ITALIAN INSURANCE

2020 - 2021

Ania

Associazione Nazionale fra le Imprese Assicuratrici

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EXECUTIVE SUMMARY

A year and a half after the outbreak of the pandemic, we can draw up a tentative balance sheet on its repercussions on the economy – global and national – and on the insurance industry. And – with all due caution given the exceptional circumstances – sketch out short-to-medium-term scenarios for the future.

Clearly, this year's *Report* will have to be read against the backdrop of the covid-19 pandemic, which is the principal story behind the insurance industry's results for the year, the statistical analyses, the in-depth inquiries, and forecasts.

The forecasting framework is still weighed down, in any case, by enormous uncertainty, relating both to elements that depend on human action, such as economic support measures and the vaccination campaign, and to others that depend more on happenstance, such as the mutations of the virus that we have observed, with apprehension, in the past few months.

ITALIAN INSURANCE: THE RESULTS FOR THE YEAR

Total premiums fall by 3.9%…

Premiums from domestic and foreign business, direct and indirect, gross of reinsurance, contracted by 3.9% in 2020, after two consecutive years of growth (+3.1% in 2018 and +3.9% in 2019).

…-4.5% in life and -2.0% in non-life…

The overall contraction reflects the trend of both the life sector, whose premiums went down by 4.5% (+3.8% in 2019), and the non-life sector, where premiums dropped by 2.0% after 4.2% growth the previous year.

…overall technical account: life €3.4 billion, non-life €4.3 billion…

In the life sector the technical account result remained positive at €3.4 billion, but down from €6.4 billion the previous year, and the ratio to premiums slumped from 6.0% to 3.3%. For non-life business too, the technical account result was positive, at €4.3 billion, up from €3.1 billion, and its ratio to premiums rose from 9.9% in 2019 to 13.7% last year.

…profit from ordinary and extraordinary activity: €10.4 billion…

In 2020 the result from the ordinary activity of the life and non-life sectors was €9.4 billion, down from €10.7 billion in 2019; extraordinary income (which is added to that from ordinary activity) rose from €533 million to nearly a billion euros. In total, pre-tax profit for the year, calculated as the result of ordinary plus extraordinary business, thus amounted to €10.4 billion.

…net profit: €8.6 billion

After taxes totaling €1.8 billion, the industry showed an overall net profit of €8.6 billion in 2020, about the same as in 2019. Profit from non-life business rose from €2.7 billion to €3.8 billion, while that of the life sector slipped from €6 billion to €4.7 billion.

The Report offers a focus on Solvency II balance sheets: life technical provisions amount to €833 billion, non-life to over €50 billion…

The *Report* presents a focus on insurance companies' Solvency II balance sheets. In 2020 total liabilities came to over €960 billion, an increase of 7% from 2019. Life technical provisions increased by nearly 8% to €833 billion while non-life provisions edged downwards to just over €50 billion.

…while investments surpass €1 trillion

The insurance industry's investment assets increased in 2020, surpassing the trillion-euro mark for the first time ever at €1,011 billion, or 60% of Italian GDP. Italian and foreign government securities account for €450 billion, still the industry's main investment at nearly 45% of the total. Holdings of Italian government paper came to €345 billion, or 15% of all outstanding Italian government securities.

Solvency ratio for the entire Italian insurance industry stands at 2.42 in 2020…

In 2020, the solvency ratio for the entire Italian insurance industry was 2.42, higher than in 2019 (2.33), as total eligible own funds came to €140 billion and the Solvency Capital Requirement to some €58 billion.

…2.30 for non-life and life companies alike…

For firms doing only non-life business the solvency ratio rose from 1.98 to 2.30; for life insurance companies, from 2.26 to 2.30.

…and 2.49 for mixed companies

For mixed companies (doing both life and non-life business) it rose from 2.40 to 2.49.

THE FORECASTS FOR 2021

Premiums to increase by 7% in 2021 to over €144 billion…

The total premium income of insurance companies with registered offices in Italy should grow by around 7% in 2021 to over €144 billion, up from €135 billion in 2020. Premiums fell by 4% last owing to the repercussions of the covid-19 epidemic and the resulting economic and financial crisis.

Despite the persistence of uncertainty over the course of the pandemic (stemming mainly from the spreading of variants of the virus), the progress of the vaccination campaign, the abrogation of restrictions on mobility at national and international level, and the recovery in economic activity should all contribute to the expected return to premium growth both in the life sector (+8.5%) and in the non-life sector (+2.8%).

Thanks to the significant upturn in GDP (estimated at around 5% growth for 2021 as a whole), the ratio of insurance premiums to GDP should only edge up from 8.1% to 8.3%.

…total non-life premiums to rise by almost 3%: motor and marine liability premiums down 4.5%, other non-life premiums up 7%…

Following the contraction of 2020 due to the pandemic, which curtailed the operations of insurance companies (especially during the lockdown in the early part of the year), and a decline in the subscription of contracts in major classes (such as motor insurance), the forecast for 2021 is a return to growth, reflecting the economic recovery. Total direct premiums of Italian insurance companies in the non-life sector are expected to gain just under 3% in 2021, for a volume of €34.4 billion (€33.5 billion in 2020), returning to the cyclical expansion that was abruptly interrupted by last year's 2.3% contraction.

Further contraction is forecast for only one branch, albeit one whose incidence on the total remains very substantial (while slipping from 37% to 35% in 2021), namely motor liability, where written premiums are expected to decline by 4.5%, pushing volume down below €12 billion, as in 1998. The reduction in 2021 (of nearly €500 million, on top of the €750 million decline recorded in 2020) will be the combined effect of pricing revisions in response to technical developments, namely declining claims frequency, and intense competitive pressures, producing further discounts for policy renewals.

This further decline in written premiums will bring the overall decline in premium volume since 2011 to some €6 billion annually, or 33%.

But the negative result of the motor liability branch should be more than offset by the gains in the other non-life classes. Premiums here should benefit from the impetus of the economic recovery and the fact that in 2020 (during the lockdown and owing to the uncertainties prompted by the economic recession) many expiring policies were not renewed. Presumably with the return to better economic conditions there will be a resumption of suspended insurance coverage. Overall, the volume of premiums should expand by over 7%, with gains in all classes.

The most important business sectors expected to score better than average gains are:

- sickness insurance (+11.0%): the pandemic has apparently sparked an increase in the demand for private healthcare policies, owing in part to difficulty in accessing public structures during the health emergency;
- property damage (fire insurance +8%, other property damage +7.5%): after a year of stagnation in the real estate market, there should be a surge in 2021 (thanks among other things to subsidized mortgages for young people), strengthening the demand for insurance coverage;
- land vehicles (i.e. collision, fire and theft insurance for automobiles), which should stage a sharp rise of 6.5% in premiums owing to increased new car sales (through the end of June registrations were up 55% over the same period in 2020) and also used car sales (changes of ownership were up 35% in the same period).

Total non-life premium income is expected to hold unchanged in proportion to GDP at 2.0%.

…life premium volume to gain 8.5%…

Even though the recession stemming from the uncertainty over the course of the covid-19 epidemic (especially in the first few months of 2021) damped household consumption, there has been no decrease in the demand for life insurance products. For 2021 as a whole life premiums should record growth of 8.5% to some €110 billion (they came to just over €100 billion in 2020), more than offsetting the 4.4% decline of 2020.

All the forecasts set out here were developed on the assumption of “orderly” macroeconomic, market, and geopolitical scenarios, although there are of course still risks and sources of uncertainty on the evolution of the pandemic, not just for Italy but also – indeed especially – worldwide.

…the resultant of 45% growth in Class III premiums and a modest, 3.5% contraction in Class I

The growth is expected to come above all in Class III (unit-linked) policies, with premium growth of 45% to €43 billion, owing to the across-the-board upturn in the financial and stock markets, which by June were well above their pre-crisis levels. Premiums on traditional, Class I life insurance, instead, are expected to decline by 3.5% owing to the persistence of very low or even negative interest rates.

The trend in the market for life insurance is confirmed by an analysis of new individual policy premiums, which through May 2021 came to practically €40 billion, against €30 billion in the first five months of 2020, when premiums declined by 20% as an effect of the pandemic and lockdown. Thus the expansion of new business (a gain of 30% in January-May) is clearly a reflection, in part, of the crisis during the same months of 2020 (total lockdown imposed on 9 March and lifted only starting 18 May).

Total written life insurance premiums should rise slightly from 6.1% to 6.4% of GDP in 2021.

LIFE INSURANCE – THE DIRECT ITALIAN PORTFOLIO

Life premiums come to €101 billion…

Premiums from direct domestic business of the 46 insurance companies operating in the life sector totaled €101 billion in 2020, down 4.4% from the previous year, when instead there was growth of 3.9%.

…and net cash flow to €25 billion…

Net cash flow, defined as the difference between premiums and incurred claims, was positive, amounting to €25 billion, down 16.7% from 2019 after two years of growth.

…claims costs edge up 0.4%…

Incurred claims, defined as amounts paid and the changes in provisions against payable amounts net of recoveries, amounted to €76 billion in 2020, just 0.4% more than in 2019, owing entirely to an increase in claims for deaths and other human-life-related events, aggravated by the health emergency.

…operating expenses hold steady at 3.8% of written premiums…

Operating expenses, which consist in contract acquisition costs and costs relating to the organization and management of the distribution network, plus administration expenses, amounted to €3.8 billion (72% of which related to Class I and V, 26% to Class III and 2% to other life classes), down 3.5% for the year. Given that written premiums also declined, their ratio to operating expenses was unchanged at 3.8%.

…investment income comes to €18 billion…

The investment balance amounted to €18 billion, sharply down from €34 billion in 2019, the highest figure on record.

…the technical account is positive by €3.0 billion…

The technical account balance was positive at €3.0 billion (around 70% of it for Class I), but more than halved by comparison with 2019, when it was €6.1 billion. The balance on reinsurance cessions and net indirect business amounted to €508 million (€168 million in 2019).

…and the overall technical account by €3.5 billion

Taking the balance of outward reinsurance into account, the overall balance of the technical account was positive by €3.5 billion (compared with €6.3 billion in 2019).

The average yield on segregated funds in 2020 came to 2.62%

Over the last five years, the average return on insurance companies' segregated funds has been 3.0%, against 1.2% for Italian government securities, 1.9% for severance pay entitlements, and average inflation of 0.1%. For 2020 alone, the return on these funds came to 2.62%.

Enrollments in supplementary pension plans number 9.3 million

Enrollments in supplementary pension plans continued the gradual growth of recent years. At the end of 2020, the number of pension plan accounts reached 9.3 million, with 2.5% growth from the previous year.

NON-LIFE INSURANCE – THE DIRECT ITALIAN PORTFOLIO

Non-life premium income is €33.5 billion…

In 2020, non-life premium income for the 63 companies operating in this sector amounted to €33.5 billion, down 2.3% from 2019. The branch's share of total premium income increased, however, rising from 24.4% to 24.9%, as a result of the sharper decrease in life premiums.

…the combined ratio improves, and the overall technical account is positive by €3.9 billion

The combined ratio for the 2020 accident year improved notably, from 91.2% to 85.0%, thanks mainly to the reduced mobility consequent to the pandemic, which in turn reduced claims frequency, especially in the motor insurance sector. The overall technical account result was €3.9 billion, representing a gain with respect to 2019.

MOTOR INSURANCE

Motor liability premiums contract by nearly 6%…

The surging covid pandemic and the succession of lockdowns of varying severity in the course of 2020 had special impact on motor liability insurance. Premiums diminished (by nearly 6%), but so did the cost of claims, which owing to restrictions on driving plunged by almost 20%. The outcome, despite a drastic fall in investment profits, was an improvement in the technical account result for this branch, which came to €1.5 billion.

…and the number of vehicles insured holds broadly stable…

The number of vehicles insured by Italian and non-EEA undertakings dipped by 1.2%, but counting all the other types of insurer active in Italy the total number of vehicles insured was practically unchanged at 42.4 million.

…the average premium decreases by nearly 5%…

There was a further reduction of 4.6% in the average motor liability premium in 2020. This is confirmed by IVASS's survey on actual motor insurance prices, which found a decline of 5.0% compared with 2019.

The survey shows that after peaking in March 2012, the average yearly cost of passenger car insurance fell by 35% through the first quarter of 2021 (the latest available data), or from €567 to €367, further narrowing the gap between prices in Italy and in the other main European countries.

…and the number of accidents declines owing to pandemic-related traffic restrictions, lowering claims frequency

The total number of accidents reported with claims incurred came to 1.5 million in 2020, a plunge of 30.2% for the year. Claims frequency fell from 5.41% in 2019 to 3.82% last year, or by 29.4%. Including estimated claims incurred but not reported, claims frequency for the year came to 4.20% (5.91% in 2019). Trends in claims frequency were quite regular through 2019 but changed drastically with the covid-19 pandemic and the consequent restrictions enacted in 2020. In the first three months of the year there was a contraction of 24% in claims compared with the first quarter of 2019; in March alone, when the generalized, nationwide lockdown was imposed, the claims rate fell by over 60%. Over the following three months, from April through June, claims frequency was down 54% by comparison with the year-earlier period; in the third quarter, as the restrictive measures were relaxed, the decline in the rate eased to 14%.

However, with a resurgence in covid cases in the fourth quarter, Italy was divided into three separate risk categories, with commensurate restrictions, and claims frequency fell by a further 25%.

Incurred claims cost of €8.5 billion…

The incurred claims cost for the 2020 accident year, defined as the sum of the total cost paid and the total cost reserved for all claims incurred, amounted to €8.5 billion, down almost 20% from 2019. Counting total claims (including the estimate of claims incurred in 2020 but not yet reported, IBNR), their average cost, at €5,204, was 14% greater than in 2019, owing presumably to higher driving speeds, especially in cities, which resulted in more severe damage (especially bodily harm).

…claims cost for the financial year: €8.2 billion…

The claims cost for the financial year was €8.2 billion, compared with €10.1 billion in 2019. The difference with respect to the incurred claims cost reflected the utilization of €0.3 billion in excess reserves for previous years. The loss ratio for the year came sharply down from 76.2% to 65.6%.

…operating expenses: €2.7 billion…

Operating expenses came to €2.7 billion (€2.8 billion in 2019). The ratio of expenses to premium income edged up again, from 21.3% to 21.5%.

…overall technical account result: €1.3 billion

The variations in all the relevant components resulted in a positive technical balance of €1.3 billion, as against just €144 million in 2019. Counting investment profits of €250 million, half the amount recorded in 2019, the result of the technical account was positive by €1.5 billion, up from €652 million. Factoring in the reinsurance balance (negative by a marginal €35 million), the overall technical account result too was positive by €1.5 billion, more than double the €644 million registered in 2019.

Special sections of the Report:

The Interior Ministry data on car thefts in Italy in 2020, plus the yearly update of ANIA's statistics on technical indicators and the percentage of fire and theft policies in the land vehicle insurance class.

Analysis of the cost of personal injury claims, which accounted for 64.0% of total motor liability damage settlements, for a total of €5.5 billion in 2020.

An estimate of the number of uninsured vehicles. The open data of the Motor Vehicles Bureau indicate a total of 2.6 million in 2020, or 5.9% of all vehicles on the roads

The calculation of the single direct indemnity amounts for 2021. For geographical areas with coefficient of 1, the CARD-CID amount is €3,160 for motorcycles and scooters, €1,860 for other vehicles.

The state of implementation by the Ministry for Economic Development of the national tables for settlement of severe permanent injury claims, together with ANIA's observations on the publication of the new tables of the Civil Justice Observatory in Milan for settlement of severe permanent injury claims.

Regulatory and judicial developments regarding: IVASS's indications for interpretation of procedures for assigning motor liability contracts to Universal Conversion merit classes and changes to the Highway Code as regards e-bikes and e-scooters, and their insurance implications.

The state of the EU institutions' work towards revision of the Motor Insurance Directive (MID) and the aspects most relevant for Italy.

ANTI-FRAUD ACTION

Lockdown measures affect the types of crimes committed in 2020…

The lockdown measures and restrictions adopted in light of the spread of the covid-19 pandemic throughout 2020 had an impact on every aspect of people's lives, including the types of crimes committed. For some categories of insurance guarantee, despite a drop in accidents in general, the incidence of fraud against insurance companies turned upward; this was the case, for example, of motor liability insurance.

…with the highest rate of fraud risk in motor insurance ever recorded (24.9%)…

IVASS data put the nationwide percentage of total motor liability claims consisting in claims exposed to risk of fraud at 24.9%, the highest rate ever recorded.

…while in other non-life branches the incidence doubles to 4.1%;in pure risk life insurance, it holds unchanged at 0.2%.

For non-life insurance other than motor liability, the incidence of claims judged as at risk of fraud was 4.1% in 2020, nearly twice the percentage registered in the two previous years. For pure risk life insurance, instead, the incidence was practically unchanged at 0.2%.

EXECUTIVE SUMMARY

THE EUROPEAN UNION AND COVID-19

The Report devotes ample space to European developments, and specifically to action to cope with the covid-19 emergency

This year's *Report* thoroughly covers activities and developments at EU level, and specifically action to cope with the epidemic:

– update on Brexit;
– EIOPA initiatives on pandemic risk;
– the Recovery Fund (Next Generation EU), the European response to the coronavirus epidemic;
– the measures taken by EIOPA, IAIS, ESRB and EU Commission on the insurance front;
– the Sustainable Finance Disclosure Regulation (SFDR);
– the Taxonomy Regulation;
– sustainable corporate governance.

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THE ITALIAN INSURANCE MARKET: KEY FIGURES 2020

In 2020 the overall net profit (after taxes) of Italian insurance companies was €8.6 billion, unchanged from the previous year; ROE for the insurance business dropped slightly to 13.5%. This positive result was chiefly due to the technical account which, despite the decline registered in comparison with 2019, was still positive by €7.6 billion. In particular, the technical balance for the life business, while still positive, was nearly halved (€3.4 billion), in contrast with that of the non-life business which grew by over €1 billion to €4.3 billion. The result of the non-technical account improved. In the course of the year the number of insurance companies established and operating in Italy decreased from 216 to 210.

OPERATING INSURANCE COMPANIES

Insurance companies operating in Italy numbered 210 as of 31 December 2020, compared with 216 at the end of the previous year. In particular, between 2019 and 2020 both the number of companies with registered offices in Italy and that of branch offices of foreign companies in Italy, most of which are EU companies (111), went down respectively from 98 to 96 and from 118 to 114. In addition, about 1,000 insurance companies with registered offices in other EU countries (or other countries belonging to the European Economic Area) were operating in Italy at the end of 2020 under the freedom to provide services.

Number of companies by legal status

BUSINESS SECTOR	YEAR	DOMESTIC COMPANIES				FOREIGN BRANCHES		TOTAL
	situation as of 31 December	limited companies	cooperatives	mutual	total	with head office in non-EU countries	with head office in EU countries	
Non-life	2019	50	–	2	52	3	75	130
	2020	48	-	2	50	3	71	124
Life	2019	33			33	-	22	55
	2020	33			33	-	25	58
Professional reinsurers	2019	–	–	–	–	-	6	6
	2020	–	–	–	–	-	6	6
Multi branches	2019	11	1	1	13	-	12	25
	2020	11	1	1	13	-	9	22
TOTAL	2019	94	1	3	98	3	115	216
	2020	92	1	3	96	3	111	210

At the end of 2020, 58 insurance companies (55 in 2019) engaged exclusively in life business (of which 25 branch offices) and 124 (130 in 2019) exclusively in non-life business (of which 71 branch offices). A total of 22 companies (of which 9 branch offices) did business in both the life and non-life sectors, accounting for more than 35% of total premium income. Six undertakings, all of them branches of foreign companies, engaged only in reinsurance. At 31 December 2020 ANIA counted 142 member companies (of which 13 operating under the freedom to provide services) representing 90% of the insurance business in terms of premiums. The 96 insurers with registered offices in Italy comprised, by legal form, 92 limited share companies, three mutual companies and one cooperative society.

