3,320**	**4,721**	**3,411**	**2,764**
Reinsurance result	-495	-587	-253	-333	-319	-830	-451	-763
Overall technical account result	**3,581**	**2,920**	**2,958**	**2,790**	**3,000**	**3,891**	**2,961**	**2,002**
Annual % change in premiums	-2.4%	-1.0%	1.2%	2.3%	3.2%	-2.3%	1.8%	4.6%
Combined ratio	**89.4%**	**90.3%**	**91.2%**	**90.3%**	**91.2%**	**85.0%**	**90.4%**	**91.1%**
- Expense ratio	27.0%	27.4%	27.6%	27.7%	27.9%	28.1%	28.5%	28.7%
- Commissions/Gross written premiums	16.8%	17.4%	17.6%	17.7%	17.6%	17.6%	18.1%	18.4%
- Other acquisition costs/Gross written premiums	5.1%	4.7%	4.6%	4.6%	4.9%	5.0%	4.8%	4.7%
- Other administration costs/Gross written premiums	5.2%	5.4%	5.4%	5.5%	5.4%	5.5%	5.6%	5.6%
- Loss ratio:	62.4%	62.8%	63.6%	62.6%	63.3%	56.9%	61.9%	62.4%
- Loss ratio for the current accident year	67.4%	68.6%	70.1%	68.9%	69.8%	62.0%	66.5%	68.4%
- Excess/shortfall of reserves for previous years claims/Earned premiums	5.0%	5.8%	6.5%	6.3%	6.4%	5.0%	4.6%	6.0%
Technical balance/Earned premiums	**8.9%**	**7.7%**	**6.5%**	**7.4%**	**6.4%**	**12.3%**	**7.6%**	**7.0%**
Technical account/Earned premiums	**12.7%**	**11.0%**	**10.1%**	**9.6%**	**9.9%**	**14.2%**	**10.1%**	**7.9%**
Overall technical account result/Earned premiums	**11.1%**	**9.2%**	**9.3%**	**8.6%**	**9.0%**	**11.7%**	**8.7%**	**5.7%**
Premiums to total life and non-life premiums ratio (%)	*21.8%*	*23.8%*	*24.7%*	*24.5%*	*24.4%*	*24.9%*	*24.4%*	*27.7%*

Indexes and changes (%) are calculated on data in Euro thousands.
The changes (%) were calculated in homogeneous terms.

Incurred claims, which along with the cost incurred for the current accident year include any excess/shortfall of the amounts reserved for claims incurred in previous accident years, amounted to €21,758 million, up 3.8% from 2020. A factor in this result was the significant release of provisions set aside for claims incurred in the previous years, amounting to €2,111 million and a 6% incidence on premiums (€1,547 million in 2021). Despite the positive effects of the release of claims provisions, the ratio of incurred claims to earned premiums thus worsened slightly compared with 2021, rising from 61.9% to 62.4%.

Operating expenses, i.e. costs of contract acquisition, premium collection and dealers' organization and management expenses, as well as administration expenses for technical management, increased by 5.2% to €10,237 million, and were equal to 28.7% of direct premiums (28.5% in 2021). Other acquisition expenses dropped slightly in relation to premiums, from 4.8% to 4.7%, while other administration expenses remained unchanged (5.6%). The incidence of commissions paid grew from 18.1% to 18.4%.

The **combined ratio** – the sum of loss ratio and expense ratio – amounted to 91.1% in 2022, slightly worsening from 90.4% in 2021 and going back to its 2019 level.

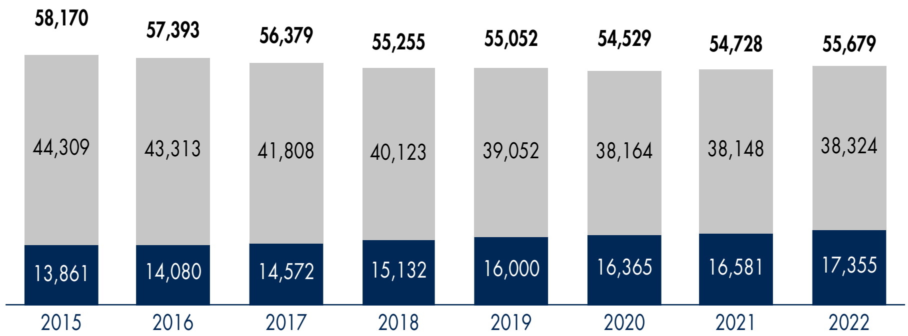
The **technical balance for direct business** was positive by €2,455 million, but down 4.5% from 2021.

Adding investment income of €309 million (down from €841 million in 2021), the **direct technical account result** was positive by €2,764 million (€3,411 million in 2021). Its ratio to earned premiums came to 7.9% (10.1% in 2021).

The result for reinsurance cessions and net indirect business was negative by €763 million (against -€451 million in 2021). Therefore the **overall technical account result** was positive by €2,002 million (but down significantly from €2,961 million in 2021). Its ratio to accrued premiums came to 5.7% (8.7% in 2021).

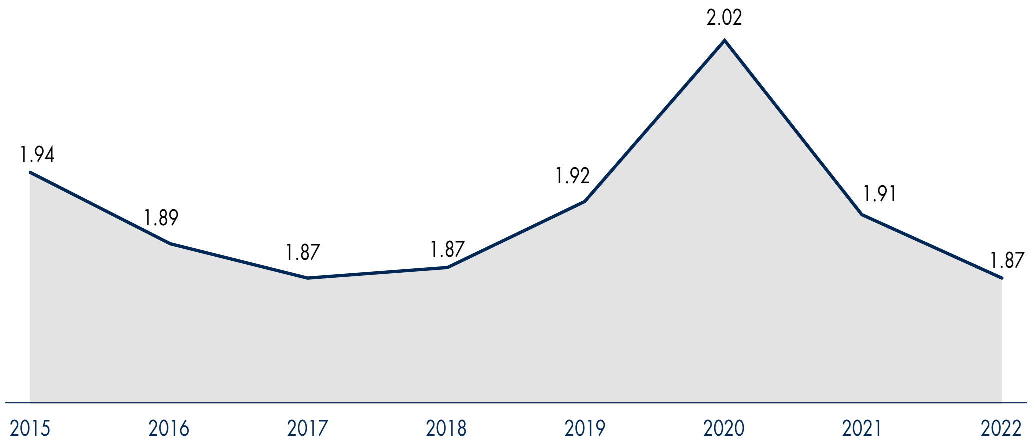
Premium reserves and claims provisions
Euro million

Claims provisions
Premium reserves



Direct technical reserves, net of sums to be recovered from policyholders and third parties, were equal to €55,679 million at the end of 2022, of which €17,355 million consisted of premium reserves and €38,324 million of claims provisions (for both the current and previous policy generations).The ratio of direct non-life insurance premiums to GDP dropped from 1.91% in 2021 to 1.87% in 2022 as a consequence of the sharper increase in GDP.

Non-life premiums/GDP (%)



SHARE OF RETAIL AND CORPORATE POLICIES IN NON-LIFE BUSINESS

For the second consecutive year, ANIA monitored the breakdown of non-life premiums according to type of insured party: individual risk (retail) and commercial risk (corporate). However, the retail category, generally involving a single natural person or, at most, a household, and the corporate category, generally referring to a business/commercial activity, might differ slightly between different insurance undertakings.

Hereunder are the results of the survey, in which practically the entire insurance market (companies accounting for 95% of written premiums) took part.

Share of retail and corporate policies in non-life business

	Retail premiums %		Corporate premiums %	
	2021	2022	2021	2022
Motor liability	89	88	11	12
Land vehicle insurance	82	81	18	19
Total motor vehicles	**87**	**86**	**13**	**14**
Accident	78	77	22	23
Sickness	37	38	63	62
Transport	5	5	95	95
Fire	53	53	47	47
Other property damage	52	55	48	45
General liability	49	51	51	49
Credit	5	19	95	81
Suretyship	9	10	91	90
Miscellaneous financial loss	61	50	39	50
Assistance	81	83	19	17
Legal expenses	89	87	11	13
Total other non-life	**52**	**54**	**48**	**46**
Total non-life	**67**	**68**	**33**	**32**

Source: ANIA survey, March 2023

These are the main conclusions:

– the comparison between 2021 and 2022 shows a higher ratio of retail policies (and a consequent drop in corporate policies) within the portfolio of Italian insurance companies. A sharper change was detected in the credit and miscellaneous financial loss classes (around 10-15 percentage points), but this was due to the change in the analyzed sample;

– the vehicle sector businesses (motor liability and land vehicle insurance) generally have a strong retail customer base with a limited share of corporate "fleet" policies. In particular, 88% of motor liability premiums are paid by individuals and households and only 12% is related to fleet policies. Other classes having a strong retail prevalence are accident insurance (77%), assistance (83%) and legal expenses (87%) which are often purchased by customers together with a motor liability policy;

- other classes have a customer base consisting almost entirely of businesses. For example, all transportation classes have a 95% corporate share, while in credit and in suretyship the corporate share amounts to 81% and 90%, respectively;
- fire, other property damage and general liability are distributed more or less equally between retail and corporate policies;
- nearly two-thirds of sickness insurance premiums are ascribable to corporate policies, which tend to be purchased by employers as a fringe benefit for their employees supplementing the insurance envisaged by the national healthcare system;
- the non-life business (excluding motor liability) has a slight prevalence of retail premiums (54%) compared with corporate policies (46%).

On the whole, the survey confirmed the findings of the previous year with a clear predominance of the retail over the corporate component (68% to 32%).

5

MOTOR INSURANCE

MOTOR INSURANCE

Written motor liability premiums fell by 2.1% in 2022, less sharply than in 2021 (-4.5%). The combined ratio for the 2022 accident year, owing to the 5.7% rise in claims, rose by a further eight percentage points over 2021 (from 100% to 108%). The positive contribution of the financial component, i.e. returns on investment, smaller than in 2021, together with the mobilization of the reserves against previous years' claims, pushed the technical result into negative territory for the first time in eleven years. The technical indicators for land vehicle insurance also worsened, but the overall technical result for the sector remained positive.

THE TECHNICAL ACCOUNT FOR MOTOR LIABILITY INSURANCE

The data indicated below include figures relating to compulsory third party liability insurance for watercraft.

Premiums for direct domestic business, collected by the 43 companies operating in this class, totaled €11,664 million in 2022, down 2.1% on the year, calculated for a homogeneous set of firms, following the 4.5% drop registered in 2021.

The fall in written premiums was due to the decline in the average premium, which by ANIA's estimate came down again in 2022 (by 1.3%), whose effect was amplified by a slippage in the number of vehicles insured (-0.9%).[1] The change in the average premium was negative again in 2022, as noted, but the downtrend was not as sharp as in the previous two years, thanks to the fact that the claims rate, while rising, has still not regained pre-pandemic levels. This was the eleventh consecutive year of decline (or at most no variation) in the average premium, resulting in an overall drop in premium volume of over €6 billion between 2012 and 2022 (**and nearly €1.6 billion from 2020 to 2022**), or a drop of 35% (**and about 12% in the last three years**).

In addition, a portion of motor liability premium income in Italy (8% of the total, or €971 million) was accounted for by EU companies operating under freedom of establishment. Unlike Italian insurers, these companies turned in an increase in written premiums in 2022, amounting to some 15%, as in 2021. Overall, Italian, EU and non-EU insurers collected total premium income of €12,635 million in 2022, down 1.0%.

Accrued premiums, i.e. total premiums net of the change in premium reserves and some other balance items, came to €11,713 million, 4.1% less than in 2021.

The **incurred claims cost for the current accident year**, defined as the sum of the total cost paid and the total cost reserved for all claims incurred in 2022, amounted to €10,094 million, nearly 6% higher than in 2021. The increase can be attributed to the rise in the number of claims (+3%) and the 2.6% rise in the average claim cost.

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[1] The decline refers only to vehicles insured by Italian insurers and branches of foreign insurance companies with registered office in non-EU countries.

Owing to an increase of 6% in claims costs and a decrease of 4.1% in accrued premiums, the claims/premiums ratio worsened by 8 percentage points, from 78.2% to 86.2%.

The **incurred claims cost for the financial year**, which also includes the excess/shortfall of reserves for claims incurred in previous accident years, was equal to €9,449 million, compared with €9,079 in 2021. The difference with respect to incurred claims cost reflected the utilization of €645 million in excess reserves for previous years. The excess of previous years' reserves came to 5.5% of accrued premium income, but the loss ratio nevertheless rose sharply, from 74.3% in 2021 to 80.7% last year.

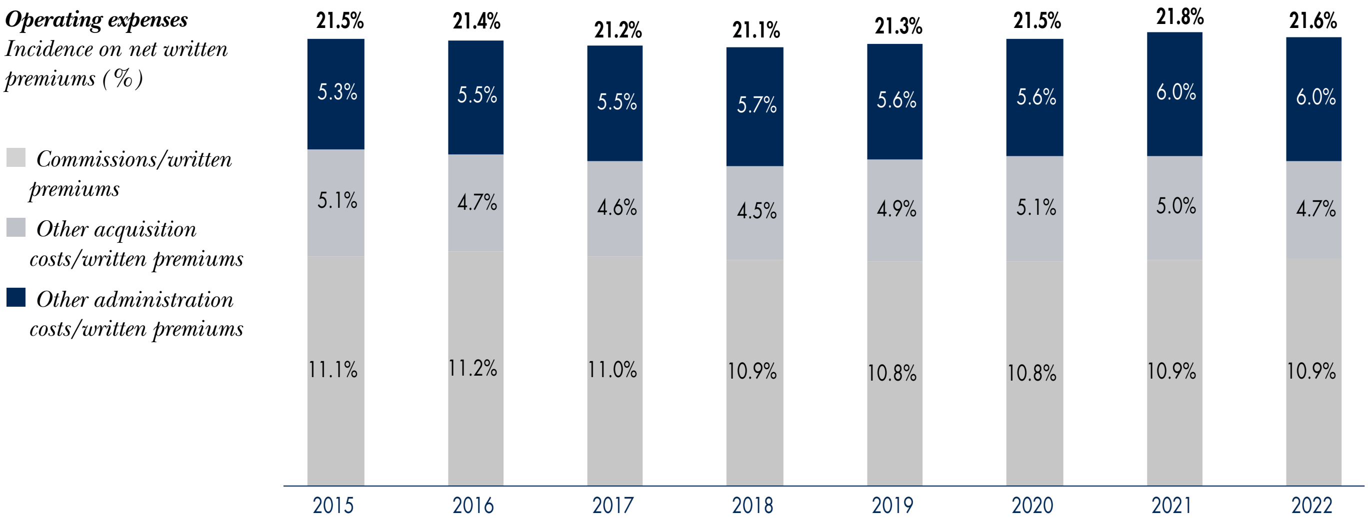
Motor and marine liability insurance
€ million

	2015	2016	2017	2018	2019	2020	2021	2022
Gross written premiums	14,218	13,526	13,234	13,252	13,244	12,492	11,926	11,664
Changes in premium reserves and other items (-)	-232	-164	-17	17	-16	-35	-287	-49
Incurred claims (-)	10,421	10,421	10,053	10,073	10,110	8,221	9,079	9,449
– incurred claims cost for the current accident year (-)	11,032	11,022	10,773	10,631	10,665	8,540	9,551	10,094
– excess/shortfall of reserves for claims incurred in prev. accident years	611	601	720	558	555	318	472	645
Balance of other technical items	-127	-172	-185	-187	-190	-330	-143	-65
Operating expenses (-)	3,060	2,900	2,805	2,795	2,815	2,684	2,603	2,517
– commissions	1,571	1,521	1,457	1,440	1,430	1,348	1,296	1,273
– other acquisition costs	731	631	614	601	645	631	597	547
– other administration costs	757	749	734	753	740	704	710	696
Direct technical balance	**842**	**196**	**208**	**180**	**144**	**1,292**	**389**	**-318**
Investment income	600	500	531	312	508	249	350	130
Direct technical account result	**1,442**	**696**	**738**	**493**	**652**	**1,541**	**738**	**-188**
Reinsurance results	10	-16	-37	-26	-8	-38	-2	61
Overall technical account result	**1,452**	**680**	**702**	**466**	**644**	**1,503**	**736**	**-127**
Annual % change in premiums	-6.5%	-5.6%	-2.2%	0.1%	-0.8%	-5.7%	-4.5%	-2.1%
Combined ratio	**93.6%**	**97.6%**	**97.1%**	**97.2%**	**97.5%**	**87.1%**	**96.2%**	**102.2%**
– Expense ratio	21.5%	21.4%	21.2%	21.1%	21.3%	21.5%	21.8%	21.6%
– Commissions/Gross written premiums	11.1%	11.2%	11.0%	10.9%	10.8%	10.8%	10.9%	10.9%
– Other acquisition costs/Gross written premiums	5.1%	4.7%	4.6%	4.5%	4.9%	5.1%	5.0%	4.7%
– Other administration costs/Gross written premiums	5.3%	5.5%	5.5%	5.7%	5.6%	5.6%	6.0%	6.0%
– Loss ratio:	72.1%	76.1%	75.9%	76.1%	76.2%	65.6%	74.3%	80.7%
– Loss ratio for the current accident year	76.3%	80.5%	81.3%	80.3%	80.4%	68.2%	78.2%	86.2%
– Excess/shortfall of reserves for prev. years claims/Earned premiums	4.2%	4.4%	5.4%	4.2%	4.2%	2.5%	3.9%	5.5%
Technical balance/Earned premiums	**5.8%**	**1.4%**	**1.6%**	**1.4%**	**1.1%**	**10.3%**	**3.2%**	**-2.7%**
Technical account result/Earned premiums	**10.0%**	**5.1%**	**5.6%**	**3.7%**	**4.9%**	**12.3%**	**6.0%**	**-1.6%**
Overall technical account result/Earned premiums	**10.1%**	**5.0%**	**5.3%**	**3.5%**	**4.9%**	**12.0%**	**6.0%**	**-1.1%**
Premiums over total non-life premiums (%)	*44.4%*	*42.3%*	*41.0%*	*40.0%*	*38.6%*	*37.3%*	*34.9%*	*32.7%*
Premiums of EU representatives	762	631	618	679	610	664	786	971
Annual change in premiums (%)	-11.8%	-15.8%	-3.6%	9.8%	5.5%	9.2%	14.7%	14.5%
Total premiums of Italian, other EU and non-EU insurers	14,980	14,157	13,852	13,931	13,854	13,156	12,712	12,635
Annual change in premiums (%)	-6.5%	-5.5%	-2.2%	0.6%	-0.6%	-5.0%	-3.5%	-1.0%

Indexes and changes (%) are calculated on data in thousands of euros.
Changes (%) were calculated in homogeneous terms.

Operating expenses – administration expenses relating to the technical management of insurance business, acquisition costs, premium collection costs and costs relating to the organization and management of the distribution network – amounted to €2,517 million (€2,603 million in 2021). The ratio of expenses to premium income eased slightly, from 21.8% to 21.6%. In particular, the incidence of commissions held virtually stable at 10.9%, as did that of "other administration costs" at 6.0%, while that of other acquisition costs slipped from 5.0% to 4.7%.

Operating expenses
Incidence on net written premiums (%)



Adding the loss ratio (for the current year 2022 or the entire financial year) to the expense ratio gives the **combined ratio** (for the current year or for the entire policy year, which also includes the excess/shortfall of reserves set aside against claims incurred in previous accident years). The figure, plotting the combined ratio from 2015 to 2022, shows that:

- the combined ratio for the accident generation of 2022 deteriorated sharply, as noted, rising by 7.7 percentage points from 2021 to 107.7%;
- starting in 2015, the balance-sheet combined ratio for the policy year (current year + previous year) was always lower than that for the current year alone, showing that in these years there was always a surplus (sometimes quite substantial) of reserves against previous years' claims;
- the ratio of the surplus reserves for previous years' claims to written premiums has ranged, in this period, between 2.5% and 5.5%.

The foregoing variations in the relevant components produced a negative **technical balance** of €318 million, compared with a positive balance of €389 million in 2021.

Owing to the decline in profits from investments to €130 million, the **result of the technical account for direct business** was negative by €188 million (against a positive result of €738 in 2021).

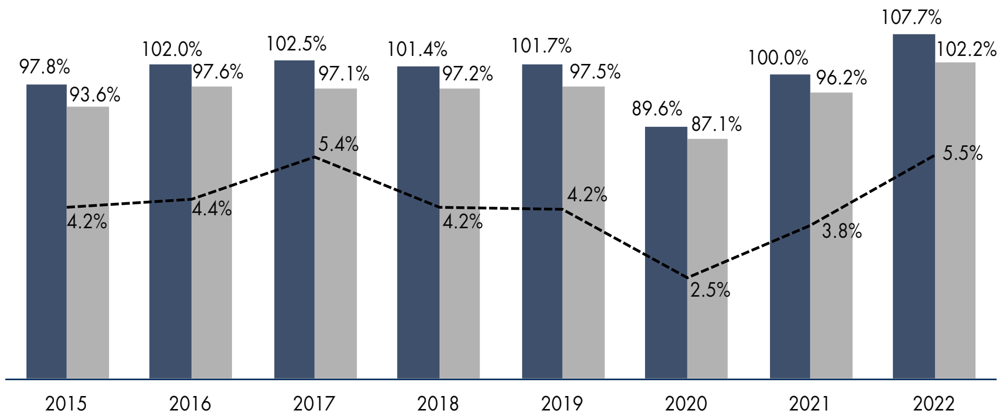
MOTOR INSURANCE

Combined ratio (%)

Combined ratio (current year)

Combined ratio (current and previous year)

Excess/shortfall claims reserve



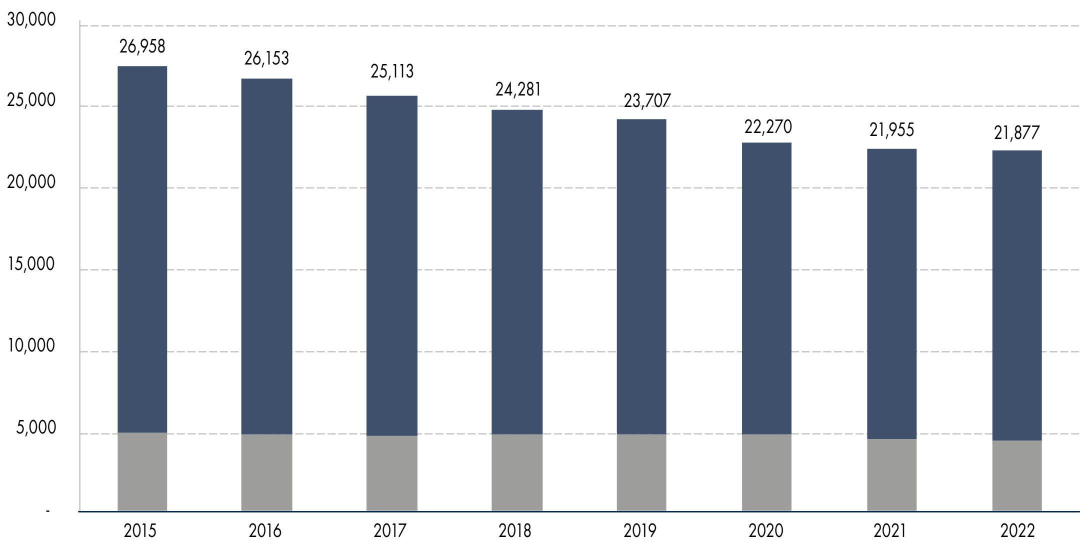
Taking the balance for reinsurance into account (positive by €61 million in 2022), the **overall technical account result** was negative by €127 million, compared with a positive outturn of €736 in 2021. The overall negative technical result was thus equal to -1.1% of accrued premiums, against +6.0% in 2021.

The **technical reserves for direct business** of the motor and marine liability sector, net of recoverable sums, amounted to €21,877 million in 2022, down 0.4% from 2021. Among these reserves, the premium reserve was about €4,300 million, while the claims reserve for current and previous accident years was about €17,600 million.

Technical reserves, motor and marine liability
€ million

Premium reserves

Claims reserves



THE TECHNICAL ACCOUNT OF LAND VEHICLE INSURANCE OPERATIONS

The legally defined class of “land vehicles” comprises insurance against all forms of damage to or loss of land motor vehicles. Essentially, this means fire, theft and collision insurance (partial or total).

Premiums for direct domestic business for the 43 insurance companies operating in this class amounted to €3,543 million in 2022, accounting for 9.9% of total non-life insurance premiums. This represented an increase in premiums of 6.3%, about the same as in 2021, returning to the growth rates recorded since 2016 after the pandemic-induced interruption of 2020.

Accrued premiums, i.e. total premiums net of the change in premium reserves and some other balance items, came to €3,440 (+6.0%).

Land vehicle insurance
€ million

	2015	2016	2017	2018	2019	2020	2021	2022
Gross written premiums	2,455	2,634	2,800	2,966	3,112	3,142	3,346	3,543
Changes in premium reserves (-)	54	87	119	106	86	32	101	103
Incurred claims (-)	1,396	1,463	1,626	1,687	2,068	1,729	1,986	2,171
– incurred claims cost for the current accident year (-)	1,463	1,515	1,673	1,726	2,088	1,735	2,020	2,196
– excess/shortfall of reserves for claims incurred in prev. accident years	67	53	47	38	20	6	34	25
Balance of other technical items	-11	-14	-11	-10	-9	-13	-13	-10
Operating expenses (-)	733	804	861	935	998	993	1,066	1,125
– commissions	492	547	594	641	671	677	723	768
– other acquisition costs	119	122	125	137	164	152	162	169
– other administration costs	121	134	142	157	163	165	181	189
Direct technical balance	**261**	**268**	**184**	**228**	**-49**	**375**	**180**	**134**
Investment income	36	32	39	25	45	22	39	13
Direct technical account result	**298**	**300**	**222**	**254**	**-4**	**397**	**219**	**146**
Reinsurance results	-36	-64	-36	-37	116	24	15	6
Overall technical account result	**262**	**237**	**186**	**217**	**112**	**420**	**234**	**152**
Annual % changes in premiums	2.9%	6.5%	6.3%	5.9%	4.4%	1.0%	6.5%	6.3%
Combined ratio	**88.0%**	**87.9%**	**91.4%**	**90.5%**	**100.4%**	**87.2%**	**93.1%**	**94.9%**
– Expense ratio	29.8%	30.5%	30.7%	31.5%	32.1%	31.6%	31.8%	31.8%
– Commissions/Gross written premiums	20.0%	20.8%	21.2%	21.6%	21.6%	21.6%	21.6%	21.7%
– Other acquisition costs/Gross written premiums	4.9%	4.6%	4.4%	4.6%	5.3%	4.8%	4.9%	4.8%
– Other administration costs/Gross written premiums	4.9%	5.1%	5.1%	5.3%	5.2%	5.2%	5.4%	5.3%
– Loss ratio:	58.2%	57.4%	60.6%	59.0%	68.3%	55.6%	61.2%	63.1%
– Loss ratio for the current accident year	60.9%	59.5%	62.4%	60.3%	69.0%	55.8%	62.3%	63.8%
– Excess/shortfall of reserves for prev. years claims/Earned premiums	2.8%	2.1%	1.7%	1.3%	0.7%	0.2%	1.0%	0.7%
Technical balance/Earned premiums	**10.9%**	**10.5%**	**6.8%**	**8.0%**	**-1.6%**	**12.0%**	**5.6%**	**3.9%**
Technical account result/Earned premiums	**12.4%**	**11.8%**	**8.3%**	**8.9%**	**-0.1%**	**12.7%**	**6.8%**	**4.3%**
Overall technical account result/Earned premiums	**10.9%**	**9.3%**	**7.0%**	**7.6%**	**3.7%**	**13.5%**	**7.2%**	**4.4%**
Premiums over total non-life premiums ratio (%)	*7.7%*	*8.2%*	*8.7%*	*9.0%*	*9.1%*	*9.4%*	*9.8%*	*9.9%*

Indexes and changes (%) are calculated on data in thousands of euros.
Changes (%) were calculated in homogeneous terms.

MOTOR INSURANCE

The **incurred claims cost for the current accident year**, defined as the sum of the total paid and the total reserved for all claims incurred in the current accident year, amounted to €2,196 million, up by €176 million or 9% compared with 2021. As this cost rose more than premiums, the loss ratio for the year 2022 worsened from 62.3% to 63.8%.

The **incurred claims cost** for the financial year, which also includes the excess/shortfall of reserves for claims incurred in previous accident years, was equal to €2,171 million, up from €1,986 million in 2021. The loss ratio with respect to earned premiums thus worsened from 61.2% to 63.1%.

Operating expenses – administration expenses relating to the technical management of insurance business, acquisition costs, premium collection costs and costs relating to the organization and management of the distribution network – amounted to €1,125 million (€1,066 million in 2021). The ratio to premium income in 2022 was 31.8% the same as in 2021.

The **technical balance for direct business** was positive by €134 million (€180 million in 2021).

Including investment income, the **technical account result** was positive by €146 million, down from €219 million in 2021.

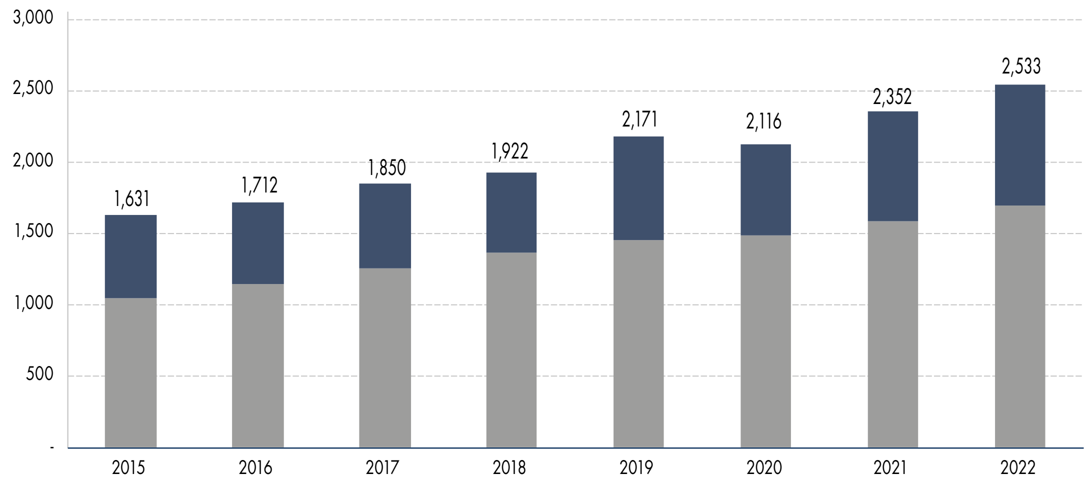
Thanks to the positive balance on reinsurance, the **overall technical account** came to €152 million (€234 million in 2021), but its ratio to premiums came down from 7.2% to 4.4%.

Technical reserves for direct business, net of recoverable sums, amounted to €2,533 million in the land vehicles class in 2022, gaining 8% for the year and posting an all-time high. Among these reserves, claims reserves accounted for some €840 million, while premium reserves amounted to €1,690 million.

Land vehicle insurance technical reserves
€ million

Premium reserves

Claims reserves



CAR THEFT IN ITALY

The Ministry of the Interior has released the data (operational, not yet definitive) on thefts of passenger cars and SUVs in Italy in 2022. We have compared them with the data for 2021 and 2020 (Table 1).

The number of vehicle thefts increased substantially last year, from 68,570 to 81,497 or by 18.9%. Whereas in 2020 the containment measures and restrictions adopted to combat the Covid-19 epidemic were instrumental in fostering a sharp drop of 22.5% in auto theft by comparison with 2019, in 2021, with the easing of the restrictions there was only a slight uptick (+3.7% over 2020). The sharp increase of last year, however, brought the number of auto thefts practically back to pre-pandemic levels (85,000 in 2019). This trend was not paralleled, however, by that in recoveries of stolen vehicles by the law enforcement forces (Table 2): whereas in 2020 the percentage of stolen vehicles recovered slipped to 36.8% (about 24,300 vehicles), it edged up to 37.0% (or 25,300 vehicles) in 2021, before jumping to nearly 41% in 2022 (over 33,000 vehicles recovered), the highest rate in the past five years.

Using ACI's data on the provincial distribution of cars in circulation in 2022 as a base, we can make an approximate calculation of theft rates. Overall in 2022, 2.03 vehicles per 1,000 were stolen, up 17.7% from 1.72‰ in 2021 and also higher than the rate of 1.66‰ registered in 2020. The rate varies significantly on a regional basis, however.

The regions of the South again showed the highest incidence of vehicle theft in 2022, the average increasing by over almost 17% with respect to 2021 (from 3.80‰ to 4.43‰). In this part of the country, just over 37% of stolen vehicles are recovered by the police. Basilicata recorded a doubling of car thefts in 2022 (although in absolute terms the numbers for this small region are low indeed), while Abruzzo and Molise showed increases of 46.3% and 62.3% respectively. In Puglia and Campania (these two regions account for 90% of vehicle thefts in the South) the increase came to 15.6% and 17.2% respectively. The smallest increase came in Calabria, at 5.2%, after two years of decrease. Again in 2022, the region with the highest theft rate in Italy was Campania, at 6.28‰, ahead of Puglia (5.52‰).

The Center regions registered a 17.0% increase in auto theft in 2022, from 13,472 to 15,765, and a recovery rate of just a third. Lazio was again the central region accounting for the majority of thefts; it showed an increase of 15.3% for the year, and remains one of the worst regions in Italy in terms of recovery rate (31.9%). Car theft increased in all the other central regions as well, most steeply in Marche, where it rose by 45.3%; thefts also rose sharply in Tuscany, by 32.8%, but by just 8.0% in Umbria. All these last three regions show very high recovery rates; in Tuscany nearly 61% of the stolen vehicles were recovered, and in Umbria 56.5%. In the regions of central Italy the incidence of theft to cars on the road was under 0.49‰, if we exclude Lazio, where it came to 3.58‰. The Center regions account for some 20.4% of passenger cars in Italy.

Table 1 – Car and SUV thefts by region

Region	Auto thefts**			% change			% of cars reg'd. 2022*	Car thefts per 1,000 registered		
	year 2022	year 2021	year 2020	2022 / 2021	2021 / 2020	2020 / 2019		2022	2021	2020
PIEDMONT	3,182	2,936	3,028	8.4%	-3.0%	-30.0%	7.2%	1.10	1.02	1.04
VALLE D'AOSTA	25	12	15	108.3%	-20.0%	50.0%	0.7%	0.09	0.05	0.06
LOMBARDY	7,147	6,689	6,491	6.8%	3.1%	-29.1%	15.6%	1.14	1.08	1.04
LIGURIA	445	281	308	58.4%	-8.8%	-24.5%	2.1%	0.53	0.33	0.37
FRIULI-VENEZIA GIULIA	187	232	280	-19.4%	-17.1%	2.2%	2.0%	0.23	0.29	0.35
TRENTINO-ALTO ADIGE	157	65	96	141.5%	-32.3%	-34.7%	3.2%	0.12	0.05	0.08
VENETO	975	915	903	6.6%	1.3%	-19.8%	8.0%	0.30	0.29	0.28
EMILIA-ROMAGNA	1,589	1,221	1,310	30.1%	-6.8%	-30.0%	7.4%	0.54	0.42	0.45
NORTH	*13,707*	*12,351*	*12,431*	*11.0%*	*-0.6%*	*-28.2%*	*46.2%*	*0.74*	*0.67*	*0.68*
TUSCANY	1,287	969	913	32.8%	6.1%	-29.8%	6.6%	0.49	0.37	0.35
UMBRIA	269	249	204	8.0%	22.1%	-23.0%	1.6%	0.42	0.39	0.32
MARCHE	404	278	358	45.3%	-22.3%	-19.4%	2.6%	0.39	0.27	0.34
LAZIO	13,805	11,976	11,815	15.3%	1.4%	-20.9%	9.6%	3.58	3.14	3.10
CENTER	*15,765*	*13,472*	*13,290*	*17.0%*	*1.4%*	*-21.6%*	*20.4%*	*1.93*	*1.66*	*1.64*
ABRUZZO	900	615	733	46.3%	-16.1%	-23.6%	2.2%	1.00	0.68	0.81
MOLISE	500	308	293	62.3%	5.1%	-10.4%	0.5%	2.33	1.43	1.36
CAMPANIA	22,706	19,368	17,887	17.2%	8.3%	-12.8%	9.0%	6.28	5.40	4.99
CALABRIA	1,574	1,496	1,674	5.2%	-10.6%	-21.3%	3.3%	1.18	1.13	1.26
PUGLIA	13,535	11,711	11,218	15.6%	4.4%	-22.0%	6.1%	5.52	4.81	4.61
BASILICATA	234	123	167	90.2%	-26.3%	-36.5%	1.0%	0.61	0.32	0.44
SOUTH	*39,449*	*33,621*	*31,972*	*17.3%*	*5.2%*	*-17.1%*	*22.2%*	*4.43*	*3.80*	*3.61*
SICILY	11,851	8,581	7,861	38.1%	9.2%	-33.1%	8.6%	3.45	2.51	2.30
SARDINIA	725	545	556	33.0%	-2.0%	-26.8%	2.7%	0.66	0.50	0.51
ISLANDS	*12,576*	*9,126*	*8,417*	*37.8%*	*8.4%*	*-32.7%*	*11.3%*	*2.77*	*2.02*	*1.87*
TOTAL ITALY	81,497	68,570	66,110	18.9%	3.7%	-22.5%	100.0%	2.03	1.72	1.66

Sources: (*) Ministry of Infrastructures and Transport / ACI – No. vehicles registered at 31 December 2022.
(**) Ministry of Interior – The data for 2022 are subject to rectification.

The North also recorded an increase in the number of thefts, averaging 11.0%, with about half the vehicles stolen being recovered. By region, excluding the tiny region of Valle d'Aosta where the number of thefts is practically negligible, the sharpest rise in 2022 came in Trentino-Alto Adige, where it jumped by over 140%, followed by Liguria (+58.4%) and Emilia-Romagna (+30.1%). Thefts increased by 8.4% in Piedmont and less than 7% in Lombardy and Veneto in 2022. Friuli-Venezia Giulia was the only region in Italy to record a decline in auto thefts last year (-19.4%). It is worth remarking that the North has nearly half of all Italy's passenger cars (46.2% in 2022) and also the lowest incidence of theft, averaging 0.74‰ overall and a strikingly low 0.12‰ in Trentino-Alto Adige and 0.09‰ in Valle d'Aosta.

The island regions registered the sharpest increase in auto thefts in 2022 (up 37.8%), while 47.8% of the vehicles stolen were recovered. Sicily recorded an increase of 38.1%, and the incidence of car theft on circulating vehicles rose from 2.51‰ to 3.45‰, while Sardinia recorded a rise of 33.0% and an increase in their incidence from 0.50‰ to 0.66‰.

Table 2
Stolen cars and SUVs recovered by the law enforcement forces

Region	Stolen vehicles recovered			% stolen vehicles recovered		
	2022	2021	2020	2022	2021	2020
PIEDMONT	1,553	1,279	1,442	48.8%	43.6%	47.6%
VALLE D'AOSTA	6	6	11	24.0%	50.0%	73.3%
LOMBARDY	3,212	2,529	2,483	44.9%	37.8%	38.3%
LIGURIA	357	234	220	80.2%	83.3%	71.4%
FRIULI-VENEZIA GIULIA	100	117	123	53.5%	50.4%	43.9%
TRENTINO-ALTO ADIGE	94	49	76	59.9%	75.4%	79.2%
VENETO	590	589	574	60.5%	64.4%	63.6%
EMILIA-ROMAGNA	931	730	899	58.6%	59.8%	68.6%
NORTH	*6,843*	*5,533*	*5,828*	*49.9%*	*44.8%*	*46.9%*
TUSCANY	782	584	578	60.8%	60.3%	63.3%
UMBRIA	152	144	137	56.5%	57.8%	67.2%
MARCHE	172	142	159	42.6%	51.1%	44.4%
LAZIO	4,402	3,337	3,319	31.9%	27.9%	28.1%
CENTER	*5,508*	*4,207*	*4,193*	*34.9%*	*31.2%*	*31.6%*
ABRUZZO	238	220	310	26.4%	35.8%	42.3%
MOLISE	70	51	43	14.0%	16.6%	14.7%
CAMPANIA	8,216	6,557	5,459	36.2%	33.9%	30.5%
CALABRIA	663	739	919	42.1%	49.4%	54.9%
PUGLIA	5,460	4,211	4,054	40.3%	36.0%	36.1%
BASILICATA	69	41	41	29.5%	33.3%	24.6%
SOUTH	*14,716*	*11,819*	*10,826*	*37.3%*	*35.2%*	*33.9%*
SICILY	5,644	3,565	3,187	47.6%	41.5%	40.5%
SARDINIA	373	239	298	51.4%	43.9%	53.6%
ISLANDS	*6,017*	*3,804*	*3,485*	*47.8%*	*41.7%*	*41.4%*
TOTAL ITALY	33,084	25,363	24,332	40.6%	37.0%	36.8%

Source: Interior Ministry – the data for 2022 are operational, not definitive

The Ministerial data on passenger car thefts and the regional frequency indicators derived from them are not directly comparable with those produced by the insurance industry (described in the next section). The theft rates set out above are calculated as the ratio between thefts of cars and SUVs reported to the police and the number of such vehicles registered according to ACI, the Italian Automobile Club. The frequencies calculated by insurers, instead, only consider vehicles with theft insurance, on average about a third of all those on the roads. The insurance technical indicator is thus the ratio between the number of thefts reported to insurers and the total number of vehicles with theft coverage.

Nevertheless, as far as identifying the riskiest areas, the Ministerial data confirm those of the insurance industry: the regions with the highest incidence of stolen cars are also those where claims frequency for auto theft is highest.

PASSENGER CAR FIRE AND THEFT COVERAGE IN ITALY

ANIA gathers annual statistics on the technical performance and the diffusion of the various kinds of land vehicle insurance. This means mainly car theft and fire, collision (so-called partial or full “kasko”), breakage of windows and windshields, damage from weather, vandalism, or political events. This section reports the preliminary results for 2022 and a homogeneous comparison with 2021 and 2020 for the most common types of coverage, namely fire and theft. The observation is for a sample of companies that account for 92% of premium income in this class and refers only to private passenger cars (no fleet or other multi-vehicle policies).

Let us emphasize that as far as claims are concerned, last year saw a substantial increase by comparison with 2021, and claims frequencies for both fire and theft are now higher than before the pandemic.

Diffusion of coverage

Based on our sample, we estimate that there were 9.7 million passenger car fire and theft policies in Italy in 2022, up very slightly on the year.

Nationwide, this works out to a coverage ratio of practically 35% of all cars with motor liability insurance (just over 33% in 2021). But the geographical distribution is quite uneven. The regions with higher-than-average coverage are found in the Center and North: more than half the cars in Lombardy (54.1%), about 46% in Lazio, 44% in Piedmont, 37% in Emilia Romagna, 35% in Liguria and 33% in Veneto. Very low diffusion of scarcely 20% is registered mainly in the regions of the South: Calabria, 22.8%; Puglia, 22.6%; Campania, 22.2%; and Basilicata, Sardinia and Sicily, all at under 22%. However, the northern regions of Trentino-Alto Adige and Valle d’Aosta too have only about 22% theft coverage.

Claims frequency

Claims frequency (i.e. the ratio of claims in a year to the number of vehicles insured) is much higher for **theft insurance** (**6.82** claims **per 1,000 insured vehicles** in 2022, up significantly from 6.13 in 2021, than for **fire** (**0.38 per 1,000 insured cars** in 2022, up from 0.33‰ in 2021; see Tables 1 and 2).

This indicator too displays great geographical variability (Figure 1). The region with the greatest frequency of theft claims in 2022 was again Puglia, with 20 cars stolen for every 1,000 insured – up from 18 in 2021 and 19 in 2020 – followed by Campania (almost 17 in 2022, up sharply from 13 in 2020 and 2021), Molise (11, an increase with respect to 2021 and up sharply from 8 in 2020), and Lazio (11, up by 1 per 1,000 over 2021 and 2 per 1,000 over 2020).

Table 1

Statistical data, passenger car theft insurance

	Composition of coverage (% of total)			Claims frequency (‰)			Average degree of damage (%)		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Friuli-Venezia Giulia	1.8%	1.8%	1.7%	1.94‰	1.58‰	1.54‰	21.7%	24.7%	21.6%
Veneto	8.6%	8.6%	8.5%	3.13‰	2.94‰	3.28‰	20.5%	18.9%	19.8%
Trentino-Alto Adige	1.4%	1.4%	1.3%	1.89‰	1.23‰	1.92‰	31.9%	31.8%	31.9%
Emilia-Romagna	8.9%	8.9%	8.8%	3.85‰	3.36‰	3.99‰	22.5%	22.5%	20.8%
TOTAL NORTH-EAST	*20.7%*	*20.6%*	*20.4%*	*3.25‰*	*2.89‰*	*3.35‰*	*21.8%*	*21.1%*	*20.6%*
Piedmont	10.0%	10.0%	10.2%	5.00‰	6.02‰	5.43‰	30.8%	29.7%	31.9%
Lombardy	27.7%	27.6%	27.9%	5.18‰	4.90‰	4.92‰	30.9%	32.4%	34.6%
Liguria	2.3%	2.3%	2.3%	2.61‰	2.47‰	2.94‰	21.5%	27.4%	19.5%
Valle d'Aosta	0.2%	0.2%	0.2%	2.02‰	2.62‰	2.44‰	42.0%	25.2%	32.0%
TOTAL NORTH-WEST	*40.1%*	*40.1%*	*40.6%*	*4.98‰*	*5.03‰*	*4.92‰*	*30.7%*	*31.4%*	*33.4%*
Tuscany	4.6%	4.6%	4.7%	4.13‰	3.42‰	3.15‰	20.3%	21.3%	23.2%
Marche	1.9%	1.9%	1.9%	2.82‰	2.05‰	2.43‰	38.8%	33.0%	35.0%
Umbria	1.2%	1.2%	1.2%	3.30‰	2.88‰	3.71‰	31.0%	32.1%	25.4%
Lazio	11.4%	11.6%	11.9%	11.22‰	10.09‰	9.36‰	60.4%	63.9%	65.9%
TOTAL CENTER	*19.1%*	*19.4%*	*19.7%*	*8.17‰*	*7.25‰*	*6.87‰*	*47.6%*	*50.1%*	*51.5%*
Molise	0.5%	0.5%	0.5%	11.42‰	8.90‰	7.68‰	60.0%	51.5%	63.8%
Campania	4.8%	4.6%	4.3%	16.91‰	13.56‰	12.83‰	57.2%	58.5%	61.2%
Basilicata	0.6%	0.6%	0.6%	5.95‰	4.44‰	4.32‰	65.7%	66.1%	74.6%
Abruzzo	2.0%	2.0%	2.0%	5.45‰	4.18‰	3.92‰	45.5%	44.0%	50.5%
Calabria	1.9%	1.9%	1.8%	5.95‰	5.74‰	5.87‰	46.6%	49.7%	48.8%
Puglia	4.0%	3.8%	3.6%	19.92‰	18.00‰	18.66‰	80.6%	80.7%	83.6%
TOTAL SOUTH	*13.7%*	*13.3%*	*12.8%*	*13.95‰*	*11.75‰*	*11.52‰*	*66.2%*	*67.0%*	*70.4%*
Sardinia	1.7%	1.7%	1.7%	2.67‰	2.53‰	2.14‰	35.6%	38.9%	48.5%
Sicily	4.5%	4.5%	4.4%	11.21‰	8.54‰	7.87‰	37.8%	40.8%	42.6%
TOTAL ISLANDS	*6.2%*	*6.2%*	*6.1%*	*8.86‰*	*6.88‰*	*6.29‰*	*37.6%*	*40.6%*	*43.1%*
TOTAL ITALY	100.0%	100.0%	100.0%	6.82‰	6.13‰	6.03‰	42.2%	42.2%	43.2%

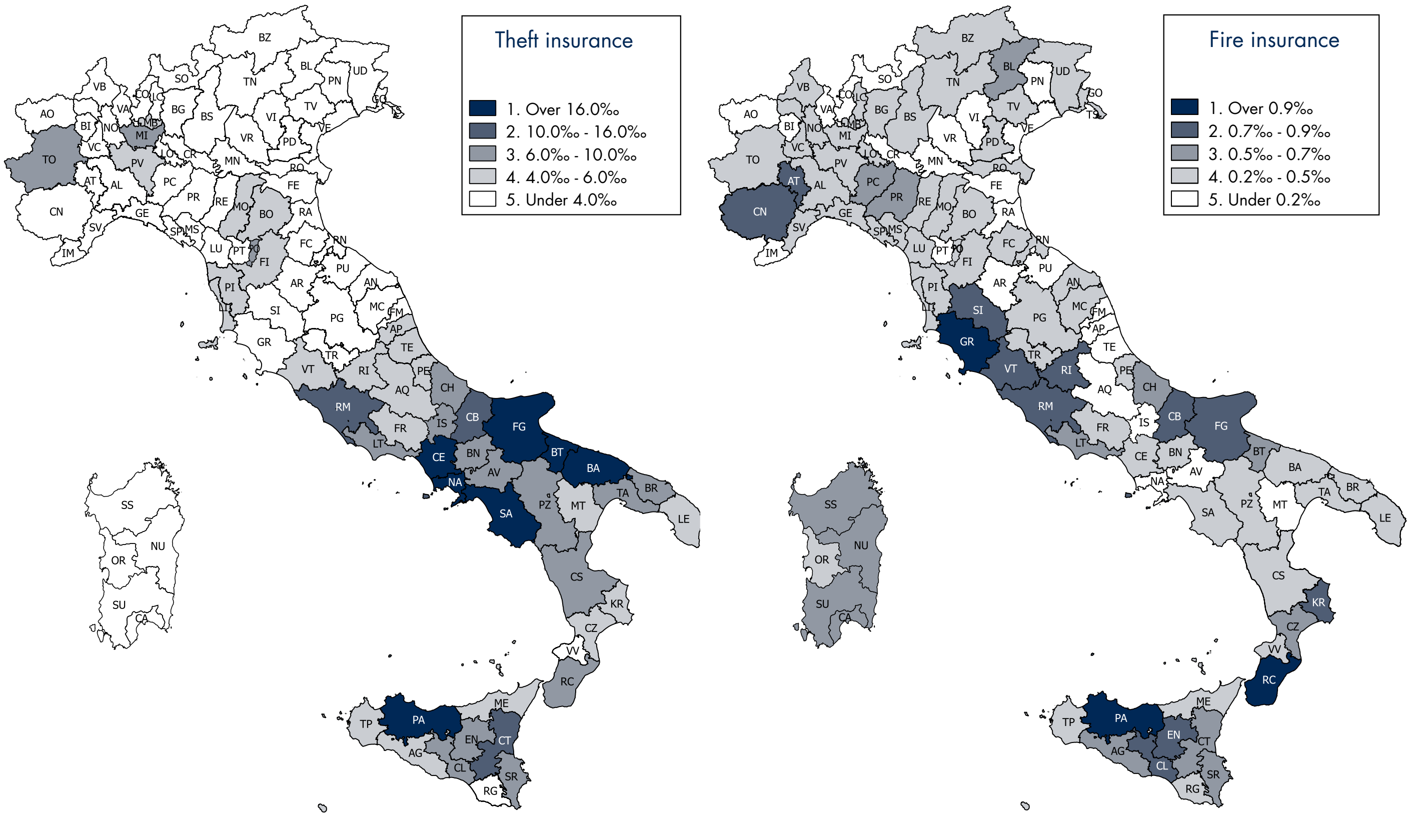
By province, the highest frequencies in 2022 were registered in Barletta-Andria-Trani (40 auto theft claims for every 1,000 vehicles insured, compared with 30 in 2021 and 27 in 2020), Foggia (32, up from 28 and 29 in the two previous years), Naples (22, up from 19 and 18), Bari (21, as in 2021, but down from 23 in 2020), and Palermo (over 21, up sharply from 14 in 2021 and 11 in 2020).

The most "virtuous" regions are practically all in the Center-North: notably Trentino-Alto Adige, which scored 1.89 thefts per 1,000 vehicles insured in 2022 (up from 1.23 in 2021 and about the same as in 2020) and Friuli-Venezia Giulia with 1.94‰ (up from about 1.58‰ in the previous two years). Values well below the national average, though rising, are also found in Valle d'Aosta (2.02‰), Liguria (2.61‰), Marche (2,82‰), Veneto (3.13‰), and Umbria (3.30‰).

Sardinia also registered a low claims frequency of 2.67 thefts per 1,000 vehicles insured in 2022, up from 2.53 in 2021 and 2.14 in 2020. The provinces with the lowest claims frequencies, never above 1.50‰, were Oristano, Bolzano, Sondrio and Belluno.

By comparison with the national claims frequency of 0.38‰ for fire insurance, the rate was particularly low in Marche and Veneto, 0.18‰ and 0.21‰

Figure 1
Claims frequency for car theft and fire insurance by province – 2022



respectively, or about half the national average. Campania, Liguria, Friuli-Venezia Giulia, Lombardy, Basilicata, Abruzzo and Tuscany also scored below the average, although with frequencies higher than in 2021 (Table 2, Figure 1). The provinces with the highest fire claims risk frequencies in 2022 were Lazio (0.79 per 1,000 vehicles insured), Calabria (0.66‰), Molise (0.63‰), Sicily (0.62‰), and Sardinia (0.59‰). By province the highest risk levels for fire insurance claims in 2022 were registered in Palermo, Reggio Calabria and Grosseto at over 0.90‰, followed by Rieti, Campobasso, Cuneo, Rome, Caltanissetta, Asti and Siena (with frequencies of over 0.80‰). The most "virtuous" provinces were Ascoli-Piceno, Fermo, Aosta, Trieste, Pistoia and Ravenna, with rates of 0.10‰ or less.

Average degree of damage

The other significant indicator in analyzing technical trends in fire and theft insurance is the average degree of damage, i.e. the percentage of the value of the good insured that is lost. For given that in the case of partial theft and fire the entire value of the car is not necessarily lost, it is worth determining what portion of damage is indemnified in relation to the value insured. This

Table 2
Statistical data, passenger car fire insurance

	Composition of coverage (% of total)			Claims frequency (‰)			Average degree of damage (%)		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Friuli-Venezia Giulia	1.9%	1.8%	1.8%	0.27‰	0.25‰	0.14‰	35.8%	41.5%	30.8%
Veneto	9.2%	9.1%	9.0%	0.21‰	0.14‰	0.14‰	53.6%	40.5%	45.5%
Trentino-Alto Adige	1.6%	1.5%	1.5%	0.42‰	0.32‰	0.35‰	33.0%	33.4%	29.8%
Emilia-Romagna	8.9%	8.9%	8.8%	0.31‰	0.31‰	0.26‰	38.0%	37.4%	44.4%
TOTAL NORTH-EAST	*21.5%*	*21.3%*	*21.1%*	*0.27‰*	*0.23‰*	*0.20‰*	*42.5%*	*37.8%*	*41.8%*
Piedmont	10.2%	10.2%	10.3%	0.42‰	0.43‰	0.33‰	46.3%	55.5%	59.8%
Lombardy	27.2%	27.1%	27.5%	0.28‰	0.21‰	0.20‰	49.7%	50.0%	64.3%
Liguria	2.2%	2.3%	2.3%	0.25‰	0.16‰	0.16‰	50.6%	45.0%	56.0%
Valle d'Aosta	0.2%	0.2%	0.2%	0.07‰	0.36‰	0.22‰	21.9%	33.4%	11.3%
TOTAL NORTH-WEST	*39.8%*	*39.8%*	*40.3%*	*0.31‰*	*0.27‰*	*0.23‰*	*48.4%*	*51.4%*	*61.9%*
Tuscany	4.6%	4.6%	4.7%	0.35‰	0.32‰	0.26‰	33.9%	40.1%	40.6%
Marche	2.0%	2.0%	1.9%	0.18‰	0.27‰	0.19‰	44.6%	52.4%	36.6%
Umbria	1.2%	1.2%	1.2%	0.38‰	0.44‰	0.26‰	20.5%	28.5%	41.0%
Lazio	11.1%	11.3%	11.6%	0.79‰	0.60‰	0.35‰	47.3%	55.6%	72.4%
TOTAL CENTER	*18.8%*	*19.1%*	*19.4%*	*0.59‰*	*0.49‰*	*0.31‰*	*40.1%*	*47.5%*	*57.3%*
Molise	0.5%	0.5%	0.5%	0.63‰	0.47‰	0.33‰	45.2%	46.1%	65.1%
Campania	4.7%	4.5%	4.3%	0.24‰	0.23‰	0.24‰	71.5%	88.4%	102.8%
Basilicata	0.6%	0.6%	0.6%	0.30‰	0.25‰	0.20‰	61.2%	51.6%	65.3%
Abruzzo	1.9%	2.0%	2.0%	0.34‰	0.29‰	0.28‰	54.4%	47.1%	59.4%
Calabria	1.8%	1.8%	1.7%	0.66‰	0.51‰	0.71‰	89.8%	77.1%	109.2%
Puglia	4.0%	3.9%	3.7%	0.45‰	0.54‰	0.59‰	91.8%	99.3%	91.5%
TOTAL SOUTH	*13.5%*	*13.2%*	*12.7%*	*0.38‰*	*0.38‰*	*0.41‰*	*78.2%*	*83.9%*	*91.6%*
Sardinia	1.7%	1.7%	1.7%	0.59‰	0.63‰	0.64‰	90.9%	82.1%	81.6%
Sicily	4.5%	4.5%	4.4%	0.62‰	0.38‰	0.39‰	53.9%	79.0%	90.3%
TOTAL ISLANDS	*6.2%*	*6.2%*	*6.2%*	*0.61‰*	*0.45‰*	*0.46‰*	*63.9%*	*80.5%*	*86.9%*
TOTAL ITALY	100.0%	100.0%	100.0%	0.38‰	0.33‰	0.28‰	49.5%	54.1%	63.5%

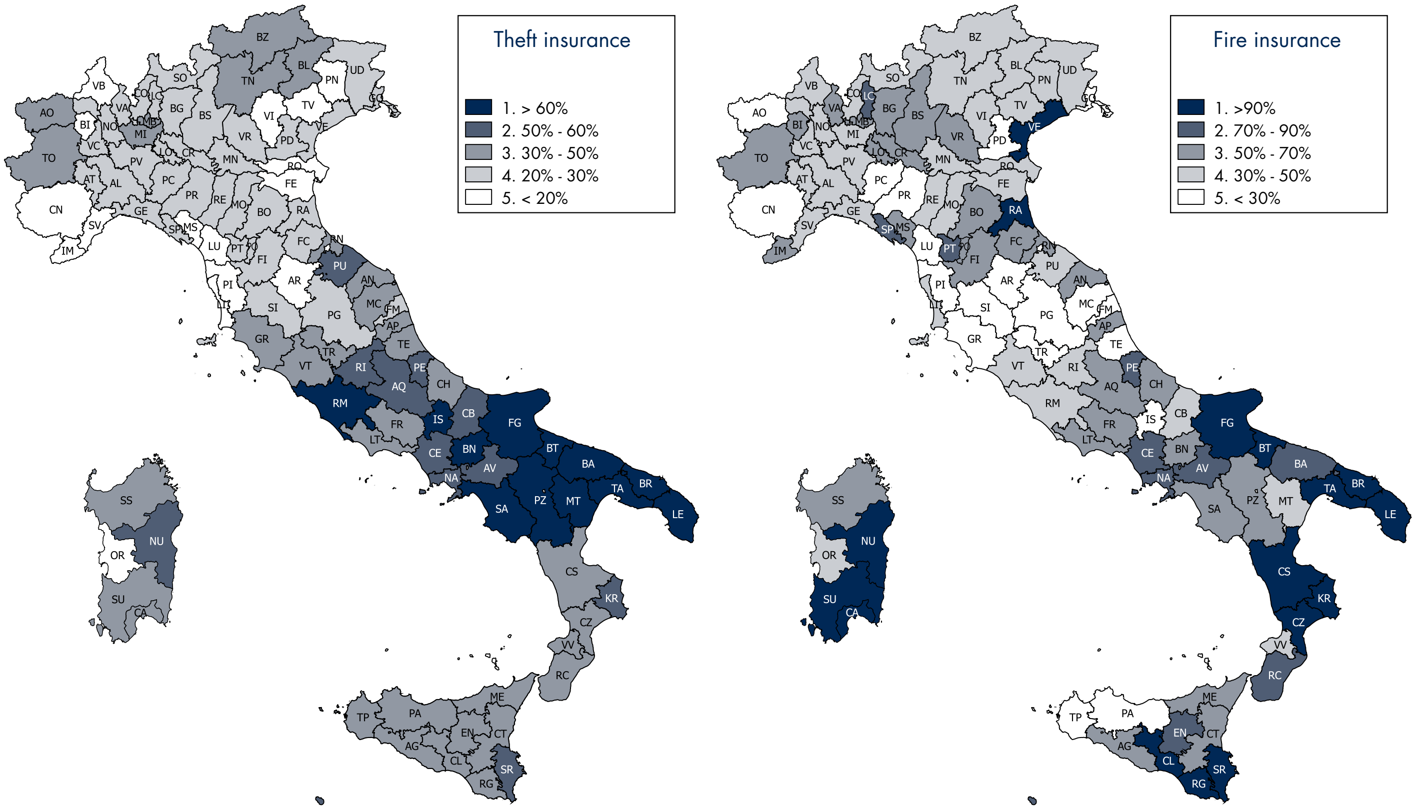
indicator is normally less than 100%; a value greater than 100% can arise only due to an accounting effect in quantifying the insured value exposed to risk during the year.