THE ITALIAN INSURANCE MARKET: KEY FIGURES 2020

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 in terms of fair value accounting and of balance-sheet item classification. The statutory financial statements of Italian companies are not marked to market, in contrast with Solvency II requirements. The main data on the criteria established by the regime are dealt with in the last part of this chapter.

Income statement
Euro million

INCOME STATEMENT – STATUTORY FINANCIAL STATEMENTS

	2013	2014	2015	2016	2017	2018	2019	2020
Technical account of non-life and life classes (*)								
Written premiums	117,374	142,035	146,005	132,954	129,288	133,094	138,421	132,837
Changes in reserves (-)	29,520	60,006	53,343	49,039	38,943	26,053	54,985	36,695
Investment income	20,068	22,511	17,770	18,291	20,053	2,045	35,829	19,544
Other technical income	1,641	1,781	2,325	2,624	2,821	3,071	3,365	3,390
Incurred claims (-)	88,322	84,838	90,530	82,209	90,518	91,935	95,874	94,195
Operating expenses (-)	11,725	12,126	12,382	12,213	12,349	12,512	12,935	12,608
Other technical costs (-)	2,625	2,744	3,330	3,619	3,842	4,028	4,316	4,624
Balance	**6,891**	**6,613**	**6,516**	**6,789**	**6,510**	**3,682**	**9,505**	**7,649**
Technical account non-life (*)								
Written premiums	31,618	31,071	30,501	29,777	30,008	30,485	31,766	30,955
Changes in premium reserves (-)	-623	-282	-173	190	440	611	734	335
Investment income	1,262	1,346	1,288	1,161	1,278	825	1,346	890
Other technical income	429	393	382	401	401	379	353	342
Incurred claims (-)	21,323	20,187	19,291	18,826	18,770	18,745	19,757	17,720
Operating expenses (-)	8,041	8,243	8,318	8,219	8,316	8,510	8,889	8,704
Other technical costs (-)	1,021	913	984	1,015	1,013	966	943	1,174
Balance	**3,546**	**3,749**	**3,751**	**3,089**	**3,148**	**2,857**	**3,142**	**4,254**
Technical account life (*)								
Written premiums	85,756	110,963	115,504	103,177	99,280	102,609	106,654	101,882
Changes in mathematical and other technical provisions (-)	30,143	60,288	53,516	48,849	38,503	25,442	54,251	36,360
Investment income	18,806	21,166	16,482	17,130	18,775	1,220	34,483	18,654
Other technical income	1,212	1,388	1,943	2,223	2,421	2,692	3,012	3,048
Incurred claims (-)	66,999	64,651	71,239	63,383	71,749	73,190	76,117	76,475
Operating expenses (-)	3,684	3,884	4,064	3,994	4,033	4,002	4,046	3,904
Other technical costs (-)	1,604	1,831	2,346	2,604	2,828	3,062	3,373	3,450
Balance	**3,344**	**2,864**	**2,765**	**3,700**	**3,363**	**825**	**6,363**	**3,395**
Non-technical account (*)								
Other non-life income	825	925	860	1,121	1,395	1,319	1,656	2,060
Other life income	1,444	1,917	1,821	1,824	1,773	1,442	2,200	2,373
Balance of other income and expenses	-2,182	-2,064	-2,104	-2,251	-2,361	-2,483	-2,700	-2,693
Balance of ordinary activities	**6,978**	**7,391**	**7,093**	**7,483**	**7,317**	**3,960**	**10,662**	**9,389**
Balance of extraordinary activities	**1,314**	**961**	**1,010**	**223**	**459**	**541**	**533**	**965**
Taxes (-)	3,062	2,405	2,395	2,006	1,800	335	2,565	1,772
Result for the financial year	**5,231**	**5,947**	**5,709**	**5,700**	**5,975**	**4,166**	**8,630**	**8,582**
Profit/loss for the financial year, non-life sector	*2,125*	*2,448*	*1,956*	*2,114*	*2,439*	*2,183*	*2,652*	*3,845*
Profit/loss for the financial year, life sector	*3,105*	*3,498*	*3,753*	*3,586*	*3,536*	*1,983*	*5,978*	*4,737*
Return on Equity	9.7%	10.1%	9.6%	9.4%	9.9%	6.8%	14.1%	13.5%
Return on Equity (non-life)	9.7%	10.2%	7.9%	8.4%	9.6%	8.5%	10.2%	14.5%
Return on Equity (life)	9.8%	10.1%	10.8%	10.2%	10.0%	5.6%	16.9%	12.8%

(*) Net of cessions and back-cessions

Premiums

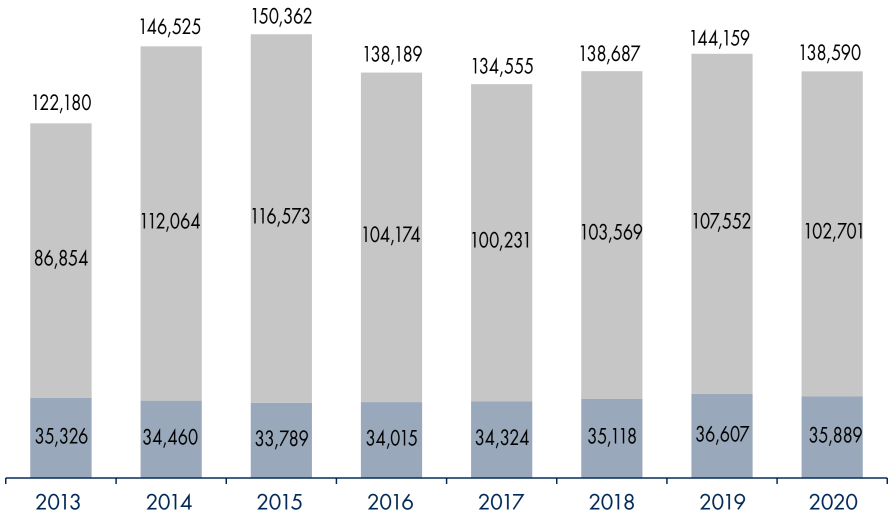
Premiums from domestic and foreign business, direct and indirect, gross of reinsurance, collected by the companies having their registered office in Italy and by the Italian branches of non-EU companies totaled €138.6 billion in 2020, of which €35.9 billion from non-life policies and €102.7 billion from life policies. The severe economic crisis associated with the surging pandemic, which inevitably impacted Italy as well, put a halt to the growing trend registered in the previous two-year period (+3.1% in 2018 and +3.9% in 2019). The contraction registered in 2020 (-3.9%) reflects the trend of both the life sector, whose premiums went down by 4.5% (they were +3.8% in 2019), and the non-life sector, where premiums declined by 2.0% (after growth of 4.2% in 2019).

As a result of these developments, the share of life and non-life premiums on total income remained virtually unchanged at 74.1% and 25.9% respectively.

Gross total premiums
Euro million

Life

Non-life

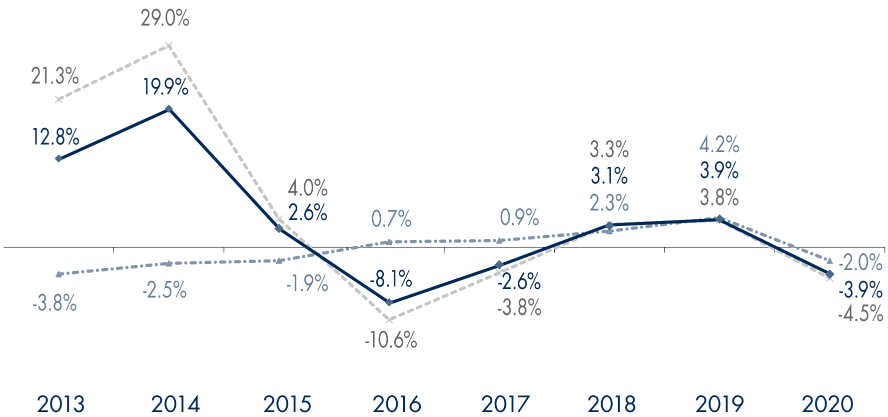


Nominal change in gross premiums – Life, non-life, and total portfolio

Non-life

Life

Total



Total premiums, net of those ceded (€5.8 billion or 4.2% of the total), reached €132.8 billion: of which €30.9 billion from non-life policies and €101.9 billion from life policies.

Claims and benefits paid

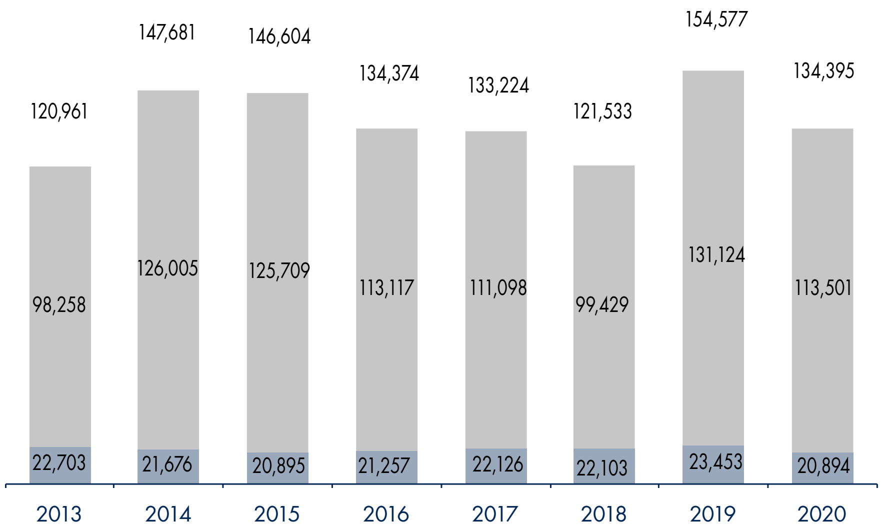
Benefits and claims paid to insured parties and other persons entitled**, gross of reinsurance**, are calculated as the sum of the following:

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

Overall, benefits and claims paid decreased by 13.1% on 2019 to total €134.4 billion: €20.9 billion in non-life classes (-10.9%) and €113.5 billion in life classes (-13.4%).

The **share borne by reinsurance** was €3.5 billion, and as a result **benefits and claims paid, on a net basis**, went down to €130.9 billion (-13.2%): €18.1 million in non-life classes and €112.8 million in life classes.

Gross total benefits and claims paid
Euro million
Life
Non-life

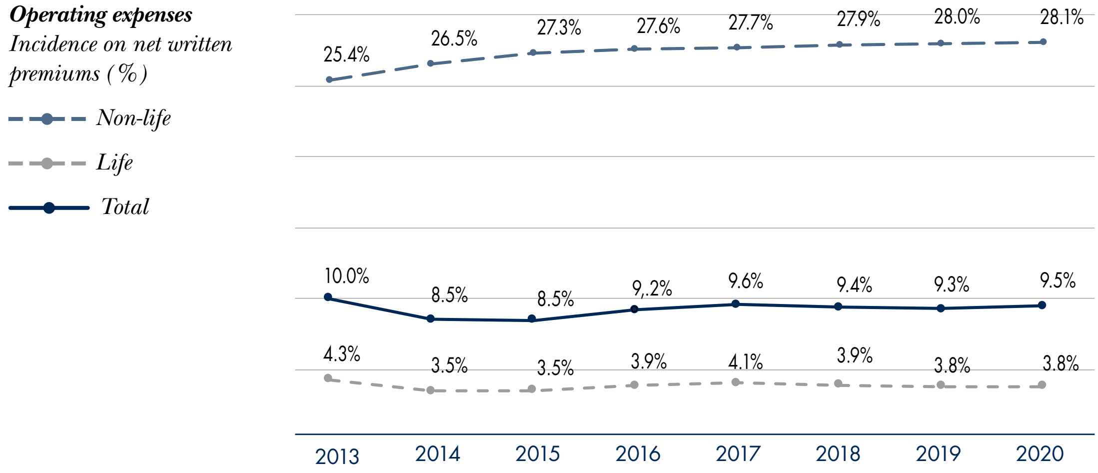


Operating expenses

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 €12.6 billion, 2.5% less than in 2019. Given the sharper decline in premiums, the ratio of total operating expenses to written premiums edged upward to 9.5%.

In particular, operating expenses for non-life business went from €8.9 billion in 2019 to €8.7 billion in 2020, with a slight increase in the ratio from 28.0% to 28.1% over the same period. In the life sector, instead, operating expenses totaled €3.9 billion (they were €4 billion in 2019), leaving the ratio unchanged from the previous year at 3.8%.

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 €7.6 billion, equal to 5.8% of net direct and indirect premiums, down from 2019 (6.9%). For non-life business the technical account result was positive by €4.3 billion (up from €3.1 billion in 2019) as a result of the diminished claim's frequency consequent to the lockdown measures implemented to contain the spread of the covid-19 pandemic; its ratio to premiums rose to 13.7% in 2020 from 9.9% in 2019. In the life sector as well, the result was positive (€3.4 billion), although nearly halved compared to the previous year: the ratio to premiums dropped sharply from 6.0% in 2019 to 3.3% in 2020. The decline is chiefly attributable to a lower contribution from investment income, which reacted to the pandemic-driven economic and financial crisis.

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

	2013	2014	2015	2016	2017	2018	2019	2020
Non-life and Life	5.9%	4.7%	4.5%	5.1%	5.0%	2.8%	6.9%	5.8%
Non-life	11.2%	12.1%	12.3%	10.4%	10.5%	9.4%	9.9%	13.7%
Life	3.9%	2.6%	2.4%	3.6%	3.4%	0.8%	6.0%	3.3%

RESULT ON INVESTMENT ACTIVITY

In 2020 **net investment income** was €41.2 billion, nearly 15% less than the €48.4 billion registered in 2019 by reason of the financial distress observed especially at the beginning of the year as a result of the spread of the pandemic. In particular:

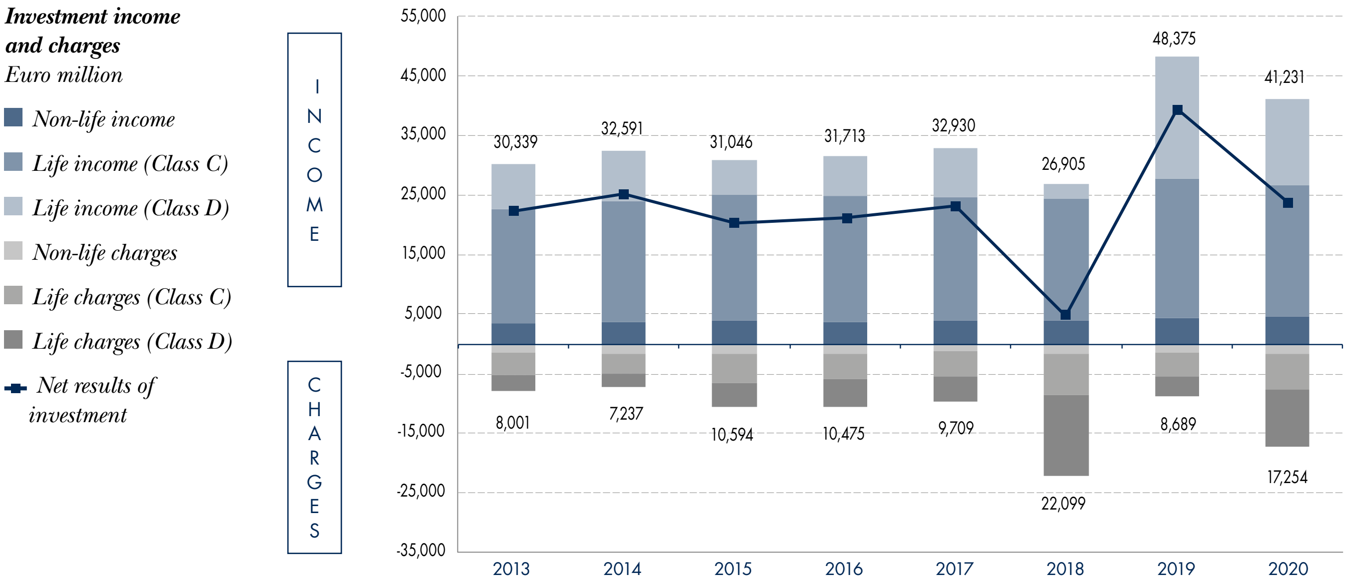
– non-life investment income rose by 4.8% to €4.6 billion;

- Class C life investment income decreased by 6.3% to €22.1 billion;
- Class D life investment income fell by 30% (roughly €6 billion) to €14.6 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 €17.3 billion (-4.0% on 2019): 42% 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 €14.6 billion: 35.4% of the total;
- revaluation gains and realized profits on investment, amounting to €3.7 billion (-35.5%): 8.9% of the total;
- income from shares and investment fund units, amounting to €5.5 billion (+37.8% compared with 2019): 13.3% of the total;
- income from land and buildings, amounting to €156 million (-15.9%): 0.4% of the total.

Investment income and charges
Euro million



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

	2013	2014	2015	2016	2017	2018	2019	2020
Shares and other equity	6.3%	8.6%	8.7%	9.3%	9.4%	13.0	8.2%	13.3%
Land and buildings	0.7%	0.6%	0.7%	0.6%	0.6%	0.7%	0.4%	0.4%
Securities, bonds, and other inv.	53.3%	53.0%	56.7%	56.4%	54.6%	67.0%	37.1%	42.0%
Revaluation gains and realized profits	14.8%	11.5%	15.0%	12.5%	10.3%	10.3%	11.7%	8.9%
Inv. benefiting policyholders	24.9%	26.2%	18.9%	21.2%	25.0%	9.1%	42.7%	35.4%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The contraction in income was accompanied by a considerable escalation of **investment charges,** which more than doubled to €17.3 billion from €8.7 billion a year earlier. In particular:

– in the non-life sector, investment charges went up by 20% to €1.6 billion; therefore, the sector's net investment profit was positive at €3 billion in line with the previous year;
– in the life sector (Class C), investment charges rose by 50% to €6 billion, with net investment profit still positive at €16.1 billion despite the 18% decline from the €19.6 billion recorded in 2019;
– in the life sector (Class D), investment charges expanded by more than €6 billion compared with 2019 up to €9.7 billion; this was a factor in the net investment result, which was still positive at €4.9 billion but down steeply (-71%) from €17.1 billion a year earlier.

The insurance industry's overall **net profit on investment** was positive at €24.0 billion, albeit nearly 40% less than in 2019, when it totaled €39.7 billion. Of this, €19.5 billion (81%) come from the technical account (down from €35.8 billion in 2019), and €4.5 billion (19%) from the non-technical account (up from €3.9 billion in 2019).

Extraordinary income, gross of charges, amounted to €1.3 billion, slightly up from €1.2 billion in 2019. The relevant **charges** totaled €378 million (they were €691 million in 2019).

THE RESULT FOR THE FINANCIAL YEAR

Notwithstanding the negative trend chiefly attributable to the steep decline in net financial income in the life sector, in 2020 the **result from the ordinary activity** of the life and non-life sectors was €9.4 billion (it was €10.7 billion a year earlier); **extraordinary income** (which is added to that from ordinary activity) nearly doubled from €533 million in 2019 to almost €1 billion at the end of 2020. Overall, pre-tax profit for the year thus amounted to €10.4 billion (€11.2 billion in 2019).

After taxes totaling €1.8 billion, the industry showed an **overall net profit of €8.6 billion** (in line with 2019), ascribable, as noted, mainly to the positive results of the life and non-life sectors, albeit with opposite trends; indeed, while the result of the non-life sector increased from €2.7 billion to €3.8 billion, that of the life sector contracted from nearly €6 billion in 2019 to €4.7 billion in 2020.

Set against a virtually stable overall net profit, the sector's profitability, expressed in terms of ROE, slightly decreased from 14.1% in 2019 to 13.5% in 2020 due to an increase in net worth; the life and non-life sectors separately registered ROE of 12.8% (16.9% in 2019) and 14.5% (10.2% in 2019) respectively.

In particular, the profit of the **non-life sector** for 2020 went up to €3.8 billion from €2.7 billion a year earlier; 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 €6.3 billion (€1.5 billion more than in 2019);
- a negative balance of €1.7 billion on **other income less other charges**, in line with 2019;
- a positive balance of €173 million on **other** net extraordinary income, slightly lower than in 2019 (€269 million);
- **income taxes** increased by €186 million from €750 million in 2019 to €936 million in 2020.

Profit-and-loss account by sector
Euro million

	2013	2014	2015	2016	2017	2018	2019	2020
Non-life								
Technical account result	3,546	3,749	3,751	3,089	3,148	2,857	3,142	4,254
Net investment income	825	925	860	1,122	1,395	1,319	1,656	2,060
Intermediate operating result	4,371	4,674	4,612	4,211	4,543	4,176	4,798	6,314
Other net income	-1,354	-1,502	-1,469	-1,438	-1,471	-1,571	-1,666	-1,705
Net extraordinary income	473	450	72	137	208	176	269	173
Income tax for year (-)	1,365	1,173	1,259	795	841	599	750	936
Profit/loss for the year	2,125	2,448	1,956	2,114	2,439	2,183	2,652	3,845
Life								
Technical account result	3,344	2,864	2,765	3,700	3,363	825	6,363	3,395
Net investment income	1,444	1,917	1,821	1,824	1,773	1,442	2,200	2,373
Intermediate operating result	4,788	4,781	4,586	5,525	5,136	2,267	8,563	5,768
Other net income	-828	-563	-636	-814	-891	-913	-1,034	-988
Net extraordinary income	841	511	939	86	250	365	264	792
Income tax for year (-)	1,696	1,231	1,136	1,211	959	-262	1,815	836
Profit/loss for the year	3,105	3,498	3,753	3,586	3,536	1,983	5,978	4,737

The profit of the **life sector** for 2020 amounted to €4.7 billion, worse than in 2019 when it totaled €6 billion; 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) of €5.8 billion, €2.8 billion less than in 2019 as a consequence of the diminished net financial income from the technical account;
- a negative balance of €1 billion on **other income less other charges**, in line with 2019;
- a positive balance of €792 million on **other** net extraordinary income, triple that of 2019 (€264 million);
- a volume of income taxes for the overall life business of €836 million, whereas they exceeded €1.8 billion in 2019.

BALANCE SHEET — STATUTORY FINANCIAL STATEMENTS

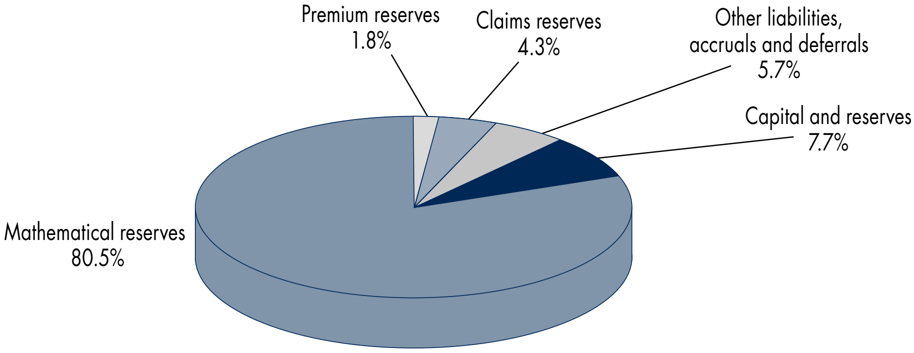
Balance sheet
Euro million

	2013	2014	2015	2016	2017	2018	2019	2020
LIABILITIES	641,230	703,134	762,742	810,241	848,694	867,907	926,658	966,455
NET WORTH	63,906	64,403	66,223	66,361	66,805	65,475	69,906	74,222
TECHNICAL PROVISIONS	530,905	591,746	647,523	693,910	729,542	749,245	801,268	836,338
Non-life classes	*64,764*	*63,368*	*62,005*	*61,384*	*60,015*	*58,872*	*58,781*	*58,643*
Life classes	*466,141*	*528,378*	*585,518*	*632,525*	*669,527*	*690,373*	*742,487*	*777,695*
OTHER LIABILITIES	45,739	46,301	48,380	49,353	51,829	52,611	54,972	55,375
ACCRUALS AND DEFERRALS	680	684	616	617	518	575	512	519
ASSETS	641,230	703,134	762,742	810,241	848,694	867,907	926,658	966,455
AMOUNTS OWED BY SHAREHOLDERS	0	0	0	0	0	0	0	0
INTANGIBLE ASSETS	6,194	6,907	6,664	6,521	6,374	6,095	5,745	5,285
INVESTMENTS:	562,960	629,566	692,645	741,207	778,997	798,917	856,428	896,539
Land and buildings	6,459	6,041	6,645	6,251	6,188	5,530	5,723	4,819
Shares and other equity	57,297	56,387	57,022	56,808	59,899	61,324	61,440	61,136
Bonds and other fixed income securities	363,826	410,269	437,571	464,578	473,506	484,750	503,263	518,857
Shares of mutual funds and other investments	38,565	48,098	63,156	74,049	85,160	95,061	106,587	115,244
Investments benefiting policyholders and proceeds from management of pension funds	96,814	108,771	128,252	139,521	154,243	152,252	179,414	196,483
TECHNICAL PROVISIONS BORNE BY THE REINSURERS	16,533	15,109	14,104	13,734	13,667	12,794	12,409	11,355
AMOUNTS OWED BY DEBTORS	28,192	28,612	26,559	28,200	29,765	31,298	33,964	34,433
OTHER ASSETS	21,868	17,164	16,954	14,664	14,167	13,142	12,497	13,430
ACCRUALS AND DEFERRALS	5,483	5,777	5,814	5,914	5,725	5,661	5,615	5,413

Liabilities

In 2020, balance-sheet liabilities totaled €966 billion, an increase of 4.3% compared with 2019.

Breakdown of liabilities (%) – 2020



Euro 966,455 million

In detail:

– *Shareholders' equity*, or net worth, at €74 billion, grew by 6.2% compared with 2019; it accounts for 7.7% of total liabilities.
– *Technical provisions*, which represent the commitments undertaken vis-à-vis the insured, rose by 4.4% to €836.3 billion; they made up 86.5% of total liabilities. Life provisions, which accounted for 80.5% of the total, grew by 4.7% to €777.7 billion, while non-life provisions (for claims and unpaid premiums) remained stable at €58.6 billion.
– *Other liabilities*, amounting to €55.4 billion (5.7% of the total), were up 0.7% from a year earlier;
– *Accrued expenses and deferred income* amounted to €519 million (0.1% of the total).

Assets

On the asset side the main items composing the total of €966 billion are investments, the reinsurance share of technical provisions, debtors, other asset items, accrued income and prepayments, thus balancing out total liabilities.

In particular:

– *Investments* totaled €896.5 billion, an increase of 4.7% from a year earlier, and made up nearly 93% of total assets. Investments in the life and non-life sectors amounted respectively to €808.9 billion (90% of the total) and €87.6 billion (10% of the total). In detail, total investments were distributed as follows:

  • debt securities and other fixed-income securities: €518.9 billion, up 3.1% (57.9% of the total);
  • investments pertaining to Class D: €196.5 billion, up 9.5% (21.9% of the total);
  • shares of mutual funds and other investments: €115.2 billion, up 8.1% (12.9% of the total);
  • shares and other equity: €61.1 billion, down barely 0.5% (6.8% of the total);
  • land and buildings: €4.8 billion, down 15.8% (0.5% of the total);

– *Technical provisions* borne by reinsurers came to €11.4 billion, down 8.5% from *a* year earlier, and made up 1.2% of total assets.
– Claims due from *debtors* came to €34 billion, up 1.4% (3.6% of the total).
– Claims on shareholders (equal to zero), other intangible assets (€5.3 billion) and other assets (€13.4 billion) rose by 2.6% to €18.7 billion (2% of the total).
– *Accrued income and prepaid expenses* were equal to €5.4 billion, down 3.6% (0.6% of the total).

THE CURRENT VALUE OF INVESTMENT ASSETS OF THE ITALIAN INSURANCE INDUSTRY

To obtain detailed information on the current value of the insurance industry's investments and assess the effects of unrealized capital gains or losses on the overall portfolio, several years ago ANIA launched a statistical survey using a methodology consistent with the one specified in ISVAP Regulation 36/2011. The latest survey, which takes 31 May 2021 as the valuation date, covers practically the totality of Class C investments for the non-life and life sectors except for loans and deposits with credit institutions and ceding undertakings, which account on average for 2-3%; it does not cover investments relating to linked policies and pension funds (Class D). The current value of assets was calculated by summing their book value (the value stated in the accounts before balance-sheet valuations) and the balance between unrealized capital gains and losses.

The current value of Class C investments monitored on 31 May 2021, estimated on a sample of firms accounting for about 90% of the market in terms of investments, was €780 billion, compared with end-2020 figures of €798 billion for the sample companies (Table 1) and a total of €700 billion in Class C investments recognized in the local GAP financial statements of

Table 1 – Total insurance market – Life and non-life sectors
Euro million

	Current value of investment			Breakdown of investments (%) as of 31 May 2021	Current value of investment – Memo total investments (durable and non-durable)		
	Durable	Non-durable	Total				
	31 May 2021				December 2018	December 2019	December 2020
Total Non-life	58,545	36,864	95,408	12.2%	86,083	91,014	102,343
Total Life	377,797	305,932	683,729	87.8%	574,305	646,752	696,091
Total overall (Life and Non-life)	436,342	342,795	779,137	100.0%	660,388	737,766	798,435

	Balance of valuation gains/losses			Balance of valuation gains/losses – Memo total investments (durable and non-durable)		
	Durable	Non-durable	Total			
	31 May 2021			December 2018	December 2019	December 2020
Total Non-life	7,913	1,429	9,342	3,177	7,990	17,111
Total Life	49,891	19,938	69,828	18,810	62,468	86,728
Total overall (Life and Non-life)	57,803	21,367	79,170	21,988	70,458	103,839

Table 2 – Life and non-life sectors – Total investments
Euro million

		Current value of investment			Breakdown of investments (%) as of 31 May 2021	Current value of investment – Memo total investments (durable and non-durable)		
		Durable	Non-durable	Total				
		31 May 2021				December 2018	December 2019	December 2020
C.I	Land and buildings (A)	5,242	0	5,242	0.7%	6,476	6,486	5,520
C.II.1	Shares and other equity in group and other affiliated undertakings	67,619	1,609	69,228	8.9%	59,137	61,733	76,632
C.II.2	Debt securities issued by group and other affiliated undertakings	1,926	1,958	3,884	0.5%	3,387	3,061	3,987
Total C.II.1 and C.II.2 (B)		69,545	3,567	73,112	9.4%	62,523	64,794	80,619
C.III.1	Shares and other equity:	408	9,767	10,176	1.3%	10,492	12,730	9,221
C.III.2	Investment und units	49,110	70,481	119,591	15.3%	85,629	104,997	116,869
C.III.3	Bonds and other fixed income securities	312,030	258,543	570,574	73.2%	494,985	548,492	585,554
- *of which:* listed and unlisted gov't securities		259,700	154,010	413,711	53.1%	360,092	401,174	430,458
C.III.5	Participation in investment pools	0	0	0	0.0%	0	0	0
C.III.7	Sundry financial investments	6	436	442	0.1%	283	267	651
Total C.III.1, 2, 3, 5, 7 (C)		361,554	339,228	700,783	89.9%	591,389	666,486	712,295
Overall Total (A + B + C)		436,342	342,795	779,137	100.0%	660,388	737,766	798,435

		Balance of valuation gains/losses			Balance of valuation gains/losses – Memo total investments (durable and non-durable)		
		Durable	Non-durable	Total			
		31 May 2021			December 2018	December 2019	December 2020
C.I	Land and buildings (A)	494	0	494	657	536	580
C.II.1	Shares and other equity in group and other affiliated undertakings	9,925	340	10,264	3,295	6,852	17,232
C.II.2	Debt securities issued by group and other affiliated undertakings	224	95	319	87	172	386
Total C.II.1 and C.II.2 (B)		10,148	435	10,583	3,382	7,024	17,618
C.III.1	Shares and other equity:	16	1,594	1,611	-687	1,221	531
C.III.2	Investment fund units	2,204	3,918	6,123	-894	4,431	4,971
C.III.3	Bonds and other fixed income securities	44,940	15,204	60,144	19,537	57,228	79,745
- *of which:* listed and unlisted gov't securities		41,156	10,277	51,432	17,977	47,748	69,321
C.III.5	Participation in investment pools	0	0	0	0	0	0
C.III.7	Sundry financial investments	0	215	215	-7	18	393
Total C.III.1, 2, 3, 5, 7 (C)		47,161	20,932	68,093	17,949	62,898	85,641
Overall Total (A + B + C)		57,803	21,367	79,170	21,988	70,458	103,839

all insurance companies. The difference between the value in 2020 and the current value monitored is due to the fact that the balance value does not incorporate:

- unrealized capital gains and losses for securities held on a durable basis;
- either unrealized capital gains or, in the case of insurance companies that used the option provided by Decree Law 119/2018, unrealized capital losses for securities not held on a durable basis.

Of the Italian insurance industry's €779 billion of Class C investments at current value at end-May, €95 billion (12%) referred to non-life business and €684 billion (88%) to life business (Table 1). Investments held on a durable basis account for 56% (€436 billion) of the total, while the remaining 44% (€343 billion) are non-durable. Overall, the balance between unrealized capital gains and losses at the end of May 2021 was positive by €79 billion (down from the end of 2020 when it exceeded €100 billion). Both sectors contributed positively to the overall result: the non-life sector's positive balance amounted to €9.3 billion, the life sector's to nearly €70 billion.

Life and Non-life business

Looking more closely at the types of assets, on 31 May 2021 the industry's top investments were fixed-income securities, with a current value of over €570 billion, €15 billion less than at the end of 2020 (Table 2). Shares and other equity in group and affiliated undertakings came to €69.2 billion (8.9% of the total – they amounted to €76.6 billion and 9.6% in 2020) and investment fund units to €120 billion or 15.3% of total investments (up from €117 billion and 14.6% at end-2020).

At the **end of May 2021,** the **balance between unrealized capital gains and losses** was **positive by approximately €79 billion** (it had been positive by €22.0 billion, €70.5 billion and €103.8 billion at the end of 2018, 2019 and 2020 respectively).

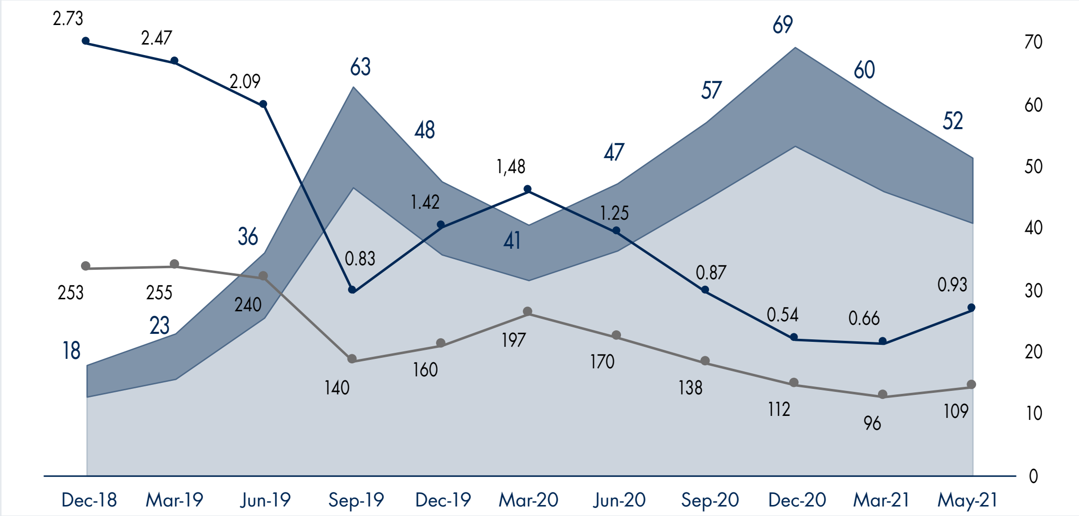
It is worth looking more closely at investments in government securities (Figure 1). The figure plots the quarterly performance of the balance between unrealized capital gains and losses of the Class C investments in government securities against the spread between Italian and German government securities and the return on BTPs (ten-year Italian securities). The series also distinguishes between securities held on a durable and non-durable basis, showing that the latter's share varied between 20% and 30% during the period of observation.

More in general, with regard to the overall balance (durable + non-durable securities), the trend observed highlights an inverse correlation (-0.92) between balance and spread trends and an even more marked negative correlation (-0.98) between the balance and the yields curve of 10-year BTPs.

When the spread/yield of BTPs goes down, the balance between capital gains and losses increases. An analysis of the quarterly time series over 30 months

Figure 1
Trend of durable and non-durable government securities (at current value)

Non-durable G-Secs balance (RH scale)
Durable G-Secs balance (RH scale)
10-Year BTPs yield
BTP/BUND (10 years) spread



(December 2018 - May 2021) shows two peaks on the curve (September 2019 and December 2020) at which net capital gains of Government securities in the portfolios of insurance companies reached €63 and €69 billion respectively; these increments in value coincided with returns on 10-year BTPs and values of the BTP/BUND spread respectively of 0.83 and 140 basis points at the end of September 2019 and 0.54 and 112 at the end of December 2020. The substantial portfolio of Government securities held by insurance undertakings is also influenced by the political and economic situation at national and international level.