The insurers' average exposure for both types of policy (i.e. value insured divided by number of risks insured) was €11,500 in 2022, up from €11,200 in 2021 and €11,000 in 2020.

For **theft insurance**, the **degree of damage averaged 42.2%** nationwide in 2022, the same as in 2021 and about a point lower than in 2020, which means that partial auto theft remains quite a significant phenomenon: the average incidence of damage in fact does not even come to half the value insured. For **fire insurance** the damage rate was **49.5%**, down nearly 5 points compared with 2021 (54.1%) and 14 points vis-à-vis 2020 (63.5%). That is, there has been an increasing incidence of fires causing relatively little damage (the average cost of these claims, in fact, fell from €7,000 in 2020 to under €6,000 in 2022).

Again, the degree of damage varies significantly by region and province for both types of coverage (Figure 2). For theft, the values were higher than the national average in the South: nearly twice the average in Puglia (80.6%), followed by Basilicata (65.7%), Lazio (60.4%), Molise (60.0%), Campania

Figure 2
Average degree of damage for fire and theft insurance by province – 2022



(57.2%), Calabria (46.6%) and Abruzzo (45.5%). The provinces with the highest figures in 2022 were Barletta-Andria-Trani (practically 100% of the value of the insured vehicle), Brindisi (85%), Bari (80%), Foggia (76%), Potenza and Lecce (68%), and Salerno and Isernia (65%).

For fire insurance, the degree of damage came to 92% in Puglia, 91% in Sardinia, 90% in Calabria, 72% in Campania, and 61% in Basilicata. More in detail, values of 100% or more were recorded in many provinces, such as Venice, Cagliari, Crotone, Barletta-Andria-Trani, Brindisi, Taranto, and Cosenza.

THE AVERAGE COST AND FREQUENCY OF MOTOR LIABILITY CLAIMS

Analysis of the overall loss ratio of the motor liability insurance sector for the entire market must take into account both the number of claims made during the year (which in proportion to the number of vehicles insured gives the claims frequency) and their average cost.

Number of claims. The total number of indemnifiable claims incurred and reported is given by the sum of claims incurred and settled during the year and claims reserved (which will give rise to a payment in the future), but does not include the estimate of those incurred but not reported (IBNR) during 2022 but that will be reported in future years. By this count, the number of claims lodged with Italian or non-EU insurance companies rose by 3.1% last year, from 1,761,985 to 1,816,843, but still did not regain pre-pandemic levels (2,140,440 in 2019).

Claims frequency (excluding IBNR, Table 1, Panel A). Claims frequency as shown in Panel A of Table 1 is defined as the ratio of the number of claims incurred and reported during the accident year that have given or will give rise to compensation to the number of vehicles exposed to the risk of claim-generating accidents (measured on the basis of days of exposure during the year, converted into "vehicle-years"). This technical indicator rose to 4.72% last year, up 4.2 percent from 4.53% in 2021, when claims frequency had surged by 18.5% with the termination of the pandemic-induced traffic restrictions. Vehicle circulation is still below its 2019 level, and claims frequency for motor liability, though rising by 23.5% by comparison with 2020, did not recover its 2019 level of 5.41%. Claims frequency rose by slightly more than the number of claims, given that in 2022 the number of vehicle-years insured by Italian and non-EEA companies dipped by 0.9%.[1]

Claims frequency was sharply higher (+17.9%) in the first quarter of 2022 than in the year-earlier quarter, when Italy had been divided into three risk bands and vehicle circulation was still limited. The increase moderated to 12.7% in the second quarter, however, in part because towards the end of that period in 2021 there had been a recovery in circulation and consequently in claims and in part because the jump in fuel costs owing to the war in Ukraine led to a decrease in vehicle use. Although government measures to hold down fuel prices were in place for practically the entire year, the second half of 2022 saw a reversal in claims frequency, which was down 4.8% and 5.8% in the third and fourth quarters by comparison with the same quarters of 2021, which instead had been marked by a strong upswing in vehicle use and claims frequency.

The final annual estimates of fuel consumption released by the Ministry for Economic Development show an upturn in fuel consumption on the order of 16% in the first quarter of 2022 owing to greater vehicle use, but in the second quarter, when the price impact of the Ukraine war was fully felt, the increase in fuel consumption came to just 7%; and despite the government intervention, fuel use was virtually flat in the third quarter by comparison with the year-earlier quarter, and actually down somewhat in the fourth.

ANIA has compared the quarterly data from 2015 through the first quarter of 2022 on the average cost and consumption of vehicle fuel with that on claims frequency, in order to show how the cost of vehicle use may interact with the

[1] The absolute number of vehicle years was 38.5 million. Including all the other types of insurers operating in Italy (i.e. those doing business under the freedom to provide services), the total number of vehicle-years insured comes to 43.9 million, up 0.9% on 2021.

Table 1 – Average cost of claims and claims frequency in the motor and marine liability insurance sectors *Values in €*

PANEL A: Excludes claims IBNR, contribution to the Road Accident Victims Guarantee Fund and other residual items									PANEL B: Includes claims IBNR, contribution to the Road Accident Victims Guarantee Fund and other residual items	
Year	Claims frequency %	Change %	Average claim cost - property damage	Change %	Average claim cost - personal injury	Change %	Average total claim cost**	Change %	Claims frequency %	Average claim cost.
2000	9.82%	-1.3%	1,278	2.9%	9,920	14.9%	2,809	13.1%	10.95%	2,825
2001	8.54%	-13.1%	1,431	12.0%	11,175	12.7%	3,186	13.4%	9.55%	3,207
2002	7.82%	-8.4%	1,535	7.3%	12,686	13.5%	3,532	10.9%	8.78%	3,503
2003	7.66%	-2.1%	1,634	6.4%	13,542	6.7%	3,805	7.7%	8.63%	3,771
2004	7.61%	-0.6%	1,701	4.1%	13,206	-2.5%	3,982	4.7%	8.58%	3,964
2005	7.55%	-0.8%	1,644	-3.3%	13,106	-0.8%	4,047	1.6%	8.51%	4,038
2006	7.47%	-1.1%	1,674	1.8%	13,233	1.0%	4,100	1.3%	8.47%	4,080
2007	7.61%	1.9%	1,764	5.4%	11,958	-9.6%	3,967	-3.2%	8.52%	4,014
2008	7.73%	1.6%	1,772	0.5%	11,830	-1.1%	3,913	-1.4%	8.57%	3,972
2009	7.77%	0.5%	1,725	-2.7%	11,694	-1.1%	3,903	-0.3%	8.60%	3,986
2010	7.36%	-5.2%	1,716	-0.5%	12,052	3.1%	4,057	4.0%	8.12%	4,117
2011	6.53%	-11.3%	1,803	5.0%	13,155	9.2%	4,345	7.1%	7.21%	4,519
2012	5.87%	-10.1%	1,899	5.3%	14,804	12.5%	4,495	3.5%	6.48%	4,763
2013	5.65%	-3.8%	1,883	-0.8%	15,986	8.0%	4,564	1.5%	6.24%	4,828
2014	5.48%	-2.9%	1,894	0.6%	16,150	1.0%	4,532	-0.7%	6.05%	4,796
2015	5.55%	1.2%	1,908	0.7%	16,389	1.5%	4,467	-1.5%	6.11%	4,721
2016	5.65%	1.8%	1,912	0.2%	16,132	-1.6%	4,374	-2.1%	6.20%	4,597
2017	5.61%	-0.7%	1,941	1.5%	16,297	1.0%	4,326	-1.1%	6.13%	4,507
2018	5.43%	-3.2%	1,980	2.0%	17,026	4.5%	4,361	0.8%	5.95%	4,552
2019	5.41%	-0.4%	1,998	0.9%	17,112	0.5%	4,348	-0.3%	5.91%	4,560
2020	3.82%	-29.4%	2,257	13.0%	20,690	20.9%	4,918	13.1%	4.20%	5,202
2021	4.53%	18.5%	2,236	-0.9%	19,709	-4.7%	4,737	-3.7%	4.92%	4,985
2022*	4.72%	4.2%	2,314	3.5%	20,543	4.2%	4,866	2.7%	5.13%	5,113

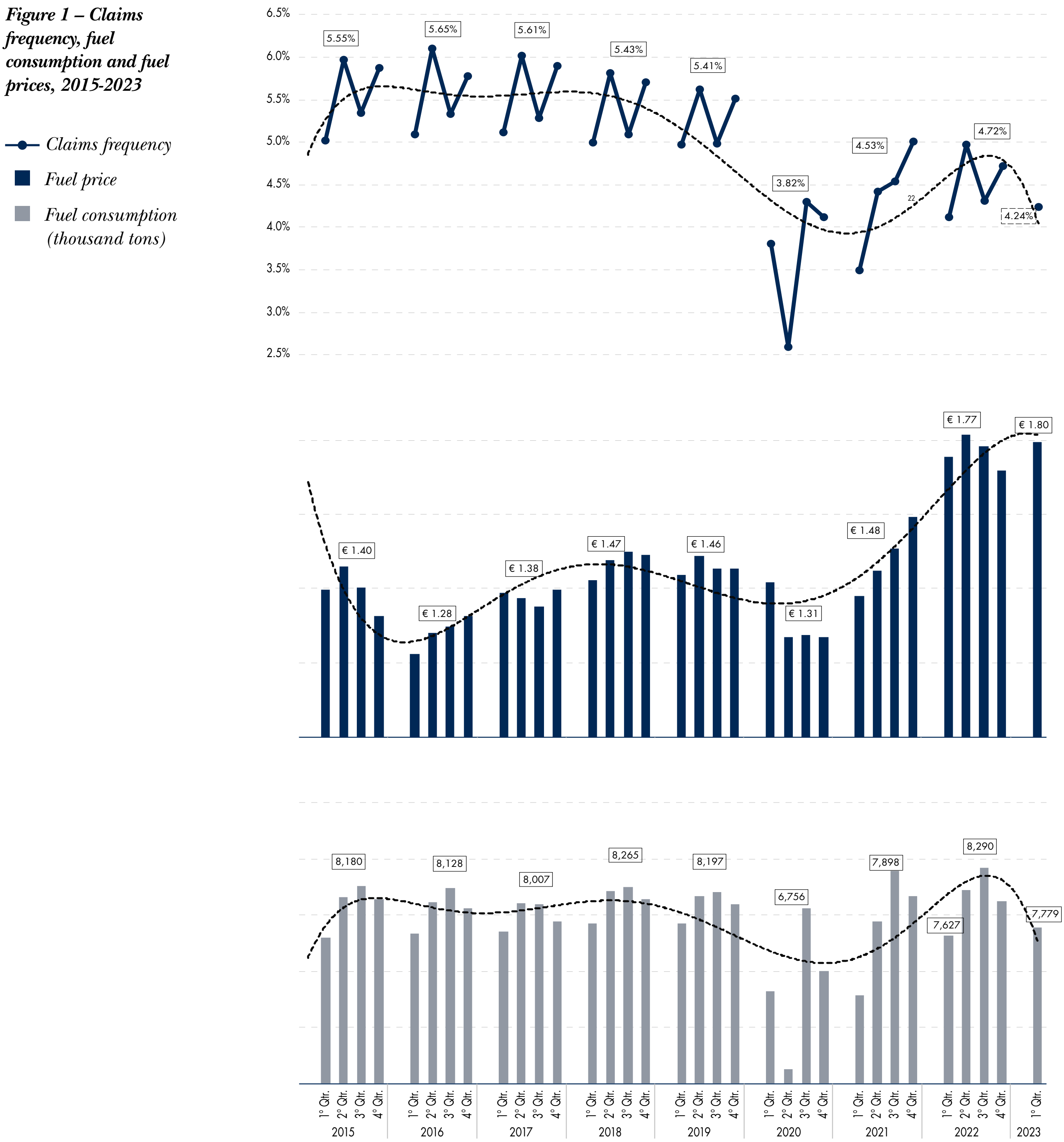
* *ANIA estimates based on advance information on 2022 financial statements.*
** *Source: IVASS; for 2022, data from supervisory reporting forms.*

probability of accidents (Figure 1). The trend in fuel consumption (gasoline, diesel fuel, LPG) turns out to parallel that in claims frequency and to move inversely to fuel prices.

The figure shows, in fact, that claims frequency began to rise moderately starting in 2015 (when it was 5.55%) and continued in 2016 to 5.65%, or 3.1% more than in 2014. It was in fact in 2015 that average fuel prices diminished significantly, bottoming out at €1.28 per liter in 2016; this presumably resulted in greater vehicle use and thus more accidents, and in fact claims frequencies rose. The same trend, but more attenuated, is found for fuel consumption, which was slightly higher (by an average of 1%) in 2015 and 2016 than in 2014.

In 2017 claims frequency turned back down, to 5.61%, with a decrease of 0.7%, and the downtrend continued in 2018 (down 3.2%) and 2019 (down 0.4%) to reach 5.41%. The year 2017 also saw an upturn in the average cost of fuel, which neared €1.50 per liter in 2018, up 7% over 2017 and 15% over 2016; the

Figure 1 – Claims frequency, fuel consumption and fuel prices, 2015-2023



price stabilized in 2019. As to fuel consumption, it contracted in 2017 (-1.5%), increased modestly on average in 2018 (+3.2%) despite high costs, and then diminished again in 2019 (-0.8%).

In 2020 and the first part of 2021, pandemic-inspired traffic restrictions had a substantial impact on fuel consumption and, indirectly, both on prices and on claims. In 2020 claims frequency dropped by nearly 30% from 2019, to 3.82%.

The same year there was also a contraction of nearly 18% in fuel consumption, while average fuel prices dropped by over 10% to €1.31 per liter.

In the second half of 2021, with the lifting of the restrictions, there was a recovery in vehicle circulation and therefore also in claims frequency. On average for the year frequency came to 4.53%, up 18.5% compared with 2020. Fuel consumption registered a comparable increase (up 17%), while prices rose by an average of around 13%.

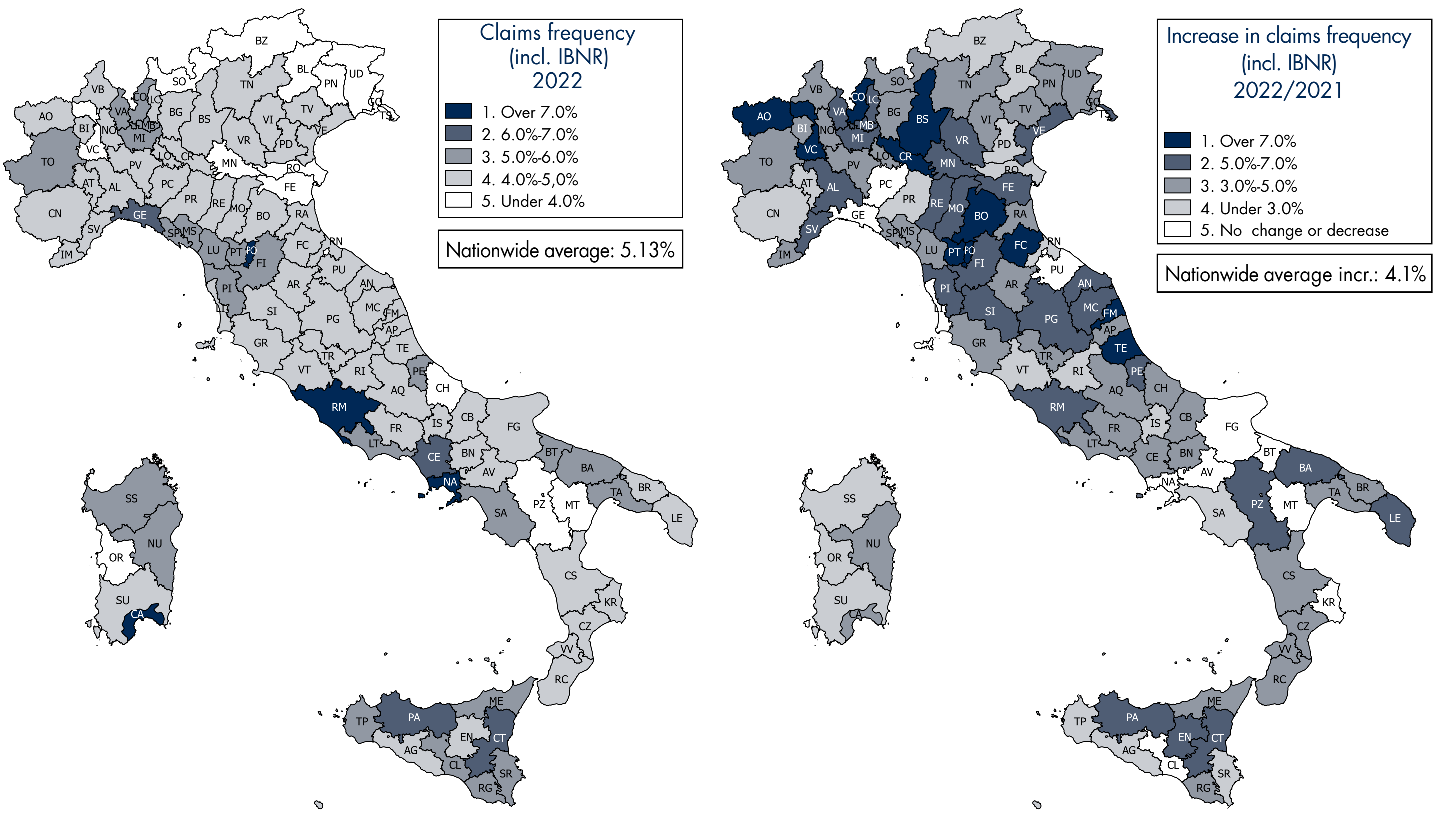
At the start of 2022 the war in Ukraine and the sanctions consequently imposed on Russia drove energy and raw materials prices up, with direct impact on fuel prices, which reached an average of €2.20 per liter in March. Government measures introduced that month held fuel prices down, with a cut in excise taxes that remained in effect for almost the whole year. The average price increase recorded in 2022 came to nearly 20%, but this did not limit fuel consumption, which nevertheless expanded by 5% on the year. Claims frequency too increased (by 4.2%), while still remaining below pre-pandemic levels. The spread in such measures as working from home during the pandemic lockdown worked a structural change in people's habits, reducing vehicle use and hence accidents.

The data for the first quarter of 2023 show claims frequency rising (+2.9%) by comparison with the year-earlier quarter but still below the rate scored in 2019. Similar increases are observed both in average fuel costs (+2.3%) and in consumption (+2.0%).

Average cost of claims (excluding IBNR, Table 1, Panel A). The average cost of claims shown in Panel A of Table 1 is derived by dividing the total cost of claims (paid and reserved) by their number. The indicator takes account both of payments made in final or partial settlement and of settlements that companies expect to make in the future for claims that have been reported but whose amount has yet to be determined (reserved amounts). It excludes claims incurred but not reported (IBNR reserves), contributions to the Road Accident Victims Guarantee Fund and some residual items. These items have been excluded from the 2022 data in order to allow uniform comparison with the data for previous years, derived from analyses conducted by the insurance supervisor using this methodology. Based on these calculations, the average claim cost in 2022 was €4,866, up 2.7% from €4,737 in 2021. In detail, the average cost of claims involving only material damage increased by 3.5% to €2,314 in 2022, while that of claims involving personal injury (including the material damage component of mixed claims) rose by 4.2% to €20,543; in 2020, it had jumped by 21% to an all-time high of €20,690, before coming down by 5% in 2021. The key factor in these increases is the growth in inflation, which implies both higher costs for labor and parts and, as of April 2022, the adjustment of the compensation for mild personal injury (up to 9 percentage points of permanent disability), which increased by an average of 7% (to adjust also for the increased inflation registered in 2020 and 2021).

Number of claims and average cost (including IBNR, Table 1, Panel B). The total number of claims, including the IBNR estimate, came to 1,974,080 in 2022, an increase of 3.0%, raising claims frequency by 4.2%, from 4.92% to

Figure 2
Claims frequency by province, 2022, and variation vis-à-vis 2021



5.13%. Counting all the components included in the definition of the cost of claims for the period (item 18 of Supervisory Form 17), i.e. including IBNR reserves, the contribution to the Road Accident Victims Guarantee Fund and other, residual items, the average cost of claims for the period decreased by 2.6% to €5,113. The 3.0% rise in the number of claims (including the estimate of late reports or IBNR claims) was thus compounded by the 2.6% increase in their average cost, so the total cost of claims for the year rose by 5.7%.

In interpreting the provincial breakdown of claims frequency including IBNR (Figure 2, left-hand map), we must bear in mind that in the first part of the year traffic restrictions varied geographically and thus had differential effects on accidents depending on regional Covid-19 risk categories.

The provinces with the highest claims frequencies in 2022 were Naples (8.97%), Prato (7.51%), Cagliari (7.21%), Rome (7.11%), Catania (6.79%), and Caserta and Genoa (6.60%), all far above the national average of 5.13%. Other provinces significantly above the national average were Palermo (6.32%), Barletta-Andria-Trani (5.87%), Pistoia and Milan (5.85%), Florence (5.84%), and Massa Carrara (5.83%). Once again, the lowest claims frequencies were recorded in the provinces of the North-East. In particular, the best performances were turned in by Rovigo (3.09%), Pordenone (3.32%), Gorizia (3.40%), and Udine (3.51%). After them came the provinces of Belluno, Ferrara, Sondrio, Matera, Vercelli, Potenza and Mantua, with rates lower than 4.0%. Frequencies below the national average were also achieved in other southern provinces, such as Oristano (4.00%), Campobasso (4.02%), and Cosenza, Reggio Calabria and Catanzaro, all with values between 4.26% and 4.31%.

The right-hand map in Figure 2 shows provincial increases in claims frequency in 2022. Nationwide, for all vehicles, the increase came to 4.1%. But the provincial breakdown shows that in some parts of Italy the increase was well above 8%, with peaks of 14.8% in Pistoia, 9.8% in Prato, and 9.0% in Forlì. A number of provinces, by contrast, registered no increase, or even decreases of up to 3.4%: Foggia, Matera, Pesaro, Crotone, Genoa, Livorno, Caltanissetta, Naples and Piacenza.

COMPENSATION FOR PERSONAL INJURY

The total damages paid (for both property damage and bodily harm) for claims incurred in 2022 came to €10.1 billion.(1) Of this, 59.1% (€6.0 billion) was in relation to personal injury (including the property-damage component of mixed claims). The remaining 40.9% (€4.1 billion) was in relation to damage to vehicles (cost of spare parts and labor for repairs).

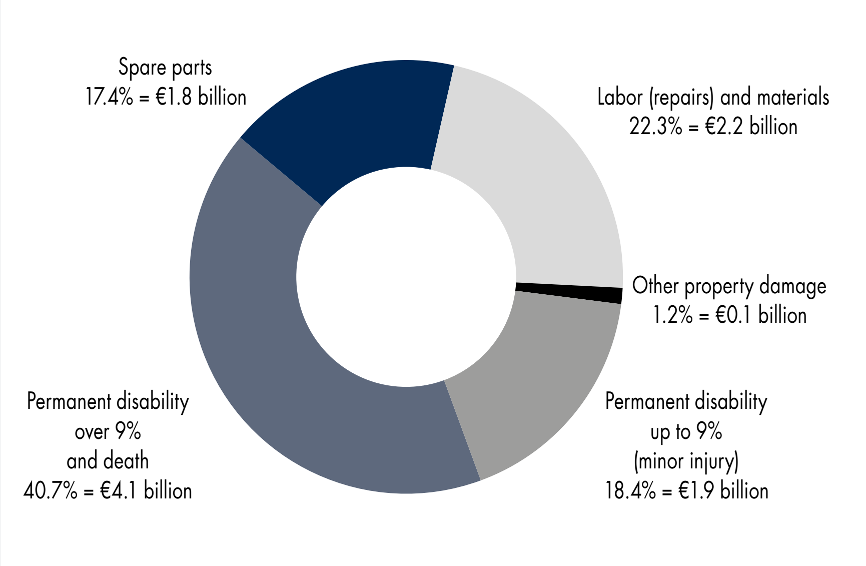
As regards personal injury compensation specifically, two facts stand out for 2022 (Figure 1):

- compensation for mild injuries involving permanent disability of 1 to 9% amounted to €1.9 billion (18.4% of the total claims cost);
- severe injuries involving more than 9% permanent disability or death generated outlays of €4.1 billion (40.7% of total claims cost).

Figure 1
Distribution of total cost of liability compensation, 2022

Compensation for property damage (€4.1 billion, 40.9% of total claims cost).

Compensation for personal injury (€6 billion, 59.1% of total claims cost)



After two years in which pandemic-related restrictions on driving had affected accidents – diminishing their number but increasing their average severity in 2020 and 2021 – last year saw a return to normal, with no restrictions. Whereas the proportion of accidents involving at least some personal injury was 14.3% in both 2020 and 2021, it edged down to 14% in 2022 (Table 1).

This slight reduction in the percentage of claims involving personal injury(2) was accompanied by an increase of 4.2% in their average cost, from €19,700 to €20,500, near the all-time high recorded in 2020. The average cost of material

(1) ANIA estimate based on data from Italian insurers and units of non-EU insurers doing business in Italy. It refers to the cost of claims (amounts paid and reserved) incurred in 2022. The total cost of claims in 2022, which also includes the surplus/shortfall in the amounts reserved against claims incurred in previous years, came to €9.4 billion.
(2) The number of claims with at least one injury rose from 251,888 in 2021 to 254,358 in 2022.

Table 1 – Claims frequency by type of damage and severity of personal injury (*)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total claims frequency	5.65%	5.48%	5.55%	5.65%	5.61%	5.43%	5.41%	3.82%	4.53%	4.72%
% claims with only property damage	*81.0%*	*81.5%*	*82.3%*	*82.7%*	*83.4%*	*84.2%*	*84.5%*	*85.6%*	*85.7%*	*86.0%*
Frequency of claims with only property damage	4.57%	4.47%	4.57%	4.67%	4.68%	4.57%	4.57%	3.27%	3.88%	4.06%
% claims involving personal injury	*19.0%*	*18.5%*	*17.7%*	*17.3%*	*16.6%*	*15.8%*	*15.5%*	*14.4%*	*14.3%*	*14.0%*
No. claims involving personal injury	*410,744*	*390,836*	*375,749*	*378,016*	*362,910*	*337,848*	*332,744*	*215,660*	*251,888*	*254,358*
Frequency of claims involving personal injury	1.07%	1.01%	0.98%	0.98%	0.93%	0.86%	0.84%	0.55%	0.65%	0.66%
Frequency of claims with up to 9% permanent disability	1.016%	0.963%	0.932%	0.927%	0.874%	0.817%	0.798%	0.519%	0.610%	0.625%
1% permanent disability	0.477%	0.428%	0.414%	0.410%	0.392%	0.352%	0.344%	0.223%	0.266%	0.264%
2% permanent disability	0.243%	0.233%	0.222%	0.207%	0.197%	0.181%	0.178%	0.112%	0.134%	0.131%
3% permanent disability	0.128%	0.116%	0.114%	0.121%	0.112%	0.112%	0.110%	0.069%	0.081%	0.086%
4% permanent disability	0.065%	0.071%	0.065%	0.070%	0.064%	0.065%	0.062%	0.042%	0.050%	0.054%
5% permanent disability	0.042%	0.041%	0.046%	0.049%	0.041%	0.042%	0.042%	0.029%	0.031%	0.036%
6% permanent disability	0.025%	0.028%	0.027%	0.030%	0.027%	0.025%	0.025%	0.017%	0.019%	0.021%
7% permanent disability	0.017%	0.019%	0.018%	0.019%	0.018%	0.016%	0.017%	0.014%	0.012%	0.013%
8% permanent disability	0.012%	0.015%	0.016%	0.013%	0.015%	0.015%	0.013%	0.010%	0.011%	0.012%
9% permanent disability	0.007%	0.011%	0.009%	0.008%	0.009%	0.009%	0.008%	0.005%	0.006%	0.008%
Frequency of claims with over 9% permanent disability	0.057%	0.052%	0.051%	0.051%	0.049%	0.045%	0.044%	0.034%	0.038%	0.038%

(*) Valued at the end of the year in which the accident occurred

damage also increased, rising by 3.5% to €2,314 in 2022 (Table 2). A contributing factor in the increase was the rise in inflation, which resulted in higher costs for both labor and spare parts. The ISTAT price index for spare parts and accessories for private vehicles rose by a yearly average of 4.9% in 2022.

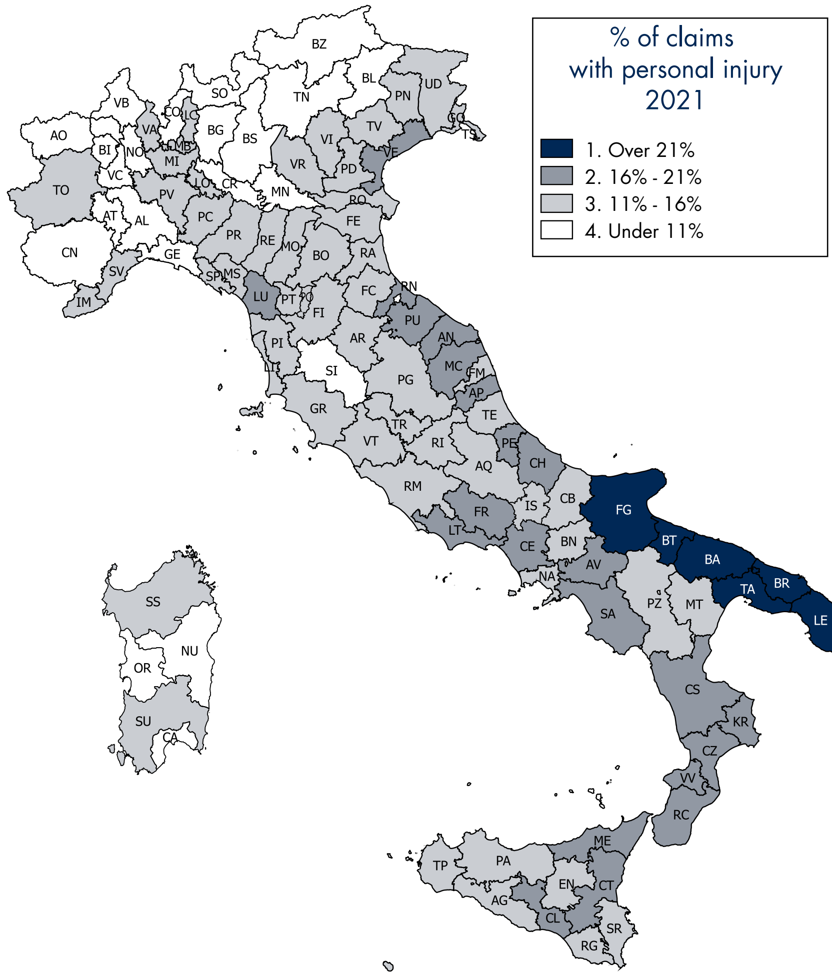
The total cost of compensation for personal injury was €6.0 billion in 2022, or 59.1% of the total claims cost, increasing by €350 million for the year. This proportion had been slightly lower in 2021 (58.8%, at €5.6 billion) after rising to 60.7% in 2020 owing to the increase in serious accidents induced by restrictions on driving, which thinned traffic and so favored higher speeds for

Table 2 – Average claim cost by type of damage and severity of personal injury (*)
Amounts in €

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total average claim cost	4,564	4,532	4,467	4,374	4,326	4,361	4,347	4,918	4,737	4,866
% of claims with only property damage	*33.2%*	*34.1%*	*35.1%*	*36.2%*	*37.4%*	*38.2%*	*38.8%*	*39.3%*	*40.5%*	*40.9%*
Average cost of claims with only property damage	1,883	1,894	1,908	1,912	1,941	1,980	1,998	2,257	2,236	2,314
% incidence of personal injury claims (value)	*66.8%*	*65.9%*	*64.9%*	*63.8%*	*62.6%*	*61.8%*	*61.2%*	*60.7%*	*59.5%*	*59.1%*
Average cost of claims with personal injury	15,986	16,150	16,389	16,132	16,297	17,026	17,112	20,690	19,709	20,543
of which:										
Average cost of claims with personal injury up to 9 pct. permanent disability	5,756	5,668	5,508	5,605	5,397	5,758	5,774	5,903	6,042	6,416
Average cost of claims with personal injury over 9 pct. permanent disability	198,045	210,061	216,797	209,325	212,086	222,736	220,373	245,632	233,350	252,212

(*) Valued at the end of the year in which the accident occurred

Figure 2 – Proportion of claims involving personal injury, by province, 2021



those vehicles that were authorized to circulate. The amount of material damage compensation also increased in 2022, from €3.9 billion to €4.1 billion, but declined in relative terms from 41.2% to 40.9% of the total claims cost.

Minor injury – permanent disability of 1-9%. The frequency of accidents involving minor personal injury (i.e. the ratio between the number of claims with 1-9-point permanent disability to the total number of risks insured) rose from 0.610% in 2021 to 0.625% in 2022, or by 2.5% (following the jump of over 17% in 2021), less than the 4.2% increase in total claims. The increase was distributed unevenly between the various degrees of mild injury: the frequency of 1- and 2-point claims decreased on average by 1.6%, while there was an increase of 7.4% for 3- and 4-point claims, 15.7% for 5- and 6-point claims, 8.9% for 7- and 8-point claims, and a full 32.1% for 9-point claims. In any case, it is worth noting that those in the 1-4-point range account for the great majority of mild injuries (86% in 2022).

The average claims cost for mild injuries was €6,416 in 2022, up 6.2% over 2021 (Table 2), owing to the adjustment, in April 2022, of the compensation for mild injury (up to 9 points), which was raised by 7% on average to recoup

Table 3 – Incidence of claims with personal injury, by province, 2019-2021) (*)

Province	2021	2020	2019	Change 2021/2020
(1)	(2)	(3)	(4)	(5)
FOGGIA	23.9%	25.1%	26.6%	-4.5%
TARANTO	23.9%	24.4%	27.5%	-2.1%
LECCE	23.4%	22.3%	24.6%	4.8%
BARLETTA-ANDRIA-TRANI	23.2%	22.5%	24.7%	2.9%
BARI	21.2%	21.6%	23.6%	-2.2%
BRINDISI	21.1%	22.2%	25.2%	-5.1%
CROTONE	20.6%	20.6%	23.0%	-0.3%
SALERNO	20.0%	20.7%	23.2%	-3.6%
MESSINA	19.7%	20.0%	22.5%	-1.5%
VIBO VALENTIA	19.4%	20.3%	23.3%	-4.5%
LATINA	19.3%	19.6%	22.0%	-1.7%
CALTANISSETTA	19.0%	17.9%	20.7%	6.0%
RIMINI	18.9%	18.4%	20.4%	2.6%
REGGIO CALABRIA	18.5%	18.8%	22.0%	-1.6%
FROSINONE	18.2%	18.1%	20.2%	0.6%
ANCONA	18.1%	17.0%	19.4%	6.6%
COSENZA	17.9%	18.2%	20.6%	-1.4%
VENICE	17.8%	16.9%	19.0%	5.0%
MACERATA	17.4%	17.6%	19.6%	-1.0%
CATANIA	17.4%	17.8%	19.0%	-2.2%
ASCOLI PICENO	17.2%	16.4%	17.8%	5.1%
PESARO-URBINO	17.0%	16.6%	18.0%	2.4%
CHIETI	16.8%	16.8%	19.4%	0.0%
AVELLINO	16.8%	17.8%	23.1%	-5.7%
CATANZARO	16.7%	18.3%	21.0%	-8.7%
CASERTA	16.1%	16.4%	17.5%	-1.8%
LUCCA	16.1%	15.1%	17.9%	6.5%
PESCARA	16.0%	16.8%	19.2%	-4.8%
FERMO	15.9%	16.2%	19.3%	-2.2%
TERNI	15.7%	16.3%	18.1%	-3.6%
MASSA-CARRARA	15.5%	16.9%	17.8%	-8.3%
PISA	15.5%	15.5%	17.3%	-0.6%
MATERA	15.4%	14.7%	17.3%	4.6%
TERAMO	15.4%	15.4%	17.6%	0.2%
BENEVENTO	15.3%	15.8%	18.1%	-3.4%
ROVIGO	15.3%	14.0%	16.2%	8.9%
AGRIGENTO	15.3%	15.6%	17.5%	-2.3%
PISTOIA	15.0%	15.2%	16.5%	-1.5%
SIRACUSA	14.9%	16.1%	17.9%	-7.2%
PADUA	14.7%	14.2%	16.2%	3.6%
TRAPANI	14.7%	15.0%	16.5%	-2.5%
PERUGIA	14.5%	14.6%	16.6%	-0.7%
LA SPEZIA	14.4%	14.1%	15.2%	2.1%
ENNA	14.4%	14.8%	17.7%	-2.8%
RIETI	14.3%	14.8%	16.8%	-3.0%
TREVISO	14.3%	13.7%	14.8%	4.2%
FERRARA	14.3%	14.3%	15.5%	0.0%
BOLOGNA	13.9%	13.8%	14.7%	1.0%
FORLÌ-CESENA	13.8%	13.3%	14.5%	3.8%
OGLIASTRA	13.7%	10.3%	9.5%	32.7%
CAMPOBASSO	13.7%	13.6%	15.1%	1.1%
LIVORNO	13.7%	13.4%	15.1%	2.0%
SASSARI	13.5%	13.2%	14.3%	2.5%
RAGUSA	13.5%	14.8%	17.2%	-8.7%
AREZZO	13.3%	12.7%	14.3%	4.7%
RAVENNA	13.3%	13.7%	14.0%	-2.7%
IMPERIA	13.3%	12.5%	14.3%	6.6%
POTENZA	13.2%	13.3%	15.0%	-0.7%
L'AQUILA	13.2%	13.0%	14.9%	2.0%
CARBONIA-IGLESIAS	13.2%	9.7%	11.2%	35.4%
GORIZIA	12.9%	13.0%	13.8%	-1.0%
ISERNIA	12.7%	12.5%	15.0%	1.7%
VERONA	12.2%	11.5%	13.1%	6.3%
VICENZA	12.2%	11.7%	12.9%	5.0%
GROSSETO	12.2%	11.4%	11.9%	7.5%
TURIN	12.2%	12.0%	13.3%	2.0%
VARESE	12.2%	11.5%	13.7%	6.1%
PRATO	12.1%	12.6%	12.3%	-3.5%
TRIESTE	12.1%	11.5%	12.2%	5.1%
LODI	12.0%	11.2%	14.8%	6.6%
SAVONA	12.0%	11.1%	12.8%	7.5%
MONZA-BRIANZA	11.9%	11.1%	13.7%	7.1%
REGGIO EMILIA	11.8%	11.5%	12.9%	3.0%
PAVIA	11.7%	11.5%	13.6%	1.9%
FLORENCE	11.6%	11.4%	12.0%	2.1%
PALERMO	11.6%	13.0%	14.2%	-10.3%
ROME	11.5%	11.6%	12.6%	-0.6%
PARMA	11.4%	11.1%	12.1%	2.7%
UDINE	11.3%	11.2%	11.0%	1.6%
MILAN	11.1%	11.0%	12.7%	1.0%
PORDENONE	11.1%	10.7%	11.1%	3.4%
NAPLES	11.1%	11.2%	12.6%	-1.0%
PIACENZA	11.1%	11.8%	12.7%	-6.6%
MODENA	11.0%	10.7%	12.3%	3.6%
LECCO	11.0%	9.5%	11.3%	16.3%
VITERBO	11.0%	10.8%	12.4%	2.0%
CREMONA	10.9%	10.1%	11.6%	7.6%
BERGAMO	10.7%	10.0%	12.0%	6.7%
MANTUA	10.7%	9.8%	12.0%	8.8%
NOVARA	10.3%	10.0%	11.8%	3.2%
SONDRIO	10.2%	9.9%	11.5%	3.3%
SIENA	10.2%	9.9%	12.5%	3.1%
COMO	10.0%	10.4%	12.2%	-3.0%
GENOA	10.0%	9.0%	10.3%	10.5%
CAGLIARI	9.9%	9.6%	11.6%	2.4%
BRESCIA	9.6%	8.8%	10.3%	9.3%
BELLUNO	9.4%	8.6%	9.9%	8.9%
VERCELLI	9.3%	9.4%	10.2%	-1.5%
CUNEO	9.3%	8.7%	10.5%	6.7%
ASTI	9.1%	8.6%	10.7%	4.9%
ALESSANDRIA	9.0%	8.9%	11.0%	0.4%
NUORO	8.9%	8.5%	9.6%	4.8%
OLBIA-TEMPIO	8.8%	9.8%	10.7%	-10.9%
VERBANIA	8.4%	8.4%	9.8%	-0.1%
ORISTANO	8.4%	8.8%	10.7%	-5.0%
AOSTA	8.4%	7.9%	10.3%	5.4%
BIELLA	8.3%	7.8%	8.8%	7.0%
TRENTO	8.3%	8.2%	8.8%	0.5%
BOLZANO	7.8%	7.5%	8.3%	4.0%
MEDIO CAMPIDANO	6.3%	10.8%	9.7%	-41.8%
TOTAL	13.4%	13.4%	15.0%	0.2%

(*) The provincial incidence of personal injury claims is calculated on a sample of data from ANIA's annual statistics; this accounts for the slight difference in the total (13.4%) from the IVASS data (14.3%), which lack the provincial breakdown

the inflation of the last three years. The average for 2022 is the highest in the last decade.

Death and permanent disability of more than 9%. The frequency of these claims, at 0.038%, was unchanged in 2022, while overall claims frequency increased by 4.2% and that of claims of up to 9 points rose by 2.5%. Turning to the cost of these more serious injury claims (including damages for fatalities), the average came to over €250,000 in 2022, exceeding the previous peak of €246,000 registered in 2020, representing an increase of 8.1%, while the overall average claim cost rose by 2.7%.

The geography of personal injury claims. Although the pandemic-related traffic restrictions were still in effect for part of 2021 (the year of the most recent available data at province level), the provincial distribution of personal injury claims broadly followed the same pattern as in previous years. Figure 2 and Table 3 show that the provinces of the South were far out of line with the national average of 13.4%. The highest provincial proportions are found in Puglia (23.9% in Foggia, 23.9% in Taranto, 23.4% in Lecce, 23.2% in Barletta-Andria-Trani, 21.2% in Bari, 21.1% in Brindisi) and in Calabria (20.6% in Crotone, 19.4% in Vibo Valentia, 18.5% in Reggio Calabria, 17.9% in Cosenza, 16.7% in Catanzaro). Exceptionally high rates were also posted in Salerno (20.0%), Messina (19.7%), Latina (19.3%), Caltanissetta (19.0%), and Rimini (18.9%). The provinces with the lowest rates of physical injury, except for Siena and parts of Sardinia, are all in the North of Italy: Bolzano (7.8%), Trento (8.3%), Biella (8.3%), Aosta (8.4%) and Verbania (8.4%).

COMPENSATION FOR SEVERE PERSONAL INJURY IN THE FORM OF ANNUITY – SENTENCE OF THE COURT OF CASSATION SECTION III CIV. 31574, 25 OCTOBER 2022

For years now ANIA has paid special attention to the issue of non-economic damages in serious accidents, which is important both to public opinion and to the professionals involved – lawyers, forensic medical specialists, insurers – with the common purpose of guaranteeing an indemnity to the damaged party that corresponds as closely as possible to the latter's changed needs and at the same time ensuring an efficient, sustainable structure of indemnities.

At the end of 2019 AN IA accordingly formed a working group on "damage to the person". The group brings together a representative group of Italian insurance undertakings with experts in forensic medicine, insurance technique, and law. Among other things, the group studied specific forms of compensation for serious injury to minors and legally incompetent persons. The group, whose work continues, produced an ANIA position paper: "*Strategia assicurativa 'customer centric' e macrolesioni – Nuove forme di risarcimento: la rendita*", as provided for by Article 2057 of the Civil Code, as an alternative or supplement to the traditional lump-sum payment, especially for persons – such as minors and the legally incompetent – who require express protection against the risk of the lump-sum compensation being eroded over the years while guaranteeing the care and assistance that their condition demands. Examination of the feasibility of this indemnification option was inspired by some jurisprudence, which starting mostly in 2015 saw the annuity as a viable form of compensation for serious injury, not only as regards motor liability but also for medical malpractice. This option was seen as a way of meeting the special need of the seriously injured for a permanent source of income over the long term rather than a single, lump-sum payment.

Confirmation of the relevance of the issue came at the end of 2022 with the sentence of the Court of Cassation, Section III civ. 31574, of 25 October 2022, whereby the Court ruled for compensation in the form of an annuity in favor of a minor who had suffered serious injury in a case of medical malpractice. In its ruling the Court specified that "redressing the harm deriving from serious damage to health through the creation of an annuity as the preferred form of compensation permits taking full account of the projection over time of all the components of the damage which, day after day, the damaged party suffers from the time of the event onward."

The Court further observes that "**in cases of 'major disability', or injury suffered by a minor for whom the survival prognosis is difficult in the extreme**, but also in cases of damage to **socially vulnerable or uneducated persons** (asylum seekers, the mentally disabled or simply severely injured persons in intense conflict with their family), or where as regards the quality of the debtor **there is a serious risk that substantial sums disbursed in favor of the damaged party may be culpably or inculpably wasted**, wholly or in part, owing possibly to malice or else to simple inexperience on the part of the damaged party's relatives, **the court, weighing the pros and cons of the concrete case, certainly has the power, if not actually the duty, to select compensation in the form of an annuity**, as was rightly decided [in this case] by the Appeals Court."

However, compensation in the form of an annuity is not appropriate in cases of mild or modest injury, as in this case the income would be so small as not to produce any substantial benefit for the damaged party. The Court further maintains that where the annuity is selected as form of compensation, the judge must proceed, concretely, as follows:

- quantify the damage as a sum of capital, with regard to the age of the damaged party at the time of the event, on the basis of mortality tables and without taking account of any reduction in life expectancy, should this be a consequence of the tort;
- determine a discount rate founded on a proper actuarial basis, updated and corresponding to the damaged party's age at the time of the event;
- divide the compensation amount by the discount rate;
- divide again (if necessary) the annual amount by twelve, if the compensation is to be paid monthly rather than annually.

This sentence by the Court of Cassation, highly articulated and containing a good number of strictly technical aspects, is still being examined by ANIA, which is closely monitoring the development of jurisprudence in this area. The working group on damage to the person is continuing its activities together with a team of forensic medical experts (at both private and public rehabilitation centers) to analyze the scientific questions posed by compensation in the form of annuity for specific types of severely injured persons.

MOTOR INSURANCE PRICE TRENDS IN ITALY AND EUROPE

The change in the average motor liability premium

Given compulsory liability insurance, the annual change in the companies' premium income is a close gauge of the variation in the total amount spent by policyholders for coverage.

The changes in habits and lifestyles consequent to the pandemic, such as the spread of working from home, differences in the use of public transport and private vehicles, and new uses of leisure time all affected claims in the motor liability insurance sector. In response to the decline in traffic circulation and thus in accidents, over the three years from 2020 to 2022 Italian insurers revised their pricing policies, reducing the cost of coverage for their customers, as ISTAT price index data show.

To calculate the average price of individual coverage, one must obviously take account of the variation in the number of vehicles insured. Dividing premium volume by number of vehicles, one gets the average per-vehicle price of coverage[(1)].

Table 1 shows the average Italian price for insurance of a vehicle and its component factors, as estimated by ANIA, between 1994 (the year insurance prices were liberalized) and 2022. Following the declines registered in 2020 and 2021, 2022 saw a further fall of 2.1% in total premium income, which given the 0.9% decline in the number of vehicles insured corresponded to a reduction of 1.3% in the average premium and a diminution of over €250 million in premium income. That is, the last three years have brought a loss of some €1.6 billion in premium income.

This continued the longest downtrend in the history of the Italian insurance market, which began in the autumn of 2012. The decreases of the past ten years (by a total of 32.3%) have brought the index of average insurance coverage prices in 2022 (Table 1, column 3) back below the level registered in 1996.

The price reduction is also confirmed by IVASS's quarterly survey of actual motor liability insurance prices. This Survey of Effective Motor Insurance

(1) Methodologically, using the variation in the average premium to measure the rise in prices means employing the national accounts method for calculating consumption deflators, which is a Paasche index. The deflator, that is, is a variable-weights index, taking account of the exact composition of insurance expenditure and the price actually paid by the insured. Specifically, the deflator takes account of:

- the motorists' actual merit class, so that if in the reporting year they are in a better class than the previous year (which happens over 95% of the time), the deflator finds a reduction (or smaller increase) in price;
- discounts with respect to list prices, so that if a motorist gets a discount in the reporting year that they didn't have the year before, the deflator finds a reduction (or smaller increase) in price.
- changes in the characteristics of the insured vehicle, due in part to new car registrations.

Table 1 – Motor liability insurance premiums, 1994-2022

YEAR	1. Premiums (Source: IVASS) [a]			2. No. vehicles in circulation [b]		3. Average price of coverage per vehicle		MEMO: 4. ISTAT motor liability index		MEMO: 5. ISTAT consumer price index	
	Mn. euro	Index	Annual % change [c]	Index	Annual % change	Index	Annual % change	Index	Annual % change	Index	Annual % change
1994	8,663	100.0	6.1	100.0	3.0	100.0	2.9	100.0	8.5	100.0	4.1
1995	9,316	107.5	7.5	102.1	2.1	105.3	5.3	110.2	10.2	105.3	5.3
1996	9,770	112.8	4.9	101.8	-0.3	110.9	5.3	120.2	9.1	109.5	4.0
1997	10,655	123.0	9.1	102.8	1.0	119.6	7.8	131.2	9.2	111.7	2.0
1998	11,745	135.6	10.2	107.3	4.4	126.4	5.7	149.1	13.6	113.9	2.0
1999	13,226	152.7	12.6	109.6	2.1	139.4	10.3	174.0	16.7	115.8	1.7
2000	14,196	163.9	7.3	112.4	2.6	145.8	4.6	190.8	9.6	118.7	2.5
2001	15,315	176.8	7.9	116.9	4.0	151.2	3.7	211.3	10.7	122.0	2.7
2002	16,628	191.9	8.6	120.1	2.8	159.7	5.6	235.8	11.6	125.0	2.5
2003	17,622	203.4	6.0	123.5	2.8	164.7	3.1	247.7	5.0	128.4	2.7
2004	18,062	208.5	2.5	126.0	2.0	165.4	0.4	250.0	0.9	131.3	2.2
2005	18,171	209.8	0.6	128.7	2.1	163.1	-1.5	254.3	1.7	133.8	1.9
2006	18,387	212.3	1.2	131.2	2.0	161.8	-0.8	260.1	2.3	136.6	2.1
2007	18,208	210.2	-1.0	133.5	1.7	157.5	-2.7	264.0	1.5	139.1	1.8
2008	17,606	203.2	-3.3	133.9	0.3	151.8	-3.6	270.2	2.4	143.8	3.3
2009	16,963	195.8	-3.6	134.2	0.2	145.9	-3.9	278.1	2.9	144.9	0.8
2010	16,881	204.4	4.4	133.9	-0.3	152.7	4.7	298.2	7.2	147.1	1.5
2011	17,760	215.0	5.2	133.1	-0.5	161.5	5.8	314.3	5.4	151.2	2.8
2012	17,542	212.5	-1.2	130.7	-1.9	162.6	0.7	328.1	4.4	155.8	3.0
2013	16,232	197.6	-7.0	127.4	-2.5	155.1	-4.6	327.5	-0.2	157.7	1.2
2014	15,180	184.7	-6.5	128.2	0.6	144.2	-7.0	318.7	-2.7	158.1	0.2
2015	14,187	172.7	-6.5	128.3	0.1	134.6	-6.7	313.1	-1.8	158.1	0.0
2016	13,494	163.1	-5.6	128.7	0.3	126.7	-5.9	313.1	0.0	158.0	-0.1
2017	13,203	159.5	-2.2	129.2	0.4	123.5	-2.5	317.4	1.4	159.9	1.2
2018	13,220	159.7	0.1	130.4	0.9	122.5	-0.8	320.4	1.0	161.7	1.1
2019	13,211	158.4	-0.8	130.2	-0.1	121.7	-0.7	319.4	-0.3	162.7	0.6
2020	12,457	149.4	-5.7	128.7	-1.2	116.1	-4.6	316.9	-0.8	162.4	-0.2
2021	11,892	142.6	-4.5	128.1	-0.5	111.4	-4.0	312.0	-1.5	165.5	1.9
2022	11,628	139.6	-2.1	126.9	-0.9	110.0	-1.3	309.8	-0.7	179.1	8.2

[a] *Premiums only of Italian companies and units of companies with registered offices in non-EEA countries.*
[b] *Through 2008, based on ACI data. Starting with 2009, the number is calculated on the basis of the change in the actual number of vehicles insured derived from an ANIA survey, using a methodology consistent with that which IVASS specifically requests of insurance companies in anticipating their financial reports. Preliminary data showed a modest decline of 0.9% in the number of vehicle/years insured by Italian and non-EEA companies in 2022, to 38.5 million. Counting all the other types of insurer doing business in Italy, however, the number of insured vehicles rose by 0.9%.*
[c] *The percentage changes in premiums in 2022, 2019, 2013 and 2010 are calculated in uniform terms.*

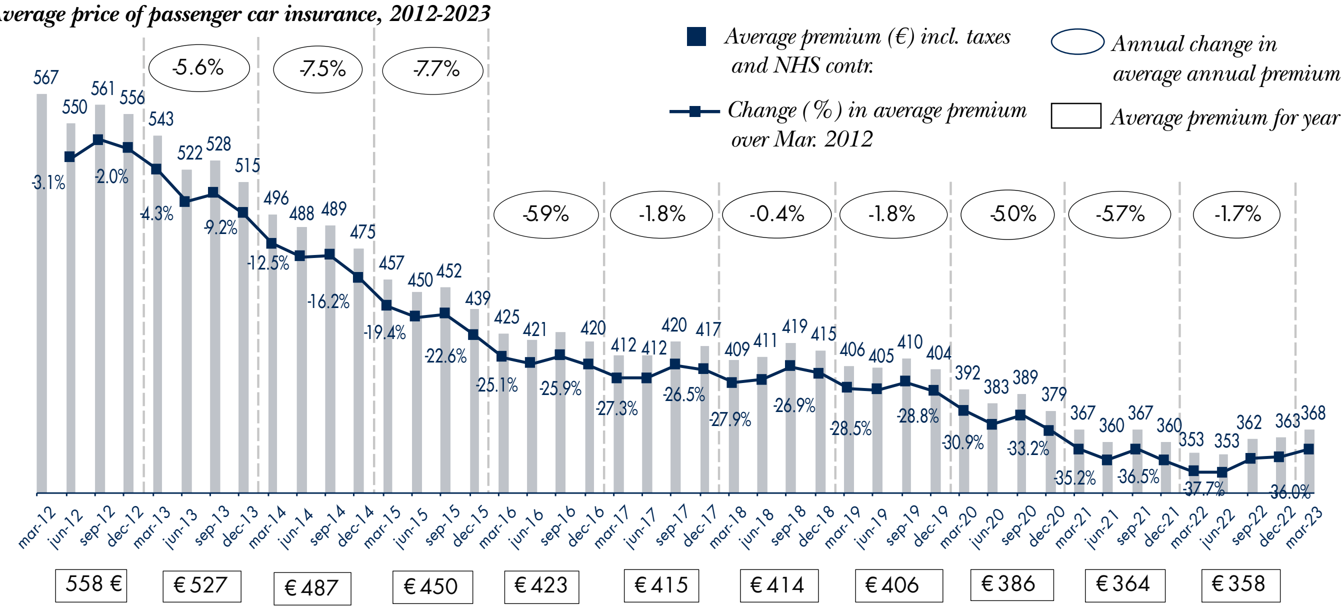
Prices (IPER),[2] covering passenger cars only, confirms the extent of the ten-year decline in prices as observed by ANIA.

Figure 1 summarizes the prices found quarterly by IVASS (those prior to December 2013 are ANIA estimates based on the average prices found by a comparable survey conducted by ANIA itself):

- the survey shows that the average yearly price (the average of the four quar-

[2] IVASS began the statistical survey of actual motor liability insurance prices (Indagine sui Prezzi Effettivi R.C. Auto, IPER) in the fourth quarter of 2013. It gives quarterly data on the actual prices paid by policyholders (not list prices or tariffs) for a sample of 2 million annual policies on private passenger cars only. The amounts include all the components of the final price, i.e. taxes, discounts from list price, and commissions to intermediaries.

Figure 1
Average price of passenger car insurance, 2012-2023



Source: Dec. 2013-March 2022, IVASS; previous dates, ANIA estimate based on IVASS data

terly values) of passenger car insurance fell from €558 in 2012 to €358 in 2022, or by 35.9%, in line with the insurance price index shown in Table 1;
- for 2022 alone, the IPER survey shows that the cost of passenger car insurance was 1.7% lower than in 2021, dropping from €364 to €358;
- between the peak of March 2012 and the last quarter of 2022, the average motor liability premium fell by more than €200, from €567 to €363, or by 36%;
- the first quarter of 2023, by contrast, reverses this trend, with an increase of 4.0% in the average annual premium as compared with the year-earlier quarter.