A specific focus on the period between March 2020 and May 2021 highlighted the following trends:

– as the pandemic spread in Italy in early March 2020, the rate of return on Government securities (and consequently the spread) increased, a trend that was emphasized by the declarations of the Presidency of the European Central Bank which, at least in the beginning, did not show much sympathy for the critical situation that Italy was facing due to the effects of the pandemic on the spread: at the end of March the spread was nearly 200 basis points and the insurance industry's net capital gains on government securities amounted to just over €40 billion (they were more than €60 billion at the end of September 2019);
– after fluctuating sharply, in the second quarter of 2020 BTPs yields – and consequently the spread – started to go down progressively thanks to the positive impact of the ECB support policy and its *Pandemic Emergency Purchase Programme* (PEEP) established on 18 March 2020, an extraordinary plan to purchase government securities designed by the ECB to contain the looming financial crisis;
– the minimum yield of 10-year BTPs was reached at the end of December 2020, when net capital gains of government securities peaked at nearly €70 billion;
– over the past five months, the slow and modest yet steady recovery of returns led to a €17-billion decrease of net capital gains on government securities in the portfolios of insurance companies; at the end of May total gains net of losses amounted to €52 billion.

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

	2016	2017	2018	2019	%	2020	%	change % 20/19
Total assets	**883,181**	**920,838**	**911,093**	**1,019,677**	**100.0%**	**1,086,454**	**100.0%**	**6.5%**
Buildings, plant, and equipment for own use	2,738	2,071	2,026	2,508	0.2%	2,415	0.2%	-3.7%
Investments (net of linked policies)	671,580	696,659	690,376	768,196	75.3%	814,766	75.0%	6.1%
Assets held in respect of linked policies	139,464	154,217	152,219	179,225	17.6%	195,832	18.0%	9.3%
Mortgages and loans	4,117	5,301	7,374	6,797	0.7%	7,222	0.7%	6.3%
Amounts recoverable from reinsurance	12,778	12,134	11,201	11,098	1.1%	9,897	0.9%	-10.8%
Deposits with ceding undertakings	9,032	7,984	5,732	5,249	0.5%	4,699	0.4%	-10.5%
Receivables in insurance and from intermediaries	8,316	8,751	8,812	9,244	0.9%	8,342	0.8%	-9.8%
Receivables from reinsurance	1,329	1,082	848	1,198	0.1%	1,123	0.1%	-6.3%
Trade credits	10,662	11,383	12,463	14,518	1.4%	14,440	1.3%	-0.5%
Cash and cash equivalents	10,209	9,332	8,671	7,583	0.7%	8,470	0.8%	11.7%
Deferred tax assets	6,254	4,503	3,632	6,284	0.6%	9,886	0.9%	57.3%
Own shares (directly owned)	52	81	64	69	0.0%	242	0.0%	251.6%
Other assets	6,649	7,341	7,673	7,709	0.8%	9,120	0.8%	18.3%
Total liabilities	**778,450**	**803,562**	**801,948**	**896,592**	**100.0%**	**960,522**	**100.0%**	**7.1%**
Non-life technical provisions	55,809	52,860	51,728	51,983	5.8%	50,037	5.2%	-3.7%
Life technical provisions (net of linked policies)	525,282	538,822	538,966	600,202	66.9%	644,243	67.1%	7.3%
Technical provisions for linked policies	133,438	146,073	146,973	172,678	19.3%	188,653	19.6%	9.3%
Deposits received from reinsurers	6,906	6,464	6,005	5,571	0.6%	4,760	0.5%	-14.6%
Derivatives	1,275	953	986	939	0.1%	1,030	0.1%	9.7%
Financial liabilities	11,786	12,269	13,437	14,627	1.6%	14,155	1.5%	-3.2%
Payables in insurance and to intermediaries	3,648	3,894	4,691	5,082	0.6%	5,412	0.6%	6.5%
Payables to reinsurers	862	823	610	564	0.1%	644	0.1%	14.0%
Trade payables	5,497	5,694	5,124	7,044	0.8%	7,390	0.8%	4.9%
Subordinated liabilities	17,062	18,068	19,025	17,948	2.0%	20,055	2.1%	11.7%
Other non-technical provisions	1,510	1,373	1,500	1,523	0.2%	1,611	0.2%	5.8%
Deferred tax liabilities	10,135	10,697	7,666	12,330	1.4%	16,210	1.7%	31.5%
Other liabilities	5,240	5,571	5,238	6,101	0.7%	6,323	0.7%	3.6%
Excess assets over liabilities	**104,731**	**117,276**	**109,145**	**123,085**		**125,933**		**2.3%**
Excess over total assets (%)	*11.9%*	*12.7%*	*12.0%*	*12.1%*		*11.4%*		

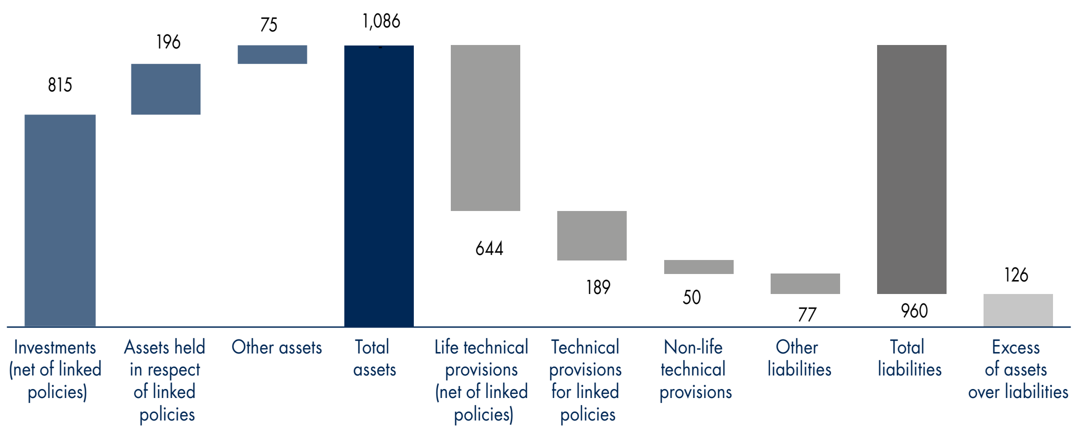
Liabilities (Solvency II)

In 2020, balance-sheet liabilities increased by 7.1%, to total €961 billion.

In detail:

- life insurance technical provisions (net of linked policies) totaled €644.2 billion, up by 7.3% from 2019, accounting for 67% of total liabilities; the risk margin, that is 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 0.8% (€5.3 billion);
- technical provisions for linked policies, amounting to €188.7 billion, increased by 9.3%, thus accounting for over 20% of total liabilities; the risk margin for these provisions was 0.6% (nearly €1.2 billion);
- non-life insurance technical provisions decreased by more than 3.7% to €50.0 billion, accounting for 5.2% of total liabilities; the risk margin was 4.4% (€2.2 billion);
- subordinated liabilities grew by 11.7% to €20.1 billion over the last year, accounting for 2.1% of total liabilities;
- other liability items in the balance sheet include financial liabilities (€14.2 billion, 1.5% of the total, -3.2% compared with 2019) and deferred tax liabilities (€16.2 billion, 1.7% of the total, +31.5% compared with 2019).

The balance sheets of Italian companies in 2020
Euro billion



Assets (Solvency II)

At the end of 2020, Italian insurers had assets of €1,086 billion, 6.5% more than a year earlier.

The consequent surplus of asset items over liability items was €126 billion (up from €123 billion in 2019). The incidence of the surplus on the balance-sheet assets was 11.4%, down from 12.1% in 2019.

More in detail:

- investments (net of those in respect of linked policies) rose by 6.1% to €814.8 billion over the last year, accounting for 75% of total assets;
- assets held in respect of linked policies went up by 9.3% to €195.8 billion, accounting for 18% of total assets;
- other asset items in the balance sheet include trade credits (€14.4 billion, 1.3% of the total, -0.5% compared with 2019) and amounts recoverable from reinsurance (€9.9 billion, 0.9% of the total, -10.8% compared with 2019).

INVESTMENTS (SOLVENCY II)

As described in the previous section specifying the different balance sheet assets, for the first time the investments of the insurance industry exceeded one trillion euros (€1,011 billion), with a 6.7% increase on the previous year. Of this, nearly €815 billion (+6.1% on 2019) refers to insurance contracts net of linked policies, the remaining €196 billion (+9.3% on 2019) to linked policies in the life sector.

Type of investment
Euro million

	2016	2017	2018	2019	%	2020	%	change % 20/19
Investments (net of assets in respect of linked contracts)	671,580	696,659	690,376	768,196	100.0%	814,766	100.0%	6.1%
Italian government securities	320,835	310,752	297,301	324,966	42.3%	335,262	41.1%	3.2%
Bonds	133,113	140,438	138,187	150,595	19.6%	158,521	19.5%	5.3%
Shares of affiliated undertakings, including holdings	77,641	84,646	83,205	87,113	11.3%	89,845	11.0%	3.1%
UCITS	59,569	73,514	80,106	97,163	12.6%	105,481	12.9%	8.6%
Foreign government securities	39,237	51,547	62,448	76,250	9.9%	96,663	11.9%	26.8%
Structured securities	23,173	15,204	10,140	10,325	1.3%	10,977	1.3%	6.3%
Listed equity instruments	7,600	8,855	8,057	10,615	1.4%	7,266	0.9%	-31.5%
Unlisted equity instruments	2,328	2,595	2,857	3,149	0.4%	3,532	0.4%	12.2%
Buildings (other than own use)	4,536	5,262	4,691	4,951	0.6%	3,983	0.5%	-19.5%
Covered securities	2,145	2,415	2,537	2,053	0.3%	1,802	0.2%	-12.2%
Deposits other than cash-equivalent	1,009	996	361	359	0.0%	362	0.0%	0.8%
Derivatives	344	416	469	639	0.1%	1,053	0.1%	64.9%
Other investments	50	19	17	17	0.0%	18	0.0%	5.9%
Assets held in respect of linked policies	139,464	154,217	152,219	179,225	100.0%	195,832	100.0%	9.3%
Investment funds	109,210	128,137	125,036	148,647	82.9%	163,557	83.5%	10.0%
Italian government securities	15,726	11,072	10,864	11,459	6.4%	8,393	4.3%	-26.8%
Foreign government securities	3,366	3,171	4,611	5,308	3.0%	5,915	3.0%	11.4%
Cash and deposits	5,627	5,608	3,571	2,849	1.6%	4,124	2.1%	44.8%
Equity	3,576	4,239	5,075	6,700	3.7%	7,658	3.9%	14.3%
Bonds	1,410	1,536	2,970	4,132	2.3%	5,944	3.0%	43.9%
Other investments	549	455	91	131	0.1%	242	0.1%	84.9%
Total investments	811,044	850,876	842,595	947,421		1,010,598		6.7%

A more specific analysis of the nearly €815 billion of insurance industry investments (net of linked policies) at the end of 2020 shows that companies made the following investment choices:

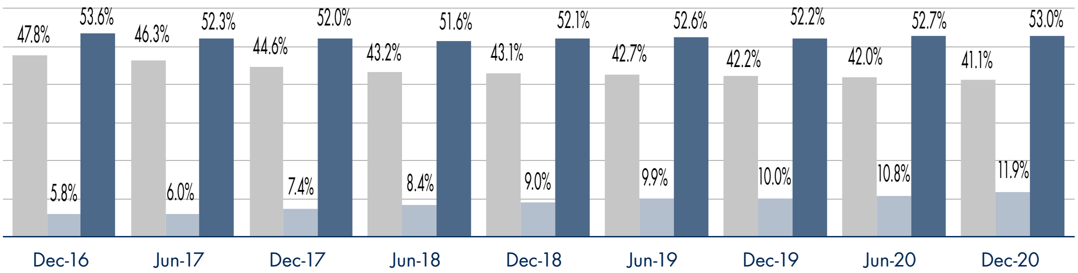
- €335 billion in Italian government securities (41.1% of the total), up by 3.2% compared with 2019;
- €159 billion in corporate bonds (19.5% the total), 5.3% more than in 2019;
- €90 billion in shares of affiliated undertakings (11% of the total), up by 3.1% compared with 2019;
- €105.5 billion in UCITS (12.9% of the total), roughly 9% more than in 2019;
- €96.7 billion (11.9% of the total) in foreign government securities, up by 27% from a year earlier;
- €11 billion in structured securities (1.3% of the total), up by over 6% compared with 2019;
- nearly €11 billion in equity, of which €7.3 billion (-31.5%) in listed instruments and €3.5 billion (+12.2%) in unlisted instruments.

The following figure shows a breakdown of the €430 billion invested in government securities (both Italian and foreign) in respect of non-linked policies:

% gov't securities on overall investments
Euro million

Italian
Foreign
Total

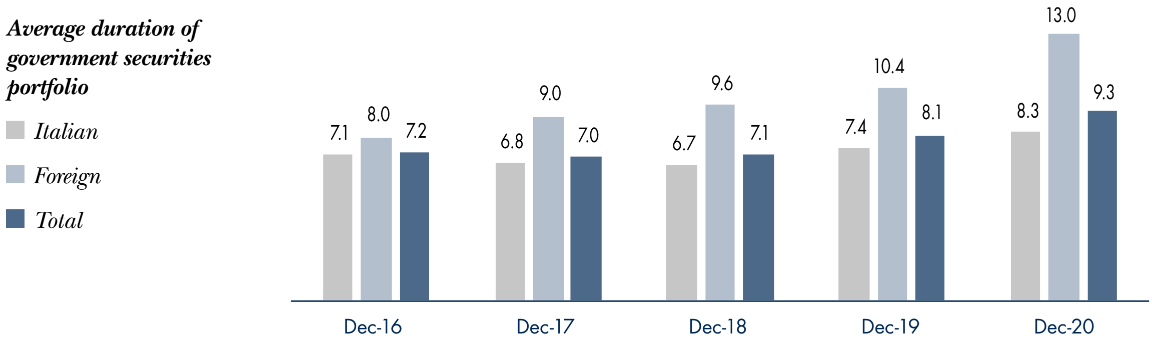
Net of assets in respect of linked contracts



From the end of 2016 to the end of 2018, while investments in government securities remained virtually unchanged at around €360 billion, their share over total investments decreased steadily from 53.6% in 2016 to 52.1% at the end of 2018. In the past two financial years, investments in government securities increased, to €400 billion in 2019 and €430 billion in 2020 (up 8%), even though their share in total investments has remained virtually the same as in 2016.

More specifically, Italian government securities, taking into account both changes in value and net sales/purchases, went down from €320 billion at the end of 2016 to €300 billion at the end of 2018 and then back up to €335 billion at the end of 2020; the incidence on total investments declined from 47.8% in 2016 to 41.1% in 2020; foreign government securities, instead, have increased significantly, from €40 billion at the end of 2016 to €97 billion at the end of 2020, while their incidence on total investments nearly doubled, from 5.8% to 11.9%.

Average duration of government securities portfolio



Finally, an analysis of the duration, namely the average residual maturity, of the insurance portfolio invested in government securities shows that during the last financial year maturity increased by one year to 9.3 years, compared with 8.1 years in 2019, after being virtually steady through 2018. In particular, while the average financial duration of Italian securities was virtually unchanged between 2016 and 2018, increasing only in the past two years up to 8.3 years at the end of 2020, the average duration of foreign government securities lengthened steadily from 8.0 years in 2016 to 13.0 years in 2020.

With regard to the €196 billion of assets held in respect of linked policies, the following lines of investment emerge:

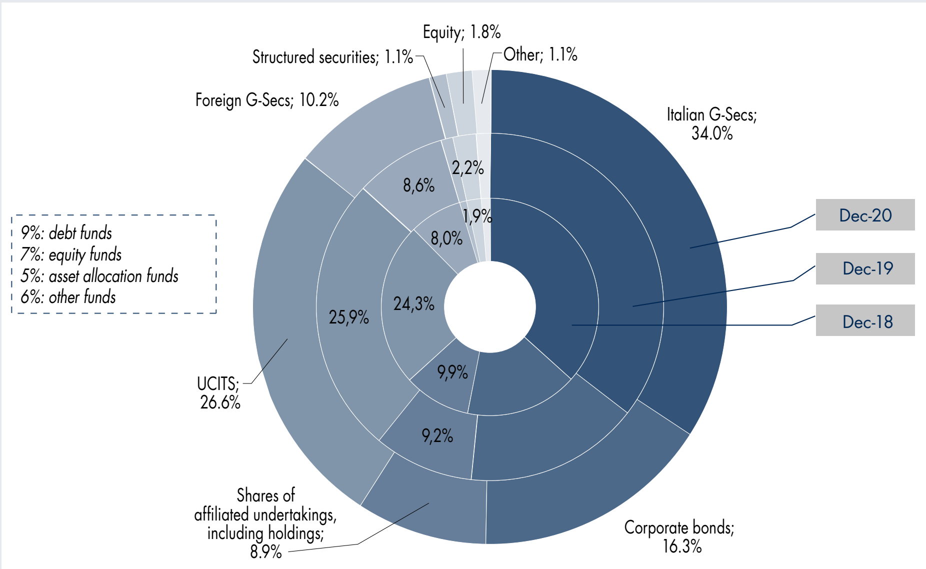
– €163.6 billion (83.5% of the total) in UCITS, up by 10% from 2019;
– €8.4 billion in Italian government securities (4.3% of the total), down by 27%;
– €7.7 billion in equity (3.9% of the total), up by roughly 14%.

THE DIVERSIFICATION OF INVESTMENTS IN THE INSURANCE INDUSTRY

In December 2020, the total assets of Italian insurance companies exceeded one trillion euros, of which 80% for life and non-life contracts other than linked policies and the remaining 20% for linked policies alone. Looking at the overall portfolio, the **subset** known as **direct portfolio**, thus called because it is managed directly by insurance companies, constitutes 72.3% of the total and is composed of government securities (Italian and foreign), corporate bonds, strategic shareholdings, and shares. The **managed portfolio subset**, instead, accounts for 26.6% of the total and comprises investment funds or UCITS – Figure 1. This analysis does not include other investments (1.1% of the total), as they are not identifiable and, therefore, cannot be assigned to either of the two above-mentioned subsets.

Figure 1
Breakdown of insurance industry's overall investments

Source: ANIA, infoQRT



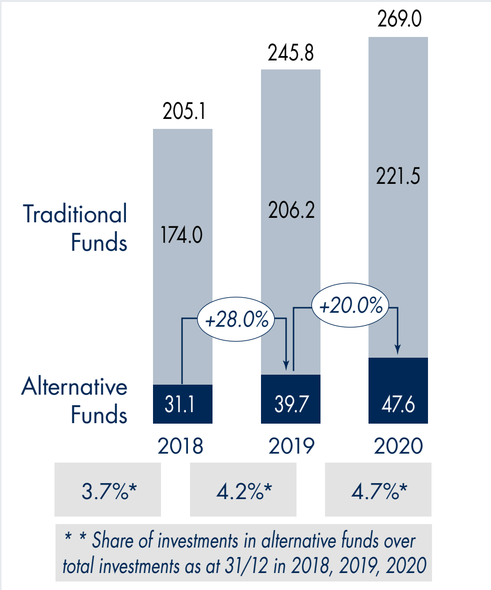
With regard to the **direct portfolio**, Italian government securities have the greatest incidence, roughly 34% in 2020, albeit lower than in 2019 (35.5%) or 2018 (36.6%). In contrast, there is a larger exposure to foreign government securities (10%), up from 2019 (8.6%) and 2018 (8.0%). Clearly, this reflects a strategy of diversification of directly held government securities. Corporate bonds are just above 16% and consist mainly in investment grade securities, whereas strategic shareholdings account for nearly 9% (they were 10% in 2018). At a sector level, insurers mainly invest in bonds and shares and, more specifically, in public administration assets (government securities) and financial and insurance assets, whereas investments in corporate securities are more diversified in sectors such as: 1) electricity, gas, steam and air-conditioning; 2) information and communication; 3) manufacturing; 4) transport and storage.