The IPER data for the first quarter of 2023 (Table 2) are confirmed by ANIA's quarterly monitoring,(3) which indicates that the average pre-tax price of motor liability insurance in March was 3.0% higher than a year earlier and the average premium, net of taxes and NHS contributions, came to €316.(4) In detail, the average premium was affected both by the rise in claims frequency (up by about 3% in the first quarter of 2023), owing to the recovery in traffic

(3) Since 2013 ANIA has conducted a quarterly survey, covering over 85% of the Italian insurance market in terms of premiums, to estimate the price paid for the renewal of motor liability policies. This survey excludes fleet policies and, for better comparability, considers only annual policies expiring in the relevant month and excludes temporary policies. The premiums are net of taxes and NHS contributions.
(4) Including taxes (15.7%) and NHS contributions (10.5%), which amounted on average to 26.2% of the pre-tax premium in 2022, the average post-tax cost for all vehicles in March 2023 came to €399. For private passenger cars alone, the figure was €405. This amount differs from that given by IVASS and is generally higher, in that the ANIA survey covers only policy renewals within companies' portfolios, for which the previous year's premium is known. This therefore excludes new policies issued during the month, which refer at least in part to motorists who have changed insurer in order to get a more economical policy and who accordingly get larger reductions, on average, than those staying with the same company. Further, the premium reported by the companies surveyed does not take account of contractual changes or any additional discounts with respect to the previous year.

Table 2
Actual motor liability premiums at policy renewal: ANIA monitoring

Month / Year	Average premium (pre-tax) (€)	% change over year-earlier month
March 2023 – All policies	316	3.0
of which:		
Private passenger cars	321	3.6
Private motorcycles	210	2.0
Private motor scooters	149	5.1

circulation, and by the rise in the average cost of claims in connection with the increase in inflation in general (the ISTAT index of prices for spare parts and accessories for private transport equipment rose 7.2% between the first quarter of 2022 and that of 2023); premiums were also affected by the inflation adjustment, from April 2022 on, in the compensation for mild personal injury (up to 9% permanent disability), which underwent an average increase of 7% to recoup the inflation of the previous three years.

Specifically, the average premium for passenger cars was 3.6% higher in March 2023 than a year earlier, while those for motorcycles and motor scooters rose more substantially, by 5.1%.

Motor liability premiums in Italy and Europe

Looking, for purposes of comparison, to the rest of Europe (Table 3), based on Eurostat data (which are essentially the same as those observed by ISTAT for Italy and its counterpart institutions for the other countries), we find that six countries registered decreases in the motor liability price index between 2016 and 2022, namely Ireland (-16.9%), Greece (-8.3%), Denmark (-6.5%), Belgium (-2.9%), Italy (-1.2%) and Sweden (-0.2%). In the rest of Europe the index rose – quite sharply in Norway (26.6%), Finland (15.1%), the Netherlands (15.0%), France (12.0%), and Spain (11.3%). The increases were more moderate, but still significant, in Austria (9.5%), Germany (4.8%), and Luxembourg (3.4%). The United Kingdom registered a substantial increase (24.5%), owing in part to the sharp rise of 13.7% in 2022 alone. The latest data (for May 2023) confirm the downtrend only for Ireland, while in all the other countries the index rose, including Italy, where prices increased by 2.7%, somewhat less than the European average of 3.0%. Britain, meanwhile, registered a notable increase of nearly 40%.

Accordingly, the gap between Italian prices and those in the other main countries narrowed further. The Boston Consulting Group study conducted for ANIA in 2014 found that between 2008 and 2012 motor liability coverage cost €213 more in Italy than in Germany, France, Spain and the United Kingdom, on average, and an update of this study found that by 2015 the gap had diminished to €138. Using the trends in motor liability price indices released by Eurostat, ANIA has estimated that the gap has since narrowed further, to just €40 in 2022, €7 less than in 2020 and 2021 (Figure 2).

Table 3
Change in transport equipment insurance price index (%)

	AVERAGE FOR YEAR							TOTAL	12-MONTH CHANGE
	2016	2017	2018	2019	2020	2021	2022	2016-2022	May 2023 - 2022
Italy	-0.1%	1.4%	1.0%	-0.4%	-0.8%	-1.5%	-0.8%	-1.2%	2.7%
Austria	1.8%	2.0%	1.5%	-0.2%	1.4%	0.9%	1.8%	9.5%	11.6%
Belgium	0.1%	-0.3%	-1.3%	-1.1%	-0.7%	2.0%	-1.6%	-2.9%	0.1%
Denmark	-0.1%	-2.3%	1.1%	-2.5%	1.8%	-2.9%	-1.7%	-6.5%	6.8%
Finland	2.7%	1.0%	1.2%	1.0%	3.2%	2.9%	2.1%	15.1%	3.0%
France	1.3%	1.4%	3.2%	3.0%	2.6%	1.8%	-1.7%	12.0%	0.4%
Germany	2.1%	0.3%	-4.7%	3.5%	0.8%	0.6%	2.3%	4.8%	2.7%
Greece	-3.9%	-3.3%	-1.1%	0.3%	0.9%	-0.8%	-0.5%	-8.3%	2.1%
Ireland	24.6%	-5.7%	-8.7%	-4.9%	-6.0%	-5.4%	-8.4%	-16.9%	-2.6%
Luxembourg	1.7%	0.0%	1.0%	1.4%	0.5%	-1.1%	-0.1%	3.4%	0.5%
Norway	2.1%	6.2%	3.9%	5.2%	3.7%	-0.4%	-6.1%	15.0%	3.0%
Netherlands	-0.4%	-0.5%	1.6%	4.2%	5.9%	6.7%	6.8%	26.6%	6.9%
Spain	2.5%	2.6%	1.7%	2.1%	-0.1%	0.9%	1.1%	11.3%	0.0%
Sweden	-0.1%	0.2%	0.2%	-1.4%	1.2%	1.0%	-1.3%	-0.2%	2.5%
EU 27	2.7%	2.3%	-0.3%	1.9%	0.6%	0.4%	1.3%	8.4%	3.0%
United Kingdom	11.9%	10.9%	-3.9%	-1.4%	2.0%	-8.7%	13.7%	24.5%	38.5%

Source: Eurostat; for the UK, Office for National Statistics.

Policy premiums (or prices) are strictly correlated with insurers' profitability, as gauged by the combined ratio, which is the sum of the loss ratio for the accident year (i.e. claims costs over premiums) and the expense ratio (i.e. operating expenses over written premiums). Profits or losses obviously depend on the adequacy of prices with respect to the risks underwritten.

Comparing the complement to 1 of the combined ratio (a value below indicates a loss, above a profit) with average premium variations over the long run, we can track the "insurance underwriting cycle" (Figure 3). From the price liberalization of 1994 to 2002, the sector's technical results were sometimes sharply negative, and insurers had to bring the accounts back into balance by raising average premiums (the "hard" phase of the cycle). Once the technical results came back into positive territory (in 2002), companies began lowering prices (the "soft" phase). However, there is a lag between the inversion in the profitability trend and that in the price trend. Prices, in fact, can only reflect changes in claims frequency with a lag of months, insofar as the data for the calculation to estimate new premium rates are drawn from past experience, are therefore not available immediately, and can take a considerable amount of time to process. The most recent trends indicate that in view of the positive technical results achieved starting in 2012, we have witnessed the sharpest cut in average premium rates since the 1994 liberalization (down 25.2% from 2013 to 2019).

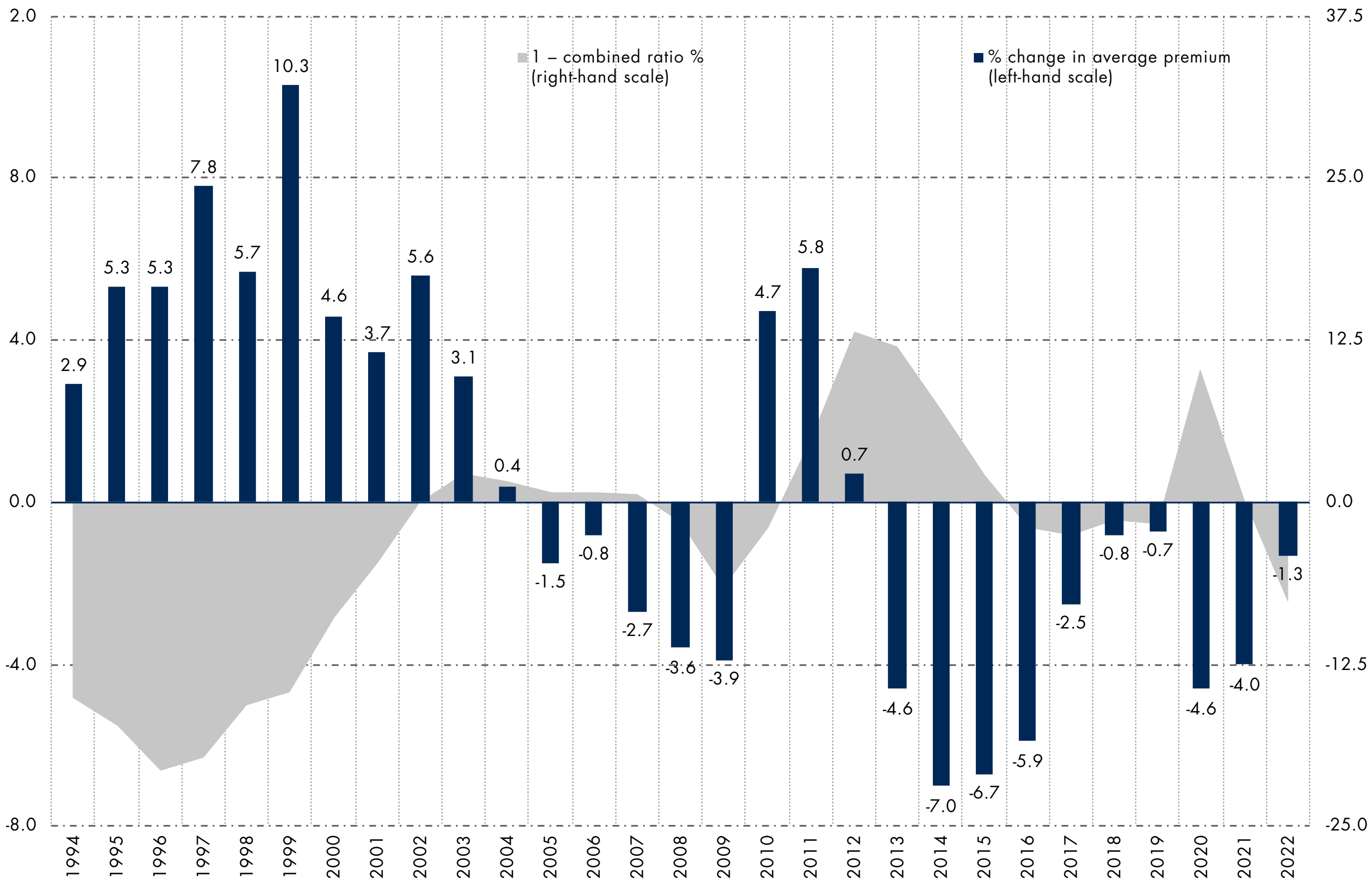
In 2020 the cycle felt the impact of the pandemic-related traffic restrictions, which limited driving and reduced the number of claims, producing a positive margin due to the misalignment between premiums and the claims frequency. Already by 2021, however, the margin was driven to nil, and in 2022 it turned negative. The fact that there is a minimum amount of time needed, technically, to align prices explains why it was not until early 2023 that average premiums actually turned upward, after a decade of reduction.

Figure 2
Average motor liability insurance prices in Europe*
Total premiums + taxes divided by number of vehicles insured

	Average 2008-2012[+]	Year 2013[°]	Year 2014[°]	Year 2015[+]	Year 2016[°]	Year 2017[°]	Year 2018[°]	Year 2019[°]	Year 2020[°]	Year 2021[°]	Year 2022[°]	Δ '22 vs Average '08-'12
Average other countries	278	290	291	290	303	315	317	323	320	305	309	+11%
Spain	199	175	171	170	169	169	169	176	172	169	170	
Germany	234	249	253	260	265	266	253	261	259	257	260	
France	324	354	366	353	370	389	415	428	427	421	433	
United Kingdom	357	380	374	376	407	436	432	426	423	372	374	
Italy*	491	498	463	428	403	393	389	385	367	352	349	-29%
Italy vs average other countries	-213 €	-208 €	-171 €	-138 €	-100 €	-78 €	-72 €	- 62 €	- 47 €	- 47 €	-40 €	

(+) Source: BCG – Documento Finale Confronto sul Mercato RCA in Europa.
(°) ANIA estimates based on Eurostat and Insurance Europe data.
(*) The slight differences between the premium for Italy given here and that found by IVASS's IPER survey are due to the fact that IVASS counts only private passenger cars.

Figure 3 – The insurance policy underwriting cycle



The logic underlying the insurance cycle is clear. In high-profit years, insurers are more optimistic and compete harder for new business. In the case of motor liability insurance, as the demand is inelastic, this means winning accounts away from other insurance companies. In a mature and highly competitive market, this implies price cuts in order to gain market share. As a consequence, profits tend to decrease both because of steadily lower premiums and because of the acquisition of poorer quality policy risks. Profits do not return to growth until insurers adjust their prices and become more selective in screening the motorists they choose to underwrite. This brings profits back up, and the cycle starts over.

Remember that different companies have different operating expenses, hence different minimum acceptable profit margins. Perceptions and expectations of future profits and losses develop in different ways and on different calendars, and individual insurers' strategies are not known. Hence no coordination of market actions is possible; this implies that the cyclical process never attains a point of equilibrium and so should be never-ending.

DIRECT INDEMNITY

CALCULATION OF THE SINGLE COMPENSATION AMOUNTS FOR 2023

The Technical Committee has set the single compensation amounts for payments between insurance companies for 2023 under current regulations. The applicable legislation is Article 29 of Decree Law 1/2012 ("Urgent measures for competition, infrastructural development and competitiveness"), converted into Law 27 of 24 March 2012, and the implementing provisions in IVASS's Measure 79 of 14 November 2018.[(1)]

Specifically, the compensation amount is divided into two components:

- a single "CARD-CID" amount for mild personal injury to the driver and damage to the vehicle insured and property transported, itself broken down into two vehicle categories, namely "motorcycles/scooters" and "vehicles other than motorcycles/scooters". The single amount, relating only to property damage, has been set distinctly for three geographical macro-areas;
- for the "CARD-CTT" procedure relating to personal injury to passengers and damage to their property, reimbursement is now on the basis of the actual settlement (again in 2023, no deductible was deemed necessary in view of the average costs of these claims at 31 October 2022).

The study to determine the single compensation amount was based on CONSAP's statistics, which refer to settlements of all claims admitted to the clearing house between 1 January 2009 and 31 October 2022, which are sufficiently representative of the costs of the claim generation needed to determine the compensation amount.

From January through October 2022 the number of current-generation claims for material damage increased by a further 6.5% compared with the first ten months of 2021 but was still 14% lower than in 2019, before the pandemic. For the same period the number of claims settled in whole or in part for material damage increased by about 7.4%: 6.4% for "motorcycles/scooters" and 7.5% for "other vehicles. The database is sufficient both in number and in historical depth of observations to represent the phenomenon at hand.

Calculation of the CARD-CID amount

The examination of average definitive settlements (claim duration 0) revealed a moderate increase in 2022 in indemnities for damage to vehicles and property transported both for motorcycles/scooters and for other vehicles (+2.5% for the former and +4.5% for the latter). On the other hand, the average settlement

(1) Measure 79 abrogates IVASS Measure 18 of 5 August 2014 but maintains the articles relative to determination of the single compensation amounts.

for injury to driver (with permanent disability up to 9%) declined for both vehicle classes (-4% for "other vehicles" and -1% for motorcycles/scooters).

The reference values for 2023 were set on the basis of the average costs of definitive settlement of claims of all the claim generations available (2013-2022). The method adopted for projecting the ultimate cost of claims of both types was the classical actuarial "chain ladder," based on the time series of average cost increases of previous claim generations according to claim duration. As in the past, for greater stability of results and reflection of trends in settlements in recent years, the chain ladder coefficients were calculated as a weighted average of the last three financial years. The coefficients so derived were then applied, as usual, to the average cost of the first claim generation (claim duration 1), which already includes one year of development (calculated as the weighted average of average costs observed for the last three generations available: 2019, 2020, 2021).

The amounts were then projected through December by the established procedure of geometrical mean or, for negative values, the arithmetical mean of monthly changes from October to December in the previous five years (2017-2021). The values so obtained were then inflated for one additional year (given that they are to apply to all of 2023) based on the inflation forecast of 4.3% set in the Italian government's Economic and Financial Document 2022 update.

The base value for average cost of property damage is:

- €1,679 for "motorcycles/scooters";
- €1,879 for the broader class of "other vehicles".

The base value for average cost of mild injury to driver is:

- €4,827 for "motorcycles/scooters";
- €2,518 for the broader class of "other vehicles".

Table 1 – Determination of average cost of property damage claims by province groups (€)

	MOTORCYCLES/SCOOTERS			OTHER VEHICLES		
	Group 1	Group 2	Group 3	Group 1	Group 2	Group 3
Average cost of damage to vehicle and property transported, to 30/06/2023	1,679	1,679	1,679	1,879	1,879	1,879
Adjustment coefficient by area	*1.26*	*1.00*	*0.83*	*1.20*	*1.00*	*0.86*
Average cost of claims by macro-area	2,119	1,679	1,386	2,257	1,879	1,607

MEMO:

	2016	2017	2018	2019	2020	2021	2022	2023
Average cost of damage to vehicle and property transported (€) (*)	1,550	1,559	1,588	1,601	1,628	1,661	1,741	1,861
Change %	*-0.4%*	*0.6%*	*1.9%*	*0.8%*	*1.7%*	*2.0%*	*4.8%*	*6.9%*

(*) Average cost for all sectors.

Table 2 – Determination of single CARD-CID compensation amounts by province groups (€)

	MOTORCYCLES/SCOOTERS				OTHER VEHICLES			
	Group 1	Group 2	Group 3	% of claims	Group 1	Group 2	Group 3	% of claims
Average cost of damage to vehicle and property transported	2,119	1,679	1,386	99.49%	2,257	1,879	1,607	99.95%
Average cost of personal injury to driver with permanent disability of less than 9%	4,827	4,827	4,827	35.92%	2,518	2,518	2,518	7.03%
Average cost of claims by province group	3,842	3,404	3,113		2,433	2,055	1,783	
SINGLE CARD-CID AMOUNT (*)	3,837	3,400	3,109		2,439	2,060	1,787	

(*) Amounts obtained by re-basing, rounding the central class down to the nearest 10 euros.

Determination of geographical adjustments

The CONSAP statistics on settlements of claims incurred from 1 January 2018 to 31 October 2022 were used to identify three geographical macro-areas. Determination of the geographical indices was by the same methodology as in the past. Based on average settlement cost, provinces were divided into three groups (so-called geographical "areas") depending on deviation from the national mean. The first "area" comprises all provinces with costs more than 10% higher than the mean; the second, those with a deviation of less than 10% either above or below; and the third, those with costs more than 10% below the mean. The average costs for the "areas" so defined were related to the overall average for all provinces and then normalized with respect to the central group, producing three adjustment coefficients (Table 1).

This year, the "threshold method" has been dropped and the standard adjustment coefficient used for all provinces also for motorcycles/scooters, as for other vehicles,[2] since apart from the general downtrend in claims, the statistics are sufficiently reliable, and homogeneous for years now. The determination of the groups also factored in the new province structure of Sardinia, instituted by Regional Council Resolution 23/5 of 20 April 2016.

The single CARD-CID compensation amounts, separately for the two vehicle classes, were computed as the average of property damage and personal injury costs, weighted by their share of total claims (Table 2). The share incidence was calculated as the percentage of total valid CARD-CID claims involving the various types of damage, by vehicle type. The incidence of claims for the two types of damage was estimated by the established procedure, calculated as the average for the last three claims generations. However, as in the previous year a derogation was again decided on, excluding the 2020 claims generation – which as a result of traffic restrictions involved an incidence of personal injury claims far lower than in previous years – and completing the three years using the 2019 generation.

[2] The threshold method, for the class of "motorcycles/scooters," excluded provinces with fewer than 450 claims, owing to their great volatility and instead assigned them to the central area.

THE IT PLATFORM FOR CARD DOCUMENT EXCHANGE: DATA AND MAIN RESULTS FOR 2022

Since 1 March 2017 a sophisticated IT platform for document exchange has enabled insurers adhering to the CARD Convention to view the evidence produced by the other party's insurer to confirm or contest the claim submitted by its own policyholder and/or to apply the direct indemnity procedure on a timetable compatible with the legal deadline for the presentation or denial of a settlement offer.

The main data and results for 2022 are summarized below.

The accidents occurring in 2022 reported to the CARD system clearing house as of March 2023 numbered 1,540,608, of which 947,252 (61.5%) were presented with the amicable CAI form signed by both drivers. The remaining 38.5% (593,356 claims) were handled on the basis of unilateral requests for indemnity; of these, 248,154 (41.8%) were handled via the document exchange procedure.

In 182,570 cases (or 73.6% of all the cases handled via document exchange), liability was determined after viewing the documentation produced by the other insurer. In 36,853 cases (14.8%), liability was determined by the conciliation procedure under the Convention. In the remaining 28,731 cases (11.6%) liability was assigned on a presumptive basis owing to the lapsing of the deadline for providing documentary evidence under the Convention.

Claims reported using the form signed by both drivers ("CAI-2" claims) resulted in a rate of disputes between insurers of just 0.72% in 2022, the same as 2021. Meanwhile, the number of these "CAI-2" claims itself increased by 4.5% in absolute terms. By contrast, cases of unilateral claims ("CAI-1") resulted in a dispute rate of 6.21%, down slightly (by 0.65 percentage points) by comparison with 2021, despite the rise of 4.39% in the absolute number of CAI-1 claims.

PROJECT FOR REVISION OF CARD RULES

In response to the supervisory authority and emerging requests from the insurance market, ANIA has begun a project for overall revision of the CARD Convention rules, which have built up over the years by accretion, so as to make it more amenable to interpretation. ANIA proposed, first of all, to create a Focus Group of representatives of member insurance companies to conduct the project.

The objective is to draft a proposal for the overall revision of the CARD rules in order to:

- abrogate anachronistic rules;
- eliminate overlapping and stratification;
- introduce innovative elements;
- align the IT procedures with the provisions of the Convention.

As the work proceeded, the results were presented at the assigned forums – the group on the evolution of Convention rules; the working group on claims; and the standing committee on motor insurance – for updating and sharing.

In view of the issue's importance, consultation and cooperation with the insurance supervisory authority was deemed essential, and IVASS accorded its favorable opinion on the project for revision of the CARD rules. A joint technical working group was formed for periodic dissemination of the proposals set out and reception of the authority's views.

Realization of the project required analysis and further study of a number of normative and technical matters, involving a series of steps.

1) REWRITING. This key step consisted in a complete rewriting of the rules for greater intelligibility and easier use by companies and others. The individual articles were brought up to date, harmonized and grouped by topic, for thematic consistency.
2) INTEGRATION. All the revisions and interpretations and opinions published over the years have been integrated into the document, in order to clarify the operating rules.

This stage, that is, served to:

- include in a single text all the rules and operational indications for proper management of the direct indemnity procedure;
- make it easier to interpret the rules and apply them in practice, case by case.

3) AUTOMATION. Together with the revision of the text, as early as 2021 it was possible to automate communications between ANIA and the corporate SARC offices and between insurers for consultation and continuous updating of information on the direct indemnity officers. In addition, the appointment of independent CARD claims adjusters has been automated, with the formation of a complete, easily accessed database.

4) EVOLUTION. The period after the revision is expected to involve innovations, with IT applications to implement the new formulation of the CARD Convention. These actions are preliminary to enhancing the efficiency of processes and improving claims handling.

Insurance companies were asked to indicate priorities in the realization of these IT interventions. Following a series of controls, it was possible to develop the plan for the entry into effect of the new rules, according to the priorities set by insurers as they arose in the talks with IVASS.

With a view to the overall assessment of the IT impact and the priorities that emerged, insurance companies asked to split the entry into effect of the new rules into two distinct texts, and IVASS agreed on the proposal.

The two texts are designated "1st edition" and "2nd edition".

– The 1st edition, which goes into effect in 2023, will include:
  - all the rules changes with no IT impact;
  - the changes that provide for IT interventions identified as high-priority.
– The 2nd edition, which goes into effect in 2024, will include:
  - rules changes providing for IT interventions identified as medium/low priority.

An integral part of the revision of the CARD rules is the drafting and updating of separate annexes on a series of issues:

- Article 9, the CONCARD Regulation;
- Article 11, reporting for IVASS;
- Article 12, penalties;
- Article 32, Settlement of CARD claims;
- Guidelines: revision consistent with the new CARD rules.

These annexes constitute an extract of the operational rules laid down in the previous set of rules, which can be updated if the necessity arises, without amendment of the relevant primary Convention rule.

REGULATORY AND JUDICIAL DEVELOPMENTS

REVISION OF SISCO RULES

The agreement on the IT support service for co-insurance (*Servizio Informatico di Supporto per la Coassicurazione* – SISCO) lays down as key condition for membership the insurer's subscription to ANIA's code of conduct for non-life co-insurance. Following the revision and application of the new self-disciplinary code, approved by the ANIA Executive Committee, the rules had to be adjusted accordingly.

The new rules eliminate the practice of unitemized ex-post commission fees, which were subject to checks and (subsequently) challenge by the revenue agency. This necessitated abrogation, in the codes, of all mention of these commissions, which are replaced by "relief," i.e. the portion of the premium that corresponds to the costs of contract handling and execution. With the active collaboration of the insurers in the SISCO working group, the text of the Convention was subjected to a broad, overall review and revision to eliminate all reference to delegated commissions as well as to rationalize and adapt the existing text to the new needs.

PRIVATE INSURANCE CODE, ARTICLE 141 – JURISPRUDENCE

A series of rulings by the Court of Cassation in recent years have opened up new perspectives in the matter of compensation for third party passengers, raising questions of interpretation as to the applicability of Article 141 of the Private Insurance Code (*Codice delle Assocurazioni Private* – CAP), sometimes with contrasting orientations.

In particular, sentence 25033/2019 ruled that the involvement of at least two vehicles, even in the absence of a collision, constitutes the condition for the application of Article 141 of the Code. However, sentence 4147/2019 deemed as "happenstance" – the only case of non-applicability expressly envisaged by Article 141 – cases of human error: it ruled that if the insurer of the vehicle carrying the injured passenger can demonstrate the exclusive liability of the other vehicle in causing the accident, it can refuse to pay the damages to the passenger.

As to this second sentence, ANIA has steadily argued, in all forums and encounters, that this is the pronouncement of just a single section of the Court of Cassation, not a sentence of the joint sections; accordingly, the protection envisaged by Article 141 for third-party passengers cannot be lacking. As in other, similar situations, the solution chosen has been to wait for further developments.

And in fact the Court of Cassation took up the question again in sentence 17963/2021, ruling that the "happenstance" referred to in Article 141(1) of the Insurance Code cannot be defined as exclusive liability of the driver of the other vehicle; that is, it brought out a clash of views within Section III on the interpretation of this norm.

The contrast was resolved definitively by the joint sections of the Court, with sentence 35318/2022. It settles the conflict within Section III on two specific issues in particular:

1) Applicability of Article 141 also to accidents involving only one vehicle;
2) Extension of the concept of "happenstance" to human conduct defined as total liability of the driver of the counterparty vehicle.

On the first point, the joint sections ruled, as in earlier rulings, that application of Article 141 of the Insurance Code requires that the accident involve at least two vehicles, although this does not require a physical collision, and holds even when one of the two cannot be identified or is uninsured. In the case of a single-vehicle accident, the legal action the injured passenger can take is exclusively the redress envisaged by Article 144 of the Code, vis-à-vis the policyholder's insurance company.

As to the second question, the Court established definitively that the notion of "happenstance" does not comprise the negligence of the other driver, insofar as the sort of happenstance that exempts the insurer from compensation of the injured passenger is a concept quite distinct from the negligent action of the driver of a second vehicle; instead, it must be construed as circumscribed to natural causes and to damage caused by human conduct independent of the circulation of other vehicles.

The Court also takes up the issue of compensation for "own" damage to the relatives of a passenger who dies in the accident. It specifies that Article 141 of the Insurance Code governs an exceptional action that cannot be applied, by analogy, to cases not expressly envisaged. Hence, the rule applies only in favor of the injured passenger and cannot be extended to damage *iure proprio* to the detriment of the relatives of a passenger who dies as a consequence of the accident. The fact is that while the damage consisting in loss of the family relationship is caused by the death of the passenger, this consists in "own" damage of the relatives; and in this regard there would not appear to subsist (and in any case the law has not so considered) the need for enhanced protection of the passenger which underlies Article 141.

A different conclusion is possible, however, as regards the damage (terminal and/or catastrophic) undergone by the passenger himself as a result of the accident, resulting in the death of the passenger and for which relatives ask for compensation not *iure proprio* but *iure hereditatis*; because in this case the damage has been to the passenger, even though the legal action is taken by his/her heirs.

EXTENSION OF DIRECT INDEMNITY TO FOREIGN INSURANCE UNDERTAKINGS

The extension of the direct indemnity system via CARD Convention to foreign insurance undertakings operating in Italy under freedom of establishment or freedom to provide services (Articles 23 and 24 of the Insurance Code) went into effect as of 1 January 2023 and applies to claims filed from that date on.

ANIA promptly informed the market through its CARD Service Office, which was fully available to the foreign insurers, providing the greatest possible support in terms of specific advisory services and technical-IT assistance, as well as facilitating performance of the legal and operational obligations that the Convention and the rules in force impose on insurers for the direct indemnity procedure.

ANIA also provided one day of training to all foreign members of the Association. To date, all the insurers involved have installed the necessary IT applications and fulfilled all the necessary administrative requirements. The dedicated platform of the ANIA portal offers an updated list of all CARD members.

MOTOR INSURANCE INDUSTRY ACTION FOR DISASTER FLOOD VICTIMS IN MARCHE

In response to the storm that swept the Marche region from 15 September 2022, and in particular parts of the provinces of Ancona and of Pesaro-Urbino (the disaster decree was later extended by a Council of Ministers resolution to the municipalities of the northern part of the province of Macerata), ANIA called on all its member companies to anticipate, on a voluntary basis, certain emergency measures in favor of policyholders in the areas affected, and in particular:

- extend the regular deadline for insurance premiums as per Article 1901 of the Civil Code (grace or default period) and Article 170-bis of the Insurance Code, retaining insurance coverage even in case of late payment;
- suspend legal action for credit recovery;
- refrain from legal action against policyholders in cases of prescription and forfeiture arising subsequent to the flood.

It is worth noting that even before ANIA's recommendation, some insurers had already undertaken initiatives along these lines, voluntarily extending the legally mandatory, standard grace period of 15 days for motor liability insurance with additional periods of free insurance coverage to an extent varying from insurer to insurer.

IVASS'S NEW SURVEY OF ACTUAL MOTOR LIABILITY PRICES – THE IMPLEMENTATION PHASE

The implementation phase of the project for a new survey of actual motor insurance prices (IPER) by the insurance supervisor IVASS has begun, including the new survey procedures used by ISTAT to estimate inflation of the price component consisting of motor liability insurance. Under the new procedure, as is known, ISTAT will refer on a monthly basis to the prices actually paid for insurance coverage as determined by the IPER survey.

Recall that in 2021, given that the IT procedure for the IPER survey calls for migration to the Bank of Italy's IT infrastructure, IVASS instituted an ad hoc technical task force with ISTAT, ANIA and insurance companies as well as the Bank of Italy.

Given the strategic importance of the project at national level, the greatest possible emphasis was given to the IPER implementation in communications with motor insurance companies. Further, in order to make a constructive contribution in the implementation phase, the task force agreed to form, under ANIA's leadership, an extended "New IPER" working group bringing together representatives of the motor insurance and IT areas of all insurance companies doing motor liability business and covered by the IPER survey.

As of April 2023 the project was in line with the calendar laid down by the IVASS technical task force. According to this schedule, the new IPER goes live in August 2023, and production of the ISTAT observations based on IPER begins in January 2024.

THE NEW BASE CONTRACT AND PREMIUM ESTIMATOR

On 22 June 2022, IVASS posted Regulation 51, provisions concerning the realization of an online system of premium comparison ("PREVENTIVASS") between insurance companies doing motor liability insurance business in Italy, pursuant to Article 132-bis and Article 136(3-bis) of Legislative Decree 209 of 7 September 2005 (the Private Insurance Code).

With respect to the draft regulation posted for public consultation (No. 5/2022), the definitive Regulation confirms the provisions for:

- optionality of offer of additional clauses;
- direct access of intermediaries to PREVENTIVASS, with no need for prior registration or authentication;
- requirement to issue an estimate for contracts extending more than 60 days and application of the price in effect at the date of the contract's entry into effect.

The Regulation also retains applicability of the obligation to provide an estimate for a base contract under Article 132-bis of the Insurance Code not only for the stipulation of a first motor liability contract but also in case of renewal. On this issue IVASS elected not to take account of the criticism of this extension made during the consultation by ANIA and other stakeholders involved (both legally and operationally).

On the other hand, in order to limit the strong impact of the implementation of IT procedures at the expense of insurance companies, and given the needs expressed in the course of the consultation, IVASS accepted the request to make available an application-to-application connection function ("A2A") that allows interested insurers to supplement PREVENTIVASS with IT systems managed by the individual undertaking.

Regulation 51 was challenged by a number of associations of insurance intermediaries before the Lazio Regional Administrative Tribunal (TAR), in view of the complexity and costliness of its implementation, as the intermediaries too noted. On 18 January 2023 the TAR issued its ruling on the appeals lodged by *Sindacato Nazionale Agenti di Assicurazione* – sentence 896/2023 – and organizations of Axa and Zurich insurance agents – sentence 897/2023 – for the voiding of some provisions of IVASS Regulation 51 regarding the scope of the Regulation and the modes of utilization of the IVASS estimate comparison program PREVENTIVASS by insurance intermediaries. The appeals turned on two specific questions: the persons to whom the new Regulation applies (Article 3(1.d)) and the procedures for collecting and retaining customer statements attesting to the information received about premiums offered by insurers for the base contract (Article 11(1.c)).

The TAR rejected the request to broaden the scope of the new rules to additional persons – in particular brokers – in that these are legally mandataries of the customer and not of the insurance company and therefore outside the scope of Article 132-bis of the Insurance Code; and hence, applicability of the entire IVASS Regulation.

On the second question, by contrast, the TAR sustained the appeal against the provision requiring insurance agents to collect and conserve the declarations of policyholders concerning the estimate comparison, including identification codes of the estimates made. Specifically, the Tribunal struck this provision down, on the grounds that the customer's declaration on the information received on insurance offers of base contracts is not bound to any set form or format, pursuant to Article 132-bis(4) of the Insurance Code, unlike the rules laid down by IVASS in its implementing measure, which introduced formal obligations not envisaged by the primary Regulation.

In concomitance with the appeals to TAR-Lazio, on 3 October IVASS released a document with clarifications for application of Article 11(1.b) and Article 11(1.c) of the Regulation. The Authority stressed that "where the consumer has already consulted PREVENTIVASS independently and turns to an intermediary to finalize the contract, the latter shall be relieved of the obligation to access PREVENTIVASS again and procure the offers of any other mandating insurance companies." Further, the consumer's presentation of the estimate – obtained by direct query of the PREVENTIVASS website – dispenses the intermediary from the requirement to cite the identification numbers of estimates issued by the insurers of which the intermediary is mandatary as part of the customer's statement attesting the receipt of information on premiums offered by the insurance companies for the base contract.

Even after the TAR's ruling, which is *erga omnes* and not applying solely to the appellants, there would still appear to be problems from the operational standpoint, especially in the case of insurers with multi-mandate agents.

At the same time as the appeal to the TAR was being prepared, another agents' association (ANAPA) appealed to the anti-trust authority(1) "to strike down some provisions of the Regulation which appear illogical and dangerously likely to have a distorting effect both on competition and vis-à-vis final consumers." In ANAPA's view, the Regulation still works "severe harm to the interests of certain market participants, in particular insurance agents who are bound to comply with the obligations imposed by the Regulation, unlike other classes of intermediaries, such as brokers, who are excluded. This would institute unequal treatment between intermediaries, clashing with the European Directive on Insurance Distribution (IDD), which demands a level playing field for competition between intermediaries. Consequently, consumers would be damaged, insofar as they cannot count on the same set of pre-contractual information or an equal degree of protection regardless of the intermediary to whom they turn."

After the Tar handed down its ruling, ANIA asked repeatedly, in communications addressed directly to IVASS, to re-convene the technical task force on the base contract with respect to the more "operational" activities, especially for a series of technical clarifications on the main problems with the massive online A2A procedure. In charging the costs of producing estimates for over 30 million base contacts for policy renewals to the intermediaries, this procedure has an unquestionable impact on the insurance companies. ANIA repeatedly noted the necessity for setting an initial period of efficacy of the Regulation no sooner than 1 October 2023 in order to enable the procedure to be fully operational. For its part, IVASS reaffirmed the term of 1 March 2023 provided by Article 21(3) of Regulation 51/2022.

Given the persistence of the problems of implementation of the base contract via PREVENTIVASS, in particular in cases of renewals of motor liability policies, ANIA has continued the dialogue with the Supervisory Authority and other relevant institutions.

(1) Market and Competition Guarantee Authority (AGCM). At this writing the Authority has not ruled on the appeal.

STUDIES

PAPER ON PARAMETRIC INSURANCE FOR PHYSICAL DAMAGE TO VEHICLES

In order to prompt reflection on the part of insurers concerning possible changes to existing systems of protection in the light of technological evolution and innovation, ANIA has conducted a study on the prospects and limits of parametric insurance. The study covers both land vehicle insurance – i.e. coverage and voluntary acquisition of coverage for vehicle damage from events such as fire, theft, accidental breakdown or comprehensive "kasko" coverage, natural events and weather, vandalism and political acts – and "accessory coverage" to compulsory liability insurance, such as assistance, accident coverage, legal assistance, and financial loss.

The resulting study paper – "*PARAMETRIC INSURANCE – CONTESTO GENERALE ED ESPERIENZE NELL'ASSICURAZIONE DANNI – OPPORTUNITÀ E VINCOLI NEL RAMO CORPI VEICOLI TERRESTRI (CVT) – Possibili sviluppi sperimentali del modello parametrico nel Ramo CVT per danni da eventi naturali*" – surveys the current state of insurance for damage to vehicles from natural events such as flood, hail, rain, snow, or windstorms, and other widespread, catastrophic events; and it examines ways in which parametric insurance could possibly be adopted in this field. In Italy, in fact, this particular model has not yet been applied to land vehicle insurance but has been tried with some success in such areas as risks from natural events in agriculture.

With this in mind, the paper traces the origins, technical-legal characteristics, and principal applications of parametric insurance internationally and domestically. The phenomenon is a relatively recent one, the development of the first climate-related insurance contracts by the Chicago Mercantile Exchange dating to 1999.

Parametric insurance provides that compensation is determined on the basis of an index (a parameter) that is external, objective, and hence distinct from the damage actually suffered by the policyholder. This model is becoming more and more well-known thanks to advanced technological solutions that have refined it for the assessment of risks in real time.

The area most affected by this development is certainly climate, with the introduction of new products based on local sensors and satellite images that allow claims handling, with automatic verification of the existence of the requisites for compensation. A market in which prices are increasingly competitive has made traditional disaster insurance more complicated for insurers, making parametric policies all the more interesting.

With the growth of risks relating to climate change, and also with the increasing population density in many geographical areas, the potential damage also increases, requiring greater awareness on the part of insurers. This awareness will also take the form of new, different approaches to flank conventional coverage, with a view to offering the most effective possible protection in the case of a given event.

Clearly, the greatest difficulty, the key challenge in the development of a parametric policy is determining the correlation between the parametric index and the damage sustained. While this type of coverage applies to specific cases, it has already gained a foothold in a series of sectors, including agriculture, transport and renewable energy.

This is an interesting new frontier in the insurance landscape, one that is opening up also for motor insurance, especially in view of the U.S. experience with parametric coverage against damage to vehicle fleets from natural events. The paper traces the main experiences with the application of the parametric model in Italy and abroad, so as to offer Italian motor vehicle insurers supporting material for the evaluation – with a view to innovation and sustainability, and in the free, competitive judgment of each firm – of possible experimentation with the parametric model for land vehicle insurance alongside traditional coverage. The intent is both to extend business prospects and, above all, to meet the emerging needs of special types of risk to protect against and the burgeoning needs of policyholders in Italy.

INTERNATIONAL DEVELOPMENTS

ACCESS TO VEHICLES' MOBILITY DATA: EUROPEAN RULES AND ANIA'S INITIATIVES

The European Commission held a public consultation (concluded 8 July 2022) on access to vehicle data, via a questionnaire. However, the consultation was not followed by any specific proposed legislation on access to vehicle data, originally expected for the end of the year. In this regard, on 22 February 2023 Insurance Europe, together with European aftermarket associations, asked the Commission to move ahead, urgently, with the proposal of an ad hoc rule on access to vehicle data.

Trilateral discussion is now under way at European level on the Commission's proposed Data Act, whose main objective is to foster the sharing of data and create a single market in data. The act would establish European rules on the sharing of the data generated by the use of products or related services (e.g. "the internet of things" and industrial machinery) to ensure that contracts for the sharing of such data are equitable.

Under the proposal, firms would decide which data can be shared, while the data producer could elect not to make available certain data "by choice". In addition, the rules should rebalance bargaining power in favor of small and medium-sized enterprises in drafting contracts on data sharing, shielding them from unfair clauses imposed by firms in a significantly more favorable position.

The text also determines how public entities can access and utilize data held by the private sector, which are necessary in exceptional or emergency circumstances (such as flood or fire). In this regard, Insurance Europe welcomes the provision for enhanced portability of the data of users of connected products, including the right to access to the data generated by the products and the possibility of allowing access to these data for third parties of their choice (Article 5). To this end, the connected products must be designed and manufactured in such a way that the data generated by their use are, by default, easily, securely and directly accessible to the user (Article 3).

In commenting on the text of the Data Act, Insurance Europe also highlighted the importance of the "frand" principles (fair, reasonable and non-discriminatory), which guarantee that all stakeholders, including SMEs, have fair access to the data. The Data Act will necessitate agreements between stakeholders for access to data on vehicles, and in fact the draft now in circulation introduces the concept of "reasonable compensation," i.e. an obligation on manufacturers to justify their charges for access to data on the basis of costs.

ANIA has formed a working group ("Motor Connected") of insurance company experts with the key aim of analyzing the European rules in particular as regards access to the data on vehicles and event data recorders, and assessing the likely impact on the Italian insurance market and contributing to the systematic development of a common position for the Italian insurance industry, above all on access and portability of vehicle data. This position should be presented both through Insurance Europe and directly by ANIA to the European institutions with a view to provisions that will have an impact on motor insurance business.

E-SCOOTERS: A SURVEY OF EUROPEAN INSURANCE REGULATIONS

In response to reports from some Member States on national regulatory changes governing personal mobility, Insurance Europe (IE) has relaunched its survey of laws on personal mobility devices, updating it to take account of the latest legislative and regulatory developments.

IE has accordingly updated its table of information, which now covers twelve countries: Austria, Belgium, Bulgaria, Finland, France, Germany, Italy, Malta, the Netherlands, Slovakia, Spain and Sweden. In some, discussion is under way at the institutional level, and present rules may be subject to change in the near future. Given the regulatory autonomy accorded to Member States by the Motor Insurance Directive – Directive EU/2021/2118 – the rules on personal mobility devices are heterogeneous in a number of respects: eligibility to drive them; characteristics of the vehicle; obligations/prohibitions for circulation; and liability insurance.

As to requirements for drivers, in some countries, such as France, the minimum age for driving an e-scooter is 12; in others, such as Belgium, it is 14; in still others, such as Finland, no age requirement is set.

As to vehicle characteristics, registration and license plate are required in Austria, Germany, Malta, and the Netherlands, in some cases with features and procedures that are simplified by comparison with those for conventional motor vehicles. In most countries, however, registration and license plate are not required (in Spain, apparently, a registration requirement will be introduced within five years).

On requirements and prohibitions, in most cases there is no requirement for any sort of driver's license, and no helmet requirement; the most common requirement for e-scooters is to wear a high-visibility reflecting vest or to have lights mounted for night driving.

As to compulsory liability insurance for personal mobility devices, this too varies from country to country. In France and the Netherlands, for instance, insurance is compulsory regardless of the vehicle's power or top speed; in others, such as Austria, insurance is compulsory only above certain speed and horsepower thresholds. Equally diversified are provisions on the type of insurance – i.e. whether it is the vehicle or the driver that is covered; in France it is the vehicle, in Germany the owner/driver.

The survey finds that most countries have a Guarantee Fund.

As to minimum coverage ceilings, in most countries they are the same as for motor liability insurance, but in some, such as Spain, they are lower.

DIRECTIVE EU/2021/2118 – ENFORCEMENT OF THE OBLIGATION TO INSURE AGAINST LIABILITY IN RESPECT OF THE USE OF MOTOR VEHICLES

Directive EU/2021/2118, amending Directive 2009/103/EC relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability (the Motor Insurance Directive), **went into effect on 22 December 2021 and must be transposed into national law by 23 December 2023**. One of the most significant amendments to the MID is a new notion of vehicle, now defined as any motor vehicle propelled exclusively by mechanical power on land but not running on rails with a maximum design speed of more than 25 km/h or a maximum net weight of more than 25 kg and a maximum design speed of more than 14 km/h. For the purpose of compulsory insurance, "use of a vehicle" means any use of a vehicle that is consistent with the vehicle's function as a means of transport at the time of the accident, irrespective of the vehicle's characteristics and irrespective of the terrain on which the motor vehicle is used and of whether it is stationary or in motion, save for their use in motor sports events in restricted, delimited areas. This framework is corroborated by the steady jurisprudence of the European Court of Justice and reiterated by the joint sections of the Italian Court of Cassation.

Given these changes, ANIA has asked IVASS for operational clarifications to permit properly framing and interpreting the clause, activated at the policyholder's option, of the so-called suspension of insurance coverage in cases of temporary non-use of the vehicle parked in private premises, with possible reactivation of coverage when it circulates again. In other words, ANIA asked IVASS for indications concerning the possibility for insurers to continue to offer motor liability policies containing the suspension clause, with the certainty of the clause's compliance with the new regulatory and jurisprudential context.

ANIA pointed out to IVASS that given this extension of the insurance obligation, the MID provides, in Article 5, that Member States can derogate from the insurance requirement, and ANIA hopes this may be operative in Italian law; and in particular the derogation referred to in letter (a) of the article, which allows for permanent or temporary withdrawal of the vehicle from circulation as means of transport via a “formal procedure” and its “de-registration” for circulation.

ANIA further observed to IVASS that the insurance market has to have implementing indications well before the final deadline for transposition of the MID (23 December 2023), leaving an appropriate period of time, not less than 9 months, to adapt corporate processes and procedures to the transposed national law.

On 12 April 2023, IVASS replied to ANIA's request for an opinion on the suspension of motor liability contracts by Italian policyholders, recalling that transposition of the Directive into national law must be by means of legislation of superior rank (a legislative decree) and informing the Association that to this end IVASS has initiated the cooperation in preparing the transposition requested by the Ministry for Enterprises and Made in Italy.

ANIA is continuing to monitor the implementation of the European Directive in the national legal system, in dialogue with the competent institutions.

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OTHER NON-LIFE INSURANCE

OTHER NON-LIFE INSURANCE

Written premium income of non-life business other than motor vehicle insurance (which means excluding motor liability and third-party liability insurance for watercraft and land vehicle insurance), grew by 8.5% in 2022, after increasing by 5.4% in 2021. Since claims costs rose by only 2.4%, the combined ratio improved slightly from 2021 (from 85.9% to 83.6%). However, due to a more unfavorable reinsurance outturn, the overall result remained broadly unchanged.

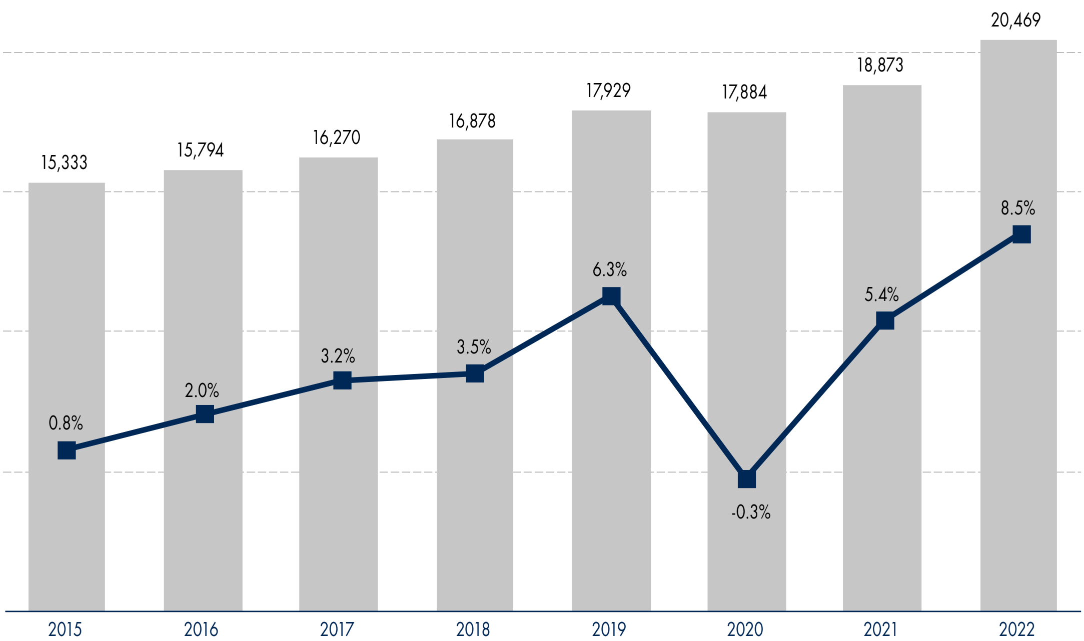
NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR INSURANCE

Written premium income of domestic non-life business other than motor vehicle insurance (which means excluding motor liability and third-party liability insurance for watercraft and land vehicle insurance), amounted to €20,469 million in 2022, up by 8.5% (for a homogeneous group of companies) from 2021. The following classes showed a positive variation equal to or exceeding the average: watercraft (+10.1%), sickness (+12.6%), railway rolling stock (+13.2%), aircraft liability (+14.6%), goods in transit (+20.0%), financial loss (+20.9%) and credit (+25.1%). Accident (+4.4%), fire (+6.2%), legal expenses (+6.4%), assistance (+6.9%), aircraft (+7.6%), suretyship (+7.7%), general liability (+8.2%) and other property damage (+8.3% also grew). Non-motor insurance premiums' share of total non-life premiums increased from 55.3% in 2021 to 57.4% in 2022.

Direct premiums of non-life insurance classes other than motor insurance (*)
Euromillion

Written premiums

Annual % change in premiums



** All non-life branches except land vehicles, motor liability, and marine liability*

Earned premiums, calculated as the difference between written premiums and the changes in premium reserves and other balance items, amounted to €19,740 million, with 7% growth compared with 2021.

OTHER NON-LIFE INSURANCE

The **incurred claims cost**, defined as the sum of settlement costs and amounts reserved for claims incurred in 2022, amounted to €11,580 million, up by 6% from 2021. Since this cost item had a slightly slower increase than premiums, the loss ratio showed a little improvement (from 59.5% in 2021 to 58.7% in 2022).

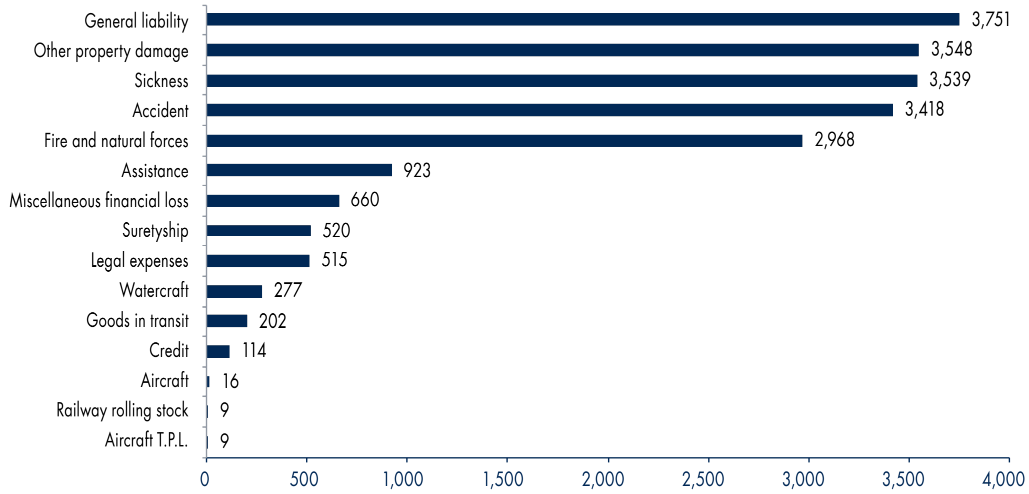
Incurred claims, which along with the cost incurred for the current accident year also include any excess/shortfall of the amounts reserved for claims incurred in previous accident years, amounted to €10,138 million, up 2.4% over 2021. There was a €1,400 million benefit from the positive release of the amount reserved for claims incurred in previous years (7.3% of premiums for the year).

Non-life insurance classes other than motor insurance (excluding land veichles insurance and motor and maritime liability)

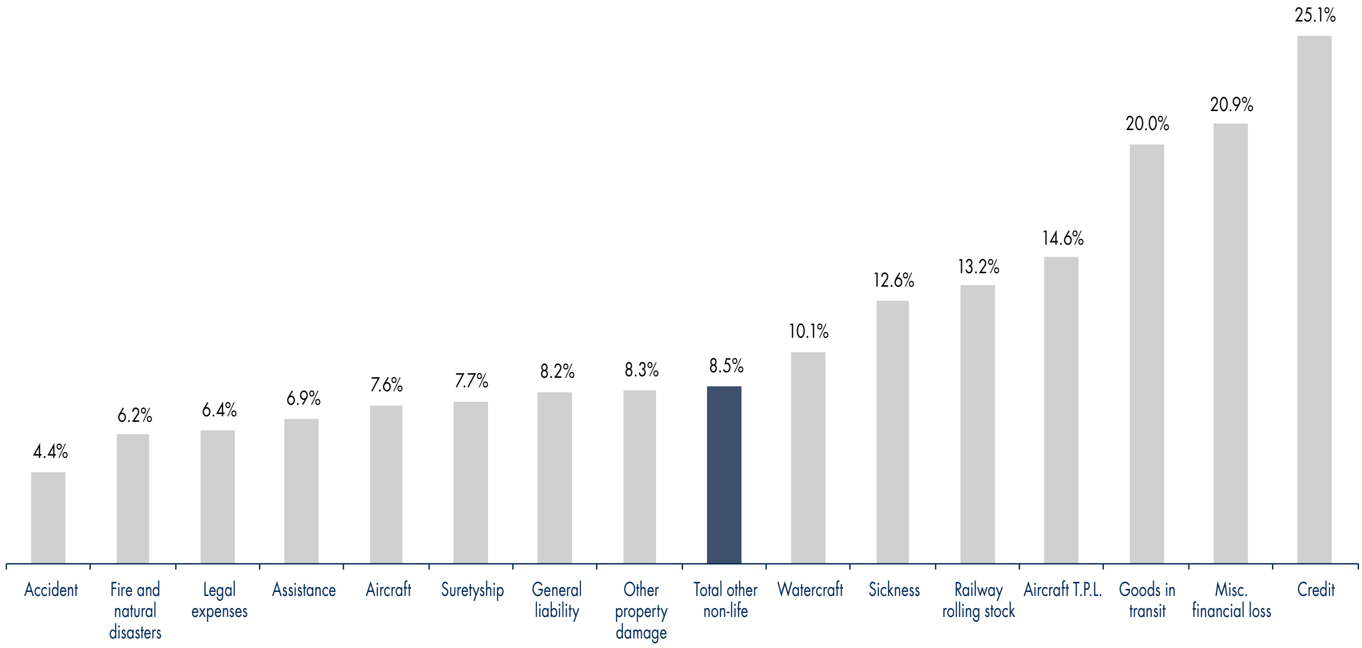
(millions of euro)	2015	2016	2017	2018	2019	2020	2021	2022
Written premiums	15,333	15,794	16,270	16,878	17,929	17,884	18,873	20,469
Changes in premium reserve and other items (–)	1	181	397	434	742	326	466	730
Incurred claims (–):	8,263	8,124	8,555	8,612	9,025	8,941	9,904	10,138
– incurred claims for the current year (–)	9,196	9,304	9,865	10,075	10,604	10,292	10,944	11,580
- excess/shortfall of reserves for claims in previous years	933	1,179	1,310	1,463	1,578	1,350	1,041	1,441
Balance of other technical items	-462	-426	-413	-380	-394	-480	-437	-367
Operating expenses (–)	4,854	5,063	5,242	5,442	5,736	5,733	6,066	6,595
- commissions	3,315	3,497	3,636	3,762	3,922	3,887	4,164	4,515
– other acquisition costs	767	736	739	784	866	879	877	973
– other administration costs	773	830	866	896	949	967	1,025	1,106
Direct technical balance	**1,753**	**1,999**	**1,664**	**2,010**	**2,031**	**2,403**	**2,001**	**2,640**
Investment income	584	512	586	367	640	380	452	166
Direct technical account result	**2,337**	**2,511**	**2,250**	**2,377**	**2,671**	**2,783**	**2,453**	**2,806**
Reinsurance result	-469	-507	-180	-270	-428	-816	-463	-830
Overall technical account result	**1,868**	**2,003**	**2,070**	**2,107**	**2,244**	**1,967**	**1,991**	**1,976**
Annual % change in premiums	0.8%	2.0%	3.2%	3.5%	6.3%	-0.3%	5.4%	8.5%
Combined ratio	**85.6%**	**84.1%**	**86.1%**	**84.6%**	**84.5%**	**83.0%**	**85.9%**	**83.6%**
– Expense ratio	31.7%	32.1%	32.2%	32.2%	32.0%	32.1%	32.1%	32.2%
– Commissions/Gross written premiums	21.6%	22.1%	22.4%	22.3%	21.9%	21.7%	22.1%	22.1%
– Other acquisition costs/Gross written premiums	5.0%	4.7%	4.5%	4.6%	4.8%	4.9%	4.6%	4.8%
– Other administration costs/Gross written premiums	5.0%	5.3%	5.3%	5.3%	5.3%	5.4%	5.4%	5.4%
– Loss ratio:	53.9%	52.0%	53.9%	52.4%	52.5%	50.9%	53.8%	51.4%
– Loss ratio for the current accident year	60.0%	59.6%	62.1%	61.3%	61.7%	58.6%	59.5%	58.7%
– Excess/shortfall of res. for prev. years claims/Earned premiums	6.1%	7.6%	8.3%	8.9%	9.2%	7.7%	5.7%	7.3%
Technical balance/Earned premiums	**11.4%**	**12.8%**	**10.5%**	**12.2%**	**11.8%**	**13.7%**	**10.9%**	**13.4%**
Technical balance/Earned premiums	**15.2%**	**16.1%**	**14.2%**	**14.5%**	**15.5%**	**15.9%**	**13.3%**	**14.2%**
Overall technical account result/Earned premiums	**12.2%**	**12.8%**	**13.0%**	**12.8%**	**13.1%**	**11.2%**	**10.8%**	**10.0%**
Technical account result/Earned premiums	*47.9%*	*49.4%*	*50.4%*	*51.0%*	*54.2%*	*53.4%*	*55.3%*	*57.4%*

Indexes and changes (%) are calculated on data in Euro thousands.
The changes (%) were calculated in homogeneous terms.