The share of **managed portfolios**, which includes all investments in UCITS (26.6% of the total in 2020, roughly €270 billion) has grown progressively over the past three years (up from 24.3% in 2018 and 25.9% in 2019) (Figure 1).

The UCITS share consists overwhelmingly of **traditional funds (83%)**, mainly invested in corporate bonds and with assets fairly diversified among investment grade (26%), high yield (5%), emerging market (6%), government securities (8%) and money market instruments (nearly 15.1%) – Figure 2. Geographically, the investments are concentrated in non-European countries (more than 60% of bonds, nearly 70% of shares and virtually all 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.

Figure 2
Breakdown of the insurance market's investments in UCITS

Euro billion



The **share of non-traditional or alternative funds** (18% or €47.6 billion in 2020) within the UCITS has increased progressively over the past three years (it was 15% in 2018 and 16% in 2019), coming to nearly 4.7% of the overall investment portfolio from 3.7% in 2018. This confirms that insurance companies have already started to shift their portfolios towards the energy transition, as demonstrated by larger investments in infrastructure and illiquid assets: the former having more than doubled compared with 2018 and accounting for 12% of total investments in alternative funds and the latter showing less rapid growth but still 9%. Furthermore, with regard to alternative funds, the main share is made up by real estate funds (nearly 42%) and liquid alternative funds (that is to say strategies uncorrelated with traditional asset classes, whose incidence was around 31% at the end of 2020, of which 4% in hedge funds), followed by private equity (6%).

Looking at the exposure of insurance portfolios to environmental, social and corporate governance investment, the share of **green and social bonds** has expanded significantly over the past three years, exceeding €7 billion in 2020, more than double the allocation in 2018. Direct investments in green bonds cover the following sectors, with different exposure depending on whether they are for government or corporate emissions: 1) Public administration, Defense, and mandatory social pension; 2) financial and insurance assets; 3) real estate assets; 4) electricity, gas, steam, and air-conditioning; 5) manufacturing; 6) transport and storage.

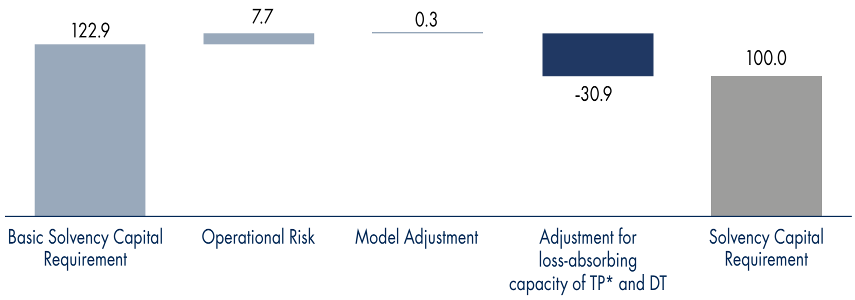
THE SOLVENCY OF THE ITALIAN INSURANCE MARKET

Composition of the Solvency Capital Requirement (SCR)

In accordance with the current legislation, each insurance undertaking must calculate its Solvency Capital Requirement (SCR) either by adopting the standard formula or by using 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, upon authorization of the Authority, add to the calculation of the underwriting risk modules their own Undertaking Specific Parameters (USPs) instead of the pre-set parameters of the formula. Based on an estimate calculated on annual data received by ANIA (roughly 90% of companies in terms of premiums), the SCR for the industry was over €58 billion at the end of 2020 (-1% compared with 2019). Of this, nearly €38 billion (65%) relates to the 14 undertakings that adopted internal models (partial or total), and the remaining €20 billion (35%) 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), the operational risk and the Adjustment components for 2020.

Figure 1
SCR % composition
Year 2020
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.

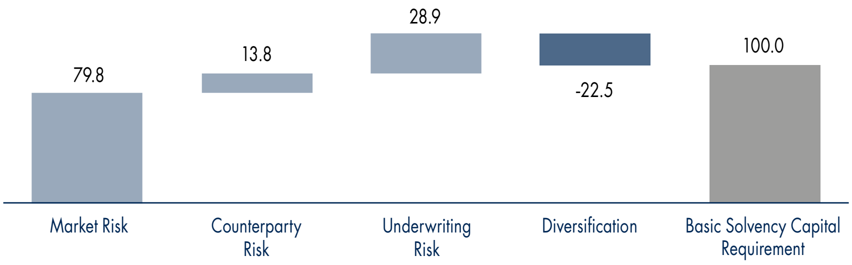
Source: InfoQRT ANIA

Operational risk – defined as the risk of loss due to the inefficiency of individuals, processes, and systems or to events such as fraud or service suppliers' activities – accounts for 8% of SCR, as clearly highlighted in the Figure. While the benefit from the fine-tuning of methods and processes is marginal (0.3%), the adjustment for the loss-absorbing capacity of technical provisions (TP) and deferred taxes (DT) has a considerable impact on the SCR (30.9%). In particular, the latter accounts for 12% of SCR for companies using the internal model and for over 70% for those using the standard formula. This divergence reflects the fact that most companies adopting the internal model report the impact of the adjustment for the loss-absorbing capacity of technical provisions and deferred taxes in each risk module, without explicitly stating so. The adjustment component for these companies is therefore understated.

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

The main source of risk for the insurance industry is market risk (79.8%): 78.9% for companies using the internal model and 81.1% for those using the standard formula.

Figure 2
BSCR % composition
Year 2020
Standard Formula
and Internal Model



Source: InfoQRT ANIA

Counterparty risk measures the vulnerability of different types of assets held by insurers to default of issuers and other counterparties. This risk accounts for nearly 14% of the overall risk (12% in 2019); more specifically 20% for companies using the internal model and 4.6% for those using the standard formula.

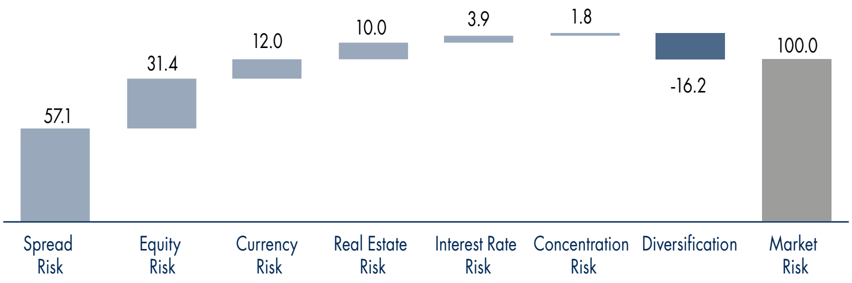
Underwriting risks (life, non-life, and health) represent overall nearly 29% of the BSCR: 24.5% for companies using the internal model and over 35% (22% life, 10% non-life, and 3% sickness) for those using the standard formula.

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 22.5%: 24% for companies using the internal model and 21% for those using the standard formula.

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

Figure 3
Market Risk
% composition
Year 2020
Standard Formula

Source: InfoQRT ANIA



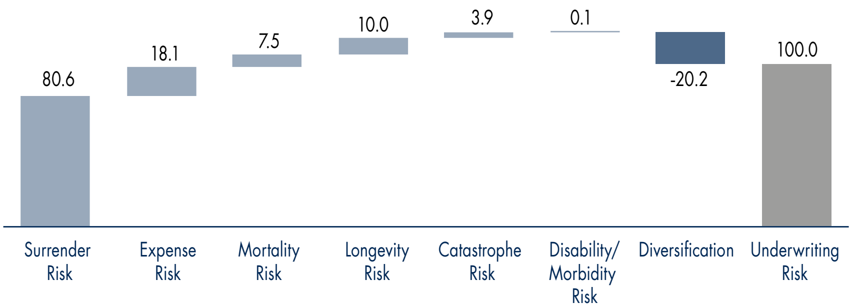
The results show that the greatest source of risk for the industry is the evolution of the spread (57.1%). This share is considerably higher than that of equity risk (31.4%), even though the latter is intrinsically volatile. Currency risk weighs for over 12%, whereas real estate risk, interest rate risk, and concentration risk have a lower incidence, respectively of 10%, 3.9%, and 1.8%.

Also in this case, there is a diversification effect of about 16%.

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 2020
Standard Formula

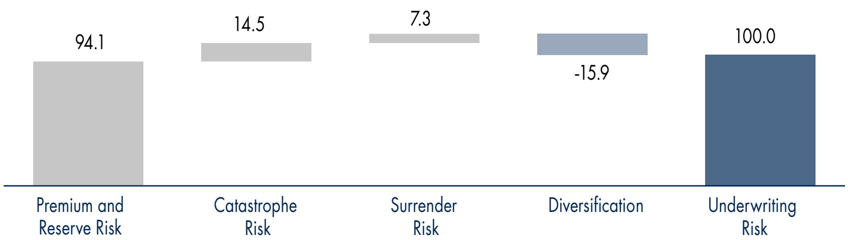
Source: InfoQRT ANIA



A major component in the composition of the underwriting risk for life policies is surrender risk, which accounts for 80% of the overall risk for average companies, followed at a distance by expense risk (18%), mortality risk (7.5%), and longevity risk (10.0%). The diversification effect exceeds 20%.

Figure 5
Underwriting Risk
% composition
(non-life Policies)
Year 2020
Standard Formula

Source: InfoQRT ANIA



A major component in the composition of the underwriting risk for non-life policies is the premium and reserve risk, which accounts for 94% of the overall risk, followed at a distance by catastrophe risk (14.5%). The diversification effect exceeds 16%.

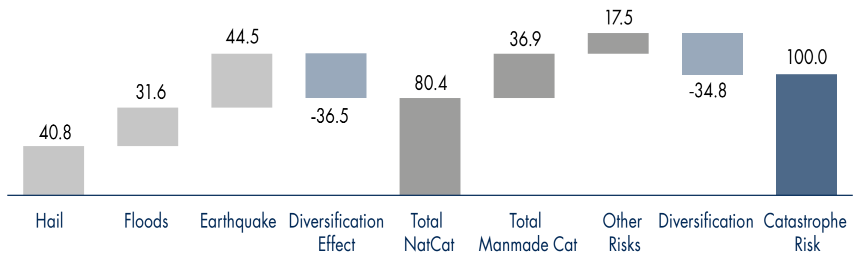
A detailed analysis of the catastrophe risk for non-life policies (Figure 6) shows that natural catastrophes have an incidence of 80%, nearly double that of man-made catastrophes (37%). More specifically, among the latter (not shown in the Figure), fires have a 20% incidence on the overall risk, whereas credit, surety and general third-party liability account for roughly 15%, and motor liability for 9%.

As for natural catastrophes, instead, the greatest risk is earthquakes (45%), followed by hail (41%), and floods (around 32%).

The overall diversification effect is around 35%.

Figure 6
Catastrophe Risk
% Composition
(Non-Life) Year 2020
Standard Formula

Source: InfoQRT ANIA

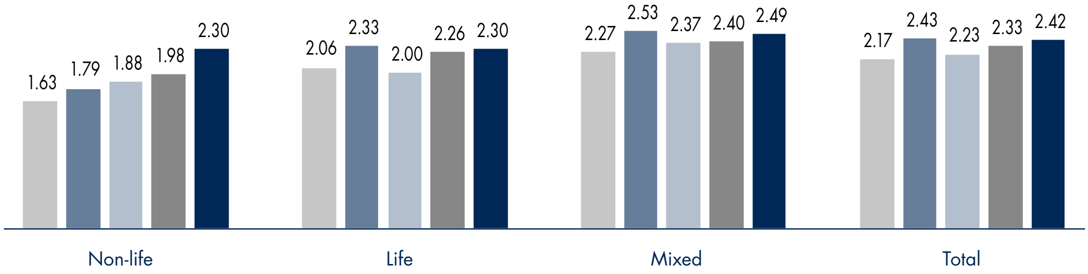


The Solvency Ratio

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 1 below shows the evolution of the indicator for Italian insurance companies in the period 2016-2020 by business sector. In 2020, the Solvency ratio (for the sample analyzed) was 2.42, higher than in 2019 (2.33). The analysis by business sector between 2019 and 2020 shows a rise in the indicator across all three sectors. In particular, the Solvency ratio went from 1.98 to 2.30 for non-life companies, from 2.26 to 2.30 for life companies, and from 2.40 to 2.49 for mixed companies. The Solvency ratio for the total market (2.42) is calculated as the industry's €140 billion of eligible own funds over the Solvency Capital Requirement of approximately €58 billion.

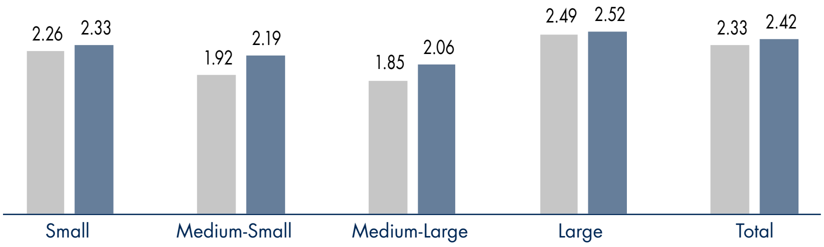
Figure 1
Solvency ratio



Source: InfoQRT ANIA

The indicator was also analyzed according to firm size (Figure 2). The results (comparing annual data for 2019 and 2020) show a significantly higher value for large companies with premiums of more than €4.5 billion (2.52 in 2020, in line with 2019). The Solvency ratio for medium-small companies (total premiums between €0.3 billion and €1 billion) increased from 1.92 at the end of 2019 to 2.19 in 2020; the same is true for medium-large companies (total premiums between €1 billion and €4.5 billion), whose ratio rose from 1.85 in 2019 to 2.06 in 2020.

Figure 2
*Insurance sector's Solvency ratio by company size**



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.

A Key Performance Indicator (KPI) is based on this element, namely the excess of assets in relation to total assets. In particular, Figures 3 and 4 below provide an analysis of the ratio by sector and by company size. On average, in 2020 the indicator was 11.4% (down from 12.1% in 2019), with distribution differing according to business sector. The excess amounts were comprised between 20% and 35% both for non-life and mixed companies, but for the life sector it was far lower (6%). Only the non-life sector showed a mild uptrend in assets excess at 34%.

Figure 3
excess asset ratio (%)
by company type

2019
2020

Fonte: InfoQRT ANIA

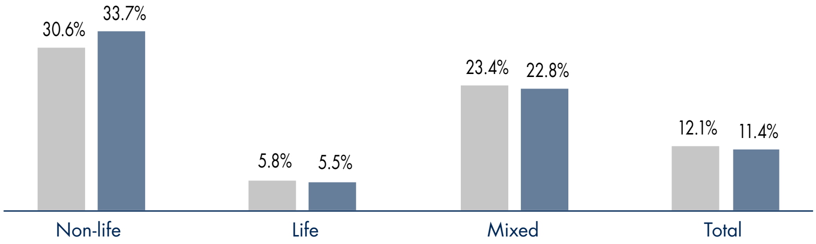
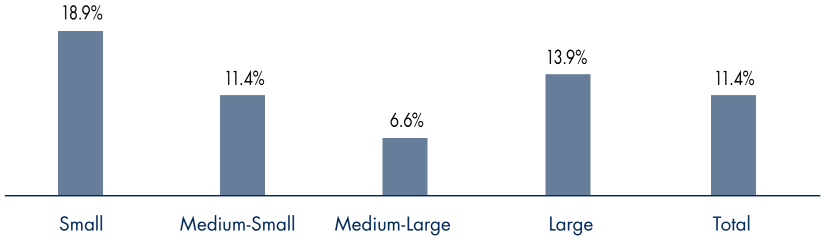


Figure 4
excess asset ratio (%)
by company size – 2020

Fonte: InfoQRT ANIA



The distribution by company size also painted a varied picture: at the end of 2020 for small insurers (with less than €300 million in premiums) the excess was 19% of total assets, while for all other companies it was significantly lower at between 7% and 14%.

Own Funds

Own funds allocated to cover the capital requirement consist of the excess of asset items over liability items, minus the amount of own shares held by the company and of subordinated liabilities; at the end of 2020, own funds amounted to €140 billion.

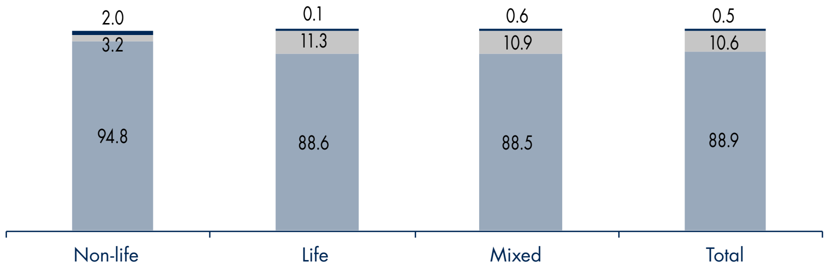
Own funds are classified in three tiers defined on the basis of their quality, i.e., their ability to absorb losses over time. In particular, the characteristics considered for the classification in tiers include the level of subordination, the absence of incentives for redemption, the absence of mandatory 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. With regard to Tier 1 own funds, these are divided into limited funds, subject to specific caps (such as subordinated liabilities), and unlimited funds.

Table 1 and Figure 5 show the percentage of eligible own funds distributed according to tier and insurance sector. At the end of 2020 the incidence of Tier 1 own funds was nearly 89%; Tier 2 accounted for 10.6%, and the remaining 0.5% 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 mostly present in life and mixed companies.

Table 1
Composition (%) of eligible funds by Tier – 2020

	T1 limited	T1 unlimited	Total Tier 1	Tier 1	Tier 2	Tier 3	Total
Non-life	0.3	99.7	100.0	94.8	3.2	2.0	100.0
Life	3.6	96.4	100.0	88.6	11.3	0.1	100.0
Mixed	6.3	93.7	100.0	88.5	10.9	0.6	100.0
TOTAL	5.2	94.8	100.0	88.9	10.6	0.5	100.0

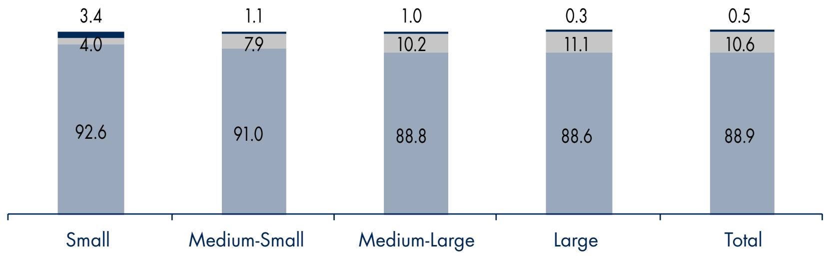
Figure 5
Composition (%) of eligible own funds by Tier and sector – 2020



Fonte: InfoQRT ANIA

The distribution by company size (Figure 6) shows that for large and medium-large companies (with over €1 billion in premiums), Tier 2 own funds account for approximately 10% of the total. The smaller the company, the smaller the incidence; in small insurers with less than €300 million in premiums, as little as 4%. For these companies, Tier 1 and Tier 3 elements are still significant (93% and 3.5% respectively).

Figure 6
Composition % of eligible own funds by Tier and company size – 2020



Fonte: InfoQRT ANIA

The following figures analyze, according to business sector, various KPIs deriving from the solvency data; each KPI 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 7 measures the percentage incidence of the reconciliation reserve on the SCR. At the end of 2020, the indicator was 148.7%, higher than at the end of 2019 when it was 142.8%.