Premiums from direct domestic business - Year 2022
Euro million



Growth rate of direct premiums by insurance class – 2022 (*)
2022 average: 8.5%

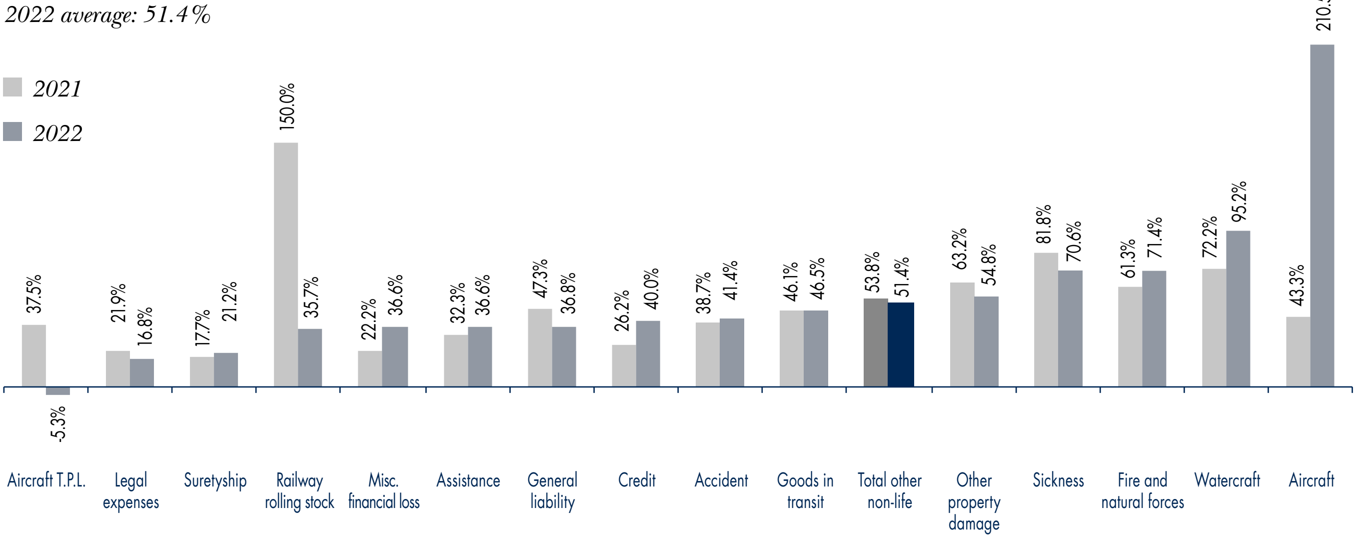


(*) Change calculated in homogeneous terms

The loss ratio to earned premiums therefore improved (from 53.8% in 2021 to 51.4% in 2022). The classes where the loss ratio improved the most were general liability, whose loss ratio dropped from 47.3% in 2021 to 36.8% in 2022, other property damage (from 63.2% to 54.8%), and sickness (from 81.8% to 70.6%). The classes showing a deterioration – whose incidence in terms of premiums is greater than the others – were accident, whose loss ratio increased from 38.7% in 2021 to 41.4% in 2022, and fire (from 61.3% to 71.4%).

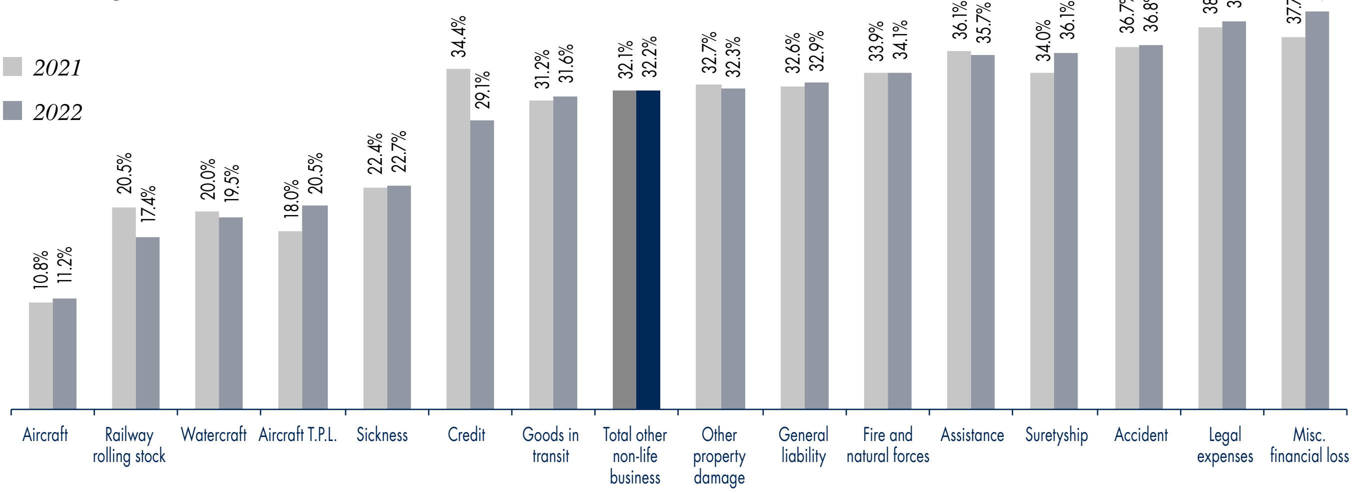
OTHER NON-LIFE INSURANCE

Loss ratio for the year by insurance class (%)
2022 average: 51.4%



Operating expenses – administration expenses relating to the technical management of insurance business, acquisition costs and costs relating to the organization and management of the distribution network – amounted to €6,595 million in 2022 (€6,066 million in 2021). The ratio of expenses to premiums was 32.2% (32.1% in 2021). In particular, the ratio of agent commissions and other administration costs to premiums remained unchanged respectively at 22.1% and 5.4%, while that of other acquisition costs went up from 4.6% to 4.8%. The business segments with the highest indicators were miscellaneous financial loss (40.1%), legal expenses (39.2%), accidents (36.8%), suretyship (36.1%) and assistance (35.7%). More moderate ratios, under 20%, were recorded for watercraft (19.5%), railway rolling stock (17.4%) and aircraft (11.2%).

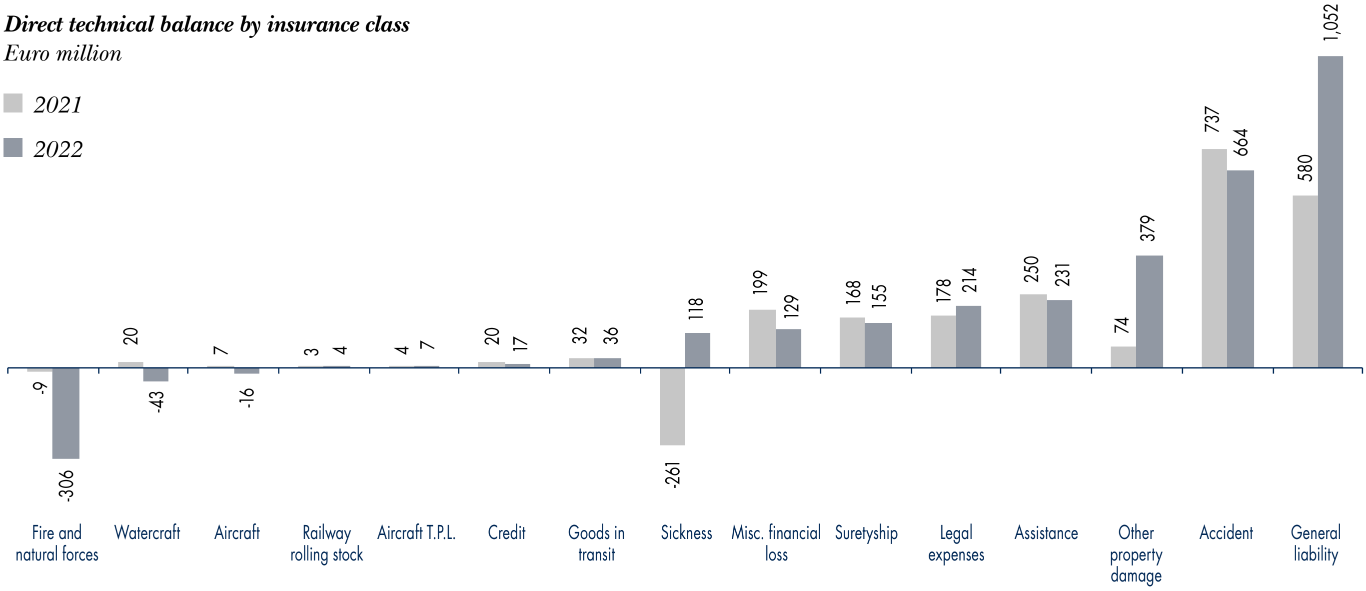
Expense ratio for the year by insurance class(%)
2022 average: 32.2%



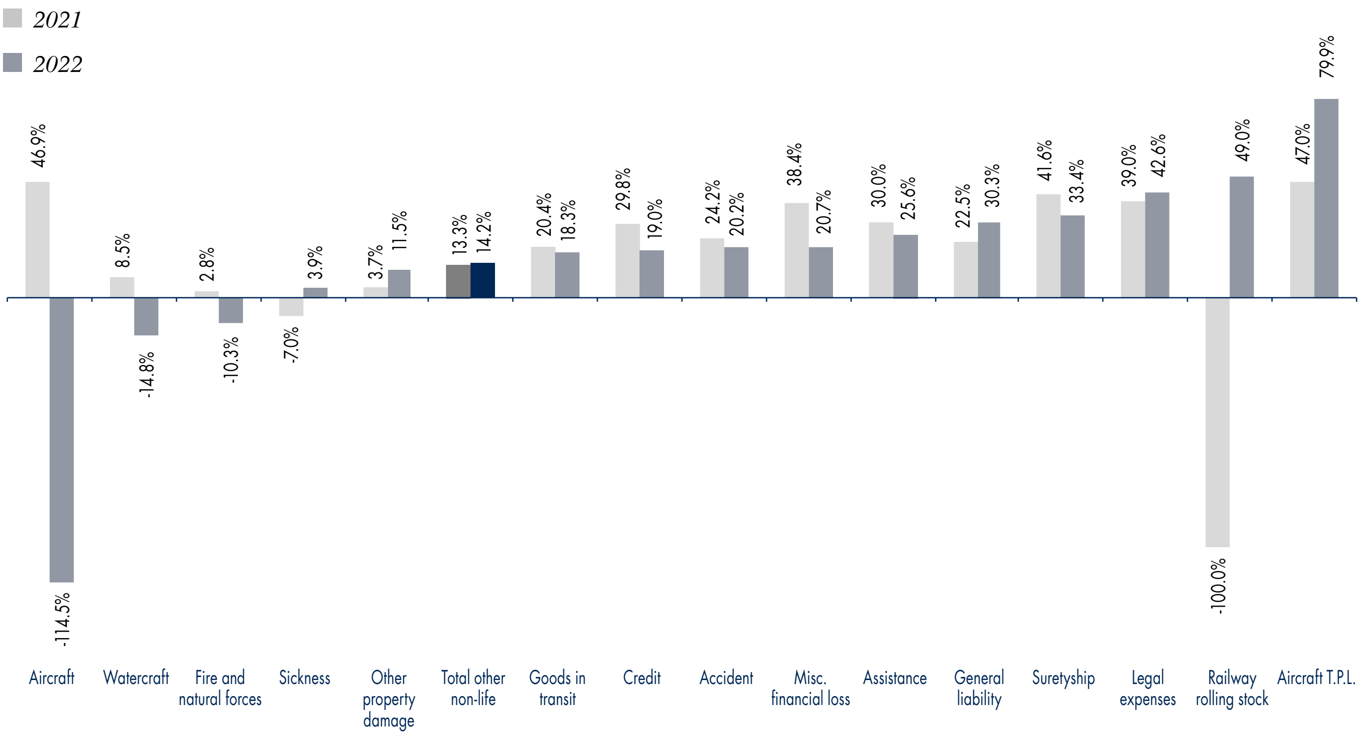
OTHER NON-LIFE INSURANCE

The **technical balance** for direct business was positive by €2,640 million (up from €2,001 million in 2021). More specifically, positive balances exceeding €150 million were scored by suretyship (€155 million, €168 million in 2021), legal expenses (€214 million, €178 million in 2021), assistance (€231 million, €250 million in 2021), other property damage (€379 million, from €74 million), accident (€664 million, €737 in 2021) and general liability (€1,052 million, €580 million in 2021). The balance was negative for fire (-€306 million), watercraft (-€43 million) and aircraft (-€16 million).

Direct technical balance by insurance class
Euro million



Incidence of overall technical account result on earned premiums by insurance class (%)
2022 average: 14.2%



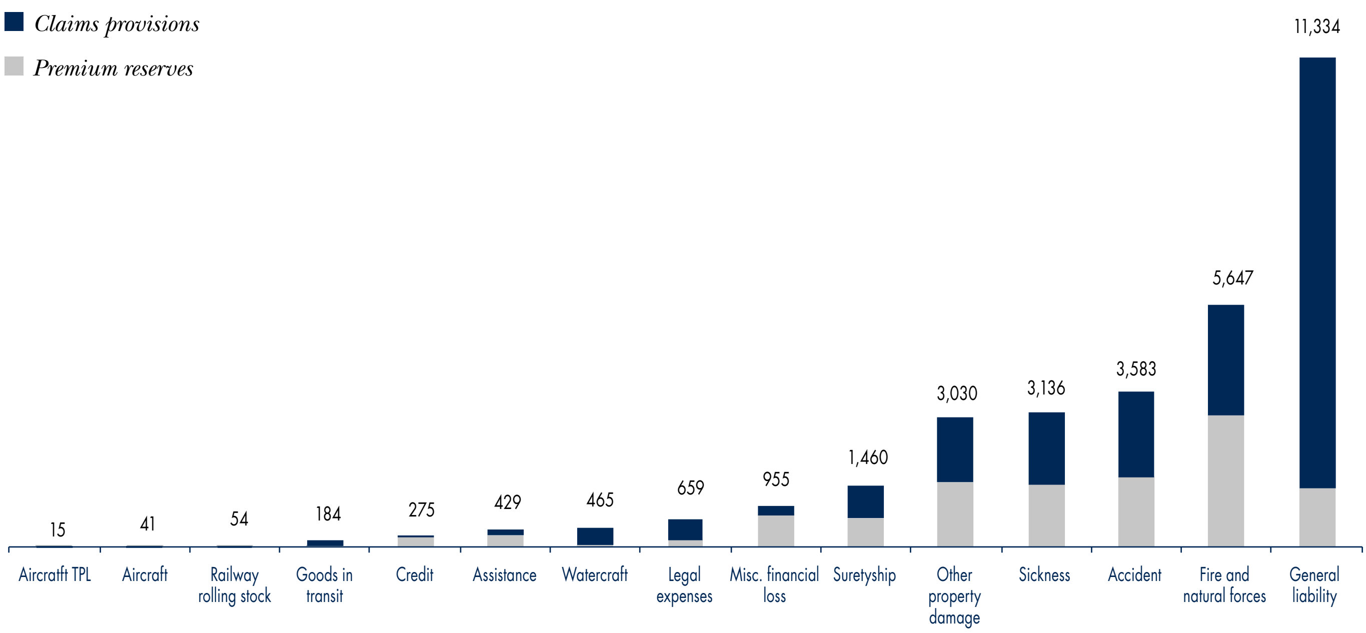
OTHER NON-LIFE INSURANCE

Since investment income totaled €166 million in 2022 (€452 million in 2021), the **direct technical account result** was positive by €2,806 million, up from €2,453 million; its ratio to earned premiums was 14.2% (13.3% in 2021). Negative or below-average ratios were scored in the following lines: aircraft (-114.5%); watercraft (-14.8%), fire (-10.3%), sickness (+3.9%) and other property damage (+11.5%). Among the most important classes in terms of premiums, accident and general liability performed particularly well at +20.2% and +30.3% respectively.

Counting also the balance for reinsurance (negative by €803 million, further worsening from -€463 million in 2021)), the **overall technical account result** was positive by €1,976 million, in line with 2021 (€1,991 million), equal to 10.0% of premiums (10.8% in 2021).

The **direct technical provisions** of non-life insurance classes other than motor insurance, net of sums to be recovered from policyholders and third parties, amounted to €31,269 million in 2022: €11,405 million in premium provisions and €19,864 million in claims provisions. General liability was the business segment with the highest technical provisions (€11,334 million in claims and premium provisions projected for end-2022); total provisions top €3 billion for other property damage (€3,030 million), sickness (€3,136 million), accident (€3,583 million) and fire insurance (€5,647 million).

Technical reserves for non– life insurance classes other than motor insurance – 2022
Euro million



NATURAL CATASTROPHE: DISASTERS IN 2022, AN ESTIMATE OF THE CURRENT EXPOSURE OF THE ITALIAN INSURANCE INDUSTRY

According to the 2023 Sigma Swiss Re report, the number of natural disasters came to 285 in 2022 (186 in 2021), causing losses for $275 billion worldwide, the fourth highest value ever recorded and above the $240 billion lost in 2021. In this scenario, only $125 billion was covered by insurance policies, up from the previous year ($111 billion).

Overall catastrophic event-related losses include man-made disasters as well, and amounted to around $284 billion.

The most devastating event in 2022 was hurricane Ian, dealing the greatest economic loss with a preliminary estimate of insurance losses between $50 billion and $65 billion. This category 4 hurricane touched ground in western Florida at the end of September with devastating winds, rain and tidal waves. According to Swiss Re Institute estimates, it is the second highest amount of insured damage in history among those affecting coastal regions, the first being hurricane Katrina in 2005.

In February 2022 several storms hit Europe, dealing insurance losses in excess of $3.7 billion, placing this risk class back at the core of priorities of the insurance industry.

It is worth recalling that the *AON Weather, Catastrophe and Climate Insight* report mentioned that 2022 was, on average, 0.86°C hotter both on soils and oceans. 2022 was the sixth warmest year since 1880. In the United Kingdom, temperatures reached 40.3°C.

Since 2017, the trend has been to greater natural catastrophes and higher losses, leading to rising reinsurance rates. The result of insured claims in 2022 confirms the 5%-7% yearly growth trend that started in 1992, mostly based on the increase of damages stemming from primary and secondary natural events. The average of yearly insured damage exceeds $100 billion.

Even though the demand for insurance coverage against climate events is growing, the protection gap is still wide in terms of exposure both to primary and to secondary risks. The global protection gap in 2022, including both natural and man-made disasters, amounted to $151 billion ($173 billion in 2021).

With reference to Italy in 2022-23, the most devastating events were the landslide in Ischia in November 2022 and the floods affecting the Marche region in September 2022 and the Emilia-Romagna region in May 2023.

In particular, for the latter event, while the estimate of damage is still not complete, the impact was especially devastating for the agricultural sector, where, according to Coldiretti preliminary estimates, damages amount to around €1.5 billion.

According to the PERILS survey on catastrophic event risk exposure in Italy for 2023 (with the participation of 70% of the market in terms of fire insurance premiums), overall exposure of the insurance market to such risks is:

– for businesses – for buildings, goods and incidental damage – around €786 billion in respect of earthquakes (+4.2% compared with 2022) and €714 billion in respect of floods (-5.3% from 2022), net of the contractual limits set by the insurance policies. Some 1.07 million businesses are insured against earthquakes and 887,000 against floods. The regions contributing the most to the increase in insurance against earthquake risk for businesses are Lombardy and Veneto, the ones that, together with Lazio, registered the sharpest declines in flood coverage.
– for homeowners – for buildings, goods and incidental damage – around €242 billion in respect of earthquakes (-8.1% compared with 2022) and €136 billion in respect of floods (-3.8% from 2020), net of the contractual limits set by the insurance policies. The decreases recorded in Veneto and Lombardy contributed the most to the negative changes. A total of 840,000 residential units were insured against earthquakes and around 400,000 against floods, so many dwellings with fire insurance are assumed to have earthquake insurance as well.

Geographically, total insurance exposure to natural catastrophe risk (business and residential) is concentrated mostly in the North of Italy, nearly two thirds of the total. The central regions are becoming increasingly important, with nearly 20% of total exposures.

Given these absolute levels of insurance coverage, the variations from the previous year may be partly due to the steady, year-to- year improvement in insurers' classification of data as a consequence of greater attention to the management of these risks. However, it is important to make it clear that these are estimates, thus subject to some deviations from what will actually occur during the year.

ITALIAN INSURANCE EXPOSURE TO NATURAL DISASTERS AND EVENTS FOR BUSINESSES AND HOUSEHOLDS

With the aim of reducing the insurance gap by actions targeted to some specific insurance segments, in 2021 ANIA launched a survey to assess the market penetration of insurance policies against the main natural disasters, dividing it between residential and business insurance in Italy. Over the last year, the data for 2022 were collected and updates/corrections to the data for 2021 were made.

The statistics concern the risks associated with natural disasters and fire as a whole, specifying for the latter the information related to claims for so-called "major fires", meaning those man-made disasters entailing multiple risk units. The types of coverage surveyed were: earthquake, flood, fire, major fire and other natural events including all other natural disasters such as hail, windstorms, excessive rainfall or snow.

The monitoring included the number of policies, the premiums and the amounts insured, along with the number and value of claims for each risk class.

Information about **residential insurance** was divided into:

- individual dwellings: all dwellings insured with individual policies;
- comprehensive building policies: buildings or parts thereof, mostly used as dwellings, insured by comprehensive building policies.

Information about **business insurance** was divided into:

- Large Enterprises: enterprises with at least 250 employees and/or an annual turnover in excess of €50 million;
- Medium-sized Enterprises: enterprises with 50 to 249 employees and/or annual turnover of €10 million-€50 million;
- Small Enterprises: enterprises with 10-49 employees and/or annual turnover of €2 million - €10 million;
- Micro Enterprises: enterprises with fewer than 10 employees and/or annual turnover of less than €2 million.

Commercial activities (including sales points of chain stores) were classed in one of these categories according to the staff or turnover standard.

As this report is being drafted, a sufficiently representative set of Italian and foreign insurers had participated in the survey (more than 50% of total fire premiums in 2022). To assess the robustness of the sample and the reliability of results, some of the indicators emerging from this survey have been compared with other statistics from ANIA and outside sources. In particular:

- in terms of premiums, the amount per insurance company is consistent with the information contained in the supervisory reports for fire insurance.(1) This class also includes – albeit with a smaller incidence – risks other than those assessed in this survey (€1,526 million of written premiums in 2022 by the sample insurers according to Form 17, against €1,540 million in this survey);
- in terms of claims, considering all guarantees surveyed for both risk types (business and residential), the overall loss ratio is consistent with the fire class supervisory report(2) (a 79% loss ratio for the 2022 claim generation of the sample in Form 17, against 75% in this survey);
- as far as dwellings are concerned, the average amounts insured by individual dwelling and comprehensive building policies are consistent with the ANIA survey on residential fire policies covering practically the entire insurance market (in 2022 the average amounts were €194,000 for individual dwellings and €1,596 million for comprehensive building policies according to the ANIA survey on residential fire policies, as against €182,000 and €1,510 million in this survey);

(1) Reference is to written premiums under item 3 of Form 17 in the IVASS fire class supervisory report.
(2) Reference is to the ratio of incurred claims under item 10 to written premiums under item 3 of Form 17 of the IVASS fire class supervisory report.

- in addition, in 2022 the proportion of fire policies with extension to natural disasters (considering both individual dwellings and comprehensive building policies) was consistent with the result of the ANIA survey on residential fire policies (12% according to the previous ANIA survey and around 10% according to this one).

An initial estimate of the main technical indicators for the whole market was made on the basis of the data obtained from the sample. The main results are set forth below.(3)

Enterprises

As stated above, the survey identified the individual insured risk units within a given enterprise. This means that, especially for large and medium-sized firms, the number of units insured is greater than the number of enterprises split into size classes by number of employees as surveyed by ISTAT. However, ISTAT also surveys the local units of active enterprises(4) which, even though they cannot be directly used to assess insurance penetration, are as close as possible to the concept of insured unit.

Table 1 shows the distribution in 2022 (and in 2021 for comparison), by firm size, of the insured units as surveyed by our statistics and the ISTAT survey of local units.(5) Insurance data clearly show a stable and unbalanced distribution in the two years between large, medium and small firms that is not reflected in the ISTAT data, which, instead, indicates that almost all local units are in the micro-enterprise class (fewer than 10 employees). This is certainly due to a far higher insurance penetration for enterprises with more than ten employees.

Table 1 – Enterprises Insured risk unit distribution - number of local units surveyed by ISTAT

TYPE OF ENTERPRISE	YEAR 2022		YEAR 2021		% distribution of active enterprise local units (ISTAT)
	% distribution of insured units	Average Insured Value (in euros)	% distribution of insured units	Average Insured Value (in euros)	
Large Enterprises	1.6%	5,389,984	1.8%	5,452,612	0.1%
Medium-sized	5.2%	2,556,066	5.1%	2,673,849	0.7%
Small	18.5%	738,181	17.3%	652,860	4.9%
Micro	74.7%	323,530	75.8%	304,138	94.3%
Total	100.0%	598,024	100.0%	576,279	100.0%

(*) Sources: ISTAT, Rapporto sulle imprese, 2021

(3) As noted, these results are subject to rectification as more insurance companies supply their data for the survey.

(4) Local units means operational or administration and management facilities (laboratory, workshop, production plant, warehouse, storage facility, office, shop, branch, agency) located in places other than the headquarters and in which one or more specific activities of the enterprise are regularly carried out. Therefore, multi-localized enterprises carry out their activities in multiple locations, each of which is considered as a local unit.

(5) The latest update makes reference to 2021.

The average insured value in 2022 is proportional to the size of the enterprise and in line with 2021: €5.4 million for large enterprises, half as much (€2.6 million) for medium-sized firms, €740,000 for small enterprises and less than €325,000 for micro enterprises.

Another important piece of information drawn from the survey (Table 2) is the percentage of dwellings with an extension of fire insurance to natural disasters.

Table 2 – Enterprises % of insured units with natural events extensions in fire policies (*)

TYPE OF ENTERPRISE	Flood		Earthquake		Other natural events	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
Large Enterprises	93.3%	98.8%	96.5%	100.0%	91.0%	93.2%
Medium-sized	71.5%	67.1%	69.2%	64.1%	100.0%	100.0%
Small	24.4%	24.7%	28.2%	29.4%	80.9%	85.0%
Micro	2.3%	2.2%	6.3%	6.1%	88.4%	88.3%

(*) Percentages may be slightly overestimated due to the presence of stand-alone policies only covering natural events.

What stands out also in 2022 is that the extension to other natural events (hail, windstorms, excessive rainfall or snow) is present in all types of enterprises; crucially, the extension to earthquakes and floods is purchased by nearly all large enterprises, two-thirds of medium-sized enterprises, a quarter of small enterprises and a negligible portion of micro enterprises (6% for earthquake and only 2% for flood).

Table 3 is the ratio of accepted claims for 2022 and 2021[6] (including late-reported claims) through April 2023 (April 2022 for 2021) to premiums paid in 2022 and 2021. The earthquake extension insurance has a loss ratio close to zero. This is consistent with the return time of this disaster risk, characterized by long periods with no claims but very high damage intensity in case of event. Flood extension has an average loss ratio of 172% (64% in 2021), with figures ranging from 27% for large enterprises to around 300% for medium-sized enterprises. Very high values are reported for extensions to other natural events, a policy purchased by nearly all fire-insured enterprises; the values range from 146% for micro to 336% for large enterprises. Basic fire insurance has an overall loss ratio of 76%, while the overall insurance average loss ratio amounts to 95% (87% in 2021). Considering that operating expenses are equivalent to some 35% of premiums, the combined ratio (sum of the two ratios) exceeds 100% by far, showing negative results for this insurance class (even though earthquake insurance had no significant claims in 2022).

[6] These are the amounts paid or allocated to the claims provision and comprise, apart from the settlement sums for the policyholder, only the legal expenses for the other party and court costs (unallocated loss adjustment expenses (ULAE) are not included). In case of deductibles, the claim amount was considered to be net of the deductible.

Table 3 – Enterprises Loss ratio per type of coverage

TYPE OF ENTERPRISE	Flood		Earthquake		Other natural events		Fire (*)		Total	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
Large Enterprises	27.2%	41.5%	0.0%	0.0%	335.8%	212.9%	44.2%	68.2%	55.3%	72.4%
Medium-sized	290.9%	79.0%	3.6%	0.7%	292.6%	354.7%	123.7%	87.2%	142.8%	114.0%
Small	37.2%	43.0%	0.1%	0.2%	179.6%	154.5%	86.1%	87.1%	98.1%	95.1%
Micro	112.0%	62.6%	0.0%	2.4%	145.6%	154.3%	53.8%	43.0%	77.3%	71.7%
Total	172.4%	63.9%	1.5%	0.9%	184.4%	190.1%	75.8%	65.6%	95.1%	87.2%

(*) Fire includes "major fires".

Dwellings

As for dwellings, here we comment only on the loss ratio for 2022. More detailed information on risks is available in the ANIA residential dwellings survey (Table 4).

In 2022, earthquake extension had a very low loss ratio for dwellings too (3.8%), for the same reasons discussed above. Flood extensions recorded an average ratio of 85%, amounting to 92% in individual dwellings and a moderate 36% in comprehensive building policies. For other natural events, the loss ratio for individual dwellings was around 100%, for comprehensive building policies 77%. If individual dwellings have a worse trend for natural disasters, for basic fire coverage the opposite is observed: the overall loss ratio is 54.9%, with comprehensive building policies at 71% and individual dwellings slightly below 45%. Putting all extensions together with the basic coverage, the average loss ratio comes to slightly over 63%.

Table 4 – Residential units - Loss ratio per type of coverage

TYPE	Flood		Earthquake		Other natural events		Fire (*)		Total	
	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021	Year 2022	Year 2021
Dwellings	92.4%	98.1%	4.3%	8.8%	99.6%	84.6%	44.2%	43.9%	57.8%	53.8%
Comprehensive building policy	36.5%	33.0%	0.2%	2.8%	76.9%	55.5%	71.1%	71.3%	71.5%	64.0%
Total	84.5%	87.1%	3.8%	0.9%	89.6%	72.0%	54.9%	54.8%	63.2%	57.8%

(*) Fire includes "major fires".

THE DISTRIBUTION OF FIRE INSURANCE WITH EXTENSION TO NATURAL DISASTERS

As in the past few years, ANIA carried out a new statistical study to quantify the number of policies and the risk exposure (value insured) of Italian homes insured against fire, with a special focus on policy extension to natural disasters. The assessment was made on 31 March 2023.

Again, the survey saw the participation of a large sample of companies (around 90% of all fire policy premiums), and on this basis the exposure for the entire market was estimated. The results for the main factors in the fire insurance policies examined by the survey are set out below.

Type of policy. On 31 March 2023, the total number of active policies (for the whole market) was **11.7 million**, down by 1.7% from the previous survey, but up by 4.0% from March 2021 (an extra 500,000 policies in two years). The **total value insured** was **€3,957 billion** for the 11.7 million policies, up by 0.9% compared with 2022 and about the same as in 2021 (Table 1). By type of policy, in 2023 about 54% are multi-risk policies,[1] up by four points from 2022 (the absolute number of policies rose by 6.7% from the previous year); 36% are pure fire policies (single risk), down by around three points; 9% are comprehensive building policies; and only 0.6% are policies covering earthquake but not fire. In 2020 the survey also began to report flood-only policies or earthquake plus flood (without fire, stand-alone policies); in 2023 there is a slight drop in policies covering both risks (from around 98,000 in 2022 to over 80,000 in 2023), while the number of flood-only policies remains negligible. Earthquake only policies rose from 45,000 in March 2022 to over 66,000 in March 2023.

Table 1 – Type of policy

Type of policy	March 2023		March 2022		March 2021		March 2023		March 2022		March 2021		% change 2023 vs 2021	
	No. policies	% No. Policies	No. policies	% No. Policies	No. policies	% No. Policies	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	No. policies	Insured value
Multi-risk	6,284,614	53.7%	5,889,851	49.4%	6,082,365	54.0%	1,328,716	33.6%	1,273,620	32.5%	1,455,877	36.4%	3.3%	-8.7%
Fire (single risk)	4,223,862	36.1%	4,696,080	39.4%	3,831,100	34.0%	801,059	20.2%	757,673	19.3%	663,332	16.6%	10.3%	20.8%
Comprehensive building policy	1,052,893	9.0%	1,183,926	9.9%	1,207,807	10.7%	1,778,528	44.9%	1,839,043	46.9%	1,832,493	45.8%	-12.8%	-2.9%
Stand-alone policies:														
Earthquake only	66,159	0.6%	44,557	0.4%	56,948	0.5%	24,653	0.6%	18,028	0.5%	21,606	0.5%	16.2%	14.1%
Earthquake and/or flood only	80,504	0.7%	97,462	0.8%	75,239	0.7%	22,986	0.6%	32,929	0.8%	22,977	0.6%	7.0%	0.0%
Flood only	881	0.0%	704	0.0%	661	0.0%	1,364	0.0%	1,316	0.0%	1,252	0.0%	33.4%	8.9%
Total	11,708,913	100.0%	11,912,582	100.0%	11,254,119	100.0%	3,957,305	100.0%	3,922,609	100.0%	3,997,536	100.0%	4.0%	-1.0%

All estimates are based on a sample of insurers representing 90% of fire and natural forces premiums in 2022. All values reported are for 100% of the market.

[1] Multi-risk policies cover several risks such as theft, fire and third-party liability. However, the survey data refer only to fire insurance.

The distribution of the amounts insured shows that 45% of the assets insured are covered by comprehensive building policies (these obviously being the most significant in terms of value), 34% by multi-risk policies and the remaining 20% by individual fire policies (single risk).

Risk sector. Table 2 shows that 88% of fire insurance policies are for dwellings (mostly unchanged from March 2022), nearly 10% for other buildings(2) (slightly decreasing from the last survey) and only 2.1% (rising from the two previous surveys) for ancillary commercial units, i.e. those units used for business activities and located on the ground floor of mainly residential buildings. Clearly, in terms of amounts insured the percentage distribution varies greatly, as buildings, having a greater value than individual dwellings, account for almost half the total amount insured (46.7%), almost on a par with dwellings, while only 2.8% relates to ancillary commercial units.

Table 2 – Risk sector

Risk sector	March 2023		March 2022		March 2021		March 2023		March 2022		March 2021		% change 2023 vs 2021	
	No. policies	% No. Policies	No. policies	% No. Policies	No. policies	% No. Policies	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	No. policies	Insured value
Dwelling	10,309,264	88.0%	10,425,431	87.5%	9,757,539	86.7%	2,000,317	50.5%	1,933,729	49.3%	2,025,718	50.7%	5.7%	-1.3%
Building	1,157,722	9.9%	1,283,117	10.8%	1,299,144	11.5%	1,847,410	46.7%	1,899,578	48.4%	1,885,195	47.2%	-10.9%	-2.0%
Ancillary commercial unit	241,927	2.1%	204,034	1.7%	197,436	1.8%	109,578	2.8%	89,302	2.3%	86,623	2.2%	22.5%	26.5%
Total	11,708,913	100.0%	11,912,582	100.0%	11,254,119	100.0%	3,957,305	100.0%	3,922,609	100.0%	3,997,536	100.0%	4.0%	-1.0%

All estimates are based on a sample of insurers representing 90% of fire and natural forces premiums in 2022.
All values reported are 100% of the market

In order to assess the insurance penetration of fire policies (and related natcat extensions), the total amount of dwellings in the country must be estimated. Until the last edition, the information taken from the 2011 ISTAT Census was used. However, since the 2021 Census has been published, new data has been used to update the calculation base.

According to ISTAT, civil residential dwellings rose from 31.2 million in 2011 to 35.3 million in 2021 (up by more than 13%). The change in the dataset implied a change in the ratio of insured dwellings (as calculated herein) which is no longer comparable with the data in the previous surveys.

In order to calculate the insured dwellings ratio, since 1,158,000 policies cover entire buildings, and since the average number of apartments per building is

(2) ISTAT's definition of building: "roofed construction, separated by streets or empty spaces, or by other buildings through main walls going from the foundations to the roof top seamlessly, having one or more than one free access to the street and, possibly, one or more than one independent staircase".

4.3[3] based on ISTAT data, **the overall number of dwellings insured for the whole market** may be estimated at roughly 15.6 million = [10,309,000 (dwellings) + 1,158,000 (multi-apartment buildings) x 4.57 + 242,000 (ancillary units)]. Of **all dwellings included in ISTAT's census** in 2021 (**35.3 million**), **44.2%** thus have fire insurance.

Policy extension to natural disasters. Italy is characterized by an approach to the management of damage caused by natural disasters which traditionally relies on ex-post state intervention. This approach to damage management, implemented repeatedly over time, has strengthened the widespread belief that there is a last-resort guarantor in charge of reconstruction. This is why insurance coverage against natural disasters is so rare: 85.2% of fire policies have no such coverage extension (Table 3).

Table 3 – Policy extension to natural disasters

Policy extension to natural disasters	March 2023		March 2022		March 2021		March 2023		March 2022		March 2021		% change 2023 vs 2021	
	No. policies	% No. Policies	No. §policies	% No. Policies	No. policies	% No. Policies	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	No. policies	Insured value
No extension	9,979,319	85.2%	10,561,960	88.7%	9,805,923	87.1%	3,524,793	89.1%	3,529,225	90.0%	3,510,438	87.8%	1.8%	0.4%
Earthquake only (*)	579,428	4.9%	579,337	4.9%	819,604	7.3%	180,839	4.6%	197,739	5.0%	324,963	8.1%	-29.3%	-44.4%
Flood only (*)	290,748	2.5%	275,483	2.3%	287,301	2.6%	63,326	1.6%	55,965	1.4%	57,531	1.4%	1.2%	10.1%
Both Earthquake and flood (*)	859,419	7.3%	495,801	4.2%	341,291	3.0%	188,348	4.8%	139,680	3.6%	104,603	2.6%	151.8%	80.1%
Total	11,708,913	100.0%	11,912,582	100.0%	11,254,119	100.0%	3,957,305	100.0%	3,922,609	100.0%	3,997,536	100.0%	4.0%	-1.0%

All estimates are based on a sample of insurers representing 90% of fire and natural forces premiums in 2022. All values reported are 100% of the market.
(*) Includes stand-alone policies.

A survey of all active policies at 31 March 2023 found that 14.8% have an extension of coverage to natural disasters, going back up after dropping in 2022 for the first time since the survey began (11.3% in March 2022, 12.9% in March 2021, 11.6% in March 2020 and 8.5% in March 2019). This percentage has grown almost three-fold from 5.1% in September 2016. Note that the absolute number of policies with an extension to natural disasters grew by nearly 400,000 from the previous year with a nearly 30% increase (Table 1).

As of 31 March 2023, there were some **1.7 million policies with extension to natural disasters** on the market (1.4 million in 2022 and 2021, 1.2 million in 2020, 826,000 in 2019, and only 440,000 in 2016), a number obtained as the sum of straight earthquake policies (579,000), straight flood policies (291,000) and combined earthquake and flood policies (859,000). Compared with the survey carried out in 2022, the number of straight earthquake policies is un-

[3] This differs from the number published by ISTAT (3.3 nationwide) for two reasons: 1) in calculating the average number of dwellings per building, ISTAT counts buildings with just one dwelling; for the present statistic, however, as single dwellings are counted separately, the average per building is calculated only for buildings with more than one dwelling; and 2) because the provincial distribution of insured dwellings differs from that of all the dwellings found in the census. This is why our estimate of dwellings per building (4.6) is higher than that indicated by ISTAT.

changed, while combined policies grew almost two-fold (+73.3% from 496,000 to 859,000), while straight flood policies increased by 5.5%.

To promote nat-cat policies (earthquake and floods), Law 205/2017 established, from the year 2018, tax incentives for anyone taking out this type of homeowner insurance. To see the impact of the law, **considering only the policies with nat-cat extension subscribed from 2018 to March 2023, this type of policy accounted for 80%** of the 1.7 million active policies. The tax incentives would therefore appear to be having an effect, even if still quite limited.

Based on the number of active policies with extension to natural disasters and using the same calculation method to "convert" policies into dwellings covered (as described earlier in the "Risk sector" section), **the number of dwellings insured against natural disasters as at 31 March 2023 is estimated at 1.9 million** (it was 1.5 million in 2022, 1.6 million in 2021, 1.4 million in 2020, under a million in 2019 and only 600,000 in 2016). In relation to the total number of dwellings counted by ISTAT (35.3 million) **insurance penetration would appear to be still very moderate at 5.3%**. Comparison with 2009 (when dwellings insured against natural disasters numbered a mere 35,000) shows a 55-fold increase in insurance coverage, signifying that the Italian market is increasingly sensitive to this type of insurance. Since 2009, 40 floods and several major earthquakes have occurred in Italy. The massive damage in terms of human life and infrastructures dealt by the flood affecting Emilia-Romagna and Marche (16 and 17 May 2023), after another flood hit the same area some days before (2 and 3 May 2023), is currently one of the main topics in the news.

Based on the available data, we estimate, at national level, that:

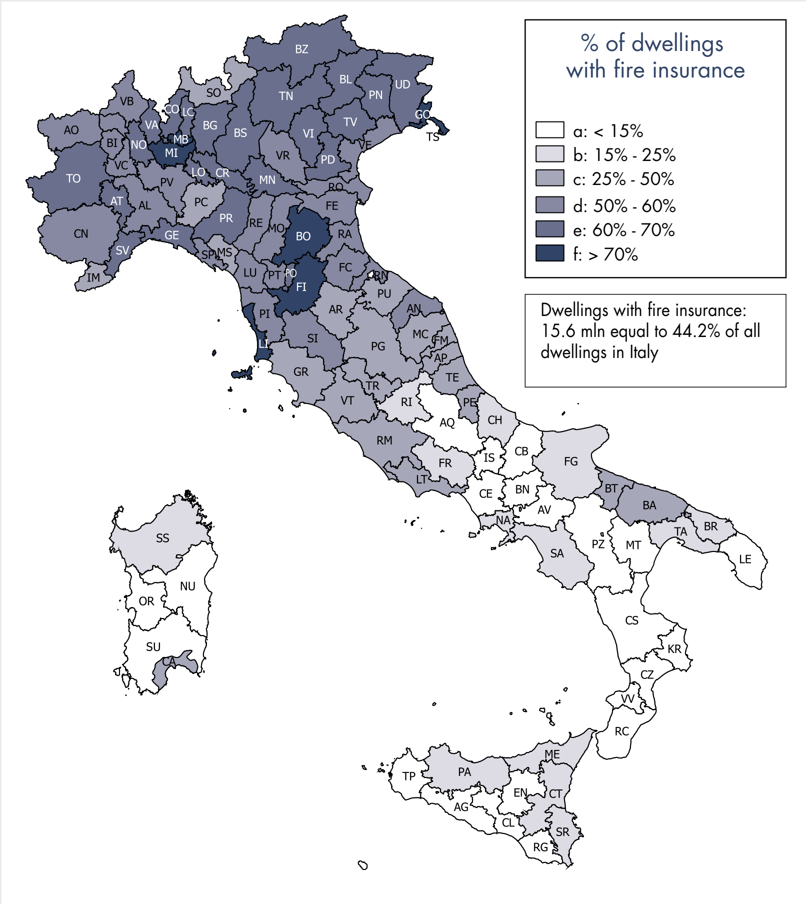
- the **amounts insured** come to **€181 billion** for **straight earthquake policies** and to **€63 billion** for **straight flood policies**, plus an additional **€190 billion** for **combined policies covering both these risks. Overall total exposure** thus amounts to **€432 billion** (it was €393 billion in 2022, €487 billion in 2021, €400 billion in 2020, €275 billion in 2019 and only €175 billion in 2016);
- **the average policy premium (net of taxes[(4)]) of fire insurance** for the 11.7 million policies surveyed is **€186**. Given that these policies provide insurance for 15.6 million dwellings, the average premium per dwelling would be €140. As for **the extension to natural disasters, the average premium (net of taxes)** for the nearly 1.7 million policies insuring against either earthquake or flood or both, is **€114**. As these policies cover about 1.9 million dwellings, the average premium per dwelling would be around €105.

Incidence (%) of dwellings covered by fire insurance on all existing dwellings. Analyzing the incidence by province of insured over total dwellings (44.2% at national level - see above), we find that almost everywhere in the North of Italy more than 65% of dwellings have fire insurance, whereas in the South the

(4) Taxation currently amounts to 22.25% of the premium.

Figure 1

Incidence (%) of dwellings covered by fire insurance on all existing dwellings

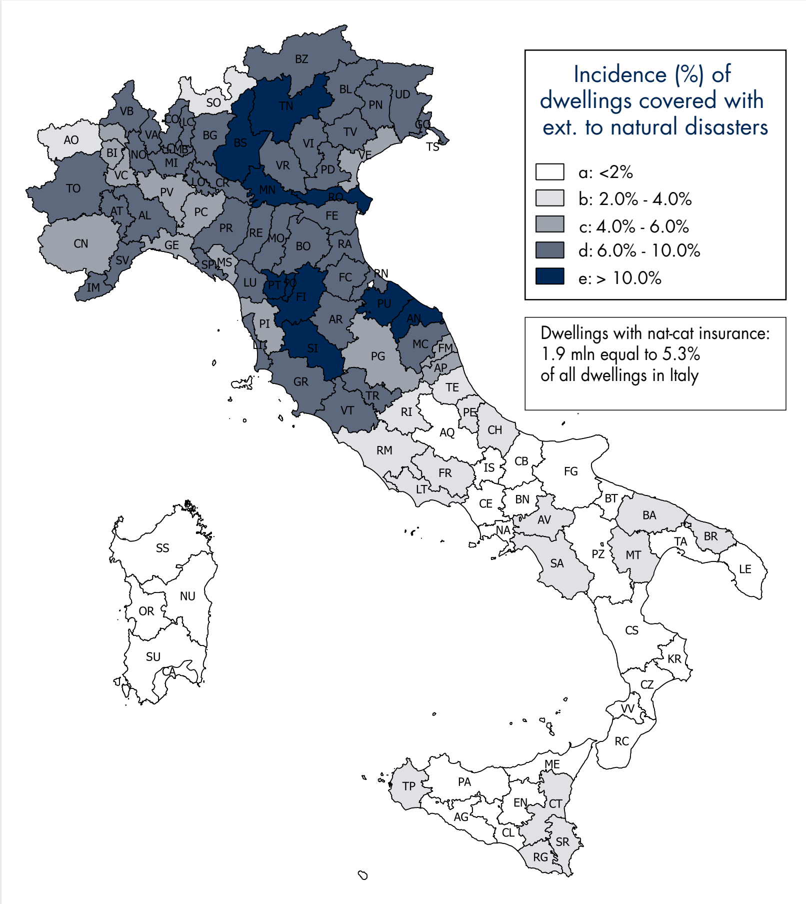


proportion is around 20% and in central Italy one in two (Figure 1). In Florence, Trieste, Gorizia and Monza-Brianza, nearly 75% of dwellings are insured, and 70% in Milan, Bolzano, Genoa and Trento, compared with only 10% in Potenza, Reggio Calabria and Vibo Valentia, and under 10% in Benevento, Isernia, Agrigento, Enna and Crotone.

Incidence (%) of dwellings covered by natural disaster insurance on all existing dwellings. Also significant is the analysis of the incidence by province of dwellings insured against natural disasters (5.3% at national level). This indicator reaches 16% in Trento, and 12% in Brescia, Florence, Siena, Mantua and Ancona (Figure 2); generally, across the North, the incidence comes to 7%. In Emilia-Romagna, the percentage is 8.2%, with Bologna, Ferrara, Modena and Reggio Emilia having the highest values (between 9% and 10%), in Ravenna the incidence comes to 8.0%, 7.1% in Rimini, 6.9% in Parma and 6% in Piacenza and Forlì-Cesena. In central Italy, where the average incidence of nat-cat policies is around 5.7%, the greatest incidence is found in Florence and Siena (11.9%), Ancona (11.7%), Pistoia and Prato (10.5%), whereas in the South the percentage of insured dwellings averages a mere 1.6%.

Figure 2

Incidence (%) of dwellings covered by natural disasters insurance on all existing dwellings



AGRICULTURAL RISKS: AGRICAT FUND

Within the new 2023-2027 Common Agricultural Policy (CAP), Italy reaffirmed the importance of risk management in the agricultural sector, activating the Agricat National Mutual Insurance Fund to cover disastrous events (i.e. floods, frost and droughts).

The insurance industry welcomed the activation and implementation of the Fund, considering it as a great opportunity to boost the facilitated coverage market and to guarantee its economic sustainability, which has been jeopardized by the adverse climate changes that have turned reinsurers away from the agricultural risk market.

Among the goals of the Fund are rebalancing the facilitated coverage system from an economic perspective and increasing the base of insured farmers.

In particular, according to the 2023 National Risk Management Plan in Agriculture, the guarantee offered by the Fund covers between 10% and 15% of damage to agricultural production with a deductible and maximum coverage of, respectively, 30% and 40-45% for damages to permanent crops (excluding citrus fruit and olives), horticulture and plant nurseries, and 20% and 30-35% for damage to arable lands and other crops (including citrus fruit and olives).

The extra 5% compensation is only granted to those farmers holding a policy for the first time, in order to promote the use of this insurance instrument.

Therefore, this instrument establishes a public-private partnership for the management of a catastrophic risk. Hopefully, this experience can pave the way for further, similar partnerships on the management of other catastrophic risks.

However, owing in part to the will of European policymakers, the insurance policy is still the main risk management instrument in agriculture.

The AgriCAT Fund is a starting point to help farmers adopt a risk management logic, to see the importance of appropriate instruments protecting them in case of a catastrophic event. However, this Fund does not substitute for an insurance policy.

For this reason, in order for the Fund to become a driver of facilitated policies, the two risk management instruments must work in synergy.

In 2023, however, insurance coverage and the Fund are still working independently from each other, following different compensation criteria. The Fund uses index values to pay compensations, while companies use insured values.

This lack of coordination generates uncertainty, since the two instruments might overlap and cover the same risk range. What is more, the different criteria for damage calculation might generate lack of coverage regarding ensured farmers.

Adopting a constructive approach, ANIA opened talks with AgriCAT to find a shared solution to the unresolved issues: first of all, the difference in the compensation calculation between the Fund and regular insurance policies, as well as a revision of declarations and greater uniformity among those used by the Fund and the companies, together with the harmonization of contract limits.

HEALTHCARE EXPENDITURE IN ITALY AND EUROPE

According to the OECD, the organization grouping the thirty most industrialized countries, Italian healthcare expenditure amounted to €168 billion in 2021, of which €127 billion public and €41 billion private. The two components had different trends. Private expenditure rose by an average rate of 1.6% per year between 2015 and 2021, while public outlays increased by 1.9% (Figure 1).

Italian healthcare expenditure amounted to 9.4% of GDP in 2021, considerably below the average of the main developed countries. This is due to the much lower incidence of the public component, even though in recent years a positive trend has set in. It is worth noting that the incidence of the private component in Italy is much higher than in the other similar countries (Figure 2).

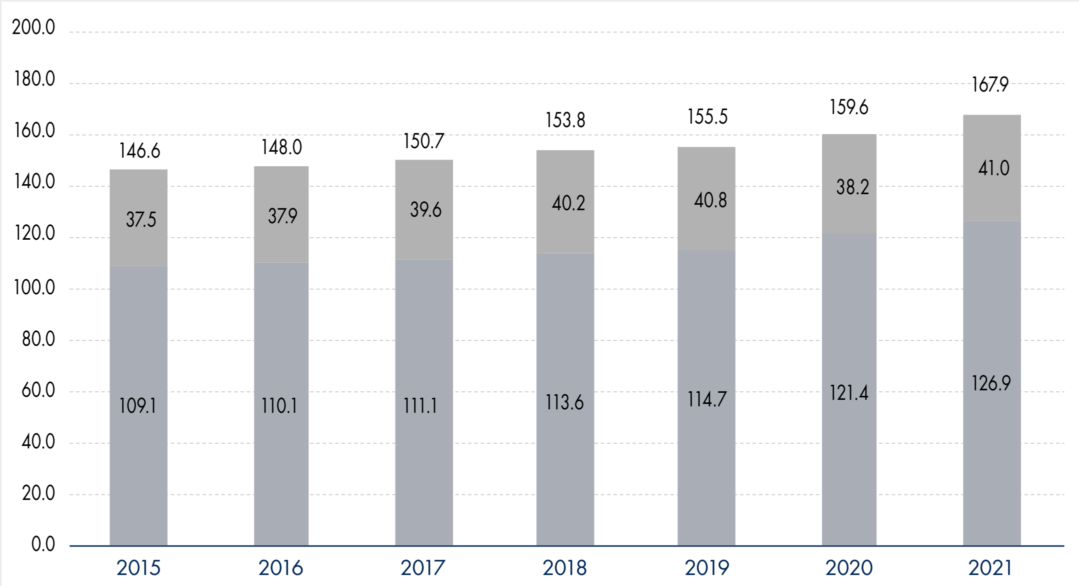
OTHER NON-LIFE INSURANCE

Figure 1
Public and private healthcare expenditure (*)

Public

Private

(*) Euro billions



Source: OECD

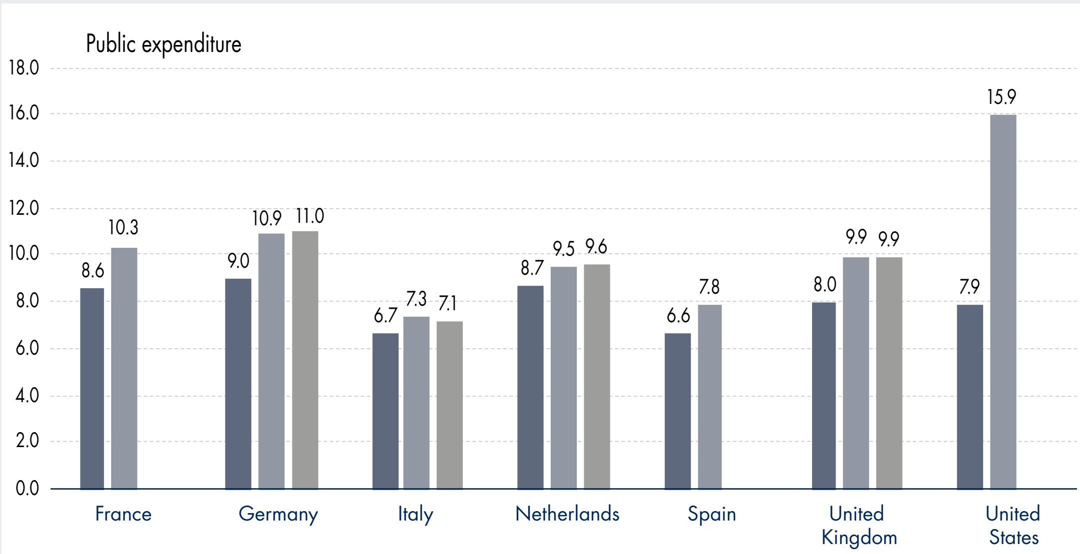
Figure 2
Public and private healthcare expenditure in the international setting (*)

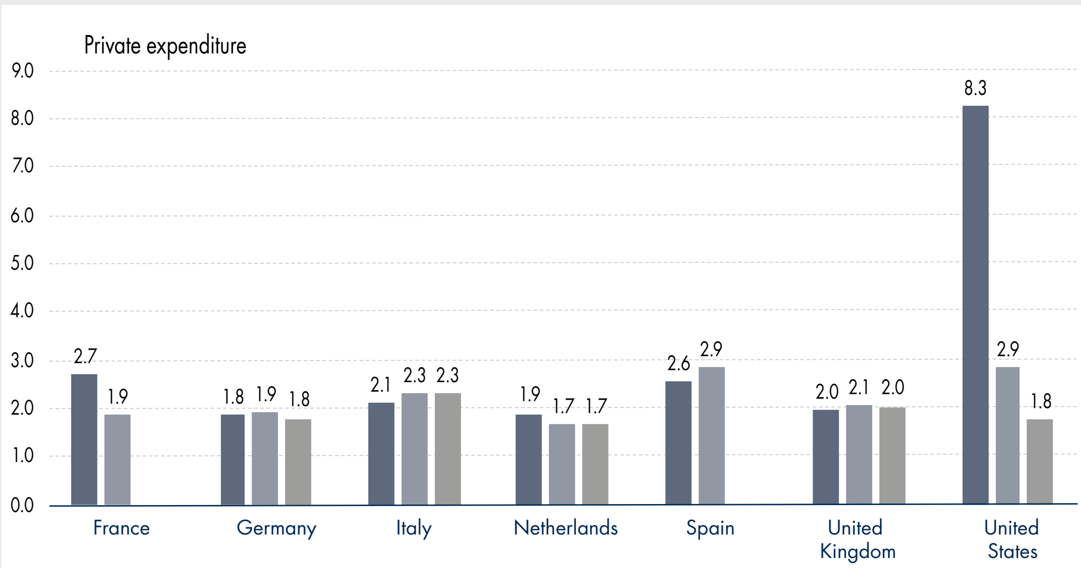
2012

2020

2021

(*) in GDP %





Source: OECD

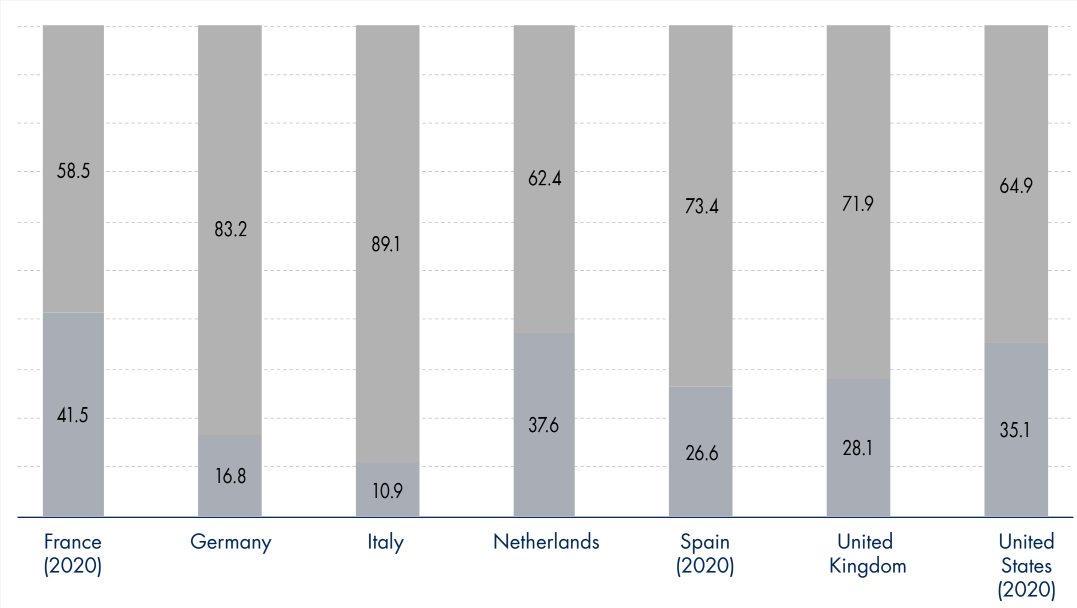
The OECD database can provide the data on the composition of private expenditure by source of funding. In Italy, 90% of private healthcare expenditure is out-of-pocket, i.e. is paid directly by households. This is the highest percentage among the main countries, whose values range from 60% to 80% (Figure 3).