In general, across the sectors analyzed (non-life, life, and mixed), the overall reconciliation reserve was higher than the SCR, with a resulting indicator always above 100%. In particular, at the end of 2020 the indicator for mixed companies was 152.4% (it was 147.0% in 2019), more than the 138.7% registered for companies operating exclusively in the life sector – whose indicator still rose from the 135.8% in 2019 – although less than the 163.1% of non-life companies (up from 132.1% in 2019).

Figure 7
Reconciliation Reserve on SCR (%) by sector

2019
2020

Fonte: InfoQRT ANIA

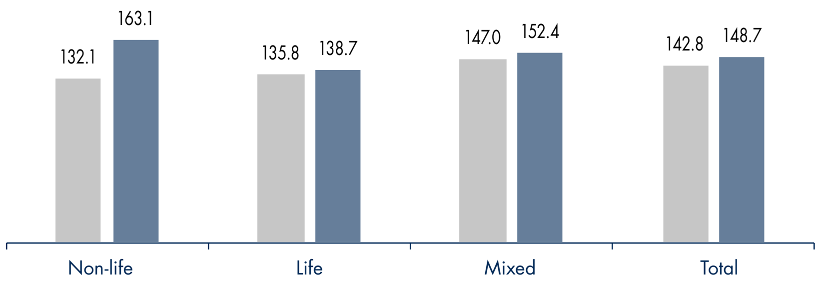
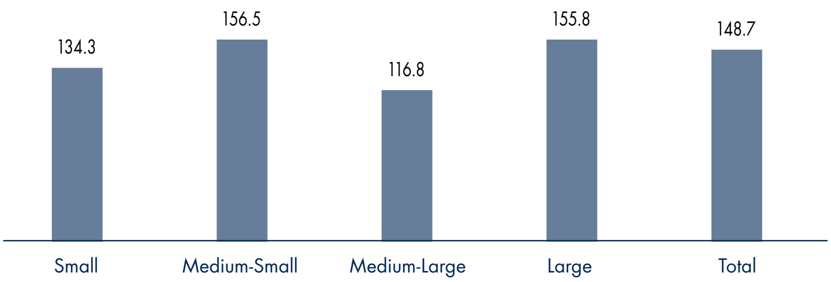


Figure 8
Reconciliation reserve on SCR (%) by company size – 2020

Fonte: InfoQRT ANIA



The analysis by company size carried out at the end of 2020 shows no specific correlation between the indicator and the volume of written premiums.

Reconciliation reserve over eligible own funds

Figure 9 shows that at the end of 2020 the incidence of the reconciliation reserve on total eligible own funds amounted to 61.5% overall, in line with 2019. Looking at the data by company type, the highest incidence was, as in the previous year, that of non-life businesses (71%). The distribution of the indicator by company size was essentially homogeneous, with the exception of medium-small companies (those with premiums between €300 million and €1 billion), which registered a value of 71.3% at the end of 2020.

Figure 9
Reconciliation reserve over eligible own funds (%) by sector

2019
2020

Fonte: InfoQRT ANIA

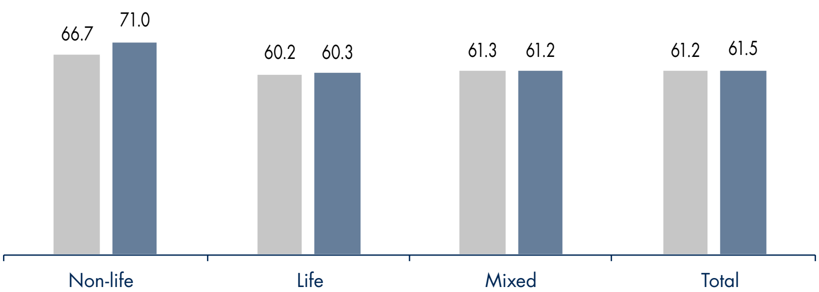
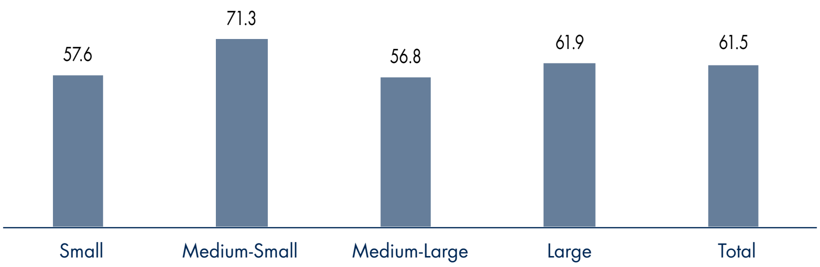


Figure 10
Reconciliation reserve over eligible own funds (%) by company size – 2020



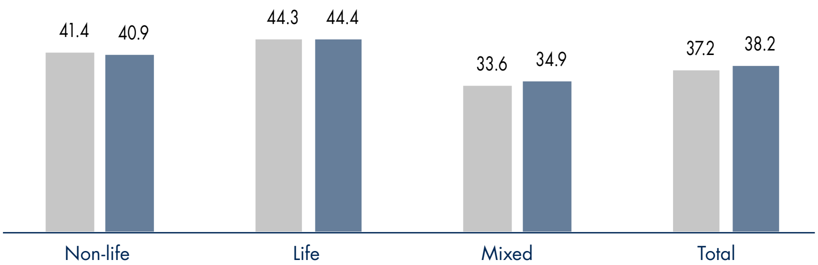
Fonte: InfoQRT ANIA

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 cannot be less than 25% or more than 45% of the company's solvency capital requirement. The end-year results for 2020 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%); on the contrary, for mixed companies the value is 35%, essentially mid-way between the minimum and maximum. The analysis by size shows that for large companies the value of the indicator (36.6%) is lower than for other insurance companies.

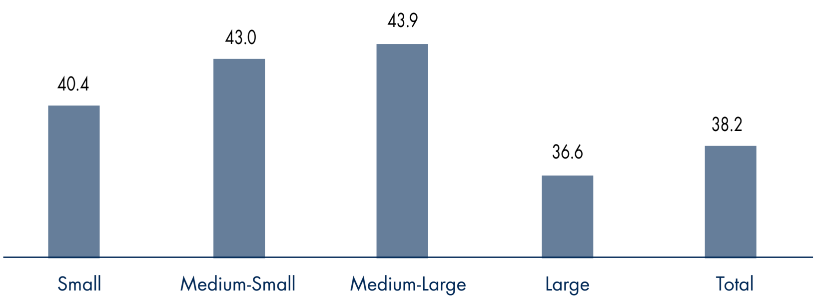
Figure 11
MCR/SCR (%) by sector

2019
2020



Fonte: InfoQRT ANIA

Figure 12
MCR/SCR (%) by company size – 2020



Fonte: InfoQRT ANIA

EPIFP/Reconciliation Reserve

The ratio of expected profits included in future premiums (EPIFP) to reconciliation reserves is much more diversified. This was approximately

12.1% at the end of 2020 on average. But the ratio was 4.4% for non-life businesses, 26.5% for life businesses and 6.3% for companies operating in both the life and non-life classes. With the exception of large companies, which registered an indicator lower than the average at 11.9%, the analysis by size highlights a positive correlation between company size and expected profits.

Figure 13
EPIFP/reconciliation reserve (%) by sector

2019
2020

Fonte: InfoQRT ANIA

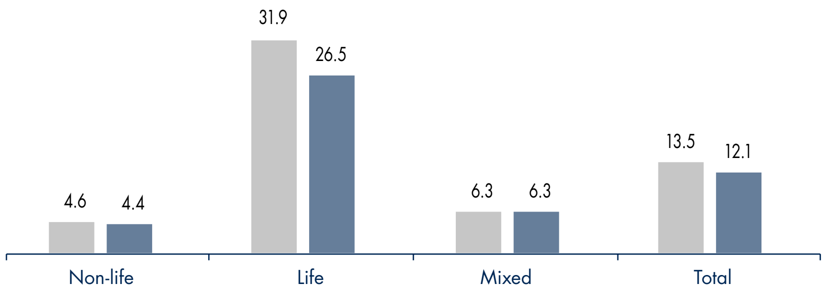
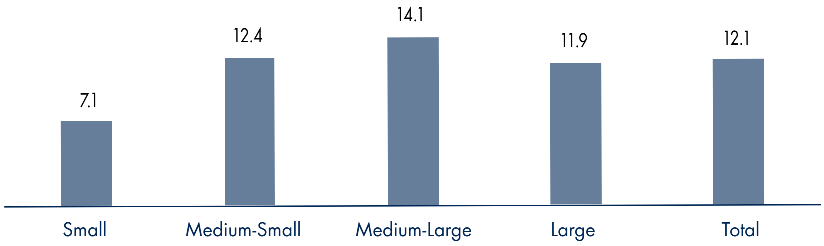


Figure 14
EPIFP/reconciliation reserve (%) by company size – 2020

Fonte: InfoQRT ANIA



Results for the first quarter of 2021

The following section provides an account of some of the results for the first quarter of 2021, to better gauge the effects that the health emergency, and the economic and financial crisis that ensued, had on the current value of the securities held by insurers.

At the end of March 2021, total investments of the insurance industry, calculated at current value, were €12 billion more than at the end of 2020 (+1.2%). In particular, investments in respect of linked policies rose from €196 billion at the end of last year to €206 billion at the end of March 2021, thus growing by approximately 5% in just three months. The remaining investments, mainly in respect of with-profit policies, remained virtually stable (+0.2%). The positive investment trend registered by the insurance industry in the first quarter of this year reflects the recovery of the stock market indexes (between the end of December 2020 and the end of March 2021 the FTSE MIB index gained 10%), as well as the decline in the spread between Italian and German government securities (between end of December 2020 and end of March 2021 the spread between 10-year Italian and German government securities dropped from 112 to 96 basis points).

THE ITALIAN INSURANCE MARKET: KEY FIGURES 2020

Type of investment
Euro million

	Mar-20	Dec-20	Mar-21	Change (%) Mar. 2021 /Dec. 2020
Investments net of assets in respect of linked contracts	732,605	814,766	816,790	0.2%
Investments in respect of linked contracts	163,544	195,832	205,511	4.9%
Total investments	896,149	1,010,598	102,2301	1.2%

As a direct consequence of this market trend, the two components of the Solvency ratio, a key indicator to measure company solvency, both increased.

In particular, the SCR rose 1.1% from €58 billion at the end of 2020 to €58.7 billion at the end of March 2021. The increment in eligible own funds was considerably greater (+8.4%) from €140 billion to €152 billion at the end of March. As a result, the Solvency ratio also went up from 2.42 at the end of 2020 to 2.59 at the end of March 2021.

Solvency ratio elements
Euro million

	Mar-20	Dec-20	Mar-21	Change (%) Mar. 2021/ Dec. 2020
SCR	56,394	58,050	58,660	1.1%
Eligible own funds	119,367	140,240	151,959	8.4%
Solvency ratio	2.12	2.42	2.59	+17 b.p.
- non-life companies	1.96	2.30	2.38	+8 b.p.
- life companies	2.00	2.30	2.64	+34 b.p.
- mixed companies	2.19	2.49	2.59	+10 b.p.

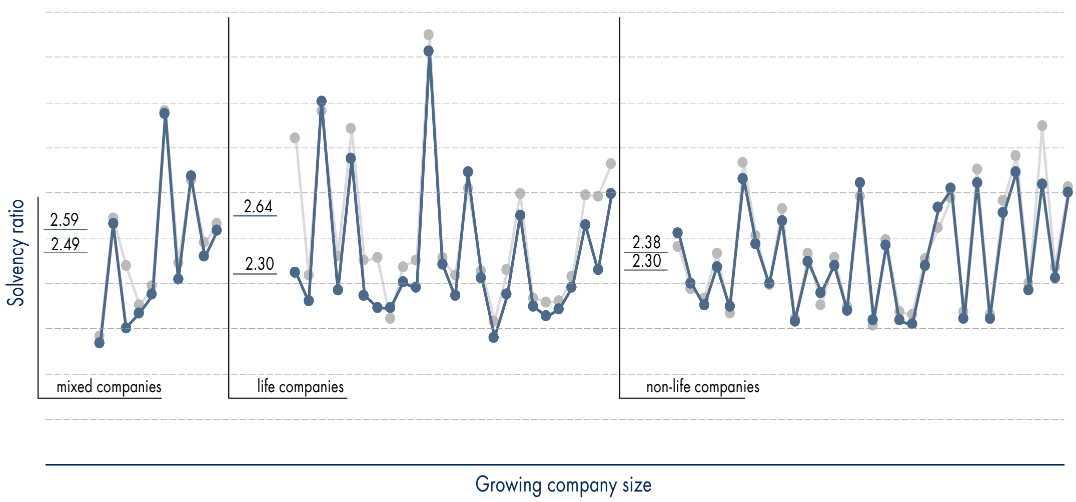
The rise in the Solvency ratio was much more pronounced for life insurance companies with larger quotas of fixed income securities in their investment portfolios, which therefore benefited more from the recovery of the financial markets recorded in the first quarter of 2021. In March 2021, the Solvency ratio for these companies came to 2.64, up from 2.30 at the end of 2020 (+34 b.p.). The impact on mixed and non-life companies was more contained, going respectively from 2.49 to 2.59 or +10 b.p. and from 2.30 to 2.38 or +8 b.p.).

The figure shows that, in general, the correlation between company size (expressed in own funds) and Solvency ratio is not strong.

Solvency ratio 2020 vs Q1 2021 comparison

Solvency ratio 2020

Solvency ratio Q1 2021



THE IMPACT OF TAXATION ON INSURANCE COMPANIES' FINANCIAL STATEMENTS

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

On a preliminary basis, in 2020 the industry paid €1.8 billion in direct taxes.

Direct taxes

Tax period	TOTAL TAXES (Euro million)
2016	2,014
2017	1,806
2018	338
2019	2,566
2020	1,772

The impact of each 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 with a rate 2 percentage points higher than that applied to other industries (5.90% compared with 3.90%). This surcharge for insurance companies is also much higher than that – this too ad hoc – for banks (i.e. 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 IRAP surcharge, given that insurance undertakings do not per se generate more taxable income from production than other business sectors.

It should be noted that in the three-year period 2016-2018 the analysis observed the amounts paid for IRAP during the previous year, consisting in the amounts paid for year *X-1* and payments on account for year *X*. Starting in 2019 the 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 declaration).

So calculated, the amount of IRAP taxes paid by insurance companies was estimated at €607 million in 2020.

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 (%)
2016	344	101	6.82%	5.90%	0.92%
2017	348	102	6.82%	5.90%	0.92%
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%

(*) 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 declaration), whereas in 2016-2018 the analysis considered 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 insurance mathematical provisions

Since 2003, insurance companies have been subject to a tax on the stock of mathematical provisions against written life premiums(1).

This is 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 reimbursement of the insured capital: the legislation (Article 1 of Legislative Decree 209/2002), in fact, establishes that such payment will give 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, this tax amounts to a non-interest-bearing compulsory loan 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% since 2013

Over the years, as a consequence of the increase in the tax rate on one hand and of the practically constant increase in mathematical provisions on the other, 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 system was implemented whenever the taxes paid on policy yields for the year were lower than those paid in the previous five-year period. In this case, the

(1) 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.

difference could be offset, without cap, with other taxes or social security contribution liabilities or, alternatively, ceded to other group 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.

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 mathematical provisions (1.8% in 2020).

Despite these corrective mechanisms, at the end of 2020 the industry's unused tax credit still amounted to nearly €9.6 billion, having increased steadily over the years. More specifically, this is a tax credit for less than five years of taxes, since the tax credits accumulated previous to that can offset other tax or social security liabilities (or else be transferred to other companies in the same group).

Credits on 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)
2016	7,917	977
2017	8,274	357
2018	9,086	813
2019	9,351	265
2020	9,574	223

PREMIUM FORECASTS FOR 2021

In 2021, premiums written by insurers with registered offices in Italy are expected to grow by 7%, for an overall volume of life and non-life premiums amounting to €144 billion (€135 billion in 2020). Last year, premiums declined by 4% compared with 2019, due to the negative effects of the covid-19 pandemic and to the economic and financial crisis that ensued.

Despite the persistence of some elements of uncertainty regarding the evolution of the pandemic (mainly due to the spread of virus variants), the progress of the vaccination campaign, the removal of the restrictions on mobility both at national and international level and the recovery in GDP should act as drivers to the growth of the life (+8.5%) and non-life (+2.8%) business in 2021.

Table 1
Forecasts of insurance premiums in Italy
Euro million

CLASS	PREMIUMS 2020	PREMIUMS 2021	CHANGE 2021-2020	MEMO:	
				CHANGE 2020-2019	CHANGE 2019-2018
Motor and marine liability	12,491	11,930	-4.5%	-5.7%	-0.8%
General T.P.L.	3,275	3,439	5.0%	2.3%	6.2%
Other damage to property	3,084	3,315	7.5%	1.8%	3.1%
Land vehicle insurance	3,141	3,346	6.5%	1.0%	4.4%
Accident	3,172	3,315	4.5%	-2.2%	4.6%
Sickness	2,986	3,314	11.0%	-2.3%	10.8%
Fire and natural forces	2,645	2,857	8.0%	2.0%	5.0%
Other classes	2,718	2,925	7.6%	-3.2%	8.2%
TOTAL OTHER NON-LIFE (excluding motor and marine liability)	21,022	22,511	7.1%	-0.1%	6.0%
TOTAL NON-LIFE	33,513	34,441	2.8%	-2.3%	3.2%
As a % of GDP	*2.0%*	*2.0%*			
Class I - Life	65,703	63,404	-3.5%	-9.5%	9.7%
Class III - Investment funds	29,610	42,935	45.0%	6.2%	-6.6%
Other Life	6,010	3,606	-40.0%	9.4%	-8.6%
TOTAL LIFE	101,323	109,945	8.5%	-4.4%	3.9%
As a % of GDP	*6.1%*	*6.4%*			
TOTAL LIFE AND NON-LIFE	134,836	144,386	7.1%	-3.9%	3.7%
As a % of GDP	*8.1%*	*8.3%*			

As a result of the significant recovery in GDP (estimated at practically +5% for 2021 as a whole), the premiums/GDP ratio should rise slightly from 8.1% in 2020 to 8.3% in 2021.

After the downturn in 2020, attributable to the effects of the covid-19 pandemic, which led to a decline in the business of insurance companies (especially during the lockdown in the first half of the year) and to a decrease in the number of contracts underwritten in important classes (such as motor liability), a return to growth is expected in 2021, mirroring the economic recovery. Written premiums in the non-life Italian direct portfolio are expected to grow by nearly 3% to total €34.4 billion (up from €33.5 billion in 2020). This would signify the return to an expansion cycle that had been abruptly interrupted in 2020, when premiums in this sector dropped by 2.3%.

The only class where premiums are expected to decrease (-4.5%) is motor liability insurance – despite the still very significant although progressively declining incidence of total non-life premiums (35% in 2021 compared with 37% in 2020); the drop in premiums registered during 2021 should result in a total volume of under €12 billion, the same as in 1998. The reduction in premiums in 2021 (amounting to €500 million in addition to the €750 million lost in 2020) is apparently due to the revision of price policies, presumably adjusting to the technical data on the decline in accidents and claims, as well as to intense competitive pressure inducing insurers to grant additional discounts at policy renewal. This further contraction in written premiums should produce an overall decrease in earned motor liability premiums of nearly €6 billion, or 33%, between 2011 and 2021.