Figure 3
Funding sources for private healthcare expenditure in 2021 (*)

Brokered by insurance or funds

Out of pocket

(*) in % of private expenditure



Source: OECD

MEDICAL MALPRACTICE: REGULATORY UPDATE

The regulatory framework on medical malpractice is still incomplete. Six years have gone by since the Gelli law (Law 24/2017), but some of the implementing decrees envisaged have still not been adopted.

The unadopted decrees most relevant for the insurance industry are described hereunder.

Minimum requirements decree

Art. 10, para. 6, of the Gelli law provided for the issuance of a decree by the Ministry for Economic Development (MISE), together with the Ministries of Health and Finance, having heard insurance authorities and associations (including IVASS and ANIA), to set minimum requirements for insurance policies and other similar measures, including direct risk-taking. The draft decree was given a favorable opinion by the Region-State Conference and sent to the consultative section of the Council of State, which delivered its opinion on 17 June 2022.

The Council of State observed that, contrary to the provision of the Gelli Law, the Ministry had not sent the remarks made by the interested subjects to the parties envisaged by the law, including ANIA. The Ministry just summarized those remarks in the report and in the Regulatory Impact Analysis.

In particular, the administrative tribunal held that further examination is needed as regards some of the most controversial features of the Law noted by ANIA in a note to the Consultative Section of the Council of State in which the consultation process is criticized and a series of problems highlighted.

Finally, the Council of State stressed that the claim-linked premium variation mechanism, about which ANIA reported a technical incompatibility and IVASS expressed doubts, should not just be seen as a way to lower prices and promote virtuous behavior, but should also be assessed according to the specificity of the sector and the need to broaden the market from the perspective of the participating insurance companies. In light of this, the Council suspended its opinion as long as the Ministry of Economic Development does not comply with the obligations set forth by the Gelli law on the involvement of the aforementioned subjects and the analysis of the controversial features noted by ANIA.

In its note of 14 March 2023, the Ministry of Enterprises and Made in Italy complied with the obligations and sent a new draft decree to the Council of State, which issued its opinion on 3 April.

In the opinion the administrative tribunal dwells on some decisions made by the Government that do not derive directly from the law.

First, even though a claims-based premium variation mechanism to reduce prices might seem adequate, an assessment period is suggested (with deferral or partial and increasing application of the mechanism) to determine the effects on premiums and decide whether to give priority to the number of claims accepted or else to the occurrence, or non-occurrence, of claims during the contract period, the type of claim or the actions taken for risk management and systemic incident analysis.

Regarding the maximum guaranteed minimum coverage amounts, after acknowledging the methods to define them, the Council envisaged that the monitoring of regulatory effectiveness (as introduced by the latest draft decree) shall check the appropriateness of those amounts both in terms of premium price reduction and the confirmation and expansion of the insurance market, without prejudice for the Government to revise the maximum coverage amounts every year.

Next, the opinion confirms the need to retain the provision regarding enforceable exceptions in order to make insurance coverage compatible with the self-retention of risk and enable insurance companies to enforce potential limits to claim requests regardless of the fact that IVASS believes that the presence of self-insurance retention and deductibles would not result in adequate protection for the insured parties.

As for the minimum guarantee requirements and the operational conditions of similar measures, the Council held that setting the minimum competences that the healthcare facilities operating in a self-retention regime must guarantee is compliant with the law, even as it suggested making it compulsory to possess some specific actuarial skills in order to measure the costs for the creation of guarantee funds.

Decree on policy data

Art. 10, para. 7, of the Gelli law envisages a decree by the Ministry of Economic Development, together with the Ministry of Health, having heard IVASS's opinion, to identify insurance policy data and other similar measures as well as establishing the modalities and timing for the communication of the data by public and private healthcare and socio-healthcare facilities and medical staff to the Observatory as well as the modalities and terms to access such data. The latest draft decree received from the Ministry envisaged that it would be insurance companies to send the policy data.

ANIA called on the Ministry to remove this obligation on insurance companies, since it was not envisaged by the Gelli law, and proceeded to specify the numerous qualitative and technical/IT difficulties inherent in collecting and transmitting additional or different data from those already provided to IVASS for the compulsory annual medical malpractice liability survey.

Severe injury decree

The healthcare and insurance sectors are still waiting for the Presidential Decree with the single table of severe injury monetary value for the whole country. Severe injury means injuries ranging between 10 and 100 permanent disability points, pursuant to Art. 138 of the Private Insurance Code, which shall be applied also to the damages related to public or private healthcare or socio-healthcare facilities and healthcare professionals pursuant to Art. 7 of the Gelli law.

The provision was sent in December 2022 to the Ministry of Enterprises and Made in Italy and the Ministry of Justice for agreement. Without prejudice to further remarks, the draft decree should be submitted to the approval of the Council of Ministers.

MEDICAL MALPRACTICE: THE MAIN DATA

After the social and economic activity restrictions imposed to mitigate the effects of the Covid-19 pandemic on the healthcare system, in 2022 the healthcare structures and staff went back to ordinary activities.

Volume of premiums

In order to provide a correct and comprehensive picture of the technical trends of insurance coverage for medical malpractice, ANIA has relied on the results of a survey based on data provided by insurance companies to the supervisory authority and to ANIA.[1]

The total volume of premiums for this business was in excess of €651 million in 2022 and increased by +0.9% compared to the previous year (Table 1). The volume of premiums of public healthcare institutions was 1.6% lower than in 2021 at €246 million; that of private institutions increased for the seventh consecutive year (+4.2%) to around €144 million, as did premiums of individual practitioners' policies, which amounted to €261 million (rising by 1.5%).

Table 1
Medical malpractice premiums by healthcare facility and medical staff (*)

€ thousand

Year of registr.	Public healthcare facilities	Annual % change	% distr. on total	Private healthcare facilities	Annual % change	% distr. on total	Medical staff	Annual % change	% distr. on total	Total medical malpractice	Var. % annua	% distr. on total
2011	460,709		63%	103,856		14%	169,736		23%	734,301		100%
2012	423,957	-8.0%	60%	99,590	-4.1%	14%	184,080	8.5%	26%	707,628	-3.6%	100%
2013	342,036	-19.3%	55%	89,410	-10.2%	15%	185,130	0.6%	30%	616,576	-12.9%	100%
2014	296,763	-13.2%	50%	105,074	17.5%	18%	189,009	2.1%	32%	590,846	-4.2%	100%
2015	267,842	-9.7%	43%	87,821	-16.4%	14%	260,947	38.1%	42%	616,610	4.4%	100%
2016	292,493	9.2%	48%	95,057	8.2%	16%	218,498	-16.3%	36%	606,047	-1.7%	100%
2017	276,039	-5.6%	46%	101,426	6.7%	17%	220,427	0.9%	37%	597,892	-1.3%	100%
2018	271,466	-1.7%	44%	113,992	12.4%	18%	233,526	5.9%	38%	618,983	3.5%	100%
2019	231,527	-14.7%	40%	116,079	1.8%	20%	231,520	-0.9%	40%	579,126	-6.4%	100%
2020	241,234	4.2%	40%	128,198	10.4%	21%	234,943	1.5%	39%	604,375	4.4%	100%
2021	249,822	3.6%	39%	138,460	8.0%	21%	257,267	9.5%	40%	645,550	6.8%	100%
2022	245,846	-1.6%	38%	144,214	4.2%	22%	261,179	1.5%	40%	651,240	0.9%	100%

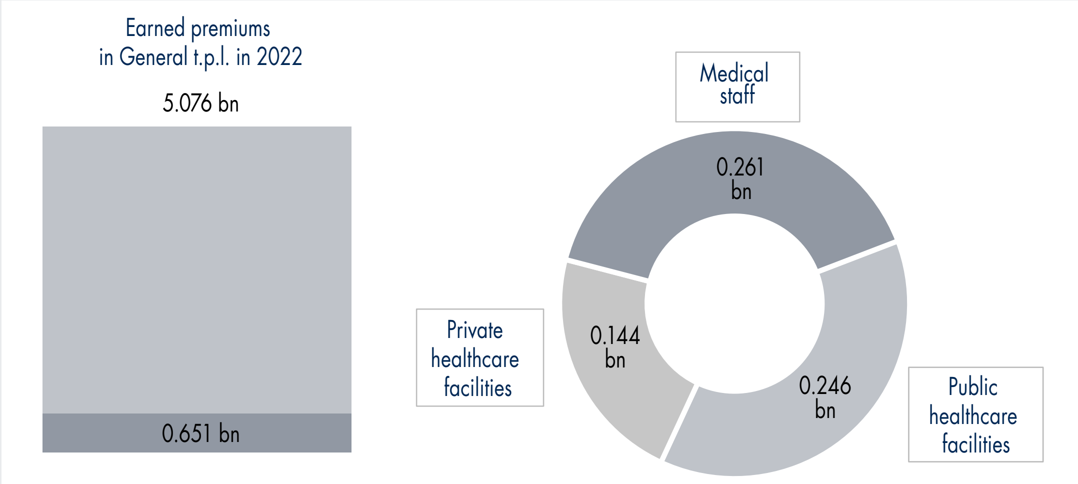
(*) The volume of premiums was calculated on the total number of companies operating in this sector, while the technical indicators reported in the following tables are based on the slightly lower number of companies that provided information both on premium income and on claims.

	Public healthcare facilities	Private healthcare facilities	Medical staff	Total medical malpractice
Change % 2011 - 2022	-46.6%	38.9%	53.9%	-11.3%
Annual average change %	-5.5%	3.0%	4.0%	-1.1%

(1) The following sectors have been analyzed:
- healthcare facilities' medical malpractice policies: the policies covering third-party liability for healthcare facilities have been analyzed making a distinction between public and private. This type of insurance coverage aims at protecting the facility from any third-party damages, including patients, damages related to the medical activity performed by the facility or by the employed staff and/or external collaborators. The insurance can generally be extended to the damages related to the management of the healthcare facility, such as the misuse of medical equipment and the employer's liability to workers. Within the limits of the policies for medical activity, other facilities such as nursing homes, medical laboratories, testing centers and universities were also included.
- individual practitioners' liability: the survey included those policies covering professional third-party liability for all staff operating in the medical field (such as nurses and paramedics), in addition to practitioners that are declared partly or totally responsible for damages against the insured.

Figure 1
Medical malpractice premiums as % of total T.P.L. premiums - 2022

Medical malpractice



Number and average cost of claims

The first technical element to consider in order to assess the riskiness of a particular segment is the number of claims received by insurance companies every year. For all medical malpractice insurance, the number of claims made in 2022 was 15,781, of which 3,980 for policies taken out by public healthcare institutions and over 4,200 by private institutions, plus 7,600 from individual practitioners (Table 2).

For medical malpractice, the total number of reported claims dropped by 17.7% in 2022, reaching the lowest value recorded in 12 years. This is mostly due to the further drop of one third in claims from insured public health-care facilities in 2022, with abandonment of insurance coverage (in some

Table 2
Number of reported claims

Year of registr.	Public healthcare facilities	Annual % change	Private healthcare facilities	Annual % change	Medical staff	Annual % change	Total medical malpractice	Var. % annua
2011	14,503		5,307		8,939		28,749	
2012	13,789	-4.9%	4,709	-11.3%	9,880	10.5%	28,378	-1.3%
2013	11,764	-14.7%	3,846	-18.3%	10,764	8.9%	26,374	-7.1%
2014	9,732	-17.3%	3,509	-8.8%	10,619	-1.3%	23,860	-9.5%
2015	7,552	-22.4%	3,299	-6.0%	10,527	-0.9%	21,378	-10.4%
2016	6,479	-14.2%	3,057	-7.3%	8,828	-16.1%	18,364	-14.1%
2017	6,525	0.7%	3,353	9.7%	9,839	11.5%	19,717	7.4%
2018	6,441	-1.3%	3,154	-5.9%	9,810	-0.3%	19,405	-1.6%
2019	6,715	4.3%	3,892	23.4%	9,654	-1.6%	20,261	4.4%
2020	6,001	-10.6%	3,971	2.0%	8,292	-14.1%	18,264	-9.9%
2021	5,929	-1.2%	4,467	12.5%	8,776	5.8%	19,172	5.0%
2022	3,980	-32.9%	4,204	-5.9%	7,597	-13.4%	15,781	-17.7%
Change % 2011 - 2022		-72.6%		-20.8%		-15.0%		-45.1%
Annual average change %		-11.1%		-2.1%		-1.5%		-5.3%

regions) in favor of risk self-retention (from 2011 to 2022 the claims in this sector dropped by 73%). Claims also went down in private healthcare facilities (-5.9% in 2022) and for medical staff (-13.4%). Over the period 2011-2022, the number of claims received for the entire medical malpractice class almost halved, from nearly 29,000 in 2011 to 16,000 in 2022. In the same period, the number of claims submitted by private healthcare facilities (-21%) and individual practitioners (-15%) also went down.

Number of no-payment claims

The medical malpractice insurance business is characterized by a large number of claims made which, after the process of determining the liability of the professional or of the healthcare institution, do not result in any compensation actually being paid since, in many cases, it is established that the damage was not caused by negligence. More specifically, there has been an exponential increase in the number of criminal and civil proceedings aimed at holding the practitioner or institution liable for events which, instead, cannot be attributed to erroneous action by the physician or mismanagement of the clinic.

Table 3 shows the situation as at 31 December 2022 of medical malpractice claims that insurers closed without compensation (rejected or no-payment claims), according to year of registration. It is useful to look not mainly at the absolute number of no-payment claims but at their incidence on total claims received.

Considering the oldest claims (registered between 2011 and 2018), on average at the end of 2022 more than 60% of all malpractice claims had been closed without compensation.

Table 3
Number of no-payment claims on 31 December 2022

Year of regist.	Public healthcare facilities		Private healthcare facilities		Medical staff		Total medical malpractice	
	Number of no-payment claims	Incidence (%) of no-payment claims over total claims	Number of no-payment claims	Incidence (%) of no-payment claims over total claims	Number of no-payment claims	Incidence (%) of no-payment claims over total claims	Number of no-payment claims	Incidence (%) of no-payment claims over total claims
2011	7,517	52%	3,176	60%	5,793	65%	16,486	57%
2012	7,796	57%	2,735	58%	6,589	67%	17,120	60%
2013	6,536	56%	2,273	59%	7,426	69%	16,235	62%
2014	5,993	62%	2,163	62%	6,847	64%	15,003	63%
2015	4,739	63%	1,988	60%	6,680	63%	13,407	63%
2016	4,102	63%	1,873	61%	5,652	64%	11,627	63%
2017	3,709	57%	1,976	59%	6,143	62%	11,828	60%
2018	3,662	57%	1,768	56%	6,062	62%	11,492	59%
2019	3,338	50%	2,196	56%	5,800	60%	11,334	56%
2020	2,605	43%	2,132	54%	4,557	55%	9,294	51%
2021	2,278	38%	1,901	43%	2,914	33%	7,093	37%
2022	759	19%	1,003	24%	1,457	19%	3,219	20%

Interestingly, no-payment claims show similar trends for public and private healthcare institutions, although the latter recorded a slightly higher incidence of no-payment for the older generations of claims. The incidence of no-payment claims for medical staff comes close to 70% of reported claims for the older claim generations.

Incidence of claims and amounts settled and reserved over total claims by year of registration

The percentages settled (whether by number or by amount) are relatively low for the more recent generations of claims, because both the effective liability of the insured and the value of the damage are generally quite uncertain (Table 4). The older the generation of claims, the higher the percentages: even so, a full 12 years after submission, nearly 6.7% of claims, for the whole class, remained unsettled, accounting for 13.3% of the amount reserved for that claim generation. Medical staff insurance showed the highest incidence of claims to be paid, both in terms of number (9.5%) and in terms of amount (17.6%) for the oldest claims (2011); for both public and private healthcare facilities, this percentage is 6.0% of claims

Table 4
Incidence (%) of number and value of indemnified claims on 31 December 2022 distr. % paid/reserved

Year of registr.	Public healthcare facilities		Private healthcare facilities		Medical staff		Total medical malpractice	
	% No. of paid claims	% No. of reserved claims	% No. of paid claims	% No. of reserved claims	% No. of paid claims	% No. of reserved claims	% No. of paid claims	% No. of reserved claims
2011	94.4%	5.6%	94.0%	6.0%	90.5%	9.5%	93.3%	6.7%
2012	91.9%	8.1%	91.6%	8.4%	87.9%	12.1%	90.7%	9.3%
2013	87.6%	12.4%	87.2%	12.8%	85.0%	15.0%	86.7%	13.3%
2014	80.1%	19.9%	84.9%	15.1%	84.4%	15.6%	82.7%	17.3%
2015	73.3%	26.7%	79.9%	20.1%	80.4%	19.6%	77.8%	22.2%
2016	66.0%	34.0%	78.4%	21.6%	73.3%	26.7%	71.6%	28.4%
2017	60.5%	39.5%	70.6%	29.4%	69.4%	30.6%	66.4%	33.6%
2018	57.4%	42.6%	66.5%	33.5%	64.3%	35.7%	62.3%	37.7%
2019	57.1%	42.9%	51.1%	48.9%	52.2%	47.8%	53.8%	46.2%
2020	45.3%	54.7%	36.4%	63.6%	40.3%	59.7%	41.4%	58.6%
2021	30.8%	69.2%	24.4%	75.6%	19.6%	80.4%	24.0%	76.0%
2022	8.4%	91.6%	10.6%	89.4%	8.1%	91.9%	8.8%	91.2%

Year of registr.	Public healthcare facilities		Private healthcare facilities		Medical staff		Total medical malpractice	
	% amount of paid claims	% amount of reserved claims	% amount of paid claims	% amount of reserved claims	% amount of paid claims	% amount of reserved claims	% amount of paid claims	% amount of reserved claims
2011	86.3%	13.7%	91.8%	8.2%	82.4%	17.6%	86.7%	13.3%
2012	90.3%	9.7%	91.9%	8.1%	75.8%	24.2%	88.3%	11.7%
2013	84.4%	15.6%	83.1%	16.9%	75.2%	24.8%	82.4%	17.6%
2014	75.2%	24.8%	71.1%	28.9%	70.2%	29.8%	73.6%	26.4%
2015	71.3%	28.7%	68.4%	31.6%	64.1%	35.9%	69.2%	30.8%
2016	61.0%	39.0%	63.9%	36.1%	55.5%	44.5%	60.1%	39.9%
2017	46.0%	54.0%	47.1%	52.9%	44.8%	55.2%	45.9%	54.1%
2018	32.7%	67.3%	48.1%	51.9%	36.2%	63.8%	36.2%	63.8%
2019	27.9%	72.1%	27.5%	72.5%	26.1%	73.9%	27.4%	72.6%
2020	11.3%	88.7%	16.4%	83.6%	17.2%	82.8%	13.7%	86.3%
2021	5.7%	94.3%	7.7%	92.3%	10.5%	89.5%	7.2%	92.8%
2022	0.4%	99.6%	1.6%	98.4%	2.8%	97.2%	1.3%	98.7%

on average, but the total cost of claims differs significantly between them (around 14% for public healthcare facilities and 8% for private healthcare facilities).

Average claim cost by claim generation

Table 5 reports the average cost of claims (paid and reserved) for the three types of policy and by year of registration, showing that the average claim cost tends to increase as the percentage settled rises and the data are consolidated (it is

Table 5
Evolution of the average claim cost to 31 December 2022 *in Euro*

Sector	Year of registr.	Years of development											
		1	2	3	4	5	6	7	8	9	10	11	12
Public healthcare facilities	2011	49,046	56,989	61,152	63,751	64,569	63,863	63,031	63,654	63,630	62,929	63,680	62,678
	2012	53,281	69,210	74,710	71,742	74,050	64,009	62,789	63,239	62,435	64,651	63,935	
	2013	50,664	62,535	67,641	72,204	71,570	69,685	71,119	71,489	76,248	74,669		
	2014	58,562	73,723	85,034	92,590	85,509	87,380	81,666	89,179	87,807			
	2015	68,543	97,916	109,691	107,811	108,996	91,884	102,347	101,617				
	2016	86,857	111,190	121,722	124,134	105,120	121,676	117,123					
	2017	80,447	107,826	104,585	86,805	93,936	91,203						
	2018	72,868	87,880	89,393	91,951	86,893							
	2019	83,201	88,721	91,007	83,275								
	2020	79,519	89,113	87,306									
	2021	72,343	86,165										
	2022	75,644											
Private healthcare facilities	2011	35,710	43,142	52,299	55,993	59,591	58,299	57,623	61,305	64,596	66,512	64,143	61,973
	2012	42,504	51,545	58,202	71,443	72,566	72,036	71,899	71,962	71,982	73,854	73,247	
	2013	53,605	69,016	68,816	64,887	64,367	59,865	64,323	61,276	62,066	60,069		
	2014	43,341	51,703	60,446	62,856	53,976	56,376	53,647	54,830	55,002			
	2015	36,379	57,295	54,399	47,718	50,636	46,891	49,289	47,155				
	2016	40,445	46,145	41,002	46,081	45,708	47,166	46,760					
	2017	45,043	44,165	53,873	51,320	55,572	55,775						
	2018	35,192	47,984	48,032	50,228	52,140							
	2019	35,332	47,607	45,182	52,968								
	2020	44,201	54,602	67,389									
	2021	32,826	52,209										
	2022	46,654											
Medical staff	2011	20,461	24,154	33,738	34,864	40,617	41,179	41,764	39,359	38,746	37,667	37,955	36,985
	2012	19,236	23,775	29,128	38,157	40,551	37,363	35,936	34,100	32,739	32,250	31,662	
	2013	24,282	28,488	39,695	46,497	42,374	38,563	37,380	35,196	36,212	34,848		
	2014	21,694	26,114	30,958	31,487	30,719	29,555	27,933	27,201	26,463			
	2015	21,962	20,682	29,267	29,562	29,081	27,366	27,443	27,036				
	2016	19,256	22,734	31,978	33,923	32,594	32,314	31,349					
	2017	18,497	20,534	28,580	28,585	27,758	27,252						
	2018	17,119	18,696	25,079	25,341	25,537							
	2019	15,483	17,840	24,662	25,136								
	2020	19,205	21,417	27,218									
	2021	20,592	22,563										
	2022	21,094											
TOTAL MEDICAL MALPRACTICE	2011	37,097	43,601	51,136	53,816	57,148	56,747	56,550	57,033	57,548	57,215	57,299	55,964
	2012	37,672	47,882	54,640	60,844	63,245	57,520	56,535	56,384	55,717	56,977	56,134	
	2013	39,311	48,232	56,989	61,506	59,982	57,347	58,627	58,132	60,867	59,294		
	2014	36,723	46,723	56,009	59,943	55,989	56,973	55,173	57,534	56,697			
	2015	38,582	47,949	59,493	58,278	59,759	54,952	57,518	56,665				
	2016	41,785	52,327	63,995	67,580	63,147	66,699	64,321					
	2017	40,264	49,192	58,945	54,251	56,160	55,058						
	2018	35,341	43,098	51,555	52,744	51,745							
	2019	37,421	44,081	52,606	52,417								
	2020	41,337	50,315	58,203									
	2021	38,279	48,085										
	2022	41,594											

worth noting that the amounts only take direct claim costs into account, leaving indirect costs out).

At first, in fact, insurers often underestimate the cost of claims, because the evaluation of physical impairment is complex and adequate information is commonly not available immediately after the occurrence of the event. This is compounded by uncertainty in evaluating damages owing to frequent changes in court rulings in this field. For instance, for claims made against public healthcare institutions in 2011, insurance companies registered an average claim cost of about €49,000. Three years later, the cost had risen by 30%, reaching €64,000, it then slightly dropped to €63,000 at the end of 2022 to reach what can be presumed to be the "ultimate" average cost for that generation of claims.

Private healthcare facilities registered a similar, and in some years more marked, trend, as did individual practitioners, although to a lesser extent. The average claim cost 12 years after registration for claims made in 2011 was mostly the same (around €63,000) for private healthcare institutions and a bit more than half (€37,000) for individual practitioners.

Loss ratios

The high settlement costs (rising over time) have produced extremely negative results for the sector's technical account, hence high loss ratios. As with other business segments, for a correct assessment of the performance of medical malpractice insurance we must also examine the loss ratio (claims in relation to premiums) over the entire period.

Table 6 gives medical malpractice insurance loss ratios for the whole sector and separately for healthcare institutions and individual practitioners, for the various claims generations.

At 31st December 2022, the average loss ratio over the total medical malpractice for some older generations was close to 100% or even higher.

Observing this technical indicator for the three sectors separately, public and private healthcare institutions have the highest loss ratios and are therefore critical in shaping the overall trend for this insurance class. For the 2011-2013 claims generations, private institutions recorded the worst technical results. Especially in the more recent years (from 2014 on), public healthcare institutions registered the highest loss ratios, ranging between 90% and 126%, and given the greater impact of this group (almost half in terms of number of claims and premiums), their loss ratio tends to dominate the movement of the indicator for the entire class. The loss ratio for individual practitioners swings between 50% and 60% for the generations from 2015 onwards.

Table 6
Loss ratio at 31/12/2022

Sector	Year of registration	Years of development											
		1	2	3	4	5	6	7	8	9	10	11	12
public healthcare facilities	2011	122.5%	128.2%	119.0%	112.1%	108.4%	104.4%	100.8%	101.6%	102.6%	102.1%	102.9%	99.3%
	2012	120.8%	134.2%	122.6%	112.8%	112.4%	96.4%	93.7%	94.2%	98.7%	99.8%	97.9%	
	2013	122.4%	128.0%	122.7%	120.3%	116.2%	112.9%	113.9%	124.4%	126.8%	124.7%		
	2014	123.5%	143.2%	134.7%	128.8%	114.2%	112.2%	121.9%	121.6%	119.8%			
	2015	120.8%	146.5%	140.0%	120.3%	114.2%	114.1%	110.1%	109.3%				
	2016	109.5%	131.6%	120.8%	110.9%	106.1%	101.7%	96.7%					
	2017	116.4%	139.3%	120.5%	103.8%	97.3%	94.3%						
	2018	105.0%	120.1%	110.6%	98.6%	90.1%							
	2019	138.5%	148.2%	143.3%	121.6%								
	2020	114.3%	139.5%	122.9%									
	2021	114.3%	125.9%										
	2022	99.1%											
private healthcare facilities	2011	142.3%	142.8%	142.4%	141.6%	134.7%	125.6%	118.2%	129.1%	139.0%	143.2%	137.1%	130.6%
	2012	166.3%	178.8%	161.7%	182.9%	177.0%	158.2%	154.7%	157.2%	154.6%	154.7%	152.4%	
	2013	188.4%	210.2%	180.9%	155.6%	133.4%	119.9%	125.2%	119.6%	116.7%	112.7%		
	2014	118.7%	116.3%	117.7%	104.5%	82.4%	79.9%	74.7%	74.6%	75.2%			
	2015	112.1%	136.1%	119.4%	89.4%	88.1%	78.3%	81.4%	78.1%				
	2016	99.3%	99.1%	73.4%	72.0%	65.1%	65.0%	64.6%					
	2017	113.3%	89.5%	94.2%	78.5%	80.5%	80.4%						
	2018	77.4%	84.7%	72.4%	67.3%	66.8%							
	2019	94.5%	101.4%	72.9%	81.1%								
	2020	103.4%	91.8%	97.7%									
	2021	76.4%	104.0%										
	2022	107.0%											
individual practitioners	2011	91.3%	96.1%	101.8%	89.6%	87.6%	85.2%	79.8%	73.1%	71.1%	69.4%	69.6%	68.6%
	2012	88.7%	93.2%	85.8%	84.8%	83.2%	69.0%	64.3%	60.1%	57.8%	56.6%	56.6%	
	2013	113.0%	114.1%	108.6%	105.9%	87.4%	74.9%	69.1%	65.3%	65.8%	63.5%		
	2014	111.1%	104.8%	88.8%	76.4%	68.2%	61.1%	58.2%	54.9%	53.4%			
	2015	67.7%	62.4%	59.3%	51.2%	44.8%	41.8%	40.6%	40.1%				
	2016	63.6%	67.3%	59.9%	54.4%	49.8%	47.5%	46.1%					
	2017	66.2%	64.6%	58.1%	51.9%	47.3%	46.2%						
	2018	58.2%	56.8%	48.5%	43.1%	41.0%							
	2019	51.9%	53.1%	48.3%	41.8%								
	2020	52.0%	49.1%	43.3%									
	2021	53.4%	51.4%										
	2022	49.6%											
TOTAL MEDICAL MALPRACTICE	2011	117.9%	122.6%	118.2%	110.9%	107.2%	102.8%	98.2%	98.7%	100.3%	100.2%	99.8%	96.4%
	2012	118.4%	129.3%	118.0%	115.0%	113.5%	97.6%	94.3%	93.8%	95.4%	95.7%	94.3%	
	2013	129.0%	135.5%	126.7%	120.9%	109.6%	101.9%	101.4%	105.0%	106.1%	103.7%		
	2014	118.5%	125.6%	116.4%	107.0%	93.3%	89.4%	92.3%	91.0%	89.8%			
	2015	96.7%	108.8%	102.5%	86.4%	80.8%	78.2%	76.3%	75.3%				
	2016	91.2%	103.3%	91.6%	84.6%	79.5%	76.5%	73.5%					
	2017	97.2%	103.4%	93.0%	80.4%	76.0%	74.1%						
	2018	82.2%	89.6%	80.0%	71.8%	67.2%							
	2019	95.0%	100.8%	91.4%	81.6%								
	2020	87.7%	94.2%	86.6%									
	2021	82.0%	91.3%										
	2022	80.8%											

VALUE ADDED TAX ON THE OUTPATIENT AND HOSPITALIZATION HEALTHCARE SERVICES OF PRIVATE HEALTHCARE FACILITIES WITH NO CONVENTION WITH THE NATIONAL HEALTH SERVICE

Article 18 (“Changes to VAT regulations on services to inpatients and assistants of inpatients”) of Decree Law 73 of 21 June 2022 (converted with amendments as Law 122 or 4 August 2022), brought about important changes in VAT on services provided to inpatients and their assistants, especially with regard to private healthcare facilities and hospitals with no convention with the national health service (see the new no. 18) pursuant to the first paragraph of Art. 10 of the Presidential Decree 633 of 26 October 1972 (“VAT Decree”).

This amendment was strongly supported by ANIA which considered it as an appropriate way to resolve a whole set of distortions in the application of VAT, with special regard to the healthcare services provided to inpatients in healthcare facilities with no convention with the national health service. In this context, VAT was applied in different ways (that is, either exempt or added to the cost) according to the subject (healthcare practitioner or healthcare facility with no convention) issuing the invoice to the inpatient. The unfair consequence was that the same service had two different VAT regulations depending on the subject issuing the invoice.

The system introduced by Article 18 removed this inequality, allowing the neutralization of the tax for the inpatient (the “end consumer” of the service) pursuant to the VAT regulations set forth by EC Directive 2006/11 of 28 November 2006 and the recent case law of the European Union.

With this regulatory action, the lawmakers also regulated the VAT regulations to be applied for inpatient assistants, regardless of the convention with the national health service of the facility. This occurred with the replacement of one of the items (no. 120) in Part III of Table A annexed to the VAT Decree listing the services provided with the 10% reduced rate.

VAT exemption for hospitalization and treatment services in healthcare facilities with no convention with the national health service

The first action taken by the lawmaker was to rewrite one of the two exemption cases envisaged by the national regulations on healthcare services.

Reference is to “diagnostic, treatment and rehabilitation services in the performance of healthcare professions subject to supervision” pursuant to Art. 99 of the Consolidated Law on Healthcare.

A fundamental clause was added to this provision, envisaging the exemption even if the healthcare service is a “component” of a (broader) hospitalization and treatment service to an inpatient of a subject not falling within item 19 of Art. 10, para. 1, of the VAT Decree (therefore, provided by a healthcare facility with no convention with the national health service).

On this specific hypothesis, the (objective) healthcare service provided in a broader hospitalization and treatment service provided by a healthcare facility with no convention to an inpatient shall "preserve" its own natural exemption regime due to the healthcare nature of the service.

For the activation of this (new) exemption regime, the healthcare facility with no convention with the national health service must purchase the service itself from a third party who invoiced it with the exemption (therefore, it must be a service purchased by the healthcare facility without convention from an individual practitioner who issued a VAT-exempt invoice).

Should this condition apply, the healthcare facility may invoice the hospitalization and treatment of the inpatient up to the amount invoiced with the exemption by the individual practitioner.

Due to this regulatory amendment, the healthcare facility must separate the amount purchased from the individual practitioner's healthcare service from the total amount and apply the exemption regime to it.

The remaining amount of hospitalization and treatment services will still be subject to VAT, albeit with the 10% reduced rate in application of the second provision introduced by the amendment of the aforementioned Art. 18.

The application of the reduced VAT rate for lodging of inpatient assistants

Together with the aforementioned regulatory amendment, further action was taken on Table A, part III, annexed to the VAT Decree listing the services for which the 10% reduced VAT rate is applied.

In the previous system, this reduced tax rate was only applied to increased lodging comfort services for "people hospitalized in healthcare facilities".

In the new system the application of such tax rate was extended to the following cases:

- the portion of hospitalization and treatment services provided by the healthcare facility with no convention with the national health system exceeding the amount paid to the medical practitioner (and invoiced by the latter as VAT exempt). As a consequence, the overall hospitalization and treatment (including the increased lodging comfort) service provided to inpatients of non-convention facilities shall be, as mentioned above, VAT exempt up to the amount of the healthcare service purchased from the practitioner and subject to VAT (with the 10% reduced rate) for the part in excess;
- the increased lodging comfort services provided to inpatients of public healthcare facilities or private facilities with a convention with the national health system;
- the lodging services to persons who accompany and assist inpatients wherever they are hospitalized (i.e. both in facilities with a convention with the national health service and in those without it).

DIFFUSION OF OPERATIONAL RISK INSURANCE AMONG ITALIAN BUSINESSES WITH AT LEAST 20 EMPLOYEES: THE BANK OF ITALY SURVEY

From a strictly theoretical standpoint, it is not clear why businesses should take insurance coverage. The fact that ownership is split among multiple shareholders and the potentially infinite operational timeframe of the business might lead to the assumption that businesses are risk-neutral. In other words, unlike individuals, businesses aim at maximizing the expected value of profit flows, regardless of their variability over time.

The practical evidence does not support this assumption, which is still widespread in the economic literature. Businesses usually purchase many types of insurance coverage to seek protection from a broad range of risks. There are several reasons for this. In practice, even before operating, a business must pay fixed overehead costs - which do not depend on production - that usually cannot be recovered and, therefore, it is reasonable to insure them. The ownership, especially for small business like family-run ones, is concentrated in just a few individuals for whom the business is the sole source of income. There may be other context variables, such as legal form, tax regime, regulatory requirements, that might call for the purchase of insurance policies.

The purpose of this survey is to identify the characteristics that lead a business to have a greater or lesser propensity for insurance.

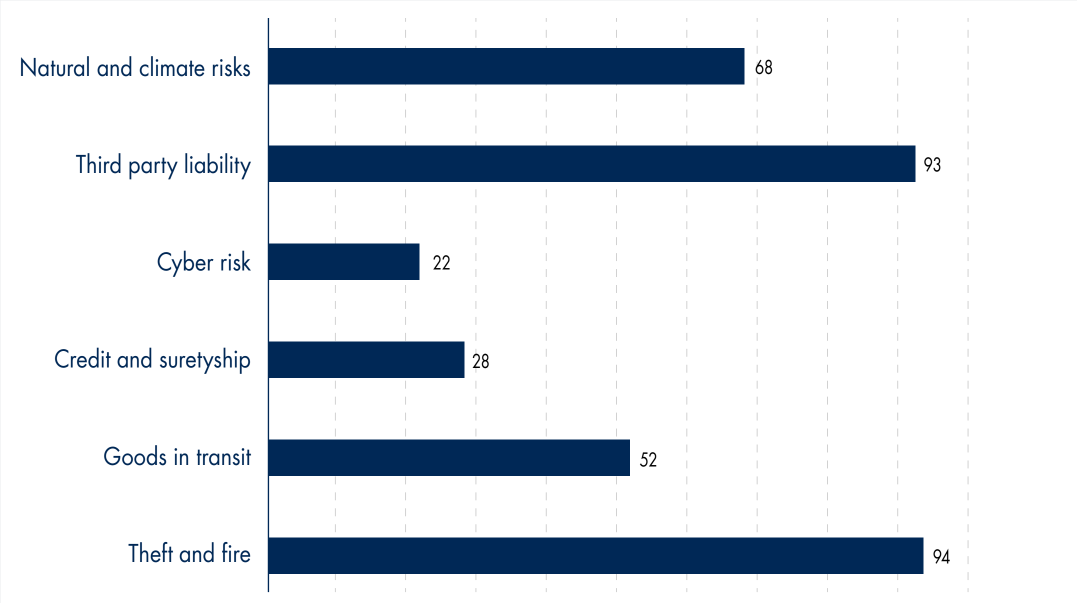
The Bank of Italy collects yearly data on the ordinary and extraordinary activity of a diversified sample of Italian businesses with at least 20 employees operating in industrial and non-financial service industries. It is worth noting that the sample, even if representative of a very limited context (roughly 75,000 businesses out of nearly 4.4 million Italian businesses), has sales turnover exceeding 70% of the national total.

In 2020, the survey included a detailed section on exposure to operational risks and the related possession of insurance coverage. Businesses were asked whether they had one or more of the following types of insurance coverage:

- theft and fire;
- goods in transit;
- credit (including export) and suretyship;
- cyber risk;
- liability to third parties and employees;
- natural and climate risks.

The methodology is very similar to that used for households. The sample of businesses was divided into homogeneous groups according to individual characteristics - in this case, size, estimated with the number of employees and geographical position - and the percentage of businesses with insurance coverage was calculated.

Figure 1
Diffusion of insurance policies among Italian businesses
%



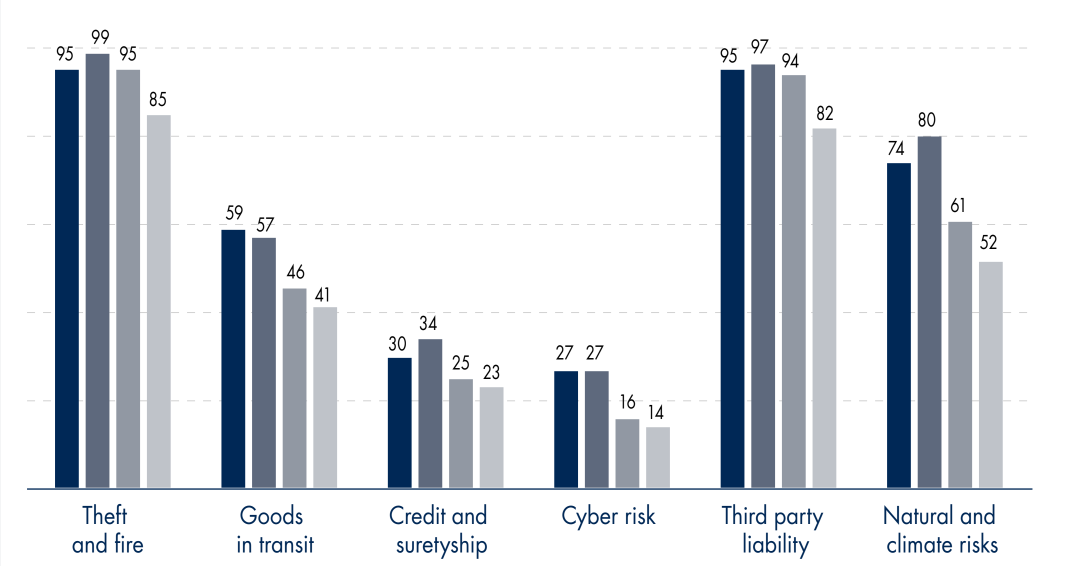
Source: Bank of Italy

Overall diffusion. Nearly all businesses in the sample (more than 90%) - weighted according to the probability of being extracted from the universe for the sample - owned insurance coverage against fire and theft and third party liability (Figure 1). These are "traditional" types of coverage that are often included in multi-risk products. Around 70% of businesses insured themselves against natural and climate risks, a sign of the increased awareness of the importance of such events. More than half of the sample insured their goods in transit, but it should be noted that this risk is not relevant in some industries. Similar logic applies to credit and suretyship coverage, held by only 28% of the businesses, since size and sector are key characteristics in choosing whether or not to insure against those risks. The percentage of businesses insured against cyber risk (22%) is much smaller. This might depend on several factors, ranging from the limited awareness of the importance of this risk - which has been growing in recent years - to the early stage of market development of these products.

Geographical position. The trend of insured businesses according to their location shows no great differences from the general mean values (Figure 2). Unsurprisingly, there are more covered businesses in the North than in the Center, the South and the Islands. This may be ascribable to the higher economic capacity (for example, in terms of turnover) of Northern businesses compared to others and also to their size. It is worth noting that the percentage in the North-West is almost certainly underestimated since the sample excludes financial service businesses which are, on average, bigger and more vulnerable to operational risks.

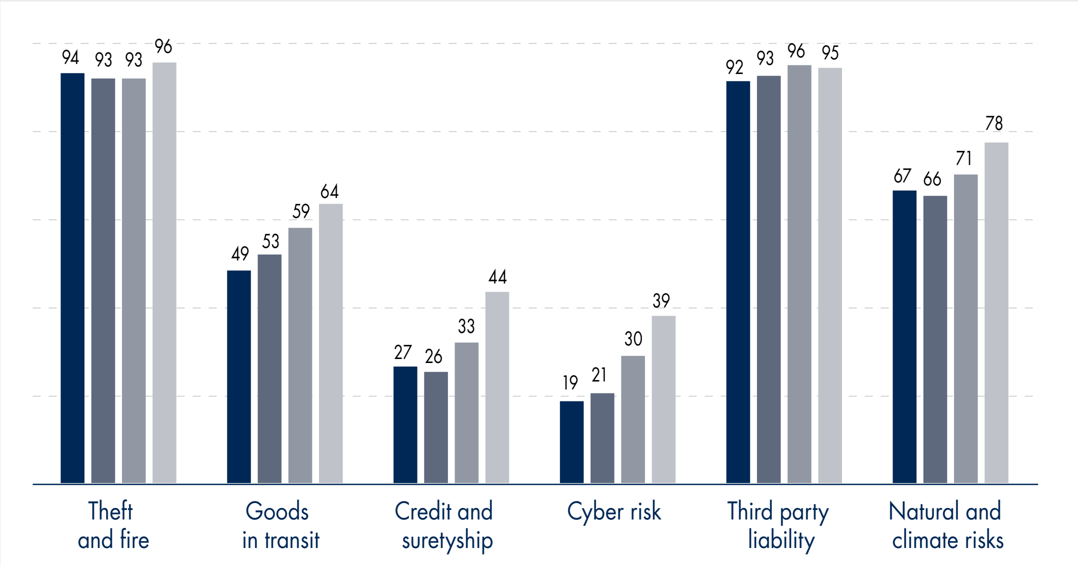
Business size. The distribution of insured businesses according to their size - measured by number of employees - is quite interesting. The percentage of business with "traditional" coverage (theft and fire and third party liability) is mostly identical in all size classes (Figure 3).

Figure 2 Diffusion of insurance policies among Italian businesses. Geographical position
%



Source: Bank of Italy

Figure 3 Diffusion of insurance policies among Italian businesses. Size % of businesses



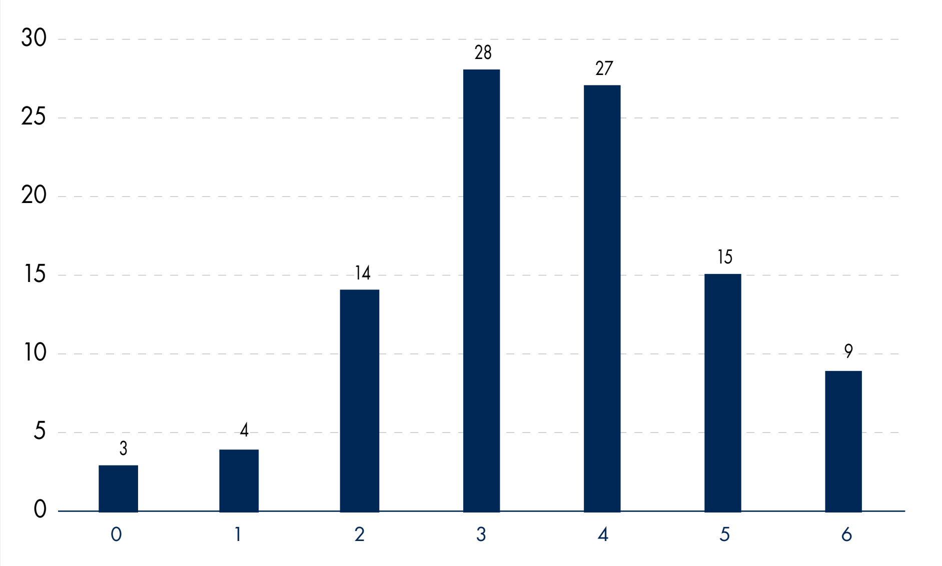
Source: Bank of Italy

For the other types of coverage things are different; there is a definite uptrend. This is all the more true for cyber risk coverage. The percentage of insured businesses in the top size class is twice that in the bottom class.

From a methodological standpoint it is impossible to determine the adequacy of the insurance coverage of a business without using some arbitrary criterion. However, the data collected with this survey makes it possible to approximate the degree of adequacy and study the distribution across the sample. The Bank of Italy suggests two standards: i) the number of policies and ii) the ratio of insurance premium expenditure to turnover.

More than half of businesses (55%) cover three or four risks. Only 3% of businesses have no policy at all, as could have been inferred from the fact that the coverage of “traditional” risks was well over 90%; 9% of businesses have all six types of coverage listed in the survey (Figure 4).

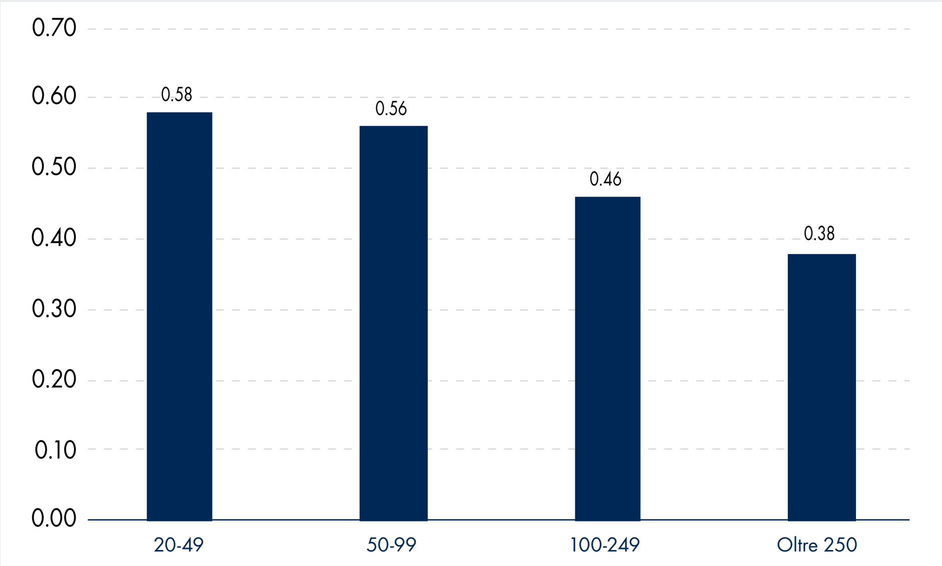
Figure 4
% of insured companies and number of risks



Source: Bank of Italy

As regards the ratio of insurance expenditure to turnover, it decreases with the growth of business size, albeit in a non-linear way. The businesses in the largest size class spend, on average, 0.4% of their turnover in insurance, against 0.6% for the smallest businesses (Figure 5).

Figure 5
% ratio of insurance expenditure to turnover by size (no. employees)



Source: Bank of Italy

There is no noticeable variation of this ratio in relation to geographical location.

The limits of both these metrics are quite evident. The total calculation of coverage, without a measure of the amounts insured, tells at best the scope of the risk covered but not the extent to which the risks are actually transferred to the insurers.

The second ratio, technically, should overcome this limit, and this is reasonably done for small and medium-sized businesses. However, the larger the business, the more it can diversify risks internally, an element that the ratio fails to capture.

SUPPORT MEASURES FOR THE PAYMENT OF UTILITY BILLS: SACE CONVENTION

The decree law of 21 March 2022 enacting "Urgent measures to mitigate the economic and humanitarian effects of the Ukrainian crisis", published in *Gazzetta Ufficiale* n. 67, also includes measures relevant to production activities, to reduce energy prices in the Italian market and cope with the exceptional instability of the national natural gas supply system due to the Russia-Ukraine war, with a view to satisfying the demand for natural gas in the winter of 2022-2023.

In particular, Art. 8, paragraph 3, introduced a support measure for enterprises to mitigate the negative effects of the war and the consequent rise in energy prices, laying down that the SACE shall take action, as the guarantor of authorized insurance companies in the credit and suretyship classes, for 90% of the settlements generated by the exposures related to the accrued receivables by natural gas and power utilities resident in Italy owing to default by Italian-located enterprises having a turnover under €50 million at 31 December 2021. The guarantee covers the settlements for defaulted payments by the debtor enterprise of invoices/bills issued by the supplying utility between May 2022 and 30 June 2023 related to the energy consumption of the insured party between May 2022 and 31 December 2022.

On behalf of the State, SACE will issue an explicit, unconditional and irrevocable guarantee covering settlements up to a ceiling of €2 billion in favor of the credit and suretyship insurance companies that sign the convention. In order to proceed to the drafting of the Convention between SACE and the insurance companies, a working group with ANIA and SACE Spa was set up to find an agreement on the technical details of the Convention and to implement this measure. The period during which insurers could adhere to the Convention began on 14 October and terminated on 7 November 2022.

Art.8 of Decree Law 21 of 21 March 2022 was then amended by Decree Law 144 of 23 September, converted with amendments as Law 175 of 17 November 2022 ("*Aiuti-ter*" decree) and by Decree Law 176 of 18 November 2022, converted with amendments as Law 6/2023 of 13 January 2023 ("*Aiuti-quater*" decree). The amendments introduced by the provisions were submitted to the attention of the European Commission, since their implementation was subject to its approval.

On 6 March 2023 the European Commission concluded its assessment of the compatibility of the regulatory amendments introduced by the *Aiuti-ter* and *Aiuti-quater* decrees with European legislation. It called for the following changes:

- removal of the ceiling of €50 million on turnover to apply for the facilitations. Therefore, the businesses with a turnover in excess of said amount can apply;
- extension of the timeframe for issue of the invoices that can lead to a claim. In particular, the guarantee will cover the failure to pay the amount of the invoices (i.e. the utility bills) issued by the supplying company between 30 May 2022 and 30 June 2024 (the previous deadline was 30 June 2023) related

to the applicant's energy consumption between May 2022 and 31 December 2023 (the previous deadline was 31 December 2022) (Decree Law 21/2022, Art. 8, para. 3 (a));
- the increase from €2 billion to €5 billion in the initial endowment of the special section of the Guarantee Fund pursuant to Law n. 662/1996, Art. 2, para. 100 (a) (Decree Law 21/2022, Art. 8, para. 3 (b).

After the approval of the European Commission, SACE announced the commencement of the operational steps to amend the Convention with the insurance companies in order to quickly close the procedure to adapt the agreement signed with every company.

THE NEW PUBLIC PROCUREMENT CODE

Legislative Decree 36/2022 of 31 March 2023 implementing Enabling Act 78 of 21 June 2022 – the Public Procurement Code – was published in the *Gazzetta Ufficiale*.

The "New Public Procurement Code" entered into force on 1 April 2023, but the provisions are only effective as of 1 July 2023, with the exception of those related to the technical consultation board which apply immediately. In addition, a transitional period (until 31 December 2023) is envisaged with the extension of some provisions of the previous Public Procurement Code (Leg. Dec. 50/2016) and of Legislative Decree 76/2022 and Decree Law 77/2021.

The main changes for the insurance industry are:

- the increase of thresholds for direct awards and the introduction of negotiated procedures up to the European thresholds. The new Public Procurement Code liberalizes public procurements below the European Union threshold, which is €5.3 million for works. Public tenders will be compulsory only above this threshold, while below it the contracting authorities may choose between negotiated procedures and direct awards according to the amount involved, without prejudice to the principle of rotation. De facto, these amendments allow derogation from the guarantee regulation both during the tender and after the award;
- a change in the regulation of financial guarantees in public procurements, entailing a reduction in protection for contracting authorities in a moment in which the risk originated by the economic crisis and the works funded by the National Recovery and Resilience Plan will tend to increase. In particular: the contracting authority may forgo the definitive guarantee for contracts below the European threshold and in duly motivated cases. The definitive guarantee may also be replaced with a withholding of 10% according to the state of advancement of the work and up to the value of the guarantee to pay. For the contracts awarded to proven economically sound operators, duly motivated exemption from the payment of the guarantee was envisaged in exchange for a better award price or execution conditions;

- digitization objectives, which envisage that the financial guarantee shall be digitally issued and verifiable for the issuer or managed through the use of platforms operating with distributed ledger technology ("blockchain") compliant with the characteristics set forth by Agenzia per l'Italia Digitale (AgID). The new Code regulates the digital supply chain platforms, making reference to an implementation decree by AgID with the agreement of the Anti-Corruption Authority and the Office of the Prime Minister;
- the provision that financial guarantees and insurance policies as envisaged by the Code shall be compliant with the schemes approved by the Ministry of Enterprises and Made in Italy, with the agreement of the Ministry of Infrastructures and Transport and the Ministry of Economy and Finance. In this regard, it is worth noting that, after years, the sample schemes for financial guarantees and insurance policies were published last September with Ministerial Decree 193/2022 regarding the "Regulation containing sample schemes for financial guarantees and insurance policies pursuant to Articles 24, 35, 93, 103 and 104 of Legislative Decree 50 of 18 April 2016 and subsequent amendments". The schemes will have to be amended in the light of the intervening regulatory changes.

BUILDINGS TO BE CONSTRUCTED: ADOPTION OF FINANCIAL GUARANTEE AND TEN-YEAR POST-CONSTRUCTION POLICY MODELS

The regulation protecting buildings to be constructed, Legislative Decree 122 of 20 June 2005, envisages two fundamental guarantees for the purchaser: financial guarantee and the ten-year post-construction insurance policy. Both are aimed at protecting purchasers against losses they may incur due to the bankruptcy or any other crisis of the construction company occurring during the works or as a consequence of damages or defects in the property in the ten years after the transfer of deed. At the signature of the preliminary contract, the constructor must provide the purchaser with a guarantee to cover the amounts received from the purchaser before the transfer of deed and, at the signature of the property transfer, the constructor must provide the purchaser with a ten-year insurance policy starting from the date of the completion of the works protecting the purchaser from any potential damage or defect that may emerge after the property is handed over.

The regulation was partially amended in 2019 by the Legislative Decree introducing the Code on business crisis and insolvency. Articles 385 and 386 of the Decree provide, respectively, for the adoption of a decree by the Ministry of Justice, with the agreement of the Ministry of Economy and Finance, to set the standard model of financial guarantee to protect the advance payments of purchasers of properties to be constructed; and a decree of the Ministry for the Economic Development, with the agreement of the Ministry of Justice and the Ministry of Economy and Finance, to set the standard model of a ten-year insurance policy aimed at protecting the purchaser against any construction defect for ten years after the purchase.

At the conclusion of complicated talks in the relevant institutions with the participation of ANIA and other stakeholders, the following documents were drafted:

– the standard guarantee model, published on 24 August 2022 with the Decree 125 of 6 June 2022. The text transposes the draft prepared by ANIA with the contribution of an internal working group and submitted to the Ministry of Justice. In particular, in accord with our proposals:
  - Art. 2, para. 2, of the policy model provides for the automatic cessation of the guarantee when the guarantor receives from the policyholder or beneficiary the copy of the property transfer deed specifying the identification details of the ten-year post-construction policy, thus removing any potential overextension of the guarantee without a ten-year post-construction coverage;
  - Art. 2, para. 3, removes any connection between the guarantee and the ten-year post-construction policies, since if the purchaser decides to sign the property deed even without the latter, the effectiveness of the financial guarantee would still cease.

  With reference to the text of the decree, Art. 1 lays down that the guarantee may also be jointly issued by more than one guarantor, as for the financial guarantee schemes of the Public Procurement Code, envisaging, in such case, that the single guarantees might either be provided with separate contracts for each guarantor or with a single act listing the guarantors and the amounts guaranteed. The division into shares regards the relations among guarantors, but the joint and several obligation towards the purchaser of the property to be constructed is unchanged;

– the standard ten-year policy template, published on 21 October 2022 with Decree 154 of 20 July 2022 after a public consultation and a long series of observations submitted by ANIA. The main topic of the institutional working group regarded the exact delimitation of the scope of coverage of the ten-year policy, and hence whether it should be composed of a set of compulsory "items" or instead coverage should be limited to the collapse and the total/partial destruction of the building, as some stakeholders wished. The question was settled with the publication of the standard template, which envisaged the extension of the coverage to a set of compulsory items, as suggested by ANIA. In addition to the ten-year policy template, the decree also contains the policy technical sheet and the declaration of compliance of the insurance policy. Further, it envisages that the policyholder, when the property deed is signed, must provide a copy of the policy and the declaration of compliance. If requested by the notary, the insurer must also produce the declaration of compliance. After the first two years and upon request of the relevant authorities, it is also envisaged that insurance companies may disclose statistical data on maximum coverage and insured amounts in order to assess the adequacy and completeness of the insurance policy.
  Law 14 of 24 February 2023 introduced an amendment to Art. 389 of

the Code on business crises and insolvency envisaging that the ten-year post-construction policy template pursuant to Ministerial Decree 154/2022 shall not apply to the properties whose construction title was granted before 5 November 2022 (date when the template entered into force). The regulation, de facto, introduces a transition period of 2-3 years (duration of works) for the full coming into force of the ten-year post-construction policy scheme. The amendment will affect the insurance industry since the insurance companies will have to manage two different policy schemes until the definitive phasing-out of the previous schemes, meaning, until all constructions subject to the previous regulation are completed.

LATEST UPDATES ON ECOBONUS REGULATION

Decree Law 11 of 16 February 2023, converted with amendments as Law 38 of 11 April 2023, brought several changes to the *Ecobonus* regulation, in particular, with reference to Articles 119 and 121 of Decree Law 34/2020 converted as Law 77/2020. The new Decree Law introduces some independent changes concerning the transfer of tax credits - amending Decree Law 176/2022, converted as Law 6/2023, and Decree Law 63/2013 converted as Law 90/2013 - as well as authentic interpretation provisions on variations to subsidized construction works, conditions for tax deductibility, simplifications of taxpayers' obligations and, finally, regulations on the communication of credit transfers.

The provision significantly affects various provisions of Art. 121 of the "*Decreto Rilancio*" and aims at providing further and more effective measures to protect public finances with regard to tax and economic subsidies for the construction sector and to define the perimeter of the liability originated by the tax credit transfer mechanism.

The provision does not affect the 110% tax deduction for the expenses related to energy efficiency and/or anti-seismic improvements but only the transfer of the credit.

In particular, with the exception of specific ongoing operations, the persons making such expenditures can no longer opt for the so-called "invoice discount" or the tax credit transfer. In addition, the initial tax credit transfer will no longer be permitted for certain expenditure categories. However, the tax deduction option is still possible, albeit at a decreasing rate over the coming years.

Hereunder are the most important elements, in our judgment:

- regarding the construction works performed by natural persons (extraneous to professional activity), the 110% deduction shall be applied to the expenses incurred by 30 September 2023, upon condition that at least 30% of the works had been completed by 30 September 2022;
- regarding the expenses incurred between 1 January and 31 December 2022 for energy efficiency/anti-seismic purposes, the tax deduction may be di-

vided, if the taxpayer decides so, into ten annual installments of the same amount starting from the 2023 tax year (this option is irrevocable and may be activated with the tax rfeturn for 2023);

- general government entities cannot receive tax credits originating from invoice discounts of tax credit transfers;
- insurance companies (as well as banks and other financial intermediaries) that receive tax credits, for all those works in which expenditures were incurred through 31 December 2022, may use (in full or in part) such credits to purchase Treasury bonds with a minimum maturity of ten years up to 10% of the annual quota exceeding the tax credit already used for compensation, where the tax credit recipient has already used all the tax capacity for that year. The Ministry of Economy and Finance and the Revenue Agency, having heard the Bank of Italy, shall set the application measures of the provision;
- with the exception of deliberate malice, participation in any potential violation determining the joint and several liability of the supplier who applied the invoice discount or the recipients of the tax credit is always excluded for those recipients who demonstrate that when they purchased the tax credit they had all the necessary documentation. The same exclusion applies in the case of purchases of tax credits from banks or companies belonging to the banking group or from listed companies or companies belonging to the same group. Even where part of the documentation is missing, the recipient can provide proof of diligence or of the minor nature of the negligence; the burden of proof then falls on the tax authority;
- as already stated above, invoice discounts or transfers of tax credits (except for the removal of architectural barriers) are no longer permitted for energy efficiency/anti-seismic and façade works from 17 February 2023 onwards, with the exception of: 1) for energy efficiency/anti-seismic works, before 17 February 2023: the CILA (Registered Communication of Commencement of Works) had already been submitted for works not regarding condominiums; as for condominiums, the approval resolution and the CILA had already been submitted; as for demolition/reconstruction works, the enabling permit request had already been submitted; 2) for the non-energy efficiency/anti-seismic works (façades), before 17 February 2023: the request for permit had been submitted, if needed; if the permit is not needed, the works had already begun or a binding agreement for the execution of works had already been signed;
- Decree Law 198/2022, converted as Law 14/2023, lays down that, for the expenditures incurred in 2022 (or for the unused tax deduction installments for the expenditures incurred in 2020 and 2021), communication to the Revenue Agency of the invoice discount or tax credit transfer options must be effected by 31 March 2023. Decree Law 11/2023 envisaged that said communication - if the transfer contract is not completed by 31 March 2023 and if the transfer is made to insurance companies, banks or financial intermediaries – may be carried out by the deduction recipient with the modalities and terms set forth by Decree Law 16/2012 converted as Law 44/2012 on tax simplifications.

THIRD PARTY LIABILITY IN MARITIME COVERAGE: POTENTIAL PROTECTION GAPS AND REVISION OF THE 1910 MONTREAL CONVENTION ON SHIP COLLISIONS

As is known, the damages (and, therefore, the compensation amounts) in maritime third party liability coverage can be extraordinarily high (for example, environmental damage caused by an oil spill). What is also known is that third party liability in the maritime sector is mostly provided by P&I Clubs, acting as mutual insurers whose members are the shipowners. Some insurance companies that usually cover ships and goods also offer maritime third party liability directly or through reinsurance agreements

Many international conventions on third party liability envisage the insurance obligation and, in some cases, direct legal action against the insurers. However, some potential insurance gaps have been detected.

A first element is related to maritime accidents during the transport of hydrocarbons, the damage produced by the leakage or spillage of ships' fuel (bunker oil pollution damage), the pollution damage generated by the shipment of hazardous and noxious substances other than hydrocarbons, and the removal of wrecks. In this regard, at the 108th session of the International Maritime Organization (IMO) Juridical Committee, IOPC Fund (International Regime for Oil Pollution Liability and Compensation) highlighted the following critical issues: first, the Fund sometimes intervened even without requirements (in other words, even if the accident fell under the application of the shipowner's insurance coverage), meaning that there is poor coordination among procedures; second, the victims of a hydrocarbon pollution-related accident may be compensated by IOPC only if such damage occurred in a State that applies and has ratified the 1992 international convention for institution of an international fund to compensate the damages caused by hydrocarbon pollution; finally, in some cases the shipowner was not insured against this risk class.

These problems are also related, in our view, to lack of information on the boundaries and the scopes of international conventions.

Therefore the IMO promoted the creation of a Correspondence Group aiming at: (a) drafting information documents on the Conventions on hydrocarbon pollution (Bunkers Convention, Civil Liability Convention, Athens Convention and Wreck Removal Convention) in order to assist flag States, the control officers in the destination State, shipowners and the insurers in the interpretation and application of the liability and compensation requirements of the Conventions; (b) proceeding to the revision of the current IMO guidelines, in particular IMO Circular 3464 for the acceptance of insurance certificates; (c) developing a new Global Integrated Shipping Information System reporting form.

On another front, the Comité Maritime International (CMI) started another international working group to revise the 1910 Convention on collisions between maritime vessels with two objectives: (i) checking the appropriateness of the convention vis-à-vis the liability originated by the use of autonomous ships and

(ii) checking whether it is necessary or advisable (as suggested by the Italian Association on Maritime Law, which proposed the revision) to introduce compulsory insurance for collision liability. The works have just started and the first discussion will take place in Montreal in June 2023.

THE EFFECTS OF THE WAR IN UKRAINE ON MARINE, AVIATION AND TRANSPORT INSURANCE

Since the Russian invasion of Ukraine, many actions have been taken by the main Western countries, which have adopted a series of sanctions against Russia.

As to their content, unlike the sanctions adopted during the first Russian military actions in 2014, the current measures deliberately aim at preventing Russia from supplying the military effort against Ukraine in the short term, allowing Kyiv to resist the aggression and preventing Russia – now considered a destabilizing country for regional security – from waging other wars over the medium-long term in Europe.

As the present Report is being drafted, Europe adopted the tenth package of sanctions, placing, as usual, the provisions in the framework governed by the two EU Regulations adopted in 2014 after the Russian annexation of Crimea. Said regulations have been amended and complemented a number of times from February to July 2022. More specifically, they are: (a) EU Regulation 269/2014 of 17 March 2014 of the Council envisaging individual restrictive measures affecting government and administrative institutions ("State actors"), as well as individuals and companies with, in particular, the freezing of their assets; (b) EU Regulation 833/2014 of 31 July 2014 envisaging restrictive measures on specific services (e.g. in the banking/financial sector) as well as a ban on the sale or provision of specific goods and technologies to Russia, from "dual use" equipment with both civilian and military functions to energy (e.g. oil and gas production, extraction, distribution) or the import of some products from that country.

Sanctions against Russia operate on at least seven planes: trade in goods (both import and export); energy product trade, hydrocarbons in particular (also after the introduction of the oil price cap in force since 5 December 2022); interconnections of the financial system with other countries; capital market; industrial-technological market; military industry; personal power circles.

All industrial sectors are involved. The insurance industry is affected both with regard to financial services and with regard to the political risk related to some non-life coverage, such as marine, aviation and transport policies.

The consequences are visible from two main perspectives: (i) risks related to compliance with the sanction framework and (ii) worsening or change of the risks covered.

From the first perspective, the regulatory framework is extremely complex. The current sanctions are made up of several overlapping layers of sanction measures adopted by multiple countries, often in coordination, albeit not perfectly matched and issued at different moments in time. To this we should add the "counter-provisions" taken by the countries sanctioned or the provisions taken against third countries that circumvent the sanctions.

In this context, the risk of non-compliance risk is considerable, while the enforcement actions of the sanctioning countries are often confused and uncoordinated. The difficulties in the interpretation of derogations and their heterogeneous application may create market distortions and give risk to some competitive advantages. The compliance function of businesses often intervenes even in the pre-contract phase.

From a marine coverage perspective, there has been an increase in claims regarding airplanes blocked in Russia and ships stuck in the ports of the Black Sea.

Recently, in the marine market, a potential crisis was averted regarding the insurance coverage against war risks for LNG tankers operating in the Russian Sakhalin-2 LNG export project to Japan, since reinsurers declared their willingness to introduce a Russian conflict exclusion clause in the war risk policies. After a round of negotiations, the Japan Club P&I Excess War coverage was renewed from 20 February 2023 onwards. It is worth recalling that when a ship is taken and not returned, the "war" insurance policies give the shipowner/charterer the possibility of filing a claim for a total loss after a period of 6 to 12 months. Meanwhile, shipowners and charterers are in any event exposed to premium increases, as the London-based Joint War Committee (the international war risk listing authority) added additional premiums in the so-called Listed Areas over and above the traditional war coverage base rate, to which inflation too must be added. It is also worth noting that Ukrainian and Russian waters, together with the maritime routes close to Romania and Georgia, have been added to the high risk areas. Last year, the London Market Association published a new territorial exclusion for Russia, Belarus and Ukraine (LMA5583A) and also a "blank" territorial exclusion document (LMA5584A) to be used for non-marine insurance activities. Obviously, the number of claims filed for specialized policies for war risk related to vessels damaged or sunk by mines, missile attacks and bombings in the conflict areas have an effect. Insurers might also receive claims in the transport sector (ordinary risks) with war risk extensions in relation to vessels and cargos stuck in the Ukrainian ports and coastal waters. In addition, the increased claim exposure is given by the fact that the congestion of ports and warehouses brings about a very high accumulation risk.

A similar situation prevails in the aviation industry as well.

As is known, Western aircraft operators are banned from flying to Russia, Ukraine and Belarus, thus preventing any exposure in the area. Therefore, the potential risk does not involve flights as much as damage to grounded aircraft in those airports that may be hit by acts of war.

What is more, in response to international sanctions, the Russian government issued Decree 81/2022 which, on the one hand, prohibits export or removal of aircraft operating in Russia in that moment and, in violation of international law, recognition of validity was accorded to the airworthiness certificates and the documents issued by foreign aviation authorities relating to aircraft operating in Russia, including licenses expiring in 2022. Finally, national Russian airlines were allowed to re-register aircraft in the Russian aviation register without their previous cancellation from the register of the state of origin. This created great difficulties for Western owners in recovering dry leased aircraft blocked in Russia due to the obstacles introduced by the Russian Federation and the Western sanctions. In this context, the damage claims (including for non-war reasons) to vessels or cargos still affected by the conflict are bringing about complex questions of interpretation and litigation. Due to the increasing number of claims related to aviation insurance policies signed for lease contracts and litigation actions mostly in British, American and Irish courts of law, a secondary claim trading market has come into being.

THE NEW INTEGRATED LOGISTICS CONTRACT (ART. 1667-BIS OF THE CIVIL CODE, INTRODUCED BY LAW 79/2022)

To date the logistics contract has not had a precise juridical frame, even though it is socially widespread especially in recent years. Therefore, since it has been qualified as an atypical mixed contract, it was mostly regulated (on a case-by-case basis, according to the prevalence or combination theory) on the basis of the typical procurement contract provisions or by combining procurement, transport, deposit and mandate provisions.

Not until last year was the logistics contract enshrined by legislation in Art. 1677-bis of the Civil Code, introduced by Art. 1, para. Art. 37-bis of Decree Law 36 of 30 April 2022, converted, with amendments, as Law 79 of 29 June 2022.

Art. 1677-bis of the Civil Code, titled “Provision of multiple services during the transfer of goods”, was placed in Book III, Chapter VII, devoted to procurement, confirming the prevailing interpretation of legal doctrine and case law, which consider it a type of procurement contract.

However, art. 1677-bis envisages that the provisions of the transport contract shall be applied insofar as they are compatible and, in any case, even though other contract types are not explicitly mentioned, the general regulation on procurement also recalls (under Art. 1677 of the Civil Code) the regulation on outsourcing contracts. Therefore Art. 1570 of the Civil Code may be applied to the logistics contract. Pursuant to said article, the “provisions regulating the contract regarding single services” shall be applied insofar as compatible.

In this way, the complexity of the logistics contract may be highlighted.

The labor law issues regarding the joint and several liability of the contracting entity for the remuneration and social security obligations of the contractors and subcontractors towards their own employees (pursuant to Art. 29, para. 2, of Leg. Dec. 276/2003) on which the Ministry of Labor intervened with a reply on 17 October 2022 as part of questioning procedure 1/2022, provided another chance to make it clear that the procurement liability principle may be applied to the logistics contract (service procurement in the case examined by the Ministry of Labor).

With reference to the effects on insurance coverage, it is clear that the multiple diversified services that may be included in the logistics contract affect the risk management for goods in transit and stocked, since it is not easy to tell whether the goods turned over to the logistics operator are in transit or in “pure” stock.

Therefore, the so-called “Stock and Transit” (or “Stock Throughput”) policies will gain new life. For instance, on the one hand, policies for goods in transit usually insure the risks relating to the transport of goods excluding the coverage of goods in stock, while on the other, property policies insure goods in stock but not goods on board transportation vehicles. In turn, “Stock and Transit” policies offer insurance coverage against both transport risks and the risks related to goods in stock in warehouses owned and/or operated by the contracting entity.

7

INSURANCE FRAUD

MOTOR INSURANCE FRAUD

Fraud statistics

Using IVASS's definitive data for 2021 and preliminary data for 2022, we can produce a breakdown by province and type of damage claimed of the percentage incidence of claims likely to involve the risk of fraud, those subjected to further investigation (specifying the number of cases in which no payment is made), and those in which the insurer has lodged a civil or criminal complaint. The data (Table 1) come from the compulsory antifraud reports that all undertakings authorized to do motor liability insurance business in Italy must submit yearly to IVASS (IVASS Regulation 44/2012).

Let us recall that for our purposes "fraud risk" is defined as the risk of economic loss due to customer misconduct vis-à-vis the insurer, often taking the form of simple falsehoods, either during the contractual procedure or in the claims handling process.

In particular, claims exposed to the risk of fraud are those having at least one of the parameters of significance laid down by IVASS in Measure 2827/2010 as requirements for consulting the "claims database" created for the express purpose of preventing and combating motor liability fraud.

The relevant claims are those lodged with insurance companies in 2022, which numbered 2,467,276, up 4.2% from 2021, when accidents and claims were still partly affected by the extraordinary restrictions of varying severity on traffic circulation imposed to cope with the pandemic. Last year's increase in claims was most substantial in the Center (+4.9%), the peninsular South (+4.6%) and the island regions (+13.6%), while it was more moderate in the North (+1.8%).

To calculate composite indicators for comparison of the different geographical areas, the number of claims that insurers have identified as likely to be fraudulent and the number of those subjected to further investigation are given as percentages of total claims lodged during the year. The average share of claims exposed to risk of fraud in 2022 was 25.4% nationwide, up from 2021 and 2020, when it reached the highest level of the past decade (it was 23.9% in 2021, 24.9% in 2020, 23.9% in 2019, 22.3% in 2018, 22.4% in 2017, but 16.5% in 2013) (Figure 1).

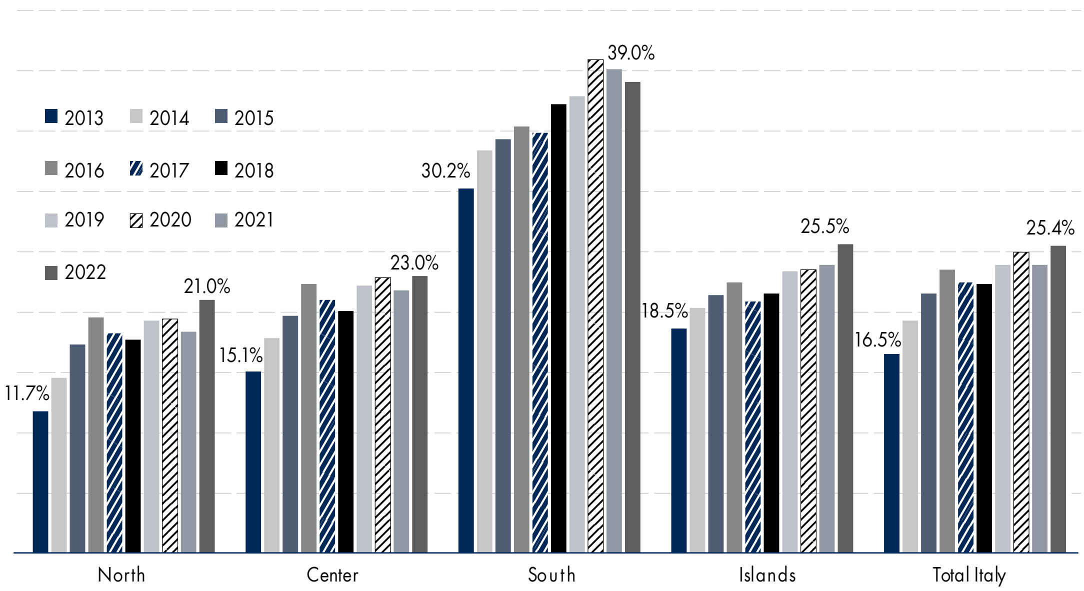
The lowest rate of fraud risk in 2022 was again registered in the **North** at 21.0%, up from 18.3% the previous year, while the share of claims subjected to further investigation was unchanged at 7.8%. Ultimately, 10.8% of the claims subjected to further investigation were closed without settlement (11.9% in 2021); in 0.8% of the cases the insurer lodged a civil or criminal complaint, less than the previous year (1.2%). The northern region with the highest incidence of suspect claims was Trentino-Alto Adige at 29.3%, up from 25.4% in 2021. Those with the lowest incidence were Veneto at 18.3% and Lombardy at 19.6%.

Table 1 – Motor liability insurance fraud by region, 2021-2022

REGION	NUMBER OF CLAIMS INCURRED (*)		% OF CLAIMS EXPOSED TO RISK OF FRAUD		% OF CLAIMS INCURRED SUBJECTED TO FURTHER INQUIRY		% OF CLAIMS SUBJECTED TO FURTHER INQUIRY IN WHICH NO PAYMENT WAS MADE		% OF CLAIMS SUBJECTED TO FURTHER INQUIRY IN WHICH INSURER LODGED CIVIL OR CRIMINAL COMPLAINT	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
EMILIA ROMAGNA	181,770	171,205	21.7%	19.8%	9.0%	9.3%	9.8%	9.9%	0.6%	0.9%
FRIULI-VENEZIA GIULIA	38,900	38,445	21.6%	18.8%	6.9%	6.7%	12.4%	12.6%	1.3%	1.0%
LIGURIA	75,854	74,939	22.3%	20.4%	9.5%	9.8%	11.5%	14.6%	0.9%	1.2%
LOMBARDY	453,350	446,930	19.6%	16.8%	7.4%	7.2%	10.2%	11.2%	0.9%	1.3%
PIEDMONT	181,540	178,338	23.6%	20.4%	8.8%	8.9%	11.0%	12.9%	1.0%	1.7%
TRENTINO-ALTO ADIGE	47,288	50,850	29.3%	25.4%	6.2%	6.2%	17.1%	16.9%	0.8%	0.7%
VALLE D'AOSTA	5,319	4,324	20.4%	17.3%	8.1%	8.2%	15.2%	17.5%	0.9%	0.8%
VENETO	169,082	167,692	18.3%	15.6%	6.2%	6.3%	11.1%	11.5%	0.4%	0.7%
NORTH	*1,153,103*	*1,132,723*	*21.0%*	*18.3%*	*7.8%*	*7.8%*	*10.8%*	*11.9%*	*0.8%*	*1.2%*
LAZIO	304,139	306,803	24.8%	23.5%	12.5%	13.1%	12.5%	12.8%	1.2%	1.3%
MARCHE	56,520	54,483	21.2%	19.5%	9.6%	10.2%	10.1%	10.3%	0.5%	0.9%
TUSCANY	181,581	159,751	20.5%	19.5%	8.9%	9.4%	10.9%	10.8%	0.7%	0.9%
UMBRIA	35,165	29,327	22.8%	20.9%	10.0%	10.4%	11.7%	13.0%	0.5%	0.8%
CENTER	*577,405*	*550,364*	*23.0%*	*21.8%*	*10.9%*	*11.6%*	*11.8%*	*12.1%*	*0.9%*	*1.1%*
ABRUZZO	46,732	39,492	23.8%	21.9%	9.7%	9.9%	14.1%	15.0%	1.1%	1.9%
BASILICATA	16,304	15,364	28.8%	27.0%	14.6%	14.9%	14.9%	16.8%	1.5%	2.9%
CALABRIA	52,980	49,509	32.9%	33.6%	19.4%	21.0%	14.4%	14.0%	0.9%	1.4%
CAMPANIA	219,274	223,003	49.9%	51.7%	33.3%	36.8%	15.0%	16.4%	1.4%	2.2%
MOLISE	10,024	8,526	35.5%	37.2%	20.2%	23.7%	16.9%	18.8%	0.9%	2.1%
PUGLIA	133,866	122,072	30.5%	29.1%	16.0%	16.4%	11.8%	13.0%	1.2%	1.6%
SOUTH	*479,180*	*457,966*	*39.0%*	*40.0%*	*23.7%*	*26.4%*	*14.3%*	*15.6%*	*1.3%*	*2.0%*
SARDINIA	60,823	51,989	19.5%	17.1%	7.9%	8.0%	13.2%	13.1%	0.4%	0.7%
SICILY	196,765	174,794	27.4%	25.9%	13.6%	13.8%	12.1%	11.3%	0.5%	0.8%
ISLANDS	*257,588*	*226,783*	*25.5%*	*23.9%*	*12.2%*	*12.5%*	*12.3%*	*11.5%*	*0.5%*	*0.8%*
TOTAL ITALY	2,467,276	2,367,836	25.4%	23.9%	12.1%	12.7%	12.5%	13.4%	1.0%	1.5%
MEMO:	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
TOTAL ITALY	1,993,333	2,810,303	24.9%	23.9%	13.7%	12.9%	15.4%	12.9%	1.5%	1.2%

(*) "Claims incurred" excludes those involving liability of the vehicle and includes all class 10 claims (land vehicles) for which the insurer, during the year, has received an accident report or claim for damages pursuant to Articles 148 and 149 of Legislative Decree 209/2005. Claims are those reported by all insurance companies operating in the motor liability sector in Italy (Italian, EU, and non-EU).

Figure 1
% of total claims exposed to risk of fraud



As to further inquiries concluded without compensation – that is, cases of successful anti-fraud action by insurers – the highest rate was in Trentino-Alto Adige (17.1% of the cases investigated, ignoring Valle D'Aosta given its great volatility owing to the very small number of claims in that tiny region). The overall figure for the North was 10.8%. The region showing the highest percentage of civil and penal complaints was Friuli-Venezia Giulia at 1.3%, compared with the northern Italian average of 0.8%, and with an upward trend compared with 2021; the regions with the lowest rates, below 0.6%, were Veneto and Emilia-Romagna.

Fraud risk in **central Italy** was found in 23.0% of all claims submitted in 2022, up from 21.8% a year earlier. Insurers conducted more than the ordinary inquiry in respect of 10.9% of total claims (down from 11.6% in 2021), terminating 11.8% of these without compensation (down from 12.1%) but lodging a civil or penal complaint in just 0.9% of these cases (down from 1.1%). The highest incidence of suspect cases was in the Lazio region (24.8%, up from 23.5%), which is also the region where settlement without compensation was most common (12.5% of the suspect cases, as against 12.8% in 2021). By contrast, Tuscany is the region with the lowest exposure to fraud risk at 20.5%, while that with the most civil and penal complaints was, again, Lazio (1.2%, down from 1.3%).

Once again in 2022, the highest incidence of fraud risk was found in the **South**: a full 39% of all claims were suspect, down marginally from 40.0% in 2021. The claims subjected to additional inquiry came to 23.7% from 26.4% the previous year. Of these cases, 14.3% were terminated without compensation (it was 15.6% a year earlier). Insurance companies lodged civil or penal complaints in respect of 1.3% of the claims (down from 2.0% in 2021). The regions with higher-than-average percentages were Basilicata (1.5%), Campania (1.4%) and Puglia (1.2%), though the share of complaints decreased in all the southern regions, confirming the nationwide trend.

In the **island regions** the incidence of claims with risk of fraud was in line with the national average at 25.5%. In particular, Sicily was above the average at 27.4%, while Sardinia was well below it at 19.5%.

The percentage of claims terminated without settlement increased in both regions, from 13.1% to 13.2% in Sardinia and from 11.3% to 12.1% in Sicily, but the share of criminal or civil complaints decreased (from 0.8% in 2021 to 0.5% on average).

The extremely low number of civil and criminal complaints of alleged insurance fraud depends on a series of specific penal procedural problems:

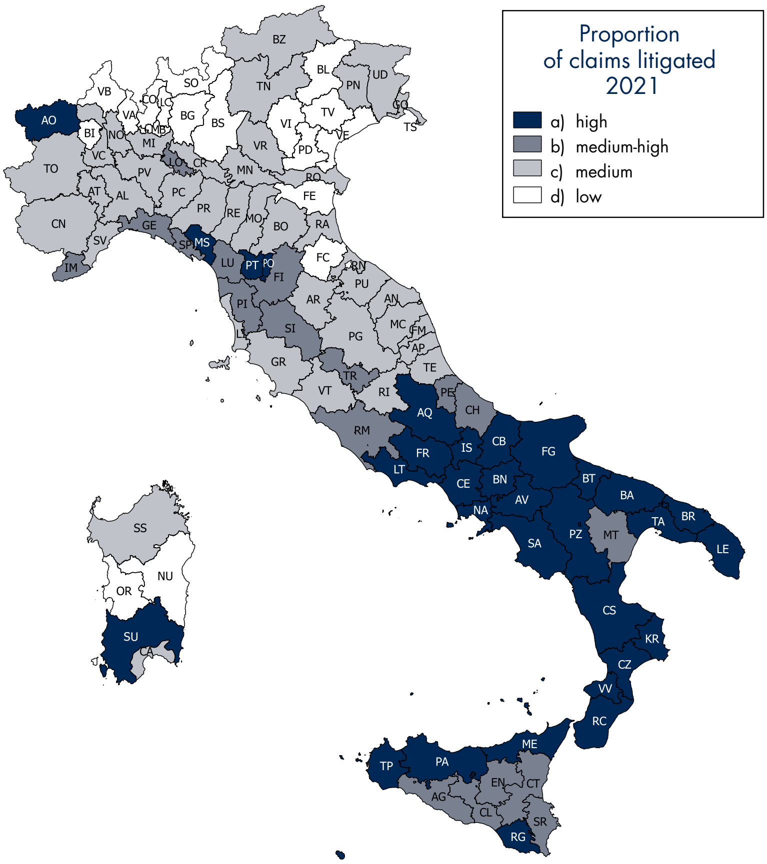
- this offense is ordinarily punishable only via complaint by a party (entailing high legal costs, the risk of a counter-complaint, and little chance of actually recovering the amounts lost);
- the law precludes punishment for very minor offenses; and in most cases of insurance fraud this clause applies, given the ordinarily small amount involved and the fact that the guilty parties are not generally habitual offenders;
- many public prosecutors' offices, clogged with extremely numerous criminal cases, are unable to conclude the trials before the statute of limitations

expires; 70% of first hearings in these insurance fraud cases come 3 years after the complaint is filed. On the average, 4 years elapse between the initiation of penal action and the lower-court verdict; in this context, all the offender has to do is lodge an appeal to reach the statute of limitations, namely 6 years.

Let us recall, further, the problems inherent in civil justice, where a good portion of motor liability disputes are handled by justices of the peace, for whom the law does not establish a conflict of interest between this function and that of lawyer involved in traffic accident litigation.

ANIA's statistics for motor liability insurance claims in 2021 permit derivation of the provincial distribution of contested claims subject to litigation[(1)] and their incidence on the claims reserved at the end of the year. They also make it possible to estimate that the average cost of these litigated claims is three times higher than the average set aside for other claims. Figure 2 shows that the incidence of litigation on total claims in the Center and in part the North of Italy does not exceed the national average (which can be regarded as "normal"), with the exception of some provinces in Lombardy, Veneto, Piedmont, Emilia-Romagna and Sardinia, where the percentage is even below the average. In the South, by contrast, it is commonly much higher, with some provinces in the regions of Campania, Calabria and Puglia showing incidences of 5 to 10 times the national average.

Figure 2
Proportion of claims litigated (%)



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(1) Litigated claims are defined as those subject to the specific annual observation by IVASS (Regulation 36 of 28 February 2017).

Among the factors facilitating motor liability fraud we must mention a series of rules governing the insurer's formulation of a settlement offer; designed to speed up the settlement process, these often appear to be incompatible with thorough-going antifraud action:

- the lengthy time allowed for submitting claims (2 years, and up to 5 in cases of personal injury), which enables fraudulent parties to eliminate the evidence that insurers can use to detect fraud; in the provinces of Naples and Caserta, for instance, nearly 12% of claims are filed more than a year after the date of the accident, compared with a national average of "late" claims of 3.2%;
- the deadline of 5 days for ascertaining vehicle damage is too short, and in certain regions in particular it is virtually impossible to estimate the damage before repair work begins;
- the deadline for the formulation of the indemnity offer is incompatible with the type of investigation required to demonstrate fraud. And even the derogation provided for under the Insurance Code, by which the insurer may suspend the term for the offer in order to conduct anti-fraud investigation, is inadequate, given that at the end of the inquiry the insurer is required either to settle the claim or to lodge a formal legal complaint.

Accordingly, ANIA has analyzed the vehicle damage claims for accidents that occurred and were settled in 2022 (and, for comparison, in 2021) that were settled via direct indemnity and with the CID claim form signed by both damaged and liable parties. In particular, we calculated the number of days between the date of the accident and the submission of the claim to the insurance company.

The study found that for these claims, which are settled most quickly (an average of 39 days, somewhat more than in 2021), an average of 6.4 days elapses between the date of the accident and the date when it is reported to the insurer, up from 6.1 in 2021 (Table 2).

A regional breakdown, however, shows that the time period involved is shorter than average in almost all the regions of the North, while in most of the regions of the Center and the South it is regularly higher, and nearly twice the average in Campania.

In that region in 2022, 10.2 days elapsed, on average, between accident and report. And on the provincial level (Figure 3) we find an average of over 13 days in Naples, 10 days in Crotone, Reggio Calabria, and Massa Carrara, and 9 days in Messina, Salerno, Palermo, Rome, Caserta, and Catania. The indicator is lowest (under 4.5 days) in the northern provinces of Gorizia and Rovigo. In the major cities, values range from 5.5 days in Bologna and Milan to 6.8 in Turin, up to 7.9 in Florence, and 9 in Palermo and Rome.

Motor insurance fraud is strictly correlated, geographically, with the circulation of uninsured vehicles, but estimating the extent of insurance evasion is no easy task. First of all, it would require strict, constant checks by the law enforcement bodies (virtually impossible, as a practical matter); at the same time, it would require a central computer database of all the fines for driving without insurance levied by the Highway Police, municipal police and Carabinieri (at

Table 2
Time to report and time to settlement of consensual damage claims

Area	Region	Days between accident date and report date		Days between claim filing and settlement	
		2022	2021	2022	2021
	Liguria	7.1	6.8	39.7	36.8
	Lombardy	5.3	5.0	42.2	35.4
	Piedmont	6.1	5.7	40.9	34.6
	Valle d'Aosta	5.7	5.6	36.2	31.0
North-West	*Total*	*5.7*	*5.4*	*41.6*	*35.2*
	Emilia-Romagna	5.2	5.0	39.2	33.0
	Friuli-Venezia Giulia	4.8	4.5	42.4	35.7
	Trentino-Alto Adige	5.6	5.5	37.9	32.9
	Veneto	4.9	4.7	41.2	35.0
North-East	*Total*	*5.1*	*4.9*	*40.2*	*34.1*
	Lazio	8.5	8.2	43.2	38.3
	Marche	6.3	6.1	34.7	30.5
	Tuscany	7.4	6.8	41.8	35.6
	Umbria	5.6	5.2	30.0	25.9
Center	*Total*	*7.6*	*7.2*	*40.5*	*35.4*
	Abruzzo	6.1	5.9	29.1	25.8
	Basilicata	5.8	5.7	23.6	23.0
	Calabria	7.3	7.2	29.9	28.5
	Campania	10.2	10.4	35.0	33.0
	Molise	6.0	5.1	24.1	22.0
	Puglia	7.0	6.7	30.7	29.0
South	*Total*	*7.7*	*7.6*	*30.8*	*28.9*
	Sardinia	6.8	6.4	31.6	28.9
	Sicily	8.0	7.7	31.9	29.4
Islands	*Total*	*7.5*	*7.2*	*31.8*	*29.2*
	TOTAL ITALY	6.4	6.1	38.7	33.6

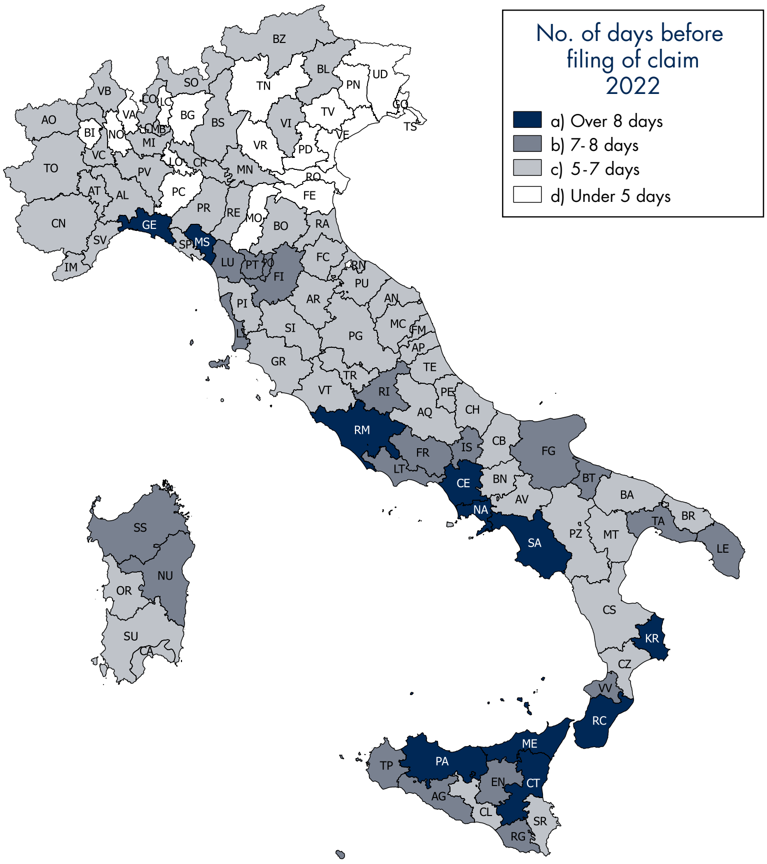
the moment no such database exists). ANIA has accordingly estimated, as in previous years, the total number of uninsured vehicles on the roads on the basis of the open access data of the Motor Vehicles Bureau, which holds the data of the Public Automobile Registry (PRA). We have refined and cleaned these data and run screenings of the available information by the methodology described below.

First, note that the Motor Vehicles Bureau database is enormous: it covers all registered vehicles, divided into 4-wheeled vehicles (cars etc.) and 2-wheeled vehicles (motorcycles and motorbikes) and broken down by region, province and municipality. The data used for the present analysis refer to vehicles registered as at 31 December 2022. The data items used for the study comprise, in particular:

- date of initial registration of the vehicle
- status of compulsory inspection
- status of compulsory insurance

ANIA has its own data on the number of motor liability insurance policies in being at any given date, which added to the estimated number of uninsured vehicles at that date should give the total number of vehicles in circulation.

Figure 3
Time to consensual claim filing (vehicle damage only) – 2021



It should be underscored that in order to produce a realistic estimate of the number of uninsured vehicles from the Motor Vehicles Bureau database, the vehicles have been screened by date of registration in order to exclude five categories:

a) vehicles held in judicial depositories, which are numerous (over 300 in Italy's 107 provinces) but for which there is no central database of vehicles held;
b) vehicles that are not used (hence, non-circulating) but nevertheless regularly registered and kept in private garages or parking places;
c) vehicles abandoned on the street (mostly motorcycles and motorbikes), for which it is often impossible to identify the owner (burned, or license plate removed);
d) used vehicles registered with auto dealers but which will only be insured at the moment of sale to the customer (so-called "zero mileage" cars);
e) vehicles with temporary insurance (mostly motorcycles and motorbikes) that have coverage for the spring and summer only and might therefore be without insurance at the time of the Public Automobile Registry "snapshot".

The screening and hypotheses used are as follows:

– Four-wheeled vehicles

  • by date of original registration, very old vehicles (prior to 1970) are excluded;
  • next, a count is made of all vehicles that according to the PRA circulate with regular inspection but without insurance; the hypothesis is that this is

the real "hard core" of insurance evasion, because these are vehicles that have been inspected (and are therefore in a condition to circulate) but that do not pay their insurance premiums;
- for vehicles that have not been inspected and have no insurance, exclusion of all those originally registered prior to 2010; in fact, the time series by year of original registration shows a "break" in the frequency distribution at that year, so newer vehicles can be considered "representative" of a second "hard core" of uninsured vehicles, while the older ones can be presumed to belong to the categories unused/abandoned or judicial depository;

– Two-wheeled vehicles

- here too, a first screening excludes all those originally registered prior to 1970;
- the percentage of insurance evasion is determined on the basis of the total number of insured vehicles according to ANIA, together with the total information on number of motorcycles and motorbikes according to the PRA. The percentage of two-wheeled vehicles with temporary coverage is substantial, in fact, and if this were not taken properly into account we would find a very high incidence of non-insurance.

On these assumptions, we estimate that in 2022 2.6 million vehicles, 5.6% of the total in circulation, lacked insurance coverage. This was up from 5.2% in 2021 but down compared with the values recorded prior to that year. The total number of vehicles insured and consequently of those in circulation increased by nearly half a million. As in previous years, there is very significant geographical variation: against the national average of 5.6%, the proportion was 8.2% in the South, about average in the Center, and much lower (4.0%) in the North (Table 3).

Table 3 – Estimate of uninsured vehicles, 2022, by geographical area (millions)

Area	Total insured vehicles	Est. uninsured vehicles	Memo: est. uninsured vehicles						Total vehicles on road	% uninsured vehicles (*)	Memo: % uninsured vehicles					
	2022	2022	2021	2020	2019	2018	2017	2016	2022	2022	2021	2020	2019	2018	2017	2016
North	22.3	0.9	0.8	0.8	0.8	0.9	0.9	0.9	23.2	4.0%	3.3%	3.8%	3.8%	3.9%	4.1%	4.3%
Center	9.7	0.6	0.5	0.6	0.6	0.6	0.6	0.7	10.3	5.8%	5.4%	6.0%	6.0%	6.1%	6.3%	6.6%
South	11.9	1.1	1.1	1.2	1.2	1.2	1.2	1.3	13.0	8.2%	8.4%	9.4%	9.4%	9.6%	10.1%	10.7%
TOTAL ITALY	43.9	2.6	2.4	2.6	2.6	2.7	2.8	2.9	46.5	5.6%	5.2%	5.9%	5.9%	6.0%	6.3%	6.7%

ANIA, based on Motor Vehicles Bureau data

After decreasing for a long period, the number of uninsured vehicles in circulation turned upward in 2022; however, this may have depended on the fact that 2021 was still partly influenced by circulation restrictions, thus the number of uninsured vehicles may be underestimated. As a matter of fact, the number of uninsured vehicles went back up to the levels recorded in 2019, before the pandemic.

Unfortunately, despite on-road checks by law enforcement bodies to counter insurance evasion, it is not yet possible to carry out the sort of controls specified by Law 27/2012, namely via devices or equipment for distance checks (via reading of license plates in circulation with remote IT devices); in fact, the implementing regulations establishing the specifications and the mode of application for these remote observation systems have not been issued. This method would unquestionably permit the rapid, automatic performance of far more checks than are now performed by the police forces and so produce an even sharper reduction in the frauds perpetrated by those driving without insurance.

Table 4
Estimate of uninsured vehicles, 2022
Regions and regional capitals
(millions of vehicles)

Region/Capital	Total insured vehicles	Est. uninsured vehicles	Total vehicles on road	% uninsured vehicles (*)
	2022	2022	2022	2022
Bologna	0.740	0.031	0.771	4.0%
Total EMILIA ROMAGNA	3.664	0.145	3.810	3.8%
Trieste	0.176	0.005	0.181	2.9%
Total FRIULI VENEZIA GIULIA	1.060	0.031	1.091	2.8%
Genoa	0.601	0.025	0.626	4.0%
Total LIGURIA	1.214	0.050	1.264	4.0%
Milan	2.020	0.132	2.152	6.1%
Total LOMBARDY	7.579	0.347	7.925	4.4%
Turin	1.601	0.091	1.691	5.4%
Total PIEDMONT	3.513	0.165	3.678	4.5%
Trento	0.539	0.023	0.562	4.0%
Total TRENTINO ALTO ADIGE	1.050	0.042	1.091	3.8%
Aosta	0.123	0.013	0.135	9.3%
Total VALLE D'AOSTA	0.123	0.013	0.135	9.3%
Venice	0.578	0.018	0.595	3.0%
Total VENETO	4.063	0.132	4.194	3.1%
TOTAL NORTH	*22.264*	*0.925*	*23.189*	*4.0%*
Pescara	0.223	0.013	0.236	5.7%
Total ABRUZZO	1.024	0.057	1.080	5.2%
Rome	2.448	0.243	2.691	9.0%
Total LAZIO	3.643	0.320	3.962	8.1%
Ancona	0.370	0.014	0.384	3.8%
Total MARCHE	1.277	0.053	1.329	4.0%
Florence	0.740	0.037	0.777	4.8%
Total TUSCANY	2.962	0.134	3.096	4.3%
Perugia	0.616	0.026	0.642	4.0%
Total UMBRIA	0.812	0.034	0.846	4.0%
TOTAL CENTER	*9.717*	*0.596*	*10.313*	*5.8%*
Potenza	0.280	0.016	0.296	5.4%
Total BASILICATA	0.422	0.025	0.447	5.5%
Reggio Calabria	0.303	0.036	0.340	10.7%
Total CALABRIA	1.228	0.115	1.342	8.5%
Naples	1.282	0.212	1.494	14.2%
Total CAMPANIA	3.041	0.366	3.408	10.7%
Campobasso	0.189	0.010	0.200	5.2%
Total MOLISE	0.269	0.015	0.284	5.4%
Bari	0.850	0.049	0.899	5.5%
Total PUGLIA	2.642	0.172	2.814	6.1%
Cagliari	0.282	0.021	0.303	6.9%
Total SARDINIA	1.172	0.068	1.240	5.5%
Palermo	0.658	0.068	0.726	9.4%
Total SICILY	3.122	0.302	3.424	8.8%
TOTAL SOUTH	*11.895*	*1.064*	*12.959*	*8.2%*
TOTAL ITALY	43.877	2.585	46.461	5.6%

(*) ANIA, based on Motor Vehicles Bureau data

A more detailed geographical breakdown of the incidence of uninsured vehicles shows that practically all the regions of the North, and their capital cities (except Milan and Turin), are well below the national evasion rate of 5.6%. In the Center, it is above all the Lazio region and the city of Rome whose rates are twice those of the other regions of the Center, at 9.0% and 8.1% respectively. In the South there is a range from values broadly in line with the national average in such regions as Molise, Basilicata, and Sardinia up to nearly twice the nationwide average rate in Calabria, Sicily, and above all Campania; in Naples in particular, one of every seven vehicles on the roads is uninsured, and in Reggio Calabria one in nine (Table 4).

INSURANCE FRAUD IN NON-MOTOR CLASSES

Insurance fraud is not limited to motor liability; on the contrary, it concerns most of the sectors in which insurers operate, to various extents. In order to obtain an estimate of the incidence of insurance fraud in non-life classes other than motor liability and in life insurance classes (only in respect of pure risk policies), in 2021 ANIA launched a statistical survey, with the collaboration of the anti-fraud officers of member companies, to collect data on the phenomenon starting in 2018.

With reference to the data that IVASS already requires for the motor liability anti-fraud reports pursuant to Regulation 44/2012, for each class the following data were collected for each year:

- number of claims filed;
- number of claims subjected to further investigation for risk of fraud (independently of year of claim);
- number of investigated claims closed without settlement;
- number of claims for which the insurer lodged a civil or criminal complaint;
- qualitative description of the main types of fraud.

Insurers were also asked, where possible, to break the data down by region of claim. Where this data was unavailable, they were asked to sort the claims according to region where the policy was taken out.

For the last year of observation (2022), the market estimates for pure risk life policies (Class I) could not be published because they did not make up a representative market share in terms of premiums. On the other hand, unlike in the past, this year the data was collected also in respect of watercraft liability insurance.

The survey participants accounted for 57% of the market in terms of non-life, non-motor liability premiums. The samples were used to estimate total claims for the year (Table 1).[2]

[2] Any changes in the data for previous years (2018, 2019, 2020) from those in the Annual Report for 2021 are due to refinements in insurers' communication of data on claims.

Table 1
Estimated claims in non-life (net of motor liability) and pure life insurance classes

Class	Estimated no. of claims (total market)			
	2022	2021	2020	2019
Non-life classes (net of motor liability)	12,629,932	11,593,133	11,217,489	12,142,590
Life Class I (pure risk)	n.a.	71,578	63,845	57,935
Total [3]	n.a.	11,664,711	11,281,334	12,200,525

For all non-life classes as a whole (excluding motor liability), the portion of claims subjected to additional inquiry for possible fraud was 2.6% in 2022, the highest since the survey began (2.2% in 2021, 2.4% in 2020, 1.1% in 2019, 0.9% in 2018), while the incidence of claims closed without payment on those subjected to investigation slipped from 6.8% in 2021 to 6.0% in 2022 (Table 2). The proportion for which a civil or penal complaint against the policyholder was lodged held steady at 0.5% of those investigated; this share has declined steadily from 3.2% in 2018. These data indicate that since 2020 (the onset of the pandemic), insurance companies have stepped up their fraud investigation activity and consolidated it in subsequent years, but that this has not increased the number of claims closed without payment or of those for which the insurer lodged a complaint.

Table 2
Indicators of anti-fraud action for life (pure risk) and non-life, non-motor classes

Class	No. of claims investigated / no. of claims filed				No. of claims closed without settlement / no. of claims investigated				No. of formal legal complaints / no. of claims investigated			
	2022	2021	2020	2019	2022	2021	2020	2019	2022	2021	2020	2019
Non-life classes (net of motor liability)	2.6%	2.2%	2.4%	1.1%	6.0%	6.8%	6.3%	11.9%	0.5%	0.5%	1.2%	2.5%
Life Class I (pure risk)	n.a.	0.0%	0.2%	0.2%	n.a.	33.3%	91.7%	55.6%	n.a.	27.8%	52.1%	11.1%
Total	n.a.	2.2%	2.4%	1.1%	n.a.	6.8%	6.3%	11.9%	n.a.	0.6%	1.3%	2.5%

Considering only the most representative non-life classes in terms of claims filed (at least 35% of total claims for that specific class), and also having an incidence of at least 1% of claims subjected to further investigation, the classes with the highest fraud rates are accident, sickness, land vehicles, watercraft, goods in transit, fire and natural forces, other damage to property, watercraft third-party liability, and general third-party liability insurance (Table 3). More in detail:

- for accident and sickness: the incidence of claims subjected to anti-fraud inquiry in 2022 was 3.3% and 2.8% respectively. This represented a decrease over the previous two years for accident insurance (4.6% in 2021, 3.7% in 2020) and a slight increase for the year, albeit in line with 2020, for sickness insurance (2.2% in 2021, 2.9% in 2020);
- for watercraft insurance: given the low frequency of claims associated with the specificity of the type of risk insured, the share of claims for which anti-fraud activity was conducted declined from the peak registered in 2021

[3] The estimate is based on the market share accounted for by the insurers taking part in the survey, calculated separately for non-auto and life Class I (pure risk).

Table 3 – Indicators of anti-fraud action for specific non-life classes

Non-life classes	No. of claims investigated/ no. of claims filed				No. of claims closed without settlement/ No. of claims investigated				No. of formal legal complaints/ No. of claims investigated			
	2022	2021	2020	2019	2022	2021	2020	2019	2022	2021	2020	2019
Class 1 – Accident	3.3%	4.6%	3.7%	2.8%	23.5%	16.8%	17.4%	13.3%	1.6%	0.8%	7.8%	5.9%
Class 2 – Sickness	2.8%	2.2%	2.9%	0.3%	1.3%	1.8%	1.6%	9.1%	0.0%	0.0%	0.0%	0.0%
Class 3 – Land vehicles	2.7%	2.8%	2.1%	2.4%	7.8%	6.6%	5.0%	4.2%	1.3%	1.9%	3.8%	3.4%
Class 6 – Watercraft	7.2%	10.0%	4.3%	2.6%	18.8%	9.9%	9.8%	9.8%	3.2%	1.6%	2.4%	1.5%
Class 7 – Goods in transit	2.2%	2.6%	8.5%	1.9%	15.3%	11.3%	7.3%	14.5%	0.4%	0.3%	0.2%	0.6%
Class 8 – Fire and natural forces	2.3%	2.3%	1.4%	1.5%	12.7%	14.4%	14.9%	11.2%	1.7%	1.7%	2.2%	2.2%
Class 9 – Other property damage	1.8%	1.9%	2.0%	2.2%	10.9%	11.9%	13.5%	10.2%	0.9%	0.6%	0.7%	0.6%
Class 12 – Watercraft third-party liability	23.7%	n.a.	n.a.	n.a.	18.6%	n.a.	n.a.	n.a.	9.4%	n.a.	n.a.	n.a.
Class 13 – General third-party liability	4.1%	4.4%	3.9%	4.0%	29.2%	24.5%	32.7%	28.6%	1.1%	1.3%	4.8%	2.9%
Class 18 – Assistance	1.9%	0.8%	0.4%	0.1%	1.1%	0.3%	1.2%	22.7%	0.0%	0.0%	0.0%	0.3%

(10%), standing at 7.2%, but was still higher than in the previous two years (4.3% in 2020, 2.6% in 2019);

- for goods in transit: the proportion of claims subjected to further investigation came down to 2.2% in 2022, confirming the downward trend highlighted in 2021. A significant increase in anti-fraud activity on claims had been registered for this class in 2020, when its incidence reached 8.5%.
- for land vehicles and for fire and natural forces: the incidence of fraud investigations was stable compared with 2021 and higher than the previous two years at 2.7% for land vehicles (it was 2.8% in 2021, 2.1% in 2020 and 2.4% in 2019)and at 2.3% for fire and natural forces (it was 2.3% in 2021, 1.4% in 2020 and 1.5% in 2019);
- for other property damage and general t.p.l: the fraud risk incidence in 2022 was in line with the previous year; in particular, the highest share of claims terminated without settlement in total claims subjected to anti-fraud inquiry was registered in general third-party liability insurance (29.2%), followed by accident insurance (23.5%).
- for watercraft liability: this class, which has been added this year to the survey, showed the highest figures both in terms of fraud risk incidence (23.7%) and of the proportion of investigated claims for which the insurer lodged a civil or criminal complaint (9.4%).
- finally, for assistance: fraud risk incidence was low in 2022 (1.9%), but it more than doubled from 2021 (0.8%), thus confirming the upward trend under way since the first year of observation (0.4% in 2020, 0.1% in 2019).

The percentage of investigated claims closed without payment was higher than in 2021 for accident, land vehicles, watercraft (18.8%, nearly twice as much as in 2021), goods in transit, general third-party liability, and assistance; it decreased for sickness, fire and natural forces, and other property damage; and it stood at 18.6% for watercraft liability, included in the survey for the first time this year, thus being one of the four classes with the highest values.

Geographically, the highest incidence of suspected fraud is once again found in the regions of the North, with 3.3% of all claims subjected to investigation. Next is the South, at 2.9%, more than twice the rate in the island and central regions (Table 4).The rate was higher than in 2021 in all parts of Italy.

In the North, especially high investigation rates were recorded in Piedmont (4.6%) and Lombardy (3.9%), increasing by comparison with a year earlier. These are followed in the South by Campania and Calabria, at 4.1% and 3.2% respectively, also increasing with respect to previous years.

The regions with a sharp decline in the incidence of suspected fraud were Liguria (dropping to 1.9% in 2022, from 2.1% in 2021 and 6.9% in 2020) and Abruzzo (1.9% from 2.6% and 4.2%).

Overall, the proportion of claims terminated without settlement following anti-fraud action diminished across all regions in 2022, with the lowest rates over the last five years registered in the North (4.2%), in the peninsular South (13.1%) and in the islands (11.6%).

Table 4 – Indicators of anti-fraud action for life (pure risk) and non-life, non-motor classes by region and geographical macro-area

Geographical macro-area		No. of claims investigated / No. of claims filed				No. of claims closed without settlement / No. of claims investigated				No. of formal legal complaints / No. of claims investigated			
		2022	2021	2020	2019	2022	2021	2020	2019	2022	2021	2020	2019
NORTH	Emilia-Romagna	2.0%	2.1%	2.8%	1.7%	11.2%	12.8%	12.4%	13.8%	0.5%	0.5%	1.1%	1.0%
	Friuli-Venezia Giulia	1.4%	1.5%	1.2%	1.3%	15.3%	11.0%	11.2%	11.1%	0.6%	0.4%	0.9%	1.5%
	Liguria	1.9%	2.1%	6.9%	1.9%	18.8%	15.9%	3.8%	12.7%	1.8%	0.6%	0.2%	0.8%
	Lombardy	3.9%	3.6%	4.7%	1.4%	3.7%	4.0%	2.7%	6.9%	0.2%	0.2%	0.2%	0.6%
	Piedmont	4.6%	3.3%	2.1%	1.1%	1.7%	2.5%	4.3%	8.4%	0.2%	0.3%	0.5%	1.9%
	Trentino-Alto Adige	1.4%	1.7%	1.9%	1.6%	11.1%	12.2%	12.1%	5.5%	0.2%	1.0%	0.3%	3.5%
	Valle D'Aosta	1.3%	1.2%	1.3%	1.1%	15.0%	20.3%	26.2%	29.3%	0.6%	0.7%	0.0%	0.8%
	Veneto	1.1%	1.0%	0.7%	0.6%	10.7%	13.6%	18.5%	15.2%	0.3%	0.4%	0.4%	0.5%
	Total North	*3.3%*	*2.8%*	*2.9%*	*1.2%*	*4.2%*	*5.1%*	*4.9%*	*9.4%*	*0.3%*	*0.3%*	*0.3%*	*1.0%*
CENTER	Lazio	0.8%	0.6%	1.4%	0.5%	9.2%	9.9%	4.6%	13.2%	1.4%	1.2%	1.2%	5.1%
	Marche	1.6%	1.9%	1.7%	1.7%	12.8%	13.7%	17.0%	10.3%	1.0%	1.0%	2.0%	1.8%
	Tuscany	1.8%	1.5%	1.7%	1.1%	9.9%	12.1%	11.5%	14.2%	0.4%	0.7%	2.1%	0.9%
	Umbria	2.5%	2.3%	2.6%	2.1%	12.4%	14.3%	15.6%	11.5%	1.3%	1.7%	1.5%	10.3%
	Total Center	*1.1%*	*0.9%*	*1.5%*	*0.7%*	*9.9%*	*11.3%*	*7.2%*	*13.1%*	*1.0%*	*1.0%*	*1.4%*	*3.7%*
SOUTH	Abruzzo	1.9%	2.6%	4.2%	4.2%	22.7%	19.6%	18.2%	31.2%	1.6%	1.6%	1.5%	0.6%
	Basilicata	2.2%	1.6%	1.8%	1.5%	11.0%	15.5%	18.9%	14.0%	0.6%	2.0%	7.9%	31.8%
	Calabria	3.2%	2.2%	1.9%	1.7%	10.9%	12.6%	15.6%	13.8%	1.0%	2.4%	6.1%	8.1%
	Campania	4.1%	3.1%	2.8%	2.0%	13.2%	13.7%	17.8%	22.6%	1.8%	2.4%	22.0%	22.7%
	Molise	1.5%	1.4%	1.9%	1.0%	13.0%	19.3%	51.6%	47.1%	1.7%	6.4%	11.3%	61.8%
	Puglia	2.1%	1.8%	1.8%	1.3%	11.3%	11.7%	12.3%	13.6%	1.8%	2.2%	8.2%	10.0%
	Total South	*2.9%*	*2.4%*	*2.5%*	*2.1%*	*13.1%*	*14.0%*	*17.0%*	*23.1%*	*1.6%*	*2.3%*	*11.8%*	*11.1%*
ISLANDS	Sardinia	1.2%	1.1%	1.5%	1.2%	16.8%	15.3%	15.8%	15.0%	1.1%	1.2%	0.5%	3.4%
	Sicily	2.1%	1.7%	1.6%	1.1%	10.0%	13.1%	14.2%	17.0%	1.9%	2.3%	12.1%	3.5%
	Total Islands	*1.8%*	*1.4%*	*1.6%*	*1.2%*	*11.6%*	*13.7%*	*14.7%*	*16.3%*	*1.8%*	*2.0%*	*8.4%*	*3.4%*
	Not specified	0.7%	0.7%	0.5%	0.3%	63.5%	26.4%	48.0%	42.3%	0.2%	0.2%	0.5%	2.2%
	Total Italy	2.6%	2.2%	2.4%	1.1%	6.0%	6.8%	6.3%	11.9%	0.5%	0.6%	1.3%	2.5%

Insurance companies were asked to report the most frequent type of fraud recorded in the last year for each insurance class.

These were:

- Life insurance (pure risk): reticent statements (omission of pre-existing conditions) when stipulating a contract; information about beneficiaries not clear or modified before the death; false death certificates; violent willful death reported as natural death; false signature on contract documents.
- Accident: false physician's statement; coexistence of multiple policies for the same risk, not declared pursuant to Article 1910 of the Civil Code, to procure unwarranted extra compensation for the same accident; pre-existing injuries; false description of accidents that would otherwise not be eligible; pre-existing multiple accidents; accidents reported as occurred in the days immediately preceding the stipulation or expiry of the contract; diagnostic and medical centers not actually operational; anomalous claims in respect of policies with high payment permanent disabilities and damages due to road accidents (bicycles, scooters, or pedestrians) for which the accident is not ascertained; policies underwritten in respect of persons who do not meet the necessary requirements to accept the risk; inconsistent causal relationship between the injury and the dynamic of the accident.
- Sickness: pre-existing conditions; false or reticent statements when stipulating the contract; false statements regarding the claim which would have otherwise not been eligible; false medical documentation; false invoices for medical expenses; policies underwritten when the trip had already started; simulated claims.
- Land vehicles: claims for accidents that have never occurred; claims for incompatible, excessive or pre-existing damage; simulated damages due to road accidents or total/partial vehicle theft including after the vehicle has been sold; underwriting of policies in respect of foreign vehicles never imported in Italy; damages due to road accidents reported as vandalism/hail; untruthful accounts of the dynamic of accidents otherwise ineligible; policies underwritten after the accident; vehicles from which some parts have been removed/disassembled to simulate partial damage and then reassembled; appraisals on inconsistent keys.
- Watercraft: claims for the sinking of vessels not used for years; simulated theft; self-inflicted or pre-existing damage; technically incompatible damage.
- Goods in transit: simulated damage and theft; forged documentation; excessive damage claims; indemnity paid for stolen goods that were found to be unsold or deteriorated; forged documentation certifying the transport or the goods transported; damage incompatible with the account of the accident; claims for accidents that have never occurred.
- Fire and natural forces: arson; self-caused fires; excessive damage claims; claims for pre-existing damage; untruthful accounts of the dynamics of accidents otherwise ineligible; simulated claims through malicious acts; forged documentation; multiple claims lodged for the same event.
- Other property damage: simulated theft or reporting of theft for an amount close to the capital insured; forged documentation; excessive damage claims; untruthful accounts of the dynamic of accidents otherwise ineligible; report-

ing of pre-existing damage; simulated acts of vandalism for money-laundering and other purposes; agricultural risk claims for damage that pre-dates the insurance coverage; indemnity in respect of goods whose property has never been transferred to the policyholder.