The negative result of the motor liability business should be offset, however, by the positive results of all the other non-life sectors. Premiums in this class, in fact, are expected to benefit from the economic recovery and from the fact that in 2020 many expiring policies were not renewed (due to the lockdown and the uncertainty linked to the economic crisis). It is plausible that a return to more favorable economic conditions will lead to a renewal of previously suspended insurance coverage contracts. Overall, the volume of premiums written should rise by more than 7% with positive changes across all branches; among the most important business sectors, the following are expected to grow more than the market average:

- sickness (+11.0%): the covid-19 pandemic is believed to have triggered an increase in the demand for private health insurance, also as a consequence of the difficulties accessing public healthcare facilities during the health emergency;
- property (fire +8.0% and other damage to property +7.5%): after a year of stagnation in the buying and selling of houses, the real estate market is expected to regain momentum (also thanks to the subsidized loans for young people), thus increasing the demand for insurance coverage;
- land vehicle insurance (fire, theft, and collision insurance) should register a strong growth in premiums (+6.5%) as a result of the increase in the sales of new vehicles (new car registrations were up 55% at the end of June) and in the buying and selling of second-hand vehicles (transfers of ownership titles, always at the end of June, were up 35%).

Total non-life premium income is expected to hold unchanged in proportion to GDP at 2.0% in 2021.

Although the economic crisis associated with the uncertain development of the covid-19 pandemic (especially in the first months of 2021) slowed down households' consumption, the demand for **life insurance** products has not declined: during this year, life premiums are expected to grow by 8.5% to an overall volume of €110 billion (they were just above €100 billion at the end of 2020), thus more than offsetting the loss in premiums registered during 2020 (-4.4%).

All the forecasts set out in this paragraph were prepared hypothesizing "orderly" macroeconomic, market, and geopolitical scenarios, although there remain some risks and sources of uncertainty regarding the evolution of the covid-19 pandemic, not just for Italy but also, indeed above all, at global level.

The growth should benefit mainly Class III (unit-linked) policies, whose premiums are expected to rise by 45% (to a total volume of €43 billion), as a consequence of a broad recovery of the financial and stock exchange markets which, at the beginning of June 2021, were well above their pre-crisis levels. In contrast, traditional Class I premiums should continue to decline (-3.5%) due to the persistence of very low, or even negative, interest rates.

The trend in the market for life insurance policies is confirmed by an analysis of new individual life insurance policies, the sales of which came to €40 billion through May 2021, up from €30 billion in the first five months of 2020 – when precisely because of the pandemic and lockdown measures premiums shrank by nearly 20%. The increase in life premiums from new business registered at the end of May 2021 (+30%) thus clearly reflects the impact of the crisis that marked the same period of 2020 (total lockdown started on 9 March and ended only on 18 May).

Total written life insurance premiums should rise slightly from 6.1% to 6.4% of GDP in 2021.

2

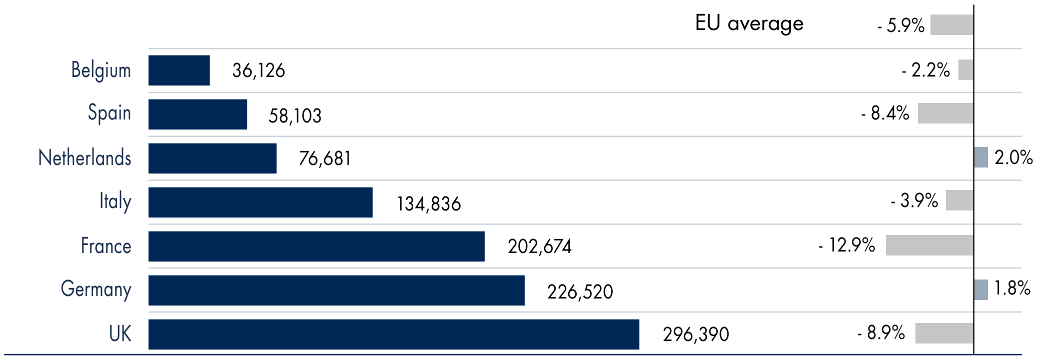
THE ITALIAN INSURANCE INDUSTRY IN THE EUROPEAN CONTEXT

THE IMPORTANCE OF INSURANCE IN THE MAIN EU MARKETS

In 2020, total premium income in the main EU countries (Belgium, France, Germany, Italy, the Netherlands, the United Kingdom and Spain) was €1,031 billion, down by 5.9% for the year, after having grown in 2019. The covid-19 crisis had a negative impact on most European markets. In detail, apart from a small increase in the Netherlands and Germany (2.0% and 1.8% respectively), premium income dropped in France (-12.9%), the United Kingdom (-8.9%), Spain (-8.4%), Italy (-3.9%) and Belgium (-2.2%).

Direct premiums in main EU countries in 2020 – Total
€ million

% change in direct premiums 2020/2019 – Total

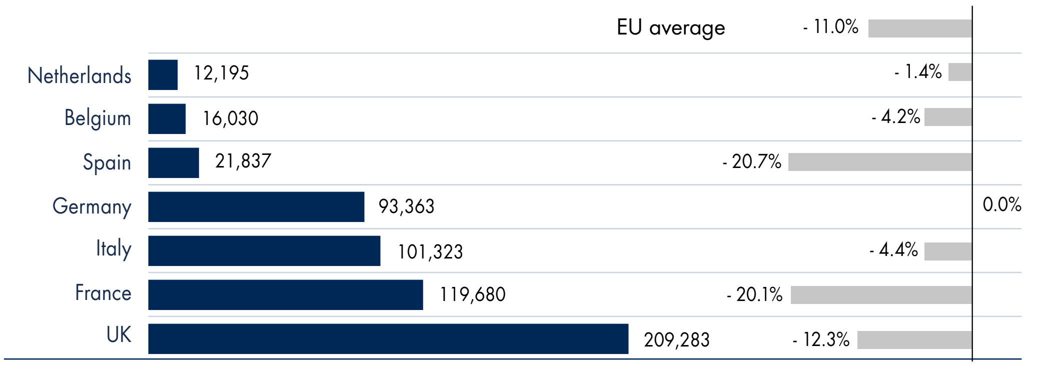


Source: Swiss Re – Sigma n°3/2021

The life sector was the most affected by the negative effects of the pandemic, and its volume of premiums (in the sample of countries considered) dropped considerably (-11.0%) in 2020 from the previous year, to a total of €574 billion. Premium collection shrank everywhere with the exception of Germany, where it remained stable. In particular, the most significant negative variations were registered in in Spain (-20.7%), France (-20.1%) and the UK (-12.3%); premium collection also dropped, although more moderately, in Italy (-4.4%), Belgium (-4.2%) and the Netherlands (-1.4%).

Direct premiums in main EU countries in 2020 – Life
€ million

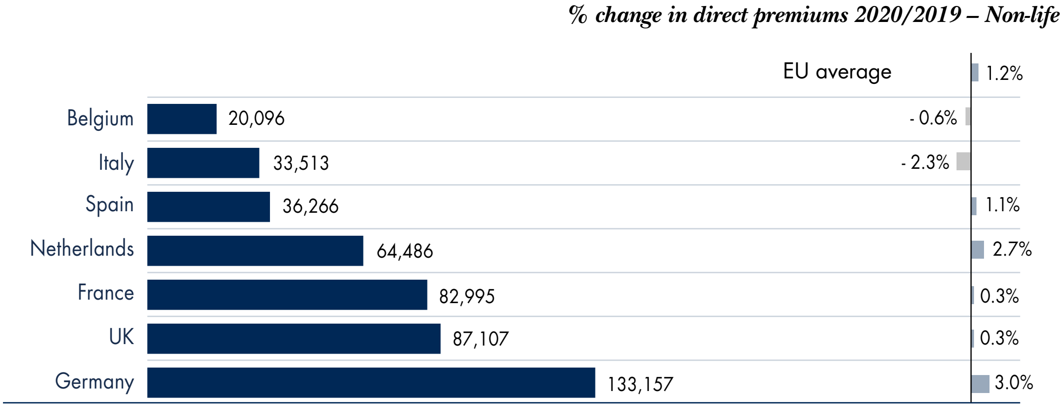
% change in direct premiums 2020/2019 – Life



Source: Swiss Re – Sigma n°3/2021

Across all countries in the sample, in 2020 premium collection in the non-life sector was €458 billion, up slightly (+1.2%) from the previous year. In detail, the volume of premiums increased in Germany (+3.0%), the Netherlands (+2.7%) and Spain (+1.1%), while it remained stable in France and the UK and shrank in Belgium (-0.6%) and above all in Italy (-2.3%).

Direct premiums in main EU countries in 2020 – Non-life
€ million



Source: Swiss Re– Sigma n°3/2021

In the three years from 2018 through 2020 the ratio of the volume of premiums to GDP – the so-called insurance penetration index – performed differently in the life and non-life sectors. It is to be noted that the data for 2020 provided by Insurance Europe – upon which the calculation of this index is based, especially for the non-life sub-sector – are still provisional; what is more, the UK life premium data were not included because in 2019 (latest year available for this country) some British life insurance companies were subject to transfers of portfolios and corporate restructuring, so the Association of British Insurers (ABI) statistics lack data for a good number of companies. In 2020, the covid-19 crisis had a strong negative impact on GDP as well, with a generalized drop across all countries in the sample.

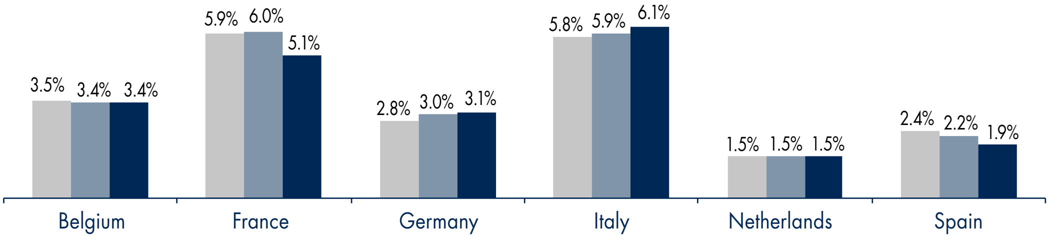
In the light of these considerations, in 2020 the ratio of life premiums to GDP increased slightly in Italy to 6.1% from 2019 (5.9%) (it was 5.8% in 2018) and in Germany, to 3.1% against 3.0% in 2019 (it was 2.8% in 2018). The ratio was unchanged from 2019 in Belgium (3.4% in the last two years and 3.5% in 2018) and in the Netherlands (1.5% in the three years observed). In France the ratio dropped to 5.1% in 2020 (it was 6.0% in 2019 and 5.9% in 2018); in Spain the ratio continued its downtrend, from 2.4% in 2018 to 1.9% in 2020.

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 steady increase in the three-year observation period from 38.3% in 2018 to 46.4% in 2020. However, the Italian ratio is still below most of the other EU countries, with the exception of Spain, whose ratio came to 18.7% in 2020 (progressively growing since 2018 when it was 15.7%) and Germany, whose indicator fell below the Italian for the first time ever at 45.8%. The indicator showed a progressive growth from 2018 to 2020 also in the other countries analyzed

Life premiums / GDP
%

2018
2019
2020

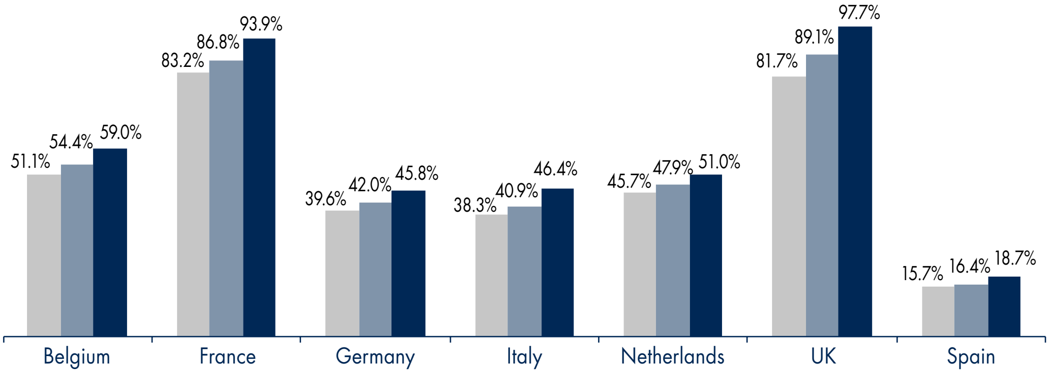
Source: Insurance Europe



Life Mathematical Provisions / GDP
%

2018
2019
2020

Source: EIOPA



here, especially in Belgium, from 51.1% to 59.0%; France, from 83.2% to 93.9%; the Netherlands, from 45.7% to 51.0%; and the United Kingdom, from 81.7% to 97.7%, the highest value in the countries considered.

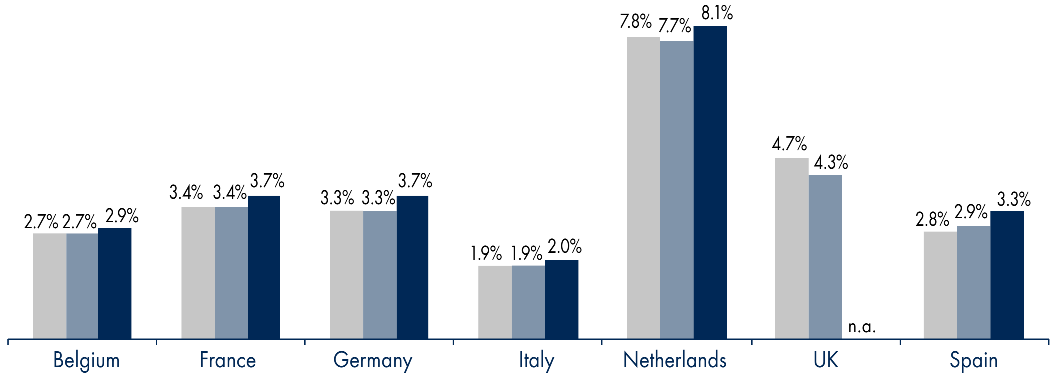
In the non-life sector, again in 2020 Italy had the lowest ratio of premiums to GDP. The Italian ratio, 2.0%, showed a slight increase from the previous two-year period (1.9%). In all other countries, the ratio grew in 2020 as compared to 2019. In detail, Spain showed an upward trend in the three-year period, from 2.8% in 2018 to 3.3% in 2020. The rate increased in 2020 from the stable values of the previous two-year period also in Belgium (from 2.7% in 2018-2019 to 2.9% in 2020), Germany (from 3.3% to 3.7%) and France (from 3.4% to 3.7%). Finally, The Netherlands' non-life insurance penetration index is once again the highest in Europe and more than 6 percentage points above the Italian indicator in 2020, reflecting the positive impact on premiums of the privatization of the health system in 2006, and up from 2019 as well. In the UK the ratio slipped from 4.7% in 2018 to 4.3% in 2019 (the 2020 data is not available).

If motor liability insurance (compulsory everywhere) is excluded, the gap in non-life premiums between Italy and the other European countries is even wider. In 2020 the ratio of these premiums to GDP came to 1.1% in Italy, slightly up from the 2018-2019 period (1.0%), while the ratio was

Non-life premiums / GDP
%

2018
2019
2020

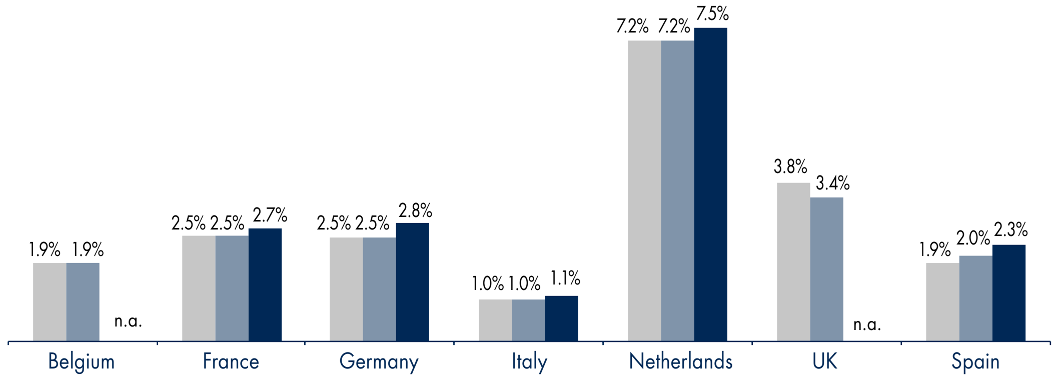
Source: Insurance Europe



Non-life premiums net of motor liability / GDP
%

2018
2019
2020

Source: Insurance Europe



almost double Italy's in Belgium (1.9% in 2019, latest data available) and in Spain (2.3% in 2020), where the indicators showed a slight increase from the previous year. In France, after 2.5% in the previous two-year period, the indicator went up to 2.7% in 2020, as well as in Germany, 2.8% in 2020 (2.5% in 2018-2019); the highest value of the index was registered in the Netherlands (7.5% in 2020), here too with an increase, from 7.2% in 2018-2019. In the UK the indicator went down from 3.8% to 3.4% between 2018 and 2019 (latest data available).

THE TAXATION OF PREMIUMS IN THE EUROPEAN UNION

As in previous years, in 2020 there was substantial stability in the indirect taxation on insurance premiums in EU countries. In this context, Italy still stands out for an especially high tax rate on insurance.

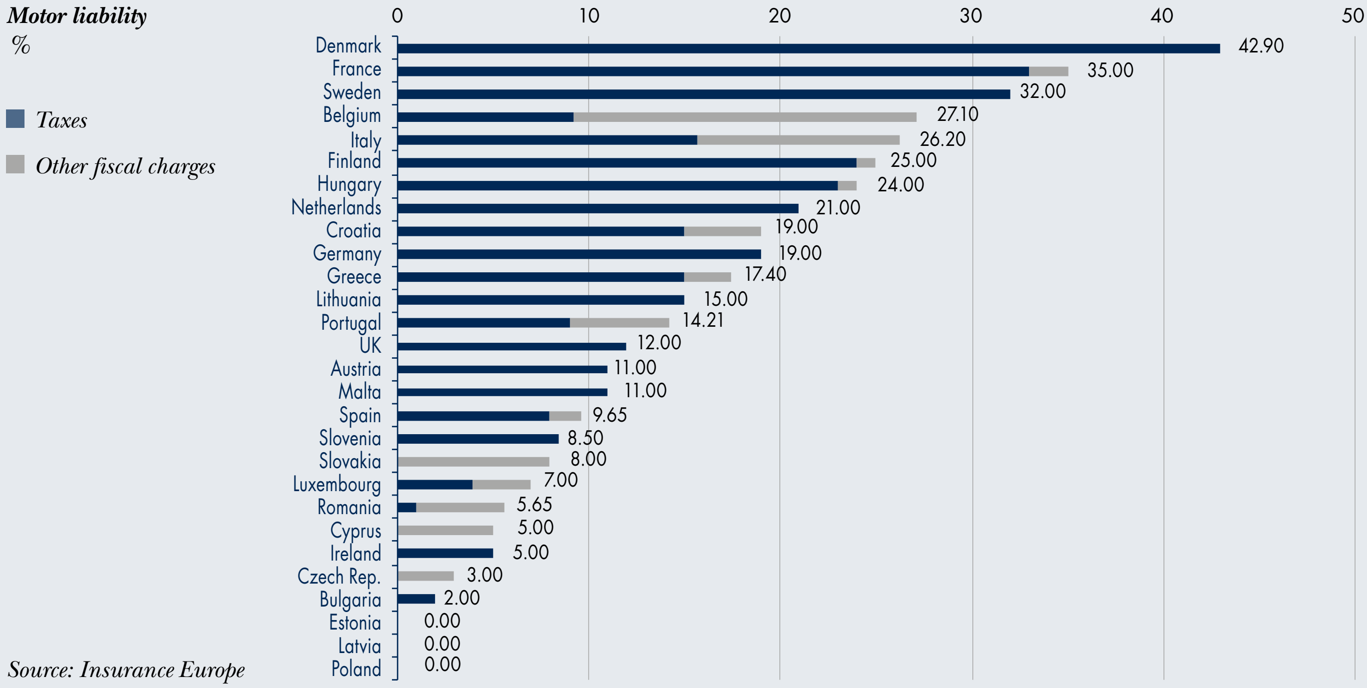
The situation is summarized in the charts below, which specify the tax rates applied in the various EU countries to insurance premiums for motor liability, fire, general liability and goods in transit.