- General third-party liability: claims for accidents that have never occurred; forged documentation; undue assumption of liability by the insured party for damages suffered by relatives or acquaintances; omission of statement of family relation; claims for accidents that occurred in a place different from that insured; accidents occurring differently from the way they are reported; untruthful accounts of the dynamic of accidents otherwise ineligible; excessive damage claims; technically incompatible damages; policies underwritten specifically for the purpose of subsequently submitting claims for pre-existing damage and risk; claims for workman's compensation for new or fake hires.
- Miscellaneous financial loss: reporting of claims for loss of employment with attempted falsification of documents; recidivism and multiple claims, falsified documentation, veterinary expenses for pre-existing conditions and reported date of the claim immediately after the end of the latency period, false statements of reasons for trip cancellations, simulated or false sickness/vacation days revoked, excessive damage claims, untruthful accounts of the dynamic of accidents otherwise ineligible.
- Legal expenses: knowledge of risk for pre-existing event, recurrent presence of the same lawyer and involving the same policyholder in events with similar characteristics, claims reported with a date of the event following that on which the policy is underwritten and for facts that were already known, untruthful accounts of the dynamic of accidents otherwise ineligible.
- Assistance: underwriting of travel policies after the trip has already started, simulated mechanical failures and events, speculation on replacement cars, untruthful accounts of the dynamic of accidents otherwise ineligible.

COSTS AND SAVINGS OF ANTI-FRAUD ACTION

Thanks to the collaboration of the anti-fraud officers of member companies, ANIA continued to conduct the survey, started last year, of the industry-wide cost to insurers of their anti-fraud action in 2022 and of the estimated amount they saved thanks to it.

Referring to the information IVASS already requires from insurers in their motor liability fraud reports pursuant to Regulation 44/2012, ANIA asked insurers to use the same method to calculate the saving both for motor and non-motor insurance. In addition, insurers were asked to add the saving derived from "better settlements" (i.e., claims for which anti-fraud investigation led to a saving on settlement amounts).

The companies taking part in the survey accounted for over 60% of premiums in motor liability and around 57% in non-motor insurance.

This sample data then served as the basis for the estimate of the total cost of insurers' anti-fraud action in 2022 and of the saving (cases closed with no settlement and those with "better settlement"),[4] as follows:

Table 5
Net saving from anti-fraud action, 2022
Euro million

Insurance class	Estimate for entire market		
	Saving (1)	Cost (2)	Net saving (3) = (1) - (2)
Motor liability	527.8	71.0	456.8
Non-motor	257.9	15.4	242.5
Total (*)	785.7	86.4	699.3

(*) The estimate is based on the relevant market share, represented by the insurance companies that partecipated in the survey, calculated separately for motor liability and non-motor premiums.

As Table 5 shows, in the motor liability branch the entire industry spent about €70 million to combat fraud in 2022 and brought home total savings of over €500 million. For non-motor insurance, the figures were respectively around €15 million and over €250 million.

The total net gain for insurers from anti-fraud activity (which cost about €90 million), for both motor and non-motor insurance, thus came to an estimated €700 million, up from the previous year.

The comparison with the data for 2021 (up across all the items analyzed) shows an increase in investment in anti-fraud action for the non-motor branch and proportionally more saving.[5]

This confirms that anti-fraud action plays a strategic role in limiting the cost of undue settlements and, therefore, in effectively supporting the insurance market.

ANIA'S ANTI-FRAUD ACTION IN 2022

With a series of studies and inquiries, ANIA continued its activity directed to developing the most effective strategies for supporting insurers in battling fraud and optimizing the management of the risks that arise from an ever-evolving context.

In particular, in 2022, as in previous years, the Association invested significant resources in its campaign to sensitize public opinion to the harm that insurance fraud does to the entire group of honest policyholders. In this respect,

[4] In calculating the saving from "better settlement," as well as the total cost, insurers may have applied non-homogeneous standards. For costs, some companies may have neglected certain expenses actually sustained (the cost of developing cloud infrastructure, say, or of advanced analytics for models and forecasts, and the personnel assigned by outsourcers to developing tools and models for investigation and checks). This could well entail an underestimate of the total cost.

[5] In 2021, non-motor branches spent €13.6 million and saved a total of €229.5 million.

the ANIA-Consumers Forum held a series of workshops on the issue for various consumer organizations.

ANIA's work to support law enforcement bodies in collecting information for investigation of insurance-related crimes continued. In 2022, the authorities submitted to ANIA 891 requests for support. Of these, 485 were sent via email and mainly (45%) by the Carabinieri precincts in the provinces of Milan, Naples and Rome. In addition, with a view to favoring the action of investigative magistrates, ANIA continued its dialogue with public prosecutors' offices aimed at producing memorandums of understanding to foster coordinated action against insurance fraud by ANIA – in synergy with insurance companies themselves – together with law enforcement bodies and prosecutors.

To this end, over the course of 2022 ANIA and the Public Prosecutors' offices of Milan, Naples, Catanzaro, Turin and Trani signed memorandums of understanding to regulate operational best practices to ensure more rapid and fluid communication and information exchange on episodes in the insurance field deemed to be of penal relevance, hence fostering more timely and effective action against fraud and fraud-related crimes. In parallel with the definition of the memorandums of understanding, ANIA intends to implement, at national level, an operational model that can define in detail the technical specifications for the new way of collaborating between ANIA or insurance companies and Public Prosecutors' offices, based on the principles laid out in the memorandums of understanding.

The implementation of the Memorandums, for instance, includes the organization of anti-fraud action courses for personnel of the Judicial Police, to study in depth how to interrogate ANIA's databases and the procedures adopted by insurance companies when investigating claims with high suspicion of fraud to support the investigation with every detail.

With a view to favoring synergy, projects and exchange of technical know-how with the interested bodies, insurance companies, supported by ANIA, are calling for the creation of specialized divisions in the main Public Prosecutors' offices in Italy dedicated to dealing with fraud-related crimes in order to easily implement all types of dialogue and collaboration with the investigative authorities.

This opportunity for dialogue with the judiciary, thanks to the activities described earlier, made it possible to draft the first guidelines for insurers on how to prepare the investigation files based on the advice provided by the Public Prosecutors' offices themselves.

Projects completed in 2022 included the drafting of the anti-fraud guidelines for claims adjusters in the motor liability sector, supplementing the work initiated in 2019 to lay down guidelines for the anti-fraud action of persons acting for the insurer (forensic physicians, lawyers, property adjusters, investigators); these guidelines are a useful tool in the creation of comprehensive and standardized complaint files for fraud-related offenses, to facilitate Prosecutors' offices in their preliminary investigations.

These measures are designed to speed up the procedures necessary to deal with insurance-related crimes and, thus, avoid the real risk of the statute of limitations expiring before the legal process has been concluded.

Last year, the Association, with the approval of the Italian Antitrust Authority (Market and Competition Guarantee Authority, AGCM) launched a project to design a platform, made available to the market, to collect information (descriptive, qualitative and non-sensitive data) on fraudulent practices observed by insurers throughout the business, so as to facilitate insurers in picking up phenomena likely to be connected with organized crime or simply recurrent patterns of fraud in the national market. The platform is proving to be of the greatest efficacy in bringing out recurrent fraudulent activity to the detriment of a number of different insurers at once. This tool has already enabled ANIA, in compliance with personal data protection and antitrust regulations, to support the market in dealing with fraud-related crimes of association, by organizing dedicated working groups with companies affected by the same phenomena, to share practices and identify possible monitoring and/or mitigating actions to be implemented collectively.

In addition, ANIA distributed among its members a questionnaire on the actions taken by its anti-fraud office with regard to the main problems tackled and the tools designed and made available to the insurers, hopefully to receive useful suggestions for its future projects. The results show that insurers are keenly interested in using the anti-fraud platform: respondents unanimously agreed on the importance of sharing information regarding the characteristics of the fraudulent events to identify them in advance, contrast and suppress them on a large scale, and are considering the possibility of organizing shared actions to make up for the current lack of claims databases for classes other than motor liability.

Lastly, ANIA, via ANIA SAFE, accepted its members' request for support via an ad hoc tool that can verify the IBAN/account holder pair when settling a claim to concretely counter the risk of mistakes, fraudulent behavior or money laundering.

This tool will allow the market to bring to light anomalous situations that should be examined more thoroughly during the investigation, and guarantee that the legitimate beneficiary is compensated for the damages.

8

HUMAN RESOURCES AND LABOR

STAFF AND LABOR COSTS

Personnel make-up and costs: the statistics

At the end of 2022 the Italian insurance industry's managerial and non-managerial staff numbered 46,404, slightly down from a year earlier (-0.3%), when total staff came to 46,524. In fact, this number has remained rather stable since 2020 and has increased by fewer than 100 (+ 0.2%).

The staff estimate for the entire Italian insurance industry, which includes some 3,500 employees of subsidiaries covered by the industry-wide labor contract, is based on data from a sample of companies accounting for about 80% of total insurance payroll employment.

Staff comprises administration personnel (37,019 employees), dealers and organization staff (6,008), contact center staff (1,966)[1] and managers (1,411).

Interestingly, for the entire industry, the number of women employed in 2022 remained almost stable compared with the previous year (down just 0.2%), while male employment decreased slightly more (-0.4 %).

Overall, at the end of 2022 female personnel accounted for 48% of the total, essentially the same as a year earlier. About 53% of all insurance employees are now university graduates, and 44% have upper secondary school diplomas.

The total cost of staff (including administration staff, managers and contact center personnel but not dealers and their organization staff) amounted to €4,013 million in 2022, 2.7% more than in 2021. This increase is attributable to the remuneration policies implemented by insurers during the year, to what was agreed during the renewal of the national collective bargaining agreement applicable to non-managerial staff, as well as to some major corporate restructuring and reorganization projects, continuing those of the previous year.

The per capita cost[2] for these employees came to €99,055, up by 3.0% from 2021.

The total cost for dealers and related staff rose as well, to €390 million (+4.3%), owing to the combined effect of the positive employment trend (+1.9%) and of the new collective bargaining agreement.

Their per capita costs thus increased by 1.1% in 2022 to €65,535.

[1] Contact center staff is subdivided into contact center operations employees (formerly called "call center, first section") numbering 1,440, and contact center sales employees (formerly called "call center, second section") numbering 526.

[2] In accordance with the established practice, to enhance the statistical significance of the data, per capita labor costs are calculated using the semi sum method as the total staff cost for a given year over the average number of employees in service during that year and the previous one.

Data for entire market, obtained projecting to 100 those supplied by insurers accounting for 80%

Number of staff

Year	Administrative (*)	Dealers	Total
2012	42,498	5,214	47,712
2013	42,747	5,189	47,936
2014	42,199	5,253	47,452
2015	41,536	5,218	46,754
2016	41,598	5,252	46,850
2017	41,402	5,156	46,558
2018	41,073	5,124	46,197
2019	41,270	5,398	46,668
2020	40,651	5,649	46,300
2021	40,630	5,894	46,524
2022	40,396	6,008	46,404

(*) Administrative, contact center and managerial staff

Total staff costs
Euro million

Year	Administrative (*)	Dealers	Total
2012	3,478	262	3,740
2013	3,635	262	3,897
2014	3,742	274	4,016
2015	3,735	292	4,027
2016	3,832	287	4,119
2017	3,857	285	4,142
2018	3,824	278	4,103
2019	3,882	311	4,193
2020	3,815	326	4,141
2021	3,909	374	4,283
2022	4,013	390	4,403

(*) Administrative, contact center and managerial staff

Change in total staff costs (from the previous year)
(%)

Year	Administrative (*)	Dealers	Total
2012	5.9%	-1.7%	5.3%
2013	4.5%	0.0%	4.2%
2014	3.0%	4.3%	3.0%
2015	-0.2%	6.6%	0.3%
2016	2.6%	-1.7%	2.3%
2017	0.6%	-0.6%	0.6%
2018	-0.8%	-2.3%	-0.9%
2019	1.5%	11.7%	2.2%
2020	-1.7%	4.8%	-1.2%
2021	2.5%	14.8%	3.4%
2022	2.7%	4.3%	2.8%

(*) Administrative, contact center and managerial staff

Change in per capita staff costs (from the previous year)
(%)

Year	Administrative (*)	Dealers	Total
2012	5.0%	0.5%	4.8%
2013	3.8%	0.9%	3.7%
2014	3.3%	3.9%	3.3%
2015	1.3%	6.3%	1.5%
2016	3.3%	-1.7%	2.9%
2017	0.8%	0.0%	0.8%
2018	-0.2%	-1.1%	-0.2%
2019	1.7%	9.1%	2.1%
2020	-1.2%	-0.2%	-1.3%
2021	3.3%	9.8%	3.6%
2022	3.0%	1.1%	2.7%

(*) Administrative, contact center and managerial staff

For the entire industry – i.e., administration and managerial staff, contact centers, and dealers and their organizational staff – the companies' total staff labor costs increased by 2.8% to €4,403 million, and per capita costs rose by 2.7% to € 94,760.

LABOR REGULATIONS AND THE INDUSTRY SOLIDARITY FUND

Last year ANIA's activities of support and advice to insurers again included labor issues, illustrating and explaining the laws and regulations that were enacted.

The most important provisions regarding the insurance industry are discussed below.(3)

1. The Government issued two implementing decrees, one concerning the two-year report on the status of male and female personnel and another on gender equality certification.

   With regard to the two-year report, new rules have been established on how to prepare the report for all companies with more than 50 employees.

   Differently from the previous regulation contained in the "Equal Opportunity Code", employers are required to add new and relevant information.

   As regards gender equality certification, instead, the Government has identified the parameters for issuing issue the gender equality certification to companies and involving company trade union representatives and local and regional gender equality advisors. The gender equality certification system – one of the objectives of Mission 5 (inclusion and cohesion) of the NRRP – was established, with effect from 1 January 2022, by Law 162/2021, which amended the Equal Opportunity Code (Legislative Decree 198/2006), and certifies that the company has implemented tangible policies and measures to bridge the gender gap, with respect to career opportunities within the company, equal pay for equal work, policies to manage gender inequality, and safeguards for maternity.

   Obtaining this certification benefits companies in two ways: they are entitled to a tax relief of maximum 1% capped at €50,000 per year per company and they can obtain reward points if they participate in calls for tenders and access funds at European, national and regional level.

   Lastly, on 7 December 2022, the long-anticipated Directive 2022/2381 on improving gender balance among directors of listed companies was published in the *Official Journal of the European Union.*

(3) The most relevant provisions are those of: the Ministerial Decree of 29 March 2022, the implementing decree of 29 April, Legislative Decree 104 of 27 June 2022, Legislative Decree 105 of 30 June 2022, Law 197 of 29 December 2022, and Law 14 of 24 February 2023.

The Directive, which does not apply to companies with fewer than 250 employees, entered into force on 27 December 2022 and grants Member States two years to implement the new rules.

2. The 2023 Budget Law provides for the measures described here below.

   Sums paid out in 2023 as production bonuses are subjected to a 5% substitute tax, half of what was applied until 2022.

   Pay periods from 1 January 2023 to 31 December 2023 benefit from relief of 2 percentage points on social security contributions for remunerations that do not exceed a certain threshold.

   With regard to social security, the 2023 Budget Law introduced a new early retirement scheme for 2023 that will allow workers to retire with 41 years of contributions and 62 years of age (so-called ”Quota 103”). In addition, workers who are eligible for early retirement but do not exercise the option can waive the payment of their share of social contributions in respect of the mandatory social security scheme and authorize the employer to credit the corresponding amount directly to the paycheck.

   Two of the measures contained in the 2022 Budget Law were confirmed also this year, i.e. the “woman’s option” and “Social APE”.

   Lastly, workers whose maternity or paternity leave ends after 31 December 2022 and who decide to use their parental leave will be entitled, until the child reaches the age of 6, to an economic allowance of 80% (previously 30%) of the salary for a maximum of one month.

3. As to remote working, in the two-year period 2022-23 numerous provisions on simplified remote working were extended.

   For “fragile” workers, the omnibus Decree Law 198/2022 extended to 30 June 2023 the provisions establishing the right to simplified remote working, possibly assigning them different tasks within the same category or job grade, as defined by the collective bargaining agreement in force, without pay cuts.

   The same measure applies for parent workers with children under the age of 14.

   For all other workers, the simplified remote working scheme terminated on 1 January 2023.

4. With the so-called “Transparency Decree”, the Italian Government transposed Directive (EU) 2019/1152 on transparent and predictable working conditions.

   In compliance with EU standards, the Decree introduces new disclosure requirements for employers when concluding an employment contract, covering working conditions, duration of the contract, trial period and also minimum predictability of work in case of “atypical” jobs.

5. Legislative Decree 105/2022 implements Directive (EU) 2019/1158 on work-life balance for parents and caregivers. The aim is to achieve equal sharing of caregiving responsibilities between women and men and gender equality at work and at home, facilitating reconciliation of work and family life.

   In particular, the Decree establishes: new rules for parental leave; new safeguards for the caregivers of people with disabilities; new rules for the right to paid maternity leave for self-employed workers and professionals, also in case of early leave due to at-risk pregnancy.

   The total duration of the parental leave for single parents is extended by one month and new rules are implemented to grant priority access to remote working to parent workers with children under 12.

6. Finally, with regard to social security, the omnibus Decree confirmed up to 2026 the extension to 7 years of the early retirement window (instead of the four years provided for under the early retirement scheme).

The Intersectoral Solidarity Fund for income support, jobs, occupational reconversion, and requalification for employees in insurance and social assistance (Ministerial Decree 78459/2014)

On 16 November 2022, ANIA and the sectoral trade unions signed the agreement amending the Regulation on the Intersectoral Solidarity Fund, which sought to improve the way the Fund works, creating new benefits while making fruitful use of existing resources. These measures are aimed at extending:

- passive policies, i.e. social safety nets, in order to facilitate, support and strengthen the take-up of the Fund's extraordinary benefits; and
- active policies, using a synergy of tools to fund training plans to improve/transform workers' skills.

In particular, new benefits were introduced, including: the generational relay, the expansion contract and the supplementary unemployment benefit in case of involuntary loss of one's job.

This agreement is currently being examined by the Ministry of Labor and Social Policies for subsequent transposition into the Interministerial Decree that will incorporate the new Fund Regulation.

As to the Intersectoral Fund's activity, insurance companies and groups engaged in major corporate reorganization will have recourse to the Fund's extraordinary benefits again in 2023.

Single National Fund for insurance against risk of non-self-sufficiency (Long Term Care Fund)

The activity of the Board of Directors of the LTC Fund to ensure payment to eligible beneficiaries continued also throughout 2022.

LABOR RELATIONS AND COLLECTIVE BARGAINING, INDUSTRY-WIDE AND COMPANY-LEVEL

On 12 July 2022, ANIA and FIRST-CISL, FISAC-CGIL, F.N.A., SNFIA and UILCA signed the Memorandum of Understanding updating the measures to prevent, combat and contain the spread of the COVID-19 virus in working environments.

The Memorandum, which followed a similar agreement signed on 30 June 2022 by the Government, trade unions and employers' organizations (but not by ANIA), updated the measures contained in the two Memorandums of Understanding for the insurance industry signed after the state of emergency had been declared, taking into account the various measures adopted by the Government, the Ministry of Health, and the legislation in force, as well as the provisions of Circular 1/2022 containing guidelines for the use of respiratory protective equipment issued by the Minister for Public Administration on 29 April 2022.

On 16 November 2022, a draft agreement was signed to renew the national collective bargaining contract for non-managerial employees of the insurance and assistance industries; the two new collective contracts terminate on 31 December 2024.

The agreements with the trade unions were signed after complex negotiations – during which the parties addressed issues of particular relevance for insurance undertakings – characterized by a mature and constructive dialogue that captured the changes under way, providing a regulatory framework of reference that takes account of the firms' ever-increasing needs for flexibility.

The new industry-wide collective bargaining agreement introduced a series of significant changes, including, first and foremost, the economic aspects of the personnel classification system; in fact, full fungibility was introduced between the highest job grades for clerical staff (Grades 5 and 6), to increase employees' opportunities to take part in cross-sectoral work activities and make sure employers can rely on an adequate level of agility in their ordinary management of labor relations.

As regards contract coverage, the new agreement provides for more extensive flexibility for in-house contact center sales employees in the performance of their tasks, to avoid outsourcing.

A sort of "cooling off" procedure has also been introduced, whereby trade unions can intervene in the management of corporate reorganization and restructuring processes through conservative measures, such as, for example, task reassignment.

Significant changes have been introduced also in respect of fixed-term contracts, including the specification of so-called "collective" reasons for recourse to fixed-term contracts (four objective and four subjective), and a 30% increase in the maximum number of employees that can be hired under this type of contract.

Civil and social rights have also been addressed extensively, with enhanced measures for disability inclusivity, health and safety, welfare, gender policies and parenthood.

More specifically, the so-called "Time Bank" was established, a leave-sharing program that allows employees to donate accrued vacation days in excess of the four weeks of minimum mandatory paid leave to fellow employees who have exhausted all paid leave available to them, including for the current year, so that they can take care of their partners or close relatives who, owing to their health conditions, require constant, appropriately documented care.

With regard to companies subjected to compulsory administrative liquidation, Annex 17 to the collective bargaining agreement of 22 February 2017 was confirmed and with it companies' commitment to reserve 3% of their permanent hiring to workers made redundant by companies under compulsory liquidation. These workers will be initially hired on fixed-term contracts for a period of 36 months.

In light of the exceptional events of recent years, which have led to a fundamental change in working procedures and organizational models, unions and employers have agreed to set up a National Joint Observatory dedicated to digitization and technological innovation to monitor and promptly examine the changes in the insurance industry as a result of the introduction of new technologies and digitization more in general.

Special joint committees were established, dedicated to job grades, contract coverage and trade union leave. These committees will have the precise objective, throughout the duration of the contract, of sharing their monitoring, checking and in-depth analysis activities conducted with regard to specific issues within their remit.

Lastly, the tasks entrusted to the National Equal Opportunity Committee have been broadened, focusing in particular on gender equality, gender diversity and work-related inclusivity.

As regards the collective bargaining agreement for insurance/assistance companies, the new agreement introduced a comprehensive new set of rules on fixed-term contracts, which, in addition to transposing the general rules already laid down in the agreement for insurance companies of 22 February 2017, provides for "collective"reasons for recourse to fixed-term hiring (3 objective and two subjective) and raises to 45% the maximum number of workers who may be employed under this type of contract (including the extra ad hoc share for staff employed in the service operations centers).

With regard to contract coverage, a new contract provision was introduced for insurance companies which envisages that the signatory parties will continue the verification process preliminary to a possible integration of the collective bargaining agreements for the assistance and insurance industries.

In terms of economic demands, with regard to the collective bargaining agreement for non-managerial employees of insurance companies, the draft agreement signed on 16 November 2022, for a five-year contract, provides for an increase of €205 in gross monthly salary for 2023-24 for the typical insurance employee.

With regard to the collective bargaining agreement for employees of insurance/assistance companies and service companies intrinsically functional to them the draft agreement provides, for a five-year contract, for an increase of €170 in gross monthly salary for the typical employee for the period 2023-2025.

Gender equality certification

ANIA's Industrial Relations Department, in collaboration with Roma Tre University and ANIA SAFE, launched a compliance procedure for companies on issues relating to women's employment and the promotion of gender equality, introducing the gender equality certification system, in accordance with the New UNI Guidelines (UNI/PDR 125:2022). Specifically, ANIA SAFE and Roma Tre University partnered to provide companies with highly qualified technical and scientific support tailored to the specific features of the insurance sector, and help them in the design, assessment and reporting of measures to promote a culture of inclusivity, also with a view to gender budgeting and gender equality certification, heightening the awareness and maturity of individual companies with regard to gender equality.

Agreements with trade unions on corporate reorganization and restructuring

Throughout 2022 and 2023, ANIA continued to provide consulting and support to insurance companies in relation to corporate reorganization and restructuring and assist them as regards the procedures for requesting the ordinary and extraordinary benefits of ANIA's Intersectoral Solidarity Fund.

9

INSURANCE DISTRIBUTION

INSURANCE DISTRIBUTION

The share of life premiums written through bank and post office branches increased in 2022, while that accounted for by financial salesmen decreased. In the non-life sector, agents retained their position as the main channel of insurance distribution, despite a marginal decline in market share, while bank and postal branches and brokers gained in percentage terms. However, an ANIA study based on data from the Italian Association of Insurance and Reinsurance brokers (AIBA) has shown that the insurance company figures underestimate the importance of brokers in the non-life sector.

LIFE INSURANCE

After gaining 4.5% in 2021, written life premiums declined by 11.0% in 2022, as business was hampered by a difficult economic situation and the downward trend in the financial markets.

Bank and post office branches, whose premium volume contracted less than the market average (-8.7%), continued to account for the majority of life insurance distribution, their market share rising from 55.4% to 56.8%, still less, in any case, than the average of 58.7% over the past five years (Table 1).

Table 1 – Breakdown of distribution channels, 2018-2022. Life classes

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Change (%)	Annual change (%)					Average change (%)
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	(2018-2022)	2018	2019	2020	2021	2022	(2018-2022)
Bank branches [1]	62,389	64,735	59,964	58,619	53,510	61.1	61.1	59.2	55.4	56.8	*58.7*	3.2	3.8	-7.4	-2.2	-8.7	*-3.8*
Financial salesmen	14,184	13,983	13,856	18,911	14,148	13.9	13.2	13.7	17.9	15.0	*14.7*	-3.9	-1.4	-0.9	36.5	-25.2	*-0.1*
Agents	13,459	15,317	14,922	15,910	14,198	13.2	14.4	14.7	15.0	15.1	*14.5*	-1.8	13.8	-2.6	6.6	-10.8	*1.3*
Direct sales	10,183	10,410	11,036	10,317	10,938	10.0	9.8	10.9	9.7	11.6	*10.4*	15.8	2.2	6.0	-6.5	6.0	*1.8*
Brokers	1,833	1,567	1,551	2,116	1,474	1.8	1.5	1.5	2.0	1.6	*1.7*	95.3	-14.5	-1.0	36.4	-30.3	*-5.3*
TOTAL	102,048	106,012	101,329	105,873	94,268	100.0	100.0	100.0	100.0	100.0	*100.0*	3.5	3.9	-4.4	4.5	-11.0	-2.0

[1] *Data for this channel includes post office branches.*

Financial salesmen, instead, after the sharp gain scored in 2021, which brought their market share to some 18%, registered a significant decline in premium income in 2022 (-25.2%), lowering their market share to 15%.

Agencies, with slightly greater volume than salesmen and a decline of 10.8%, not far from the market-wide average, accounted for 15.1% of total premiums in 2022, having grained steadily over the past five years and averaging 14.5% over that period.

Direct sales, which in addition to the Internet and telephone channels also includes policies marketed through tied agencies, was the only distribution channel to score an increase of volume in 2022 (+6.0%), bringing its market share to 11.6% and a five-year average of 10.4%.

Brokers, after the growth registered in 2021, suffered a 30% drop in premium volume, driving their market share back down to 1.6%, on a par with the preceding years and the five-year average.

By type of life insurance business (Tables 2 and 3), Class I premiums (i.e., for traditional life insurance policies) decreased by 2.6%. In particular, banks and post offices retained the volume level of 2021 and increased their share from 60.8% to 62.4% of the total; financial salesmen also increased their share, from 7.7% to 7.9%. The other channels all recorded declines. Agents, the second channel for Class I policies, suffered a larger-than-average fall of 8.5%, thus slipping from 17.5% to 16.5% of the total. Direct sales lost 3.2% in premium volume, keeping their share steady at 11.5%, while brokers lost over 30%, bring their share back down to 1.8%.

Table 2
Breakdown of life market by class and distribution channel (%)

Class	Agents	Brokers	Bank branches [1]	Financial salesmen	Direct sales	Total
YEAR 2022						
I - Life	16.5	1.8	62.4	7.9	11.5	100.0
III - Investment funds	11.6	1.0	50.1	31.4	5.9	100.0
IV - Health	70.4	8.8	10.1	0.3	10.4	100.0
V - Capitalization	20.3	5.1	29.8	0.8	44.1	100.0
VI - Pension funds	13.8	1.2	24.3	7.7	53.0	100.0
Individual retirement policies [2]	46.4	0.3	7.0	24.0	22.3	100.0
TOTAL LIFE	15.1	1.6	56.8	15.0	11.6	100.0
YEAR 2021						
I - Life	17.5	2.4	60.8	7.7	11.5	100.0
III - Investment funds	10.4	0.8	49.5	34.8	4.6	100.0
IV - Health	67.6	9.2	12.8	0.4	10.0	100.0
V - Capitalization	24.2	19.0	21.9	0.9	34.0	100.0
VI - Pension funds	18.5	1.5	32.9	9.9	37.2	100.0
Individual retirement policies [2]	36.7	0.1	27.1	19.1	17.0	100.0
TOTAL LIFE	15.0	2.0	55.4	17.9	9.7	100.0

Table 3
% change 2022/2021 in life premium volume by class and distribution channel

Class	Agents	Brokers	Bank branches [1]	Financial salesmen	Direct sales	Total
I - Life	-8.5	-30.1	0.0	-0.1	-3.2	-2.6
III - Investment funds	-19.0	-8.1	-26.4	-34.4	-6.4	-27.4
IV - Health	30.4	19.5	-1.3	-16.4	30.0	25.1
V - Capitalization	-9.9	-71.4	46.3	-11.7	39.3	7.5
VI - Pension funds	-0.5	7.3	-1.4	2.8	89.9	33.3
Individual retirement policies [2]	1.8	56.7	-79.4	1.4	5.4	-19.6
TOTAL LIFE	-10.8	-30.3	-8.7	-25.2	6.0	-11.0

[1] *Data for this channel includes post office branches*

[2] *Individual retirement plan premiums (written as per Article 13, paragraph 1(b) of Legislative Decree 252/2005) are a subgroup of individual policies in Class I (life) and Class III (investment funds).*

As a consequence of the significant decline in stock markets, Class III policy premiums dropped by over 27% in 2022. All the distribution channels saw a decline in premium volume. That of banks and post office branches was slightly less sharp, at 26.4%, so their overall incidence edged up from 49.5% to just over 50%. The second-leading channel, financial salesmen, lost over three percentage points from 34.8% of the total in 2021 to 31.4% last year. The other channels registered smaller-than-average declines and so increased their market shares: agents, whose volume decreased by 19%, accounted for 11.6% of Class III business, up from 10.4%; direct sales, with a 6.4% decline in volume, gained in share from 4.6% to 6%; and brokers, with a volume contraction of 8.1%, increased their marginal share from 0.8% to 1.0%.

Premiums on capital redemption policies (Class V), instead, gained 7.5% on the year. The two leading channels, direct sales and banks, both gained significantly, by 39.3% and 46.3% respectively. The share of direct sales went up by over 10 percentage points, from 34.0% to 44.1%, while that of bank and postal branches rose from 21.9% to 30%. The other distribution channels lost premium income: that of agents decreased by some 10% and their share dropped from 24.2% in 2021 to 20.3% in 2022; brokers suffered a drastic decline of 71.4% in premiums and a consequent plunge in market share from 19.0% to 5.1%; and financial salesmen, finally, saw their premium collection diminished by 11.7%, further reducing their market share to 0.8%.

Class VI products (pension funds) recorded the largest increase of all life classes by comparison with 2021, gaining 33.3% in volume. Direct sales, thanks to soaring premium income (up 89.9%) registered an increase in market share from 37.2% to 53.0%, remaining by far the leading channel for pension fund products. All the other distribution channels lost share, as their premium volume declined or at any rate rose less sharply than that of direct sales. Bank and postal branches saw a slippage of 1.4% in volume, reducing their share from 32.9% to 24.3%. Agents' sales declined by 0.5% and their share decreased from 18.5% to 13.8%. The premiums accounted for by financial salesmen and brokers increased, by 2.8% and 7.3% respectively, but less than the overall average; their shares accordingly declined: from 9.9% to 7.7% for salesmen and from 1.5% to 1.2% for brokers.

In 2022, premiums/contributions of individual retirement policies declined by 19.6%. The decrease was due exclusively to the bank and postal channel, whose collection of these premiums plummeted by 79.4%. From the second-ranking channel for this sector, at 27.1% of all premiums in 2021, they fell to next-to-last at 7.0%. Premiums rose across all the other distributors. More specifically, agents remain the main channel, gaining in volume (+1.8%) and in share (to 46.4%) in 2022. Financial salesmen, ranked second, gained 1.4% in volume and improved their share from 19.1% to 24.0%. Direct sales continued to rank third in the marketing of individual retirement policies, with a slight increase in market share to 22.3% in 2022. Lastly, though still marginal in incidence (0.3%), brokers increased their premium collection for these products by 56.7%.

NON-LIFE INSURANCE

Non-life premium income accelerated in 2022, gaining 4.6% after the 1.8% increase of 2021.

In detail, insurance agents increased premium collection by 3.6% and remained the predominant channel for these products, slipping very marginally from 74.0% to 73.3% of the market in 2022 (Table 4). This was also less than the channel's average share over the past five years, because in 2022, despite the largest gain in volume in absolute terms, agents' rate of growth has been less than the market average.

Table 4 – Breakdown of distribution channels, 2018-2022 – Non-life classes

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Average	Annual Change (%)[3]					Av. change (%)
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	(2018-2022)	2018	2019[3]	2020	2021[3]	2022[3]	(2018-2022)
Agents	24,912	25,417	24,880	25,276	26,154	75.3	74.1	74.2	74.0	73.3	74.2	1.0	2.0	-2.1	1.5	3.6	1.2
Brokers [1]	3,155	3,136	3,249	3,048	3,325	9.5	9.1	9.7	8.9	9.3	9.3	4.6	-0.6	3.6	-6.3	9.1	1.3
Direct sales (*)	1,361	1,538	1,474	1,589	1,641	4.1	4.7	4.5	4.7	4.6	4.5	15.8	13.0	-4.1	7.8	3.3	4.8
Distance sales (**)	1,532	1,546	1,511	1,402	1,332	4.3	4.3	4.5	4.1	3.7	4.2	1.6	0.9	-2.3	-7.2	-5.0	-3.4
Bank branches [2]	2,176	2,577	2,278	2,671	3,082	6.6	7.5	6.8	7.8	8.6	7.5	9.7	18.0	-11.6	17.2	15.9	9.1
Financial salesmen	74	87	125	159	142	0.2	0.3	0.4	0.5	0.4	0.4	-18.7	16.6	44.1	27.2	-10.6	17.6
TOTAL	33,096	34,299	33,517	34,145	35,677	100.0	100.0	100.0	100.0	100.0	100.0	2.3	3.2	-2.3	1.8	4.6	1.9

(*) *Pursuant to Article 107-bis, paragraph 1, of Legislative Decree 68/2018, the activity of insurance distribution may be exercised directly by the undertaking through: a) Headquarters and tied agencies, i.e. subsidiary or business agencies directly tied to the insurance undertaking, which perform marketing functions with offices open to the public; b) Accessory market participants registered in section F of the Single Register of Intermediaries who act with the insurance undertaking's mandate; c) Direct producers registered in Section C of the Single Register of Intermediaries who deal in insurance distribution in the life, non-life and health insurance business.*
(**) *Internet and telephone sales.*
(1) *Brokers' contribution over the years does not include the share of premiums generated through this channel with presentations via agencies and not directly to the company (estimated at 23.4 percentage points in 2022).*
(2) *Data for this channel includes premiums distributed by post office branches.*
(3) *Changes (%) are calculated on a homogeneous basis in terms of companies covered.*

Brokers increased their market share from 8.9% in 2021 to 9.3% in 2022, thanks to a substantial gain of 9.1% in premium income.

It should be noted, however, that this share is underestimated, insofar as a significant portion of the premium income they generate (estimated at 23.4% of the entire market in 2022) is presented to the insurance companies not directly by the brokers but via agencies. Taking this into account, the non-life premiums intermediated by brokers amounted to €11.7 billion (€3.3 billion in the official statistics) or 32.7% of all non-life premiums (9.3% in the official statistics). As a consequence, the volume effectively accounted for by agents should be adjusted down to €17.8 billion (and not €26.2 billion, as in the official statistics) and their market share from 73.3% to 49.9%. For motor liability insurance, brokers' share in 2022 would thus come to 10.6% against 4.5% in the insurance company figures, and agents' share would come down accordingly, from 83.2% to 77.1%. But this anomaly is significant mainly in the non-motor classes, where brokers' share should be adjusted from 12.9% in the official statistics to 49.1%, while that of agents would be reduced from 66.0% to 29.8%.

To estimate the market shares accounted for by brokers, ANIA uses data from the Italian Association of Insurance and Reinsurance brokers (AIBA) and additional information gathered from the leading Italian insurance brokers.

In particular, AIBA lacks official data on the volume of premiums handled by brokers; instead, it derives an estimate from their payments to the compulsory Guarantee Fund plus a portion of premiums deriving from brokerage fees (not subject to the compulsory contribution). On this basis AIBA estimates brokers' premiums for the entire non-life sector at about €15.9 billion, which is higher than ANIA's own estimate, owing essentially to the different estimate of premiums based on brokerage fees and to AIBA's inclusion of the premiums collected by EU insurance companies, which are not counted in ANIA's statistics.

For completeness, Table 5 shows the estimated non-life market shares of agents and brokers from 2013 on, adjusted as above. Note that in these ten years the share of total non-life insurance accounted for by brokers fluctuated between 30% and 35%, whereas the gap between the figures derived from the insurance companies and those estimated by ANIA on AIBA data was over 23 percentage points in 2022.

Table 5 – Estimated market shares of agents and brokers

Year	MOTOR				NON-MOTOR				TOTAL			
	Brokers share		Agents share		Brokers share		Agents share		Brokers share		Agents share	
	Insurance company data (%)	ANIA estimate (%)	Insurance company data (%)	ANIA estimate (%)	Insurance company data (%)	ANIA estimate (%)	Insurance company data (%)	ANIA estimate (%)	Insurance company data (%)	ANIA estimate (%)	Insurance company data (%)	ANIA estimate (%)
2013	3.5	9.8	86.3	80.0	13.3	58.1	73.3	28.5	7.9	31.4	80.5	57.0
2014	3.6	10.8	85.7	78.5	14.7	61.3	71.8	25.2	8.7	34.2	79.3	53.8
2015	3.7	10.9	85.3	78.1	13.6	57.7	71.3	27.2	8.4	33.3	78.6	53.7
2016	4.5	12.2	84.2	76.6	13.9	58.3	69.8	25.5	9.2	35.0	77.1	51.3
2017	4.7	9.1	83.8	79.4	13.9	52.6	68.9	30.2	9.3	31.1	76.3	54.6
2018	5.1	9.9	83.1	78.3	13.7	54.9	67.8	26.6	9.5	32.9	75.3	51.9
2019	4.9	9.3	82.6	78.2	13.0	48.9	66.4	30.5	9.1	30.1	74.1	53.2
2020	5.2	11.0	82.7	76.9	13.6	54.9	66.8	25.6	9.7	34.5	74.2	49.5
2021	4.4	10.0	83.1	77.4	12.6	49.7	66.7	29.6	8.9	32.0	74.0	50.9
2022	4.5	10.6	83.2	77.1	12.9	49.1	66.0	29.8	9.3	32.7	73.3	49.9

The volume of premiums collected via direct sales increased by 3.3% in 2022, less than the sector's average, thus bringing this channel's share down slightly, to 4.6%. The downtrend continued in direct distance sales, through internet and telephone, with shrinkage of 5.0% on the year, bringing this channel's share to the lowest value recorded in five years, 3.7%.

The marketing of non-life policies through bank and post office branches, after the strong growth registered in 2021, gained a further 15.9% last year. This channel's market share accordingly rose to 8.6%, and to a five-year average of 7.5%.

Financial salesmen continue to have an extremely marginal market share (0.4% in 2022).

As for motor insurance (third party liability and land vehicles) agents are still the main sales channel, accounting for over 83% of the entire market in 2022, the same as in 2021 (Tables 6 and 7). In 2022 direct distance sales remained

INSURANCE DISTRIBUTION

Table 6
Breakdown (%) of non-life market by class and distribution channel

Class	Agents	Brokers [1]	Bank branches [2]	Financial salesmen	Direct sales	Direct distance sales		Total
						Telephone	Internet	
YEAR 2022								
Motor liability	85.1	3.9	2.4	0.0	0.6	1.3	6.7	100.0
Land vehicle insurance	77.1	6.6	8.5	0.3	2.4	0.9	4.3	100.0
Total motor	83.2	4.5	3.8	0.1	1.0	1.2	6.2	100.0
Health and accident	52.0	10.8	17.6	1.5	17.1	0.4	0.7	100.0
Transport (3)	31.6	65.6	0.2	0.0	2.6	0.1	0.1	100.0
Property (4)	73.5	11.2	11.6	0.3	2.0	0.4	1.1	100.0
General liability	79.3	11.3	6.6	0.1	2.5	0.1	0.1	100.0
Credit and suretyship	69.5	22.5	4.6	0.0	3.3	0.0	0.0	100.0
Total non-motor	66.0	12.9	12.2	0.6	7.3	0.3	0.7	100.0
TOTAL NON-LIFE	73.3	9.3	8.6	0.4	4.6	0.7	3.0	100.0
YEAR 2021								
Motor liability	84.9	3.7	2.5	0.0	0.6	1.7	6.7	100.0
Land vehicle insurance	76.6	6.7	8.6	0.3	2.3	1.2	4.4	100.0
Total motor	83.1	4.4	3.8	0.1	1.0	1.6	6.2	100.0
Health and accident	53.1	10.9	15.6	1.6	17.4	0.7	0.7	100.0
Transport (3)	33.2	63.8	0.2	0.0	2.6	0.3	0.1	100.0
Property (4)	74.0	11.0	10.8	0.4	2.3	0.5	1.1	100.0
General liability	79.4	11.0	5.9	0.3	3.1	0.1	0.1	100.0
Credit and suretyship	70.8	21.1	4.1	0.0	4.0	0.0	0.0	100.0
Total non-motor	66.7	12.6	11.1	0.8	7.6	0.5	0.7	100.0
TOTAL NON-LIFE	74.0	8.9	7.8	0.5	4.7	0.9	3.2	100.0

Table 7
Change (%) in non-life premium volume by class and distribution channel 2022/2021 (5)

Class	Agents	Brokers [1]	Bank branches [2]	Financial salesmen	Direct sales (*)	Direct distance sales		Total
						Telephone	Internet	
Motor liability	-1.9	2.9	-3.9	-100.0	-7.6	-20.4	-1.3	-2.1
Land vehicle insurance	6.7	3.8	8.6	3.5	12.0	-18.7	3.3	6.3
Total motor	-0.2	3.2	2.2	-17.0	2.5	-20.1	-0.5	-0.3
Health and accident	6.1	7.3	22.2	-1.5	6.4	-44.1	3.7	8.3
Transport (3)	7.6	16.3	-8.9	83.3	13.5	-72.5	25.8	13.1
Property (4)	7.6	10.6	16.0	-23.5	-4.3	-13.6	7.7	8.3
General liability	8.1	10.5	21.2	-51.5	-14.0	-9.7	2.9	8.2
Credit and suretyship	8.6	17.8	23.7	-100.0	-8.5	(...)	(...)	10.5
Total non-motor	7.3	10.7	19.6	-10.2	3.4	-30.3	6.2	8.5
TOTAL NON-LIFE	3.6	9.1	15.9	-10.6	3.3	-22.9	0.3	4.6

(*) Pursuant to Article 107-bis, paragraph 1 of Legislative Decree 68/2018, the activity of insurance distribution may be exercised directly by the undertaking through: a) Headquarters and tied agencies, i.e. subsidiary or business agencies directly tied to the insurance undertaking, which perform marketing functions with offices open to the public; b) Accessory market participants registered in section F of the Single Register of Intermediaries who act with the insurance undertaking's mandate; c) Direct producers registered in Section C of the Single Register of Intermediaries who deal in insurance distribution in the life, non-life and health insurance business.
(1) Brokers' contribution over the years does not include the share of premiums generated through this channel with presentations via agencies and not directly to the company (estimated at 23.4 percentage points in 2022).
(2) Data for this channel includes premiums earned through post office branches.
(3) The class of transport insurance consists of: railway rolling stock, aircraft, ships and watercraft, goods in transit, and aircraft and marine third-party liability.
(4) The Property class comprises: fire and natural forces, other damage to property, miscellaneous financial loss, legal expenses and assistance.
(5) Changes (%) are calculated on a homogeneous basis in terms of companies covered.

the second-leading channel for motor insurance, although their market share slipped from 7.8% to 7.4%, owing essentially to a drop of 20.1% in telephone sales. Brokers and bank and postal branches, instead, gained 3.2% and 2.2% respectively, and their market shares held practically unchanged at 4.5% for the former and 3.8% for the latter.

The other non-life classes were boosted in 2022 by the cyclical upswing in economic activity, gaining 8.5% in premium income by comparison with 2021. Agents remained the main channel, but as their volume increase of 7.3% was less than the market-wide average, their share slipped from 66.7% to 66.0%. Brokers, by contrast, increased their share from 12.6% to 12.9%, thanks to a 10.7% gain in premiums. Bank and post office branches also improved their share of non-motor, non-life business, from 11.1% to 12.2%, reflecting a surge of 19.6% in premiums generated.

AGENTS' PENSION FUND

Activity of the Board of Directors

During the 2022 financial year, the Board of Directors finally completed the lengthy, complicated adaptation of the Pension Fund to the primary and secondary legislation following from Directive 2003/41/EC and Directive 2016/2341 (the IORP II Directive). This represents the first step towards the formation of an internal market for corporate and professional pension institutions on a European scale.

The introduction, in implementation of IORP II, of the three new key functions for pension funds was perhaps the most important change produced by the reform. The risk management and actuarial functions perform second-level controls, while the internal audit function, which oversees the overall adequacy of the system of controls, is classed as performing third-level controls. It works in close collaboration with the Board of Auditors, which is called on in turn to assess the results of the audit.

For each function a written policy has been adopted, governing activities, methodologies, and responsibilities and setting out the intended guidelines to govern the performance of the risk management, actuarial and internal audit functions, in compliance with the legislation and regulations in force. These policies will be re-examined by the Board at least every three years and in case of any significant changes to the sector.

Further in implementation of IORP II, COVIP's Resolution of 19 May 2021 adapted the schemas for the Bylaws of occupational pension funds consequent to the amendments enacted to Legislative Decree 252/2005; the deadline for the necessary changes was set at 31 March 2022. The schema applies also to pre-existing funds with legal personality, like the Agents' Pension Fund.

In compliance with the Resolution of 19 May 2021, the Fund, in view of its particular features, conducted a further revision and adaptation of the existing Bylaws to the COVIP schema for occupational pensions funds, considering, with regard to "all those structural and functional aspects that differ substantially from those typical of occupational pension funds," the possible retention of the provisions already present in the Fund rule, to the extent that this is allowed by the Resolution.

Modification of the rebalancing plan

COVIP, by a resolution adopted on 15 September 2022, approved the changes to the rebalancing plan for the Agents' Pension Fund approved unanimously by last year's Delegates Meeting. In implementation of the amendments approved, the benefit increases to Fund enrollees, both retired and still active, can be accorded retroactively to 1 January 2022.

The amended rebalancing plan calls for utilizing some €70 million to increase present and future pension benefits. This corresponds to approximately 35% of the actuarial technical surplus of €193 million at 31 December 2021, thus maintaining unchanged the revised proportion between each enrollee's benefits and contributions instituted by the previous rebalancing plan drafted by COVIP in 2016.

The amendment to the rebalancing plan – effective from 1 January 2022 for all enrollees at 31 December 2021 – provides for the following measures:

1) an increase in the guaranteed minimum benefit ("amendment to the safeguard clause") in the case of redemption and transfer, distinguishing between the enrollees affected by the plan and those enrolling subsequently (who are entitled, respectively, 20% and 40% of the amount of employer contributions);
2) an increase in current and future pensions ("increase in accrued pension entitlements").

The increase procedure distinguishes between ordinary and supplementary operations.

Internal Control Function

The internal control function has been outsourced to ElleGi Consulenza S.p.A., the company to which the old internal control function was entrusted.

An account of the company's activity, the results of analyses and fact-finding, and possible suggestions for improving the internal control system are presented to the Board of Directors in an annual report.

The annual report found that the management of the procedures examined was correct, the control safeguards adopted by the Fund are adequate, and the outcome of the checks conducted in the course of 2022 was accordingly judged to be satisfactory.

Technical Results and financial statement at 31/12/2021

As of 31 December 2021, on the basis of the Fund's membership at that time, the Technical Financial Statements for ordinary and supplementary operations showed an overall surplus of €195.6 million, in addition to mandatory supplementary assets equal to 4% of the technical provisions. A copy of the Statements was transmitted to the supervisory authority.

At the same time, to evaluate the impact of the increase in present and future benefits thanks to the utilization of 35% of the technical surplus at 31/12/2021, the Board of Directors mandated the actuary assigned to proceed with a valuation of the technical provisions.

The technical financial statement comprising the amendments to the rebalancing plan for ordinary and supplementary operations, drawn up on the basis of the Fund membership at 31 December 2021, reported an overall asset surplus of €125.3 million, over and above the mandatory supplementary assets equal to 4% of the technical provisions.

Technical balance sheet, 31/12/2022

At 31 December 2022, the technical balance sheet, including the provision for supplementary assets equal to 4% of provisions, showed a **surplus of €57.5 million**.

Enrollees

Between 1 January and 31 December 2022 there were 245 new enrollments, 23 fewer than the previous year (129 agents who started their activity in 2022 and 116 with seniority of service who took advantage of the possibility of enrolling without paying the charge for the years of agency activity prior to their enrollment) plus 28 reactivations of agents who had stopped paying their contributions.

In 2022, 399 paying enrollees left the fund (of whom 88 definitive cancellations: 51 owing to redemption, 16 to transfer, and 21 to death). By comparison with 2021, the number of enrollees leaving the Fund for various reasons diminished by 7.

As of 31 December 2022, contributing enrollees numbered 11,374, of whom 11,311 active agents, another 57 agents of retirement age voluntarily continuing to contribute, and 6 contributing retirees. The 11,368 non-retired enrollees comprised 8,922 men and 2,446 women.

Enrollees who were no longer working nor continuing to make contributions numbered 4,536.

Retirees and pension contributions

As of 31 December 2022 pensions being paid numbered 11,507.

In 2022 the regular yearly contribution – consisting of a base contribution plus an equal amount in supplementary contributions – amounted to €2,839, divided evenly between agent and insurance company. However, owing to the rise of 11.50% in the ISTAT index, the ordinary yearly contribution was raised to €2,953 per agent/company account.

In addition to annual ordinary contributions, there may be supplementary contributions paid under Article 7, para. 4(c), of the Bylaws; these amount to a minimum of €310 (€155 from the company and €155 from the agent) and can be increased with no ceiling, at the discretion of and charged solely to the agent.

Contributions for operating expenses

In 2022, charges for operating expenses amounted to €172 per capita; for 2023 the Board of Directors decided to increase the amount of charges for operating expenses paid by enrollees to €180, while keeping the charge on retirees unchanged.

Delegates Meeting, 2023

The Delegates Meeting unanimously approved the financial statement and balance sheet for 2022, with an operating surplus of over €64 million and a net weighted return on assets for ordinary and supplementary operations of 6.3%, higher than the actuarial technical rate of return (set at 3%) and also higher than the 5.8% average return over the past ten years. The technical balance at 31 December, which sets the Fund's long-term commitments against the available assets, registered a surplus of €182.8 million, some €57.5 million more than at 31 December 2021.

"MYSTERY SHOPPING" – IVASS REGULATION

On 30 August 2022 IVASS issued Regulation 53 on outsourcing of so-called "mystery shopping." In its role as consumer protection authority for the insurance industry, that is, IVASS implemented Article 144-bis of the Consumer Code, with its rules governing activities of mystery shopping as a tool in support of supervisory evaluation of the market conduct of insurance companies and intermediaries.

IVASS produced implementing rules governing the ways in which the supervisory authority can outsource mystery shopping, the requirements for the third parties to which this activity is outsourced, and their duties and retribution.

Outsourcing assignments will be in compliance with the applicable rules and will be made public, pursuant to the IVASS regulation on openness and transparency of data and information on insurers' organization and activity. The retribution of the company to which mystery shopping is outsourced will be determined by market criteria, so as to ensure the high quality and reliability of mystery shopping activity.

The outside company must always meet the requirement of independence, defined as the absence of any involvement in the decision-making process with the outsourcer, or of any continuing relationship with it. Relations will be examined by IVASS under the laws and regulations in force and consistently with the objectives and purposes set.

Mystery shopping is directed to insurance products and services for consumers. It excludes those offered to legal persons, including acts preliminary to the sale of these products and services.

The findings of mystery shopping are intended as support for the insurance supervisor in performing its control functions and may serve to direct inspections to insurers where presumed irregularities have been found. Only after such inspection can IVASS charge the insurance undertaking, where appropriate, with sanctionable misconduct.

As to "mystery shoppers" as such, they are to act as consumers, who are not required to have any specific knowledge or expertise in insurance matters. To carry out their assignment, they will be provided with the information on insurance products and services that is necessary and ordinarily in possession of consumers generally.

IVASS MEASURE 131/2023: AMENDMENTS TO IVASS REGULATION – ADAPTATION TO EUROPEAN RULES ON SUSTAINABLE FINANCE

The European regulatory framework on sustainable finance consists, as far as transparency is concerned, of the Sustainable Finance Disclosure Regulation (EU) 2019/2088, supplemented by Delegated Regulation 2022/1288, in effect from 1 January 2023, which defines the contents and procedures for presenting this information.

This context also comprises the Taxonomy Regulation (EU) 2020/852, which lays down the criteria for determining whether a given economic activity can be deemed sustainable, which has been followed by a series of delegated regulations: (EU) 2021/2139, the Climate Delegated Act; (EU) 2021/2178, the Disclosure Delegated Act; and (EU)2022/1214, the Complementary Climate Delegated Act.

The new European rules on sustainable finance required action to amend and align the European provisions on the insurance industry within the Solvency II and IDD framework, by means of:

- Delegated Regulation (EU) 2021/1256, which amends Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risk in the governance and investments of insurance and reinsurance undertakings (Solvency II framework);
- Delegated Regulation (EU) 2021/1257, amending Delegated Regulations (EU) 2017/2358 (POG) and 2017/2359 (IBIP) as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products, with special regard for assessment of adequacy.

All this necessitated an initial adaptation of the IVASS regulations directly affected by the new rules, to foster consistent implementation between the existing Italian rules and the new European regulatory framework, thus facilitating application by market participants. Consequently, on 10 May 2023 IVASS posted Measure 131, enacting a series of amendments:

- to Regulation 24/2016, concerning investments and assets covering technical provisions, integrating sustainability risks into investment and risk management activity;
- to Regulation 38/2018, concerning corporate governance, integrating sustainability risk into the risk management system and remuneration policy;
- to Regulation 40/2018, concerning insurance distribution, integrating sustainability preferences into the rules of conduct for investment advice for the placement of IBIPs; and

– to Regulation 45/2020, concerning the requirements for product governance and control, integrating customers' sustainability objectives into the process of identifying their reference market, including negative requirements, and also concerning product testing, monitoring and revision and the flow of information between producer and distributor.

IVASS MEASURE 128/2023: AMENDMENTS TO IVASS REGULATION 40/2018, PROVISIONS IN THE MATTER OF INSURANCE DISTRIBUTION

On 20 February 2023 IVASS published Measure 128 concerning professional requirements and internet domains, amending certain provisions of Regulation 40/2018 on insurance distribution. The Measure bears on the requirement of an upper secondary school diploma and on the domains used by insurance intermediaries.

As regards the diploma requirement, the supervisory authority eliminates the former reference to the five-year course of study and the supplementary year, for consistency with the present educational system, which allows also for the possibility of completing upper secondary school in four years. In this way, IVASS refers to the primary legislation in this field and its implementing provisions, citing as professional requirement possession of an upper secondary school diploma recognized as valid by the provisions in force when it was awarded.

Further, as regards "equivalent" diplomas, the term has now been superseded by "corresponding foreign diploma." In this way the Measure attributes the competence to recognize a foreign degree to the entities involved, without prejudice to measures in force regarding recognition of degrees for professional purposes and access to public employment, as laid down in the provisions of the Treaty of Lisbon (11 April 1997, ratified in Italy by Law 148 of 11 July 2002) concerning recognition of academic degrees in the European Union.

The supervisory authority's second act requires that entities entered in the Single Register of Intermediaries and the list annexed thereto and that market or place insurance contracts, or even merely promote such contracts via remote communication techniques, shall be obliged to notify IVASS of the internet domain used and the sub-domain, if any, and of any subsequent variation.

This requirement is warranted by the sharp digital acceleration of recent years, which has been accompanied by the burgeoning phenomenon of irregular websites. In this say IVASS, thanks to the information garnered, may also consider posting it on its own site, thus emphasizing, on the one hand, the accreditation of the intermediaries and, on the other hand, stepped up consumer protection.

Next, on 27 February, IVASS published its technical instructions for the electronic transmission of the requisite data on internet domains and sub-domains used by all entities entered in the Single Register of Intermediaries and operators on the list annexed to the Register. The following are required to communicate the data within 30 days from the registration of the internet domain or within 90 days from 27 February 2023, for all domains and sub-domains pre-existing the new notification requirement:

– intermediaries entered in Sections A, B, D, or F of the Single Register and those on the list annexed thereto, for the domains and sub-domains used to market and place insurance contracts;
– insurance undertakings, where these same instruments are used by direct producers entered in Section C of the Single Register; and
– intermediaries entered in Sections A, B, D, or F, where these same instruments are used by their collaborators entered in Section E of the Single Register.

THE MANAGING GENERAL AGENT MODEL OF DISTRIBUTION

The Managing General Agent method of distribution that has arisen in the international insurance market is increasingly present in Italy as well. For the most part, the activity of these agents is marked by the use of innovative digital tools.

ANIA has performed a study to elicit the main operational characteristics of the model, in terms of insurance classes and the way in which products and services are offered, in order to gauge the degree of penetration and the impact of these operators on the Italian insurance market.

Generally speaking, for all effects or purposes MGAs are considered to be insurance intermediaries (agents or brokers). And in the absence of specific rules, they are subject, just like other intermediaries, to the rules now in effect on insurance distribution, as laid down in IVASS Regulation 40/2018. More specifically, however, it has emerged that in some cases MGAs may also function as wholesalers, with no direct contact with final consumers; in other cases, though, the MGA intermediates directly with the final consumer.

Moreover, MGAs may be called upon to perform other functions ordinarily handled by insurance companies, such as the appointment of distributors, the design of products, and the handling of claims and complaints.

The MGAs that operate in Italy are mostly engaged in retail business, policies for micro-businesses, or highly specialized activity (special niche and commercial risk). In the niche markets where a high degree of specialization is required, it is not unusual to find MGAs in charge of product design, in lieu of the insurer that puts its brand on it. In this case, the MGA could well be termed the de facto manufacturer.

What distinguishes distribution via MGAs is the extreme digitization of the sales process, such that these institutions become true promoters of innovation. The direct use of technological platforms or the provision of these tools to the traditional intermediaries with whom they collaborate helps to give them the role of accreditation of innovative ideas or products, shortening their time to market and helping to foster rapid change in strategies of price/product/ subscription rules.

Their digital characteristics, combined with the ability to contain expenses within a business schema based mainly on variable costs and/or outsourcing, have proven to be the key factors in the steady growth of MGAs.

ANIA will proceed to deeper analysis of the MGA distribution model, above all by monitoring the perimeter where it is applied, in compliance with the present rules on insurance distribution, in order, among other things, to ward off market distortions, maintaining a level playing field and protecting final consumers.

10

THE CONDUCT OF INSURANCE BUSINESS

SOLVENCY II

THE SOLVENCY II REVIEW: STATE OF THE ART

The publication of the draft Solvency II Directive in September 2021 started the co-decision procedure with the participation of the European Parliament and Council. At the date of this *Report*, parliamentary negotiations are still ongoing, even though the Council already reached an agreement last year in June.

The main fields of discussion are related to the following topics: i) Long Term Guarantees (LTG) and valuation of technical provisions; ii) elements in the calculation of the Solvency Capital Requirement; iii) proportionality principle; iv) market reports and audit requirements; v) macroprudential supervision and instruments; vi) sustainability risks; vii) group supervision; viii) cross-border supervision.

In addition, another discussion topic is whether to move some provisions that are currently in the Delegated Acts (level 2) - mostly regarding the methodology - to level 1, within the Directive itself.

As far as parliamentary works are concerned, on 1 August the members of the Economic and Monetary Affairs Committee (ECON) submitted a set of amendments to the Commission's text, after those presented by MEP Markus Ferber in the report at the beginning of July marking the first official step of the parliamentary negotiation.

The amendments submitted, which are currently being discussed by the MEPs, are particularly related to:

- the Volatility Adjustment calculation methodology: the calculation of risk correction, the conditions for activating the national component, the illiquidity ratio, the credit spread sensitivity ratio, the introduction of a new (optional) correction parameter based on the characteristics of the company's portfolio and its difference from the European "average portfolio" (also known as the "quality overshooting ratio");
- the calibration of the risk sub-module for the change in interest rates within the standard formula (Interest Rate Risk Module): the hypothesis of negative interest rates, the introduction of an explicit, growing and term-dependent floor;
- the calibration of equity risk: eligibility criteria for long-term equities (Long Term Equity Risk module), symmetric adjustment;
- the Risk Margin calculation methodology: the value of Cost of Capital, the definition of the lambda perimeter taking into account the time dependency of future capital requirement projections;
- the risk-free tax curve detection methodology: the definition of calculation parameters, among which are the First Smoothing Point and the convergence parameter;

- the implementation of the proportionality principle: the definition of Solvency II exemption thresholds and classification criteria for low-risk profile undertakings (LRPU), the introduction of new proportionality measures;
- the introduction of new provisions for internal model users: additional reporting, the introduction of an SCR floor or capital add-on, the enhanced prudency principle;
- the definition of supervisory powers for macroprudential topics: the powers assigned to the Supervisory Authorities in exceptional circumstances, macroprudential tools, liquidity risk monitoring;
- the management of environmental risks: the introduction of climate change scenarios in the ORSA and in transition plans;
- the change in reporting requirements: reference to proportionality principles, the introduction of exemptions and limitation, SFCR structure.

Once the two institutions finalize their own positions, the “Trilogue Phase” will start where a compromise between the two texts must be reached with the active support of the Commission.

After reaching an agreement on the final document, the text will be published in the Official Journal of the European Union and, within 18 months, transposed into the national law of the Member States.

STATE OF THE ART ON THE INSURANCE RECOVERY AND RESOLUTION DIRECTIVE (IRRD)

The measures related to the Solvency II revision process - published on 22 September 2021 - also included a legislative proposal for a new Insurance Recovery and Resolution Directive. The goal of the proposal is to become part of the current Solvency II regulatory framework - which already envisages a set of actions for companies in case of a deterioration of financial conditions and recovery measures for capital requirement violations - with measures for the timely management of any potential deterioration or bankruptcy of an insurance company, even if located in another country, in line with the current regulations for credit institutions and investment companies (Bank Recovery and Resolution Directive - BRRD) and for central counterparties (Central Counterparties Recovery and Resolution Regulation - CCPRRR).

The creation of a common and effective recovery and resolution regime was already debated by the Financial Stability Board (FSB) in 2014, 2016 and 2020 (for systemically important companies), the International Association of Insurance Supervisors (IAIS) in 2019 (for insurance groups operating at an international level) and by the European Systemic Risk Board (ESRB) in 2017 and 2018. On its own initiative, EIOPA published a first opinion in 2017 on the need to establish a similar regulatory framework at European level.

In support of its position, EIOPA then published two Staff Papers (on 6 July and 10 November 2022) and a follow-up document of the first report in which EIOPA: i) clarified some points of the new regulatory framework and repeated the favorable opinion on the text proposed by the Commission; ii) replied to a set of specific questions; iii) carried out a comparison between the draft IRRD and the BRRD.

The publication of the draft Directive in September 2021 started the co-decision procedure with the participation of the European Parliament and Council. The Council reached an agreement on 20 December 2022 while the Parliament has not reached a common stance. The main discussion topics are related to: i) application scope and institution of national resolution authorities; ii) prevention duties, instruments and powers; iii) resolution and related funding powers and instruments.

Once the two institutions establish their positions, the "Trilogue Phase" will start where a compromise between the two texts must be reached with the active support of the Commission.

After reaching an agreement on the final document, the text will be published in the Official Journal of the European Union and, within 18 months, transposed into national law in the Member States.

THE NEW IMPLEMENTING TECHNICAL STANDARDS FOR SUPERVISORY REPORTS

On 5 May, the new Implementing Technical Standards (ITS) for Solvency II reporting were published in the Official Journal of the European Union.

Both regulations shall be applied to yearly and quarterly reports in 2024 with 31 December 2023 as the date of reference.

The new regulations repeal, respectively, Implementing Regulations (EU) 2015/2450 and 2015/2452 and amend the implementing techniques regarding the information submission forms for the Supervisory Authorities (Regular Supervisory Reporting - RSR) and for the market (Solvency and Financial Condition Report - SFCR). The two documents are supplemented by the new Guidelines for third country insurance company branches and on financial stability supervision.

The ITS revision process that began in July 2019 falls within the broader Solvency II revision process, but it took a parallel and independent path due to the need, according to EIOPA, to make some important amendments to the current regulation without waiting for the end of the entire process. These amendments were introduced specifically aiming at: i) reducing reporting costs for companies; ii) integrating QRTs with new information on emerging risks and the new areas where some data gaps were found; iii) reinforcing the application of the proportionality principle in Pillar III.

The final texts confirm the draft amendments published on 31 March 2022 and submitted to evaluation by the European Commission and to approval by the the European Parliament and the Council. This draft was, in turn, based on the

Report on quantitative reporting templates published on 17 December 2020 with the release of EIOPA's opinion, on the following public consultation carried out throughout 2021, and on public workshops organized by EIOPA to receive contributions from all the stakeholders. The main modifications introduced are:

- the cancellation/simplification/streamlining of some existing templates (i.e., on cross-border activities) or the introduction of new QRTs (i.e., on non-life policies to report the relevant information for every product, in line with what is currently done for life policies);
- the request for new information on sustainability risks (ESG-compliant investments, asset share exposed to climate risks, non-life premium share covering climate-related risks and possible presence of preventive measures for those risks) and cyber risk (new template on products covering cyber risks);
- the modification or introduction of new thresholds to apply the proportionality principle;
- some modifications to the templates for reporting by internal model users or groups.
- some modifications to the reports to be provided for the purposes of financial stability (i.e. removal of annual reports, new liquidity indicators, additional information on the duration of technical provisions).

ANIA'S INITIATIVE ON SOLVENCY II FINANCIAL STATEMENTS

The Solvency II regime requires insurers, starting with the data available on 31 December 2016, to issue a public Solvency and Financial Condition Report (SFCR) providing information on a mass of data on the technical results, governance, internal control systems and capital management of insurance and reinsurance undertakings and groups.

In this context, in 2016 ANIA undertook a project to support insurers, with an analysis of the qualitative information and quantitative data in the reports, so as to highlight elements of difference and best practices in the market.

Given the importance of this initiative, in the course of the years ANIA SAFE decided to renew the project.

The analysis of the data at 31 December 2021 is based on a sample of 89 Italian insurance companies that account for nearly 100% of total premiums, including both solo reports and those forming part of single group reports.

It also covered the group reports of the 18 Italian insurance groups and those of the 40 largest European groups.

The analyses at that date follow those of the previous year, confirming the focus on Covid-19 pandemic-related and sustainability risk management information, while at the same time extending the analysis to include appropriate in-depth studies on the Russian-Ukrainian conflict.

As this was the initiative's sixth year, it was possible to make a comparative analysis of last year's information with the data available at the end of each year from 2016 through 2020. With the years, insurance companies consolidated their proficiency in Solvency II disclosure. This is confirmed by the trend in the depth, timeliness and consistency of the information provided with respect to the expectations of the insurance regulator.

Quantitatively, the data for 2020 show a rise in the solvency ratio - the ratio of eligible own funds to the Solvency Capital Requirement - to 251% for the entire market (11 percentage points higher than a year earlier). According to EIOPA data on country-aggregated Solvency ratios for the 4th quarter of 2021, Italy ranked fifth, gaining four more positions since the end of 2020: the Italian figure was higher than the Dutch, Belgian, Spanish and French companies. Among the major countries, the leader continues to be Germany, with a solvency ratio of 313%.

As to the risk modules that determine the overall requirement, the most important is again market risk, whose weight in the Basic SCR was slightly higher than the previous year (80% from 78% in 2020).

The diversification benefit between modules remained practically unchanged at -21%; the weight of the adjustment for the loss-absorption capacity of the technical provisions and of deferred taxes increased (+2% and +1%), with a downward effect of the two adjustments on the SCR that came back to 30%.

The undertakings using the volatility adjustment (VA) numbered 60, four fewer than in 2020; the average benefit for the solvency ratio was 6 percentage points, less than in 2020, when it was 10 points. Two insurers applied, in addition to the VA, also the transitional measures on technical provisions.

Total assets in the Market Value Balance Sheet reached €1,120 billion (€1,088 billion at the end of 2020). Financial investments accounted for more than 72% of this; government securities were valued at €412 billion, down €21 billion.

For Italian insurance groups too, the rise in the market solvency ratio continued in 2021 (233%, up from 228%).

With regard to the main European groups, in general there was greater recourse to the transitional measures and to the matching adjustment, with variable effects on the solvency ratio.

ANIA INITIATIVE ON LAPSE RISK IN SOLVENCY II

In the second half of 2022, Italian insurers saw the need for better management of Life Underwriting Risk (calculated according to the standard Solvency II formula) and, in particular, for increasing the Lapse Risk Module (aimed at quantifying the early termination or surrender risk) combined with the market interest rate hike.

In response, ANIA started a Working Group to discuss the potential impact of the market conditions that already changed at the end of 2021 on the calculation of the lapse risk to find any potential solution within the current regulatory framework.

Main results of the analysis

The Solvency II standard formula includes, within the life class risk estimate module, the early surrender submodule (lapse risk module) measuring the sensitiveness of insurance liabilities to changes in the level or volatility of early surrender rates. The capital requirement against this risk amounts to the maximum amount calculated with three shock scenarios:[1]

- an instantaneous and permanent 50% increase in early surrender rates (lapse up) with a cap preventing the increased rate from exceeding 100% [$R_{up}(R)=\min(150\% \cdot R;\ 100\%)$];
- an instantaneous and permanent 50% drop in early surrender rates (lapse down) not exceeding 20 percentage points [$R_{up}(R)=\max(50\% \cdot R;\ R - 20\%)$];
- the instantaneous termination of a given share of policies at the time of calculation (lapse mass). In detail, the scenario hypothesizes the instantaneous termination of 70% of policies in collective pension funds and 40% of individual policies as well as a 40% drop in reinsurance contracts covering future insurance contracts (used in the calculation of technical provisions).

The analysis of the data at 31/12/2021[2] and the dialogue with the companies on the first quarter of 2022 showed that lapse mass had become the biggest risk among the causes for the increase of the early surrender risk, more and more markedly and for a growing number of companies. The discussions during the meetings of the Working Group showed that the main driver of this process is the unprecedented macroeconomic and financial context characterized by: i) sharp interest rate hikes reversing the trend of the previous very long negative or low-rate period, ii) increase in credit spread, iii) general drops in the equity markets, iv) pandemic crisis, v) geopolitical tensions and their indirect effects on the economic conditions of policyholders, associated with the specific features of the life insurance business in Italy.

The combination of the abovementioned factors had direct effects on the value of the asset portfolio as well as on the increase of the dynamic effect of surrenders in the mathematical formulas expressing the best estimate of provisions, where the increase is ascribed to the presence of more favourable conditions in the market in terms of interest rates given in the majority of traditional Italian life company products whose future revaluations and minimum guaranteed rates

(1) In each case, hypotheses are only applied to relevant options (termination or surrender) whose application would generate an increase in technical provisions without the risk margin; the valuation of technical provisions must take into account any potential hypothesis on future management measures (Management Actions, art. 23 Delegated Acts) and policyholder behaviour (Dynamic Policyholder Behaviour, art. 26 Delegated Acts).
(2) ANIA InfoQRT Website.

(minimum guaranteed rates close to 0% with a gross annual average revaluation in recent years of around 2.5%) are lower in many stochastic scenarios.

The Working Group observed that such a dynamic does not entail an actual increase in risk, but is rather ascribable to problematic features of the current regulations (among which are unrealistic assumptions and parameters or restrictions in the use of undertaking-specific parameters).

Without prejudice to the observation of these problems in the calibration of the capital requirement for early mass surrender risk and the need for regulatory action cited by the European working groups analyzing its adequacy, the participating companies suggested alternative methods that could help to mitigate the aforementioned effects in the short-medium run: i) reinsuring the lapse mass risk; ii) the use of appropriate Management Actions that are more realistic for the new market scenarios; changes to the assumptions of Dynamic Policyholder Behaviour, leading to more realistic hypotheses of future policyholder behaviour in the model.

In particular, further discussions were related to the main critical issues related to the use of reinsurance to mitigate this risk, and among them: i) the definition of contracts and related technical parameters; ii) the guarantee of the effective transfer of the risk to be mitigated; iii) the duration of said contracts; iv) the timing of the operations related to the effective capacity of the reinsurance market.

EIOPA DISCUSSION PAPER ON THE PRUDENTIAL TREATMENT OF SUSTAINABILITY RISKS FOR INSURANCE COMPANIES

On 5 December EIOPA published a Discussion Paper on the prudential treatment of sustainability risks for insurance undertakings, asking for observations on the approaches presented by 5 March 2023.

The document aims at outlining the scope, the approaches, the methodologies and the sources of data to assess the possible prudential treatment of insurers' assets and sustainable practices, responding to the mandate given by the Commission (in the proposal of 22 September 2021) to deliver an opinion by summer 2023.

Given the central role represented by the insurance sector in promoting sustainable finance and the material impact that sustainability risks can have on investment and underwriting, EIOPA stresses the importance of making sure that the Solvency II framework properly reflects these risks.

In detail, the document is based on a bigger dataset compared to the previous analyses and more thorough study of the topic (developed with the numerous documents published by EIOPA in 2021 and 2022 and the related workshops). The document analyzes: i) the connection between climate change-related transition risks and the Pillar I prudential risks; ii) the potential of insurance companies to contribute to the climate change adaptation of the society and the economy through underwriting; iii) the new areas to evaluate in terms of the risks and social objectives related to possible amendments to the Pillar II and III requirements.

Therefore, the document focuses on three areas, detailed below.

Assets and transition risk exposure

In the first area of analysis, EIOPA suggests some methodologies, as regards insurers' investments, to assess how much the risks deriving from a transition to a lower-carbon economy might affect the prudential risks related to equities, bonds and real estate.

First of all, the Authority sets out some fundamental elements of the transition risk: i) significant political and regulatory changes in climate-related matters, affecting business and funding models; ii) the occurrence of technological breakthroughs that are less harmful to the environment; iii) the changes in market perceptions in terms of changes in investors' or consumers' preferences towards business models less environmentally harmful.

In the light of the above and the most recent developments in terms of definitions, data availability and environmental measurement instruments, which offer evidence of the possible emergence of transition risks in asset prices, EIOPA suggests potential approaches to classify equity, bond and real estate investments according to their exposure to the transition risk and for possible specific prudential treatment.

Underwriting and climate change adaptation risk

The second area centers on non-life insurance and the examination of the potential effects of climate change adaptation on underwriting risk and the related exposure to loss. The analysis suggests including a risk differential, with and without the above measures, in the Solvency II capital requirements.

EIOPA's analysis is mostly based on the exposure of property, content and business interruption insurance to climate change. In addition, it takes into account the data on non-life insurers' underwriting practices (collected in the second quarter of 2022 to conduct quantitative research on the effects of climate adaptation measures on price risk).

Based also on the Authority's work on "impact underwriting" (defined as the development of new insurance products, the adaptation of product design and pricing, without neglecting the actuarial principles of risk selection and pricing), culminating with the Report on non-life underwriting and pricing in light of climate change (July 2021), the document stresses attention to the importance of adaptation measures, which are a key instrument to preserve long-term non-life insurance coverage in light of climate change, thanks to their capacity, in case of an ex-ante activation before a claim (for example, water-resistant doors or walls in case of a flood), to reduce the exposure to the physical risk of the policyholder and the related insured losses.

Social risks and goals

The final section analyzes how social risks or harm to social goals might translate into prudential risks and assesses the possible corresponding prudential treatment in relation to governance, risk management, financial reporting and disclosure requirements.

While assessing new risk areas, at first EIOPA looks for any analogies between the current framework for prudential risk measurement and treatment and the framework for climate objectives and social risks and objectives in order to find elements that might be carried over to the prudential treatment of the latter.

The Authority concludes that, even though social risk factors might have prudential consequences on the assets and liabilities of businesses in a way conceptually similar to environmental risks, not all the concepts and prudential measures deriving from the climate analysis can be applied to social matters (for example, the potential requirements for scenario analysis or quantitative prudential reporting).

Without quantitative evidence to estimate, for example, potential financial losses associated with risks deriving from socially harmful practices, or definitions and metrics to provide an objective and consistent measurement of the social element of environmental, social and governance issues (ESG), EIOPA concludes that, in this phase, it is much more important to outline the prudential treatment of social risks in the second and third pillars.

Once the analysis of the observations on the document is completed, EIOPA plans to open another consultation on the empirical results and the potential policy implications, after which it will draft a final report for the European Commission.

EIOPA CALL FOR EVIDENCE FOR THE REVISION OF NAT CAT PARAMETERS IN THE STANDARD FORMULA

In February, EIOPA made a call for evidence for the revision of Nat Cat parameters in the standard formula (ended on 31 March) after the mandate given by the European Commission during the publication of the proposals for Solvency II framework revision.

In the mandate, the Commission asked EIOPA to revise, at least every three years, the application scope and the calibration of the standard parameters of the submodule for nat-cat risks for companies in non-life insurance. Since climate-related risks are becoming increasingly significant, the Commission asked the Authority to take account of the latest scientific evidence and the risks underwritten by those companies using the standard formula to calculate the nat-cat submodule of the SCR.

The purpose is to gather empirical evidence relevant to the analysis set out in the “Methodological paper on the potential inclusion of climate change in the Nat Cat standard formula” published on 8 July 2021 in order to assess the need for a recalibration of these parameters, also in view of climate change-related risks.

Solvency II establishes that the Nat Cat risk submodule must be calculated on five types of natural catastrophes (called perils): i) earthquake, ii) storm, iii) flood, iv) hail, v) collapse. The Nat Cat SCR is therefore calculated considering any risk the company is exposed to depending on the country/region (so called “region”) and the administrative area/province (so called “cresta zone”) where the risk is located.

In the survey associated with this call for evidence, EIOPA asked respondents to: indicate the risks/regions for which a recalibration is needed, providing evidence and data; ii) indicate any change in terms of cresta zone or correlation matrix (with related motivations justifying the changes); iii) provide data on insured and economic losses related to specific events (to simplify the evaluation of any recalibration of risks already present in the standard formula or gather information on emerging risks; iv) provide any other relevant comments or suggestions.

The previous review phase was carried out within the 2018 Review and, for the level of exposure in Italy, entailed an increase in the national risk factor for flood risk (from 0.10% to 0.15%) and a reduction in the same factor for earthquake risk (from 0.80% to 0.77%). The 2010 calibrations (0.03%) are still in use for hail risk.

In contributing to a European response to the Authority’s request (through the Insurance Europe working groups), ANIA has reported some important elements to be considered for appropriate calibration of risks, among which: i) taking into account the evolution of the scientific literature in this field and the new catastrophe models that are being circulated for some specific risks, in addition to some more recent data on insured losses; ii) shortcomings in the use of insured amounts as a basis for calculation and the need for the formula parameters to adequately reflect the different national practices in terms of compensation limits and coverage ceilings.

EIOPA REPORT ON THE IMPLEMENTATION OF CLIMATE-RELATED ADAPTATION MEASURES IN NON-LIFE UNDERWRITING

Within the activities related to the integration of the sustainability principles into Solvency II, on 6 February EIOPA published a report on the implementation of climate change adaptation measures in non-life underwriting (so called “impact underwriting”), based on the outcomes of the pilot exercise on impact underwriting launched by the Authority last February.

In the pilot exercise 31 insurance companies participated from 14 countries aimed at understanding current underwriting practices in this business in the field of adaptation to climate change, assessing their prudential treatment within Solvency II, and determining whether the current prudential framework is marked by obstacles that can prevent the integration of adaptation measures into insurance products.

In its report, EIOPA highlighted that to date only 23% of the total damage caused by extreme weather and climate events in Europe is insured and stressed that the climate adaptation measures (such as anti-flood doors and windows, heat-resistant and fireproof construction materials, or early warning systems) can be fundamental to reduce this risk exposure and the amount of insured damage, as well as to reduce the insurance protection gap in this field.

Although the data collected show some progress in the way insurance companies are adapting their underwriting practices to climate change, the Authority finds room for improvement especially in terms of standardization in the implementation of adaptation measures in insurance contracts, for example through certificates and dedicated, risk-based programs.

Following these conclusions and within the sustainable finance agenda, EIOPA also published a collective joint Discussion Paper with the ECB on policy actions to foster the diffusion and efficiency of insurance policies against climate-related natural catastrophes in the European Union (“Policy options to reduce the climate insurance protection gap”), at the same time creating incentives to adapt and reduce climate risks.

METHODOLOGIES TO ASSESS AND QUANTIFY CLIMATE CHANGE RISKS IN INSURANCE STRESS TESTS AND IN ORSA

As part of the effort to integrate sustainability risk into the Solvency II framework, EIOPA has called on insurance undertakings to improve their approach to the assessment, monitoring and management of environmental risk, with special attention to global warming and climate change.

More specifically, with reference to the Own Risk and Solvency Assessment (ORSA), the Authority asked them to integrate these risks both in the short and especially in the long term, treating them in the same way as any other risk companies are or might be exposed to, and to make appropriate assessments to identify their impact and level of materiality.

In view of the difficulties in implementing this request, also in terms of implementation and expertise costs, EIOPA undertook to support the companies in this process by formulating the methodological principles and providing operational indications through specific reports and events.

The text illustrates the main methodological approaches and the currently available tools to assess and measure climate risk.

In considering which type of tool is most suitable to assess this risk, given the specificities of the insurance business of each company, the following elements must be taken into account:

- **how the "climate-related" potential risk materializes**: physical risk (deriving from the "physical effects" of climate change) or transition risk (deriving from the direct or indirect consequences of adapting the economy to a low carbon footprint);
- **transmission channel**: area of impact of the climate event (underwriting, market, credit, operational, liquidity, legal/reputation risk);
- **type of impact**: financial (on investment) or insurance (on underwriting).

In addition, some further considerations on secondary and indirect effects must be included, for example a deterioration in macroeconomic or market conditions, with a potential further negative impact on the insurance business, or indirect exposure towards other financial institutions.

Table 1. Examples of transmission channel/impact per type of risk

Transmission channel	Physical risks	Transition risks
Underwriting risk	More claims than expected on (non-life) damaged insured assets or higher mortality or morbidity rates than expected (life/health). Impact: insurance	Reduction in the underwriting activity due to the increase in premiums as a consequence of a number of claims above expectations (non-life) or as a consequence of changes in the policyholders' expectations and behavior with reference to sustainability factors (e.g. "green" reputation)(Life). Impact: insurance
Market risk	Reduction in the asset value due to financial losses with an impact on profitability (e.g. business interruption or damage to property). Impact: financial	Write-down of the financial asset value due to the transition towards low carbon emissions ("stranded assets", "brown" buildings and/or reduction in the value of carbon-intensive/high-emission sectors). Impact: financial
Credit risk	Credit rating downgrade for borrowers/ bonds/ counterparties/reinsurers due to financial losses. Impact: financial	Credit rating downgrade for borrowers/ bonds/counterparties due to the losses for those companies that do not deal with the transition risk in an appropriate way. Impact: financial
Operational risk	Insurance business interruption due to, for example, damage to property. Impact: financial	
Liquidity risk	Higher payments and/or unexpected surrenders due to a deterioration in the general economic context deriving from the consequences of climate events. Impact: financial/insurance	
Legal/Underwriting/ Reputational risk		More than expected number of requests for indemnity covering professional third-party liability (e.g. losses deriving from environmental damage caused by the business activity/deterioration in its reputation). Impact: financial/insurance

Source: Application guidance on climate change materiality assessments and climate change scenarios in ORSA.

It is therefore possible to distinguish among the main methodologies and approaches depending on the granularity/quality of the data available and the type of analysis that the company intends to perform:

– **asset analysis: transition risk/physical risk;**
– **liability analysis: transition risk/physical risk.**

As indicated by EIOPA, the approaches listed herein do not include all the possible alternatives, and in some cases they may be considered as complementary; what's more, similar tools and methods can be used for companies operating in both life and non-life business.

Table 2 - Asset analysis: transition risk

Area of analysis	Input data	Instrument/ Methodology	Goal
Corporate bonds and shares	NACE sector and value of investment per ISIN code	CPRSs (Climate Policy Relevant Sectors)[3]	Analyzing the main weaknesses in the portfolio dividing investments by sector, aiming at highlighting those assets that might be exposed to transition risks.
Corporate bonds and shares	Value of investment per ISIN	PACTA (Paris Agreement Capital Transition Assessment)	Analyzing the alignment of an asset portfolio (divided by sector and technology) with a range of climate change transition scenarios and the goals set by the Paris Agreement.

Source: Application guidance on climate change materiality assessments and climate change scenarios in ORSA.

Table 3 - Asset analysis: physical risk

Area of analysis	Input data	Instrument/Methodology	Goal
Government bonds	Geographic location of exposures in government bonds	Notre Dame-GAIN (ND-GAIN)[4] Country Index Peseta IV	Analyzing the potential transition risk that the government bond portfolio of the company is exposed to through the analysis of country-specific variables that may have an impact on the price of the related government bond.
Corporate bonds and shares	Geographic location of investments	PACTA Climate impact explorer Climate Data Factory[5]	Comparing the asset portfolio geolocation divided by PACT sector through maps providing information on the local climate parameters or their variation in a period of reference and in a certain scenario.
Property	Geographic location of investments	EEA discover map[6]	Comparing the value of exposure with the level of physical risk in the country where the property is located.

Source: Application guidance on climate change materiality assessments and climate change scenarios in ORSA.

(3) Classification defining six relevant sectors in terms of potential impact in case of disorderly transition (agriculture, fossil fuels, utilities, energy-intensive, transport, housing) depending on their greenhouse gas emissions, their role in the energy supply chain and the so-called carbon leakage risk classification.
(4) Index developed to measure the level of vulnerability of a specific country, namely the "level of sensitivity and adaptability" to physical risks.
(5) https://theclimatedatafactory.com/.
(6) EEA – Services Monitoring (europa.eu).

Table 4 - Liability analysis: transition risk

Area of analysis	Input data	Instrument/Methodology	Goal
Non-life provisions	Gross technical provisions by business line	Information on litigation	Estimating the impact on insurance demand of any litigation deriving from a failure to act or incorrect action to comply with the Paris Agreement.
Life provisions	Gross technical provisions by business line	Analysis of mortality rates in presence of climate change	Estimating the impact of the transition towards a low-carbon economy on the evolution of mortality rates and, as a consequence, on outflows and product pricing

Source: Application guidance on climate change materiality assessments and climate change scenarios in ORSA.

Table 5 - Liability analysis: physical risk

Area of analysis	Input data	Instrument/Methodology	Goal
Non-life provisions	Gross technical provisions by business line	EEA discover map	Estimating the variation in the frequency and the severity of climate events depending on the geographic location of the insured property. A high exposure in certain locations might entail an accumulation of risk and therefore a level of materiality exceeding the physical risk.
Life provisions	Amount, average age and geolocation of gross technical provisions by business line	Technical provisions mapping in comparison with the physical risk	Estimating the impact of liabilities reclassifying the product portfolio on the basis of its geographic location and the potential evolution of the demographic variables and mortality rates due to the probability of occurrence of particular climate events in the area analyzed.
Non-life SCR	SCR per location and type of risk (peril)	NGFS climate impact explorer	Estimating the expected losses analyzing the evolution in the severity of climate change impact in the different continents, countries, provinces, for different degrees of warming, for those risks where the Nat Cat SCR is higher.
Non-life SCR	SCR per location and type of risk (peril)	Peseta IV	Estimating the expected losses analyzing the effects of climate change in Europe for a set of high-impact sectors in relation to mitigation and adaption policies.
Provisions	Insured amounts by location and claim	Catastrophe models	Estimating the expected losses through mathematical models representing the physical characteristics of natural catastrophes, terrorism, pandemic, extremely serious events and cyber incidents.

Source: Application guidance on climate change materiality assessments and climate change scenarios in ORSA

EIOPA GUIDELINES IN THE FIELD OF CONTRACT BOUNDARIES, TECHNICAL PROVISION ASSESSMENT AND RELATED IVASS CONSULTATION

On 22 December IVASS launched a public consultation (whose deadline was 20 February) for the document n. 10/2022, containing amendments to IVASS Regulation 18 of 15 March 2016 concerning the implementation rules to determine technical provisions (in compliance with art. 36-bis of the Insurance Code).

The amendments and additions suggested aim at the national implementation of EIOPA's "Revised Guidelines on Valuation on Technical Provisions" in Solvency II, published on 6 July 2022 and its "Revised Guidelines on Contract Boundaries", in force since 1 January 2023. On 31 March 2023 both documents translated into the languages of the single Member States were published.

In turn, the EIOPA Guidelines seek to provide indications and clarifications on the hypotheses and the calculation criteria for technical provisions with a view to guaranteeing that their application complies with current regulations and eliminating the differences now found between Member States in implementation practices .

More specifically, the IVASS consultation document contains new provisions or additions on the following matters: i) identification of contract boundaries to detect insurance obligations and calculate technical provisions; ii) assessment of the relevance of the hypotheses adopted and the impact deriving from their use as well as communication and validation of these hypotheses; iii) treatment of the financial guarantees and contract options to define an adequate dynamic model of policyholder behavior; iv) definition of future management actions, on the hypotheses and their relation with new business; v) definition of the proportionality principle; vi) selection of the stochastic models to assess the technical provisions for those contracts whose cash flows depend on future developments, owing in particular to the presence of options or significant guarantees; vii) risk factors that must be considered in the economic scenario generators; viii) modalities to calculate the expected profits in future premiums (EPIFP).

ANIA contributed to this consultation with a document gathering the contributions from Italian insurers, as well as by coordinating some discussion and debate meetings.

With its consultation document ANIA asked for specific clarifications on: i) how to identify the tangible effect on the economic aspects of the financial guarantee contract or the coverage for a given uncertain event; ii) the new rules for the formulation of the hypotheses underlying the technical provision calculation; iii) specifications on how to treat new business in future management actions; iv) the alternative approach suggested for EPIFP calculation.

IVASS provision no. 132 transposing the new Guidelines was published on 6 June 2023.

OTHER EIOPA CONSULTATIONS AND INITIATIVES

Consultation on the Supervisory Statement on governance in third countries

On 1 August, EIOPA launched a public consultation on a Supervisory Statement on the use of governance arrangements in third countries (ended on 31 October), directed to better supervision and monitoring of compliance with Solvency II by insurance companies and intermediaries in their governance arrangements in third countries.

In this document, EIOPA reaffirms that insurance companies must demonstrate an appropriate level of business organization, defined as presence of key decision makers, function managers and staff in the Member State where the headquarters is located, in proportion to the nature, size and complexity of its activity in the European Economic Area (EEA).

More specifically, governance arrangements could raise concerns when used to perform regulated functions and activities for companies and intermediaries serving European policyholders. This might jeopardize risk management and the effectiveness of the decision-making process, as well as undercutting the Authority's supervisory capability.

Application Guidance on climate change materiality assessments and climate change scenarios in ORSA

On 2 August EIOPA published the final document of the Application Guidance on climate change materiality assessments and scenarios in ORSA (the product of a public consultation and a pilot exercise in which the parties involved were invited to participate).

The document reaffirms that the guidance is not intended as a convergence tool for supervisory purposes but as support for companies (especially SMEs) in the practical implementation of sustainable finance objectives; its goal is to give tangible examples as well as reference to research and useful tools for assessing materiality and managing climate change risk in ORSA.

The main changes from the consultation document include: i) four transition plans towards a sustainable economy developed by the Network for Greening the Financial System (NGFS); ii) a table of indicators to measure physical risk (based on the document "Methodological principles of insurance stress testing - climate change component"); iii) examples of shocks to be applied to the projections underlying the solvency assessment; iv) clarifications on the examples of application for the fictitious undertakings considered.

Discussion Paper on methodological principles for insurance stress testing with a focus on cyber risk

On 24 November 2022, EIOPA published a discussion paper on the methodological principles for insurance stress testing with a focus on cyber risk. The deadline for comment was 28 February 2023.

The document contains a set of theoretical and practical approaches to support the design of future insurance stress tests with special attention to cyber risk.

The purposes of the paper are: i) prompt discussion on the valuation of insurers' exposure to cyber risk; ii) suggest new approaches to design and operate cyber risk measurement in the context of EIOPA stress testing; iii) involve stakeholders in order to collect opinions on this issue.

EIOPA went further into two aspects related to the assessment of insurers' financial resilience in case of serious cyber incidents: i) the concept of "cyber resilience", namely the capacity of an insurance company to sustain the financial impact of an adverse cyber event; ii) the cyber underwriting risk, understood as the capacity of an insurance company to sustain – from the capital and solvency perspective – the financial impact of a possible extreme cyber event affecting the policy portfolio.

Study on the treatment of credit and market risk in internal models

On 3 April 2023 EIOPA published the outcomes of a new comparative study on market and credit risk modeling in insurance company internal models (based on 2021 year-end data).

The purpose of the study is to compare some key parameters elaborated by EIOPA that refer to a set of benchmark portfolios of undertakings included in the sample, to measure the overall calibration of credit and market risk, as well as the actual risk profile in terms of solvency indicators. The analysis also considers the different approaches in the use of (dynamic or static) Volatility Adjustment as well as elements aimed at taking account of the environmental sustainability of portfolio assets.

The study considers euro-denominated instruments and some sterling- and dollar-denominated instruments from 20 participating insurers, with headquarters in 7 different Member States, representing almost the entire investment in euro held by insurance companies using certified internal models in the EEA.

In its report, the Authority underlines that the overall results show a moderate to significant dispersion, partially ascribable to some specificities in the companies' business models.

SOLO AND CONSOLIDATED ACCOUNTS

SOLO ACCOUNTS: SUSPENSION OF CAPITAL LOSSES ON TRADING SECURITIES

Considering the persistence of exceptional financial market turmoil, Decree Law 73 of 21 June 2022 - converted with amendments as Law 122 of 4 August 2022 - reinstituted a measure used in the past allowing companies not applying international accounting standards to value securities not to be held to maturity at the cost entered in the accounts for the last year rather than at market value (marked to market), except for impairment losses.

The Decree Law also included the allocation of profits in an encumbered reserve equal to the amount of devaluation not entered, net of taxes.

More specifically, art. 45 has been recently amended in the conversion of the so-called "Decreto Aiuti quater - Aids Decree", envisaging for insurance companies only the possibility of deducting from that reserve the policyholders' share of the lack of depreciation (referred to the financial year and up to the following five years).

IVASS had already published Regulation 52 of 30 August 2022 on the implementation of the provisions introduced by Decree Law 73 and therefore modified this Regulation to transpose the new amendment (IVASS Provision n. 127 of 14 February 2023).

IFRS 9: POST-IMPLEMENTATION REVIEW ON THE CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS AND FOLLOWING STEPS

In October 2020, IASB started the IFRS 9 Post-Implementation Review (PIR) to assess to what extent the objectives of the standard were met, whether the information given is useful to those who read financial statements, whether the estimate of expected costs, for example, in terms of audit, was actually complied with and whether the standard can be applied in a consistent way.

As for the development of the standard itself, IASB decided to conduct the IFRS 9 revision starting from Classification and Measurement requirements, then moving on to Impairment and finally to Hedge Accounting.

In 2021 and 2022, IASB proceeded with all the analyses, namely outreach with the stakeholders and the publication of a Request for Information (RFI).

The most important aspect for insurance business, as pointed out by the European industry and EFRAG, was the request to reintroduce recycling accompanied by a reversible impairment model to assess equity instruments via fair value through other comprehensive income (FVOCI), as well as the investment funds; this necessity had been raised by the industry ever since the original publication of IFRS 9.

Finally, in December, IASB published the Project Report and Feedback Statement marking the end of PIR on the IFRS 9 classification and measurement requirements. According to IASB, these requirements have worked successfully. In particular, IASB found out that there are no fundamental problems with the clarity or the appropriateness of the goals set by the requirements, that the information given is useful for the users of the financial statements, that no unexpected costs arose from the application of requirements, and that these can be applied consistently with the exception of some aspects that will be the focus of a research project and a standard setting project to further improve the information to users.

On the FVOCI assessment of capital instruments, IASB decided to leave the standard as it is, considering that there is no evidence of problems with the appropriateness or the clarity of the requirements or that that the benefits for the users of the financial statements may be unsatisfactory. However, IASB proposed some amendments to IFRS 7, Financial Instruments: Disclosures to improve the transparency of amounts entered as other comprehensive income.

As for the standard setting project, aimed at clarifying the relevant requirements for financial assets with ESG-linked features and electronic cash transfers as settlement of a financial asset or liability, the Exposure Draft Amendments to the Classification and Measurement of Financial Instruments were published on 21 March for comments by 19 July. With this document, IASB also presented the amendment proposal to IFRS 7 on equity instrument investments designated as FVOCI.

With reference to the PIR on impairment requirements, the first activities were started in September 2022 with outreach events with the stakeholders to identify the main elements to be included in the Request for Information (RFI) published on 30 May to receive comments by 27 September 2023.

SUSTAINABILITY

SUSTAINABILITY DISCLOSURE IN THE FINANCIAL SERVICES INDUSTRY

The Sustainability Finance Disclosure Regulation (SFDR) was adopted in November 2019 and partially amended in 2020 by the Taxonomy Regulation. The Regulation entered into force on 10 March 2021, introducing new sustainability transparency obligations on environmental, social and governance issues for financial market players and for qualified financial salesmen, among which are, for the insurance industry, the insurance companies offering insurance-based investment products (IBIPs) and the companies or brokers offering consultancy on IBIPs.

In order to specify the procedures for technical and operational application – in particular the information content – the Regulation also envisaged the drafting and the subsequent adoption of Regulatory Technical Standards (RTS) upon proposal of the European Supervisory Authorities (EBA, EIOPA and ESMA) by the end of 2020. However, the work of the ESAs on RTS went beyond the expected term and at the beginning of 2021 they sent the European Commission a report with an initial RTS draft on the contents, methodologies and presentation of the information required by the Regulation, suggesting to start its application from 1 January 2022. However, the Commission responded that the Regulation's entry into force would not be subject to the adoption of RTS, underscoring that the obligations must be complied with by 10 March 2021 in a "high level and principle-based" way, until such time as the RTS define detailed technical specifications. In October 2021, with the purpose of defining the disclosure modalities in pre-contract and periodic information notes on the investments underlying financial products in environmentally sustainable economic activities, the ESAs submitted to the Commission a further RTS proposal as envisaged by Articles 8(4), 9(6), 11(5) of the Regulation. The Commission informed the European Parliament and the Council of the intention to group the RTS in a single delegated act, announcing the postponement of the enforcement to 1 January 2023 due to the lateness of the ESAs in sending the final RTS.

In April 2022, the European Commission adopted the 2022/1288 Delegated Regulation with said RTS, published in June in the Official Journal of the European Union confirming the 1 January 2023 date of enforcement.

In April 2022, the ESAs received the mandate to propose amendments to the Delegated Regulation regarding the information to provide in pre-contract documents, on websites and in periodic reports on the exposure of financial products to investments related to fossil gas and nuclear energy, reflecting the provisions set forth by the "Complementary Climate Delegated Act". In February 2023, in light of the proposals of the ESAs, the 2023/363 (EU) Delegated Regulation was published in the Official Journal of the European Union specifying the information to be given on the exposure of financial products to investments in assets related to fossil gas and nuclear energy.

In April 2022, the ESAs received another mandate, this time to revise the Principal Adverse Impact indicators (PAI) and the information document on financial products in the RTS by 28 April 2023. The mandate invited the Supervisory Authorities to propose amendments to the RTS regarding the information on decarbonization objectives and to assess whether the RTS provisions on financial products pursuant to Articles 5 and 6 of the Taxonomy Regulation were sufficiently thorough on disclosure and the information on taxonomy-aligned economic activities. In November 2022, however, the ESAs published a letter to the European Commission reporting delays in carrying out the mandate of up to six months beyond the original deadline due to the presence of a large number of technical elements requiring the contribution of a group of expert bodies or agencies.

In line with the mandate, on 12 April 2023 the ESAs published a joint consultation paper open for comments until 4 July 2023 with RTS amendment proposals. The goal is to:

- fine-tune current PAI indicators in their definitions, methodologies and calculation formulas, as well as expanding the list of social indicators;
- add information on decarbonization objectives in the products, including intermediate objectives, the level of ambition and how to attain those objectives;
- improve the information on how sustainable investments "do no significant harm" to the environment and the society;
- simplify the templates on pre-contract and periodic information for financial products.

After analyzing the comments, the ESAs are expected to publish a Final Report to be sent to the European Commission by October of this year.

EU TAXONOMY OF SUSTAINABLE ACTIVITIES

Adopted in June 2020, the Taxonomy Regulation defines the general criteria for an asset to qualify as environmentally sustainable. An asset is considered sustainable if: it contributes to at least one of the six defined environmental goals (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition towards a circular economy, prevention and reduction of pollution, protection and restoring of biodiversity and ecosystems) without significantly harming others (Do No Significant Harm principles), it is carried out respecting the minimum safeguard guarantees envisaged by art. 18, and it is compliant with specific technical criteria.

The Taxonomy Regulation has been applied since 1 January 2022 for the climate change mitigation and adaptation goals and was supposed to be applied from 1 January 2023 onwards for the other four goals.

In December 2021, the so-called "Climate Delegated Act" was published on the Official Journal of the European Union, amending the Taxonomy Regulation by setting the technical criteria for the two climate goals.

As far as the insurance industry is concerned, Annex II, paragraph 10, sets the technical criteria for considering non-life climate-related PERIL underwriting (and also reinsurance) as an enabling activity, but only for climate change adaptation.

In particular, the activity is considered as enabling if it covers climate change related perils and if it concerns specific business lines, complies with the technical screening criteria and does not significantly harm the mitigation goal.

In addition, the "Disclosure Delegated Act" was published in December 2021, setting the contents and the way in which businesses must communicate said information in their non-financial statements pursuant to art. 8 of the Taxonomy Regulation. In detail, the delegated regulation requires the insurance companies to publish the following Key Performance Indicators (KPIs): sustainable investment share and sustainable underwriting share. The disclosure required of financial enterprises from 1 January 2022 to 31 December 2023, which include insurance and reinsurance companies, regards only the eligible activities according to the Taxonomy Regulation. From 1 January 2024 onwards, Taxonomy-aligned activities must be disclosed according to the KPIs defined in the delegated act (from 1 January 2023 for non-financial enterprises).

In July 2022, the "Complementary Climate Delegated Act" on climate change mitigation and adaptation, to be applied from 1 January 2023 onwards, was published amending the above mentioned delegated acts with the inclusion, on rigorous conditions, of specific gas and nuclear energy activities in the list of environmentally sustainable economic activities within the Taxonomy.

As for the four environmental goals above, after a consultation phase, on 13 June the European Commission published the text of the Environmental Delegated Act, meaning the delegated act specifying the technical criteria for those goals, in a broader package of measures aimed at promoting sustainable finance in the EU. In addition, some amendments to the Climate Delegated Act were approved to define the technical criteria for further activities that were not previously included, and to the Disclosure Delegated Act to make sure that the disclosure requirements are consistent with the new provisions. Once available in all EU languages, the delegated acts will be sent to the European Parliament and Council for a four-month scrutiny period, which can be extended by two more months. They are expected to be enforced from January 2024 onwards.

The Commission also intends to complete the taxonomy system to provide a complete classification system, covering social as well as environmental issues, by classifying activities not only as sustainable, but also as unsustainable, transitioning, or neutral. The latter means activities with no environmental or social impact.

For this reason, at the end of 2022 the Platform on Sustainable Finance, a group of experts providing consultancy to the European Commission on a number of aspects of the taxonomy, published the final reports on Social Taxonomy and the extension of the taxonomy to environmental goals. Along with the activities already defined as “green”, the latter suggests to envisage: activities having very harmful environmental impacts (“red”) requiring an urgent transition or exit strategy; transition activities (“yellow”), with intermediate performance; and low environmental impact activities.

In October 2022, the Platform published the Platform Recommendations on Data and Usability of the EU Taxonomy Report containing an overview of the first implementation phase of the taxonomy and recommendations aimed at improving usability and consistency in the broader sustainable finance framework.

In the same month, the Platform also published the Final Report on Minimum Safeguards (MS) providing an opinion on MS application, analyzing their connections with current and developing EU regulations, and finding the main themes relating to the provisions and principles set forth by art. 18 of the Taxonomy Regulation as well as recommendations on how compliance with MS might be assessed.

Finally, in February the European Commission published the new composition of the Platform (35 members and 14 observers) which will provide advice to the Commission on the implementation and usability of the Taxonomy and on the broader sustainable finance framework. In addition, the Platform will continue working on the development and updating of technical criteria in the taxonomy and monitoring the capital flows to sustainable investments.

NEW CORPORATE SUSTAINABILITY REPORTING AND SUSTAINABILITY STANDARDS

The Non-Financial Reporting Directive (2014/95/EU, the NFRD) introduced in 2017 the obligation to publish sustainability information for large enterprises that are entities of public interest and had more than 500 employees on average over the financial year.

In December 2019, the Commission, among the many initiatives announced during the communication of the European Green Deal, declared its intention to revise the NFRD. In that framework, in June 2020 the Commission gave EFRAG the mandate to assess, and then develop, potential common reporting standards for sustainability.

After the Commission’s release of the draft directive in April 2021 and the negotiations with the European Parliament and Council, the Corporate Sustainability Reporting Directive (2022/2464/EU, the CSRD) was published in December 2022 in the *Official Journal of the European Union* and entered into force on 5 January 2023. This Directive must be transposed into the national legislation of every Member State within 18 months and will amend the application scope and requirements of the NFRD.

Among the main new elements of the Directive is the significant extension of the scope of application of the requirements, including: all listed enterprises, including SMEs (but not micro-enterprises); all large enterprises, listed or not; non-EU enterprises having subsidiaries/branches in the EU, above specific thresholds. To qualify as "large" the firm must exceed one of the two following criteria: average number of employees during the financial year of more than 250; and/or net income from sales and services over €40 million and balance-sheet total over €20 million.

A second important new element is that the new sustainability report must be drafted in line with the European Sustainability Reporting Standard (ESRS), whose drafting has been delegated to EFRAG. A further important aspect is the double materiality principle which has been further developed in the new Directive from the initial definition of the NFRD.

The CSRD also envisages a compulsory limited assurance of sustainability information in the current absence of specific audit standards. The CSRD also envisages that the sustainability information report shall be included as a dedicated section in the management reports, eliminating the possibility envisaged by the NFRD to provide the information in a separate report.

The first application of the requirements included in CSRD is envisaged in multiple phases: for the companies already within the NFRD perimeter, the first reporting is scheduled for 2025 (on the 2024 financial year); for other large companies, in 2026 (on 2025); for listed SMEs, in 2027 (on 2026), with the possibility of deferring the reporting for two years, meaning in 2029 (on 2028); for non-EU enterprises, in 2029(on 2028).

As for European sustainability standards (ESRS), the CSRD envisages that a first set shall be adopted by the Commission by 30 June 2023 and a second by 30 June 2024.

In this context, EFRAG gave the European Commission technical advice on a first set of standards in November 2022 and, at a later stage, a set of papers as Basis for Conclusions.

EFRAG was then supposed to carry out the works on the second set of standards, the sector-specific ones, regarding the complementary information and the SME reporting standards. However, in March 2023, the Commission asked EFRAG to provide further support in the implementation of the first set of standards, defined as "sector-agnostic", and to prioritize it over the preparatory work for sector-specific standards.

On 9 June 2023, the Commission published and submitted for public consultation, until 7 July 2023, the draft delegated act related to the first set of standards, which has been further amended from the EFRAG proposal. These standards aim to ensure proportionality and facilitate correct application by enterprises.

EFRAG is also working actively on the digitization of the first set of ESRS and has created the ESRS Digital Reporting Forum to stimulate the European debate on the digitization of the sustainability report, with special reference to the future ESRS XBRL taxonomy.

As envisaged by the CSRD as regards digitization, on 25 November 2021 the European Commission, within a broader package of measures for the Capital Market Union, presented a draft regulation for the creation of a European Single Access Point (ESAP) for financial and non-financial information disclosed by enterprises. Together with the Regulation, two other legislative acts were published: a draft directive and a draft regulation which, respectively, amend some directives and regulations to allow for the creation of the ESAP. The ESAP Regulation proposal is currently in the European negotiation phase.

In 2020 a global initiative on sustainability standards was launched by the IFRS Foundation, which culminated in the creation in December 2021 of the International Sustainability Standards Board (ISSB), which is in charge of developing universally acknowledged and applicable sustainability standards.

The ISSB, with the works carried out in 2022, announced on 17 February 2023 that it had essentially approved two reporting standards, one on sustainability-related financial information (IFRS S1 - General Sustainability-related Disclosures standards) and the other on climate-related business information (IFRS S2 – Climate-related Disclosures standards) These standards should be officially published and applied, at least in part, as of January 2024.

CORPORATE GOVERNANCE SUSTAINABILITY

On 23 February 2022 the European Commission adopted a draft Directive on corporate sustainability due diligence, to foster sustainable and responsible conduct of enterprises along global value chains.

This proposal comes from the March 2018 “Action Plan: Financing Sustainable Growth” in which the Commission contemplated a specific action plan (the tenth) to “promote sustainable corporate governance and mitigate the short term vision in capital markets”.

It is expected that the new provisions on due diligence, which should not affect SMEs, shall be applied to:

- EU companies with more than 500 employees and a global net turnover in excess of €150 million;
- other companies in so-called high impact sectors not above these thresholds but having more than 250 employees and global net turnover in excess of €40 million (for these companies, regulations shall apply two years after the enterprises under the previous item);
- third-country companies operating in the EU with a threshold for turnover generated within the EU in line with the two previous items.

The draft applies to the activities of the enterprises and their subsidiaries as well as their direct and indirect business relations (“value chains”).

The enterprises will have to detect and avoid, cease or mitigate the negative effects of their activities on human rights and the environment. In particular, in order to comply with due diligence, enterprises shall: integrate due diligence into corporate policies; detect the actual or potential adverse effects on human rights and the environment; prevent or mitigate potential effects; end or minimize actual effects; put complaint procedures in place; and monitor policy effectiveness and publicly disclose their due diligence.

The largest enterprises will also have to develop plans to ensure that their commercial strategy is compatible with the 1.5°C global warming limit set by the Paris Agreement.

The draft also introduces the duty for directors to institute the due diligence and to check its implementation, integrating it into corporate strategy. In addition, the directors will have to take human rights, climate change and the environmental consequences of their decisions into account in fulfilling their obligation to act in the best interests of the enterprise.

The national authorities designated by the Member States will be in charge of supervising these new regulations and may impose sanctions in case of non-compliance. In addition, any damaged parties will have the possibility of filing lawsuits for compensation of the damages that could have been averted with appropriate due diligence.

The draft Directive is now at the European negotiation phase. Once it is adopted, the Member States will have two years to transpose it into national law.

Meanwhile, at national level, the new self-government code for listed companies has been applied since the financial year 2021. The Corporate Governance Code was approved by the Corporate Governance Committee in January 2020, introducing new important elements in sustainability especially with reference to “sustainable success,” defined by the Code as “an objective guiding the action of the Board and consisting in creating long-term value for the shareholders, also taking into account the interests of the other relevant stakeholders for the company”.

According to the latest surveys[(1)] nearly all the listed companies adhering to the Code (88%), reported compliance with the recommendation on the pursuit of sustainability. This is very significant, given that the in 2021 the figure was 43%, and that for large enterprises it is now 100%.

ANIA INITIATIVE ON NON-FINANCIAL STATEMENTS

As mentioned above, the Non-Financial Reporting Directive 2014/95/EU – (NFRD), transposed into Italian law with Legislative Decree 254 of 30 December 2016, introduced in 2017 the obligation for large-sized public-interest bodies to draft and publish a Non-Financial Statement (NFS).

(1) 10th report on the application of the Self-government code approved with the 2022 annual report of the Corporate Governance Committee.

In this context, ANIA and ANIA SAFE started a support project in 2017 envisaging an analysis on NFSs with the goal of providing the market with an overview of the contents of the statements of a sample of Italian and European insurance companies or groups.

The perimeter of benchmark analyses on the NFSs published by companies on 31 December 2021, included in the management reports or drafted as a separate report, covers 21 insurance companies – nine Italian insurance groups and two financial groups – representing more than 58% of the Italian market in terms of premium income – and ten European groups, marked by good practices in terms of sustainability.

With reference to the placement of the non-financial information report, pursuant to art. 5 of the Legislative Decree and art. 29-bis of the Directive, the NFS can be contained in the management report, under a specific section, or be published as a separate report. The analysis showed that for Italian NFSs, unlike foreign ones, the majority opted to draft a separate document.

Moving on to the reporting standards adopted, the majority of the sample adopted the Global Reporting Initiative standards (GRI). This is an important element for comparability of information and performances, as well as for defining a common language for the integration of sustainability issues into corporate strategies. Some companies have also followed the International Integrated Reporting Council (IIRC) guidelines, in addition to the GRI standards.

Five issues have been analyzed: Sustainability Governance, Strategies and Policies, Materiality and Stakeholders, Risks, and Sustainable Finance.

As far as Sustainability Governance is concerned, 62% of the companies organized committees within the Board with mandate for sustainability and 81% created dedicated corporate functions; half of the respondents had established an objective-based remuneration and incentive system with variable remuneration (Management by objectives - MBO) considering also the sustainability objectives.

For Strategies and Policies, half the companies adopted a sustainability policy aimed at formalizing the commitment to a positive social and environmental impact; all respondents set ESG targets for strategic development and a third integrated these targets into their business plan; the whole sample of companies mentioned the Sustainable Development Goals (SDGs) promoted by the UN and 86% highlighted their connection with the themes identified following the materiality analysis.

With reference to Materiality and Stakeholders, almost the entire sample reported having conducted a materiality analysis to identify the most relevant issues for the stakeholders and the organization itself, and having implemented stakeholder engagement activities aimed at this analysis; the majority of companies represented the material issues with a materiality matrix.

As to Risks, all the companies described their monitoring, assessment and sustainability-related risk management system and more than half defined a framework to report information in line with the recommendations of the Task

Force on Climate-related Financial Disclosures (TCFD), envisaging a specific thematic area for climate-related risk management.

Finally, with reference to Sustainable Finance, the companies have developed sustainable finance-related strategies and services, translating their commitment into practice by signing international agreements and principles, and instituting responsible investment policies; for example, more than half of the sample endorsed the Principles for Sustainable Insurance promoted by the United Nations Environment Programme – Finance Initiative (UNEP – FI). 86% of respondents had adopted a sustainable investment policy for capital management and a negative criterion, namely excluding investment in sectors involved in manufacturing or trade in weapons, as well as those with a high risk of violation of human rights or corruption.

Moreover, 2021 marked the first year of enforcement of art. 8 of the Taxonomy Regulation of the Disclosure Delegated Act clarifying the content, methodology and presentation of the information that must be disclosed with reference to the proportion of economic activities that are compliant with the EU Taxonomy.

As mentioned in the section "EU Taxonomy for eco-sustainable activities", the insurance business KPIs consider both the proportion of assets invested in taxonomy-compliant activities and the non-life premium volume covering some taxonomy-compliant lines of business and perils. For the reports in 2022 and 2023 (on 2021 and 2022 respectively), financial enterprises can disclose the eligible share of assets (instead of the aligned share); the latter requirement starts as of 2024 (2023 reporting period) for these companies. In 18 out of 21 reports included in the sample, the information on the share of eligible economic activities, in compliance with the Disclosure Delegated Act, was illustrated in the analysis.

RESEARCH ON SUSTAINABILITY IN THE INSURANCE INDUSTRY

In light of their two-fold role as institutional investors and providers of insurance products and services, insurance companies can make an important contribution to the 17 Sustainable Development Goals (SDGs) and to the achievement of climate neutrality by 2050.

This is the backdrop of the first edition of the research on "Sustainability in the Italian insurance industry" conducted by ANIA and the Forum for Sustainable Finance in 2022,(2) with the participation of 21 companies and insurance groups covering in total 73% of the Italian market premiums.

The purpose of the survey was to analyze the modalities to include sustainability and the ESG criteria in the governance, investment and underwriting policies of insurance companies.

(2) "La sostenibilità nel settore assicurativo italiano" First edition 2022, Forum per la Finanza Sostenibile and ANIA.

The questionnaire was accordingly divided into three sections: i) general aspects and governance, analyzing the internal governance and organization of the companies in relation to sustainability; ii) investments, focused on the role of insurance companies as institutional investors, on the inclusion of sustainability criteria in investment policies; iii) risk underwriting, a section in which the modalities to include sustainability in risk underwriting activities were analyzed.

The findings of the survey highlighted that ESG criteria have already been largely integrated into the insurance companies' corporate bodies. As to remuneration policies, the near entirety of insurance businesses use sustainability criteria to assess the attainment of ESG objectives for the variable proportion of salary.

The study has also examined the role of insurance undertakings as institutional investors, observing that 100% of respondents included sustainability criteria in investment decision-making through different sustainable and responsible investment strategies, especially exclusion policies; this figure is all the more significant in that the respondents account for 73% of the Italian insurance market as measured by premiums.

Insurance companies play a crucial role also in the fight against climate change, and the survey demonstrated broad awareness of the issue of climate-changing emissions.

Finally, with reference to the inclusion of sustainability in risk underwriting, practically all the respondents already include ESG criteria in their offer of insurance products other than investment products or at least are at an advanced stage in the assessment process.

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