In the motor liability branch the average total tax rate on premiums in Italy amounts to 26.2%, 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 increases up to a ceiling of 16%, decided by almost all Italian provinces, to which the tax revenue is allocated.

The latest data from the Fiscal Federalism Bureau of the Finance Department confirms that, indeed, only three Italian provinces – the three special statute provinces – kept a tax rate (at 9%) lower than the 12.5% basic rate; all the other provinces have raised the rate over the years, in most cases up to the ceiling of 16%.

The tax burden on motor liability insurance in Italy thus remained considerably higher than the EU average (19.8%) and higher than in such countries as Spain (where it recently rose by two percentage points to 9.65%), Austria (11%), and the United Kingdom (12%). In the Netherlands the tax rate is confirmed to be slightly above average (21%), while in France the

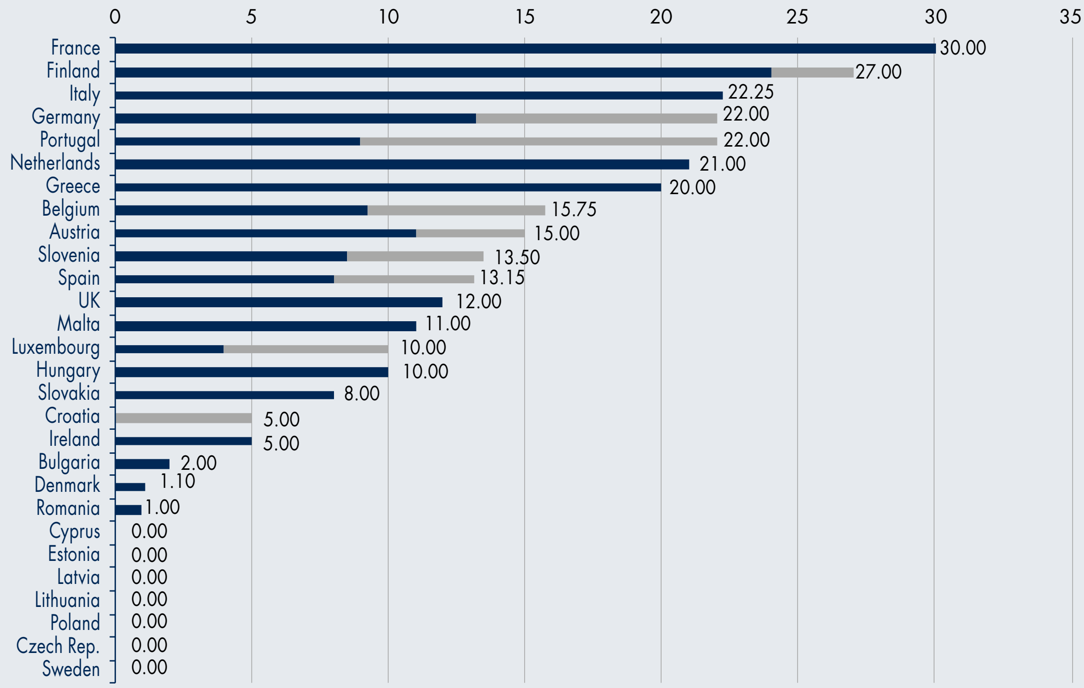
Motor liability
%



Source: Insurance Europe

Fire
%

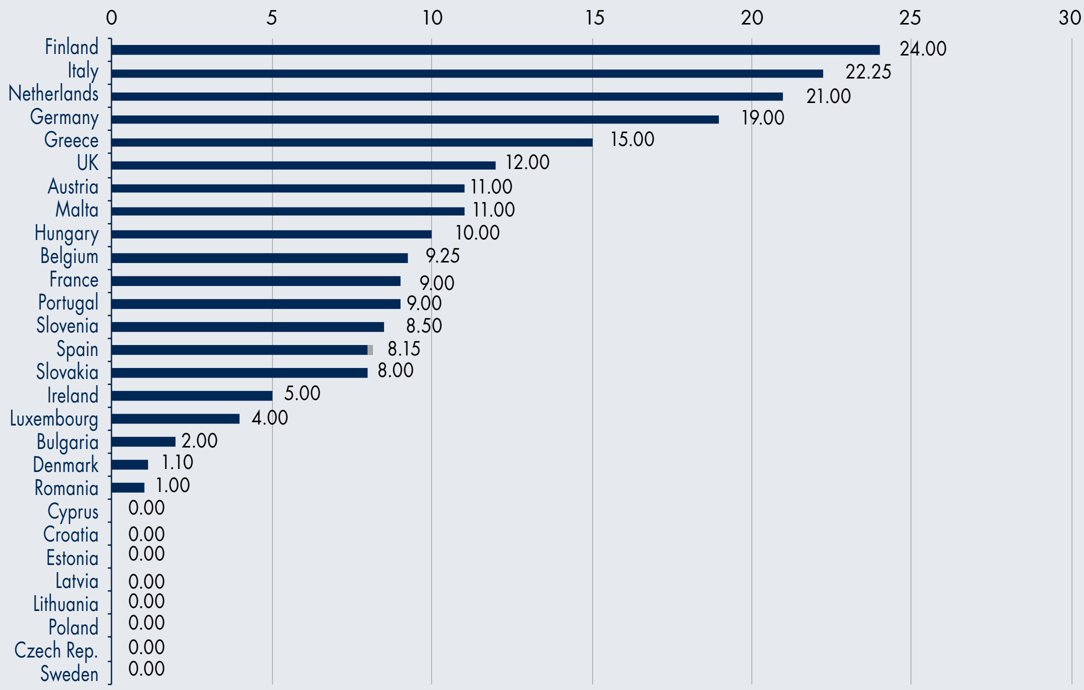
Taxes
Other fiscal charges



Source: Insurance Europe

General liability
%

Taxes
Other fiscal charges



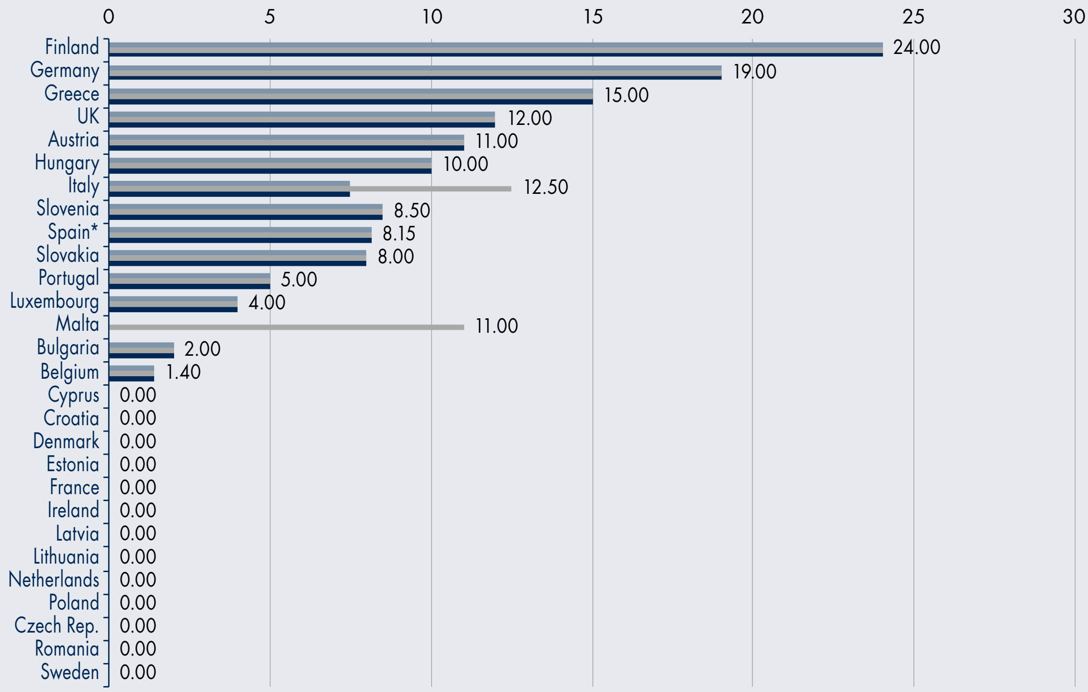
Source: Insurance Europe

overall charge is far above the average at 35%. It is worth noting that France introduced a tax exemption for the three-year period 2021/2023 for the purchase of electric vehicles from 2021.

The tax rate on fire insurance premiums in Italy (22.25%) continues to be significantly higher than the United Kingdom, Spain and Austria (12%, 13.15% and 15% respectively) and exceeded only in France (30%) and Finland (27%).

Goods in transit
Taxes
%

Air
Land
Sea



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

Italy and Finland are confirmed as the countries with the most onerous tax burden in Europe for general third-party liability (22.25% and 24% respectively), consistently higher than in Germany (19%), the United Kingdom (12%), France (9%) and Spain (recently raised to 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%). Spain adopted a two-percentage-point increase, bringing the tax rate to 8.15%, while in France and most of the other countries such premiums are either exempt or taxed at an almost zero rate.

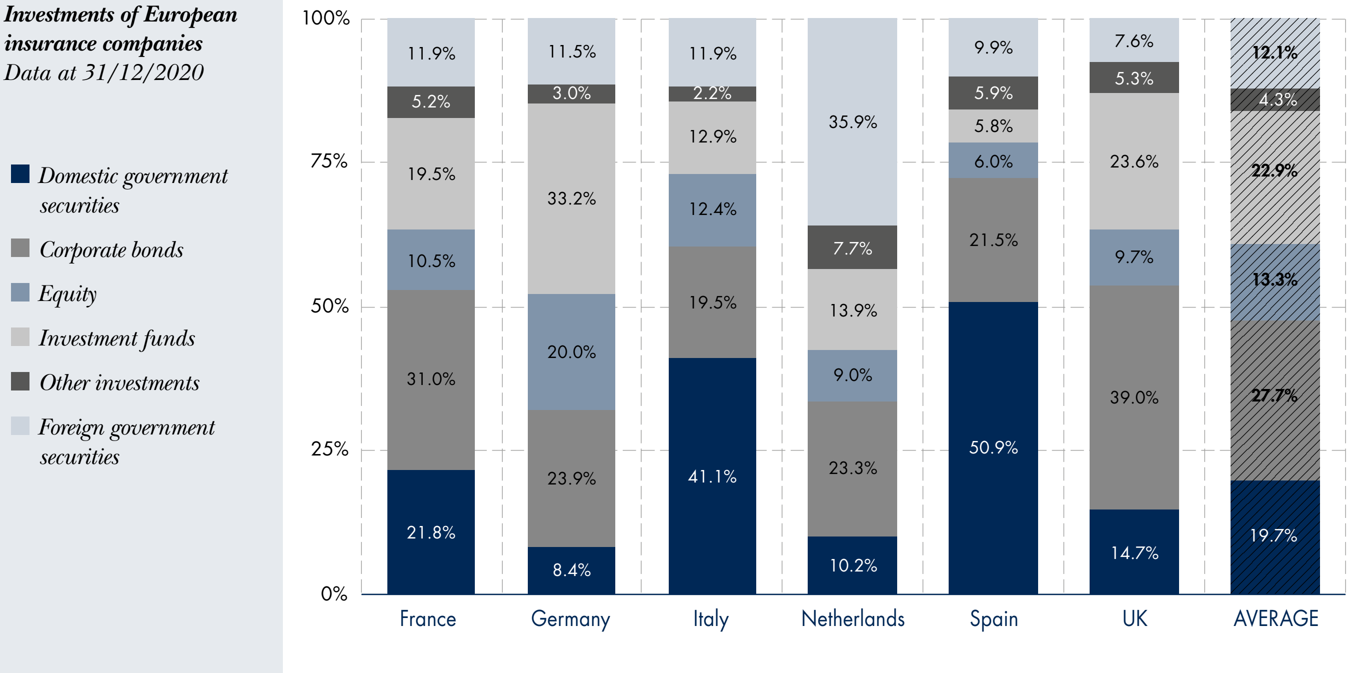
INVESTMENTS AND SOLVENCY IN EUROPE

Investments

An analysis of the composition of the assets covering technical reserves (net of linked policies) in the main insurance markets in Europe shows a rather heterogeneous picture in 2020, similar to 2019.

The analysis, based on data published by EIOPA on the Quantitative Reporting Templates (QRTs) for the fourth quarter of 2020, focused on Italy, France, Germany, Spain, the Netherlands and the United Kingdom.

Investments of European insurance companies
Data at 31/12/2020



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

Fixed income securities are the main investment instrument across all markets, albeit with different proportions of exposure between corporate and government bonds. The concentration of government securities in the six countries averaged 20% at the end of 2020. In Italy, the concentration of the portfolio on government securities (41.1%), despite the progressive disinvestment of the past few years, is still more pronounced than in the other countries examined, lower only than Spain (50.9%). The investment share of this category of assets was 21.8% in France, 14.7% in the United Kingdom, 10.2% in the Netherlands, and only 8.4% in Germany. Again last year the share of foreign government securities was especially large in the Netherlands (35.9%), and smaller in other countries (11.9% in France and Italy, 11.5% in ermany, 9.9% in Spain and 7.6% in the United Kingdom).

The average exposure of the European sample to corporate bonds was around 28%. British companies were the leading investors in this asset class (39.0%), followed by French, German and Dutch companies (31.0%, 23.9% and 23.3% respectively). The share of this asset class in the portfolio of Italian and Spanish insurers was lower, at around 20%.

The main asset class in the portfolio of German insurers, higher than the average of the six countries, was investment funds (33.2%, mainly in bond funds); the share was high also in the United Kingdom (23.6%) and France (19.5%), in both cases distributed among money market, bond, and equity funds.

As for equity instruments, which averaged around 13% of total investments including the shares of affiliates, the largest portion was that of German insurers (20.0%), followed by Italian (12.4%), French (10.5%), British (9.7%), Dutch (9.0%), and Spanish (6.0%).

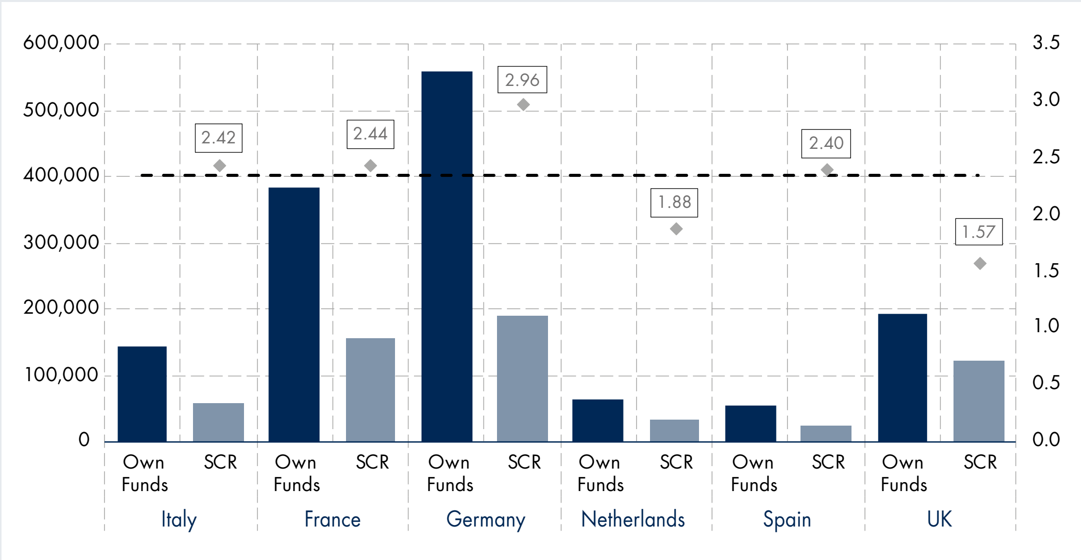
Solvency

At 31 December 2020, the solvency ratio of insurance companies in the European Economic Area (EEA) averaged 2.36, marginally down from 2.42 in 2019.

As for the individual countries, the indicator was in line with the European average in Italy, France and Spain, where own funds amounted respectively to 2.42, 2.44 and 2.40 times the solvency capital requirement (2.33, 2.66 and 2.40 in 2019). Dutch and British companies showed values below the EEA average at 1.88 and 1.57 respectively (compared with 1.86 and 1.60 in 2019), while German companies again registered a significantly higher ratio of 2.96, albeit down from the 3.08 of the previous year. Among the countries in the analysis, Italy had the highest increase (+3.9%) from 2019 to 2020.

The Solvency II ratio of European insurance companies
Data al 31/12/2020

Solvency ratio (right-hand scale)
Solvency ratio EEA (right-hand scale)
Own Funds (left-hand scale)
Solvency Capital Requirement (left-hand scale)



Note: EEA (European Economic Area) consists of EU member states plus Liechtenstein, Norway and Iceland.
Source: Based on data from EIOPA, Insurance statistics

3

LIFE INSURANCE

LIFE INSURANCE

The consequences of the severe economic crisis triggered at the beginning of 2020 by the covid-19 pandemic also hit the life insurance business. Due to the state of emergency, premiums shrank dramatically especially over the lockdown period (March to May) with a progressive recovery in the second half of the year. In 2020, the volume of premiums in life business amounted to €101.3 billion, down by 4.4%. This drop and the slight increase in incurred claims (0.4%) led to a €5 billion decrease in net cash flow (amounting to €25 billion) from 2019. The increase in mathematical reserves shrank from €53 billion in 2019 to €36 billion in 2020. Likewise, investment income only amounted to €18 billion, almost halved from 2019 (due to the devaluation of the assets backing unit-linked policies at the end of the 1st quarter which was only partially recovered later in the year). The overall technical result dropped to €3.5 billion, around €3 billion down from 2019.

LIFE TECHNICAL ACCOUNT (DOMESTIC BUSINESS)

Premiums from direct domestic business of the 46 insurance companies operating in the life sector totaled €101,323 million in 2020, down 4.4% from a year earlier when they grew by 3.9%.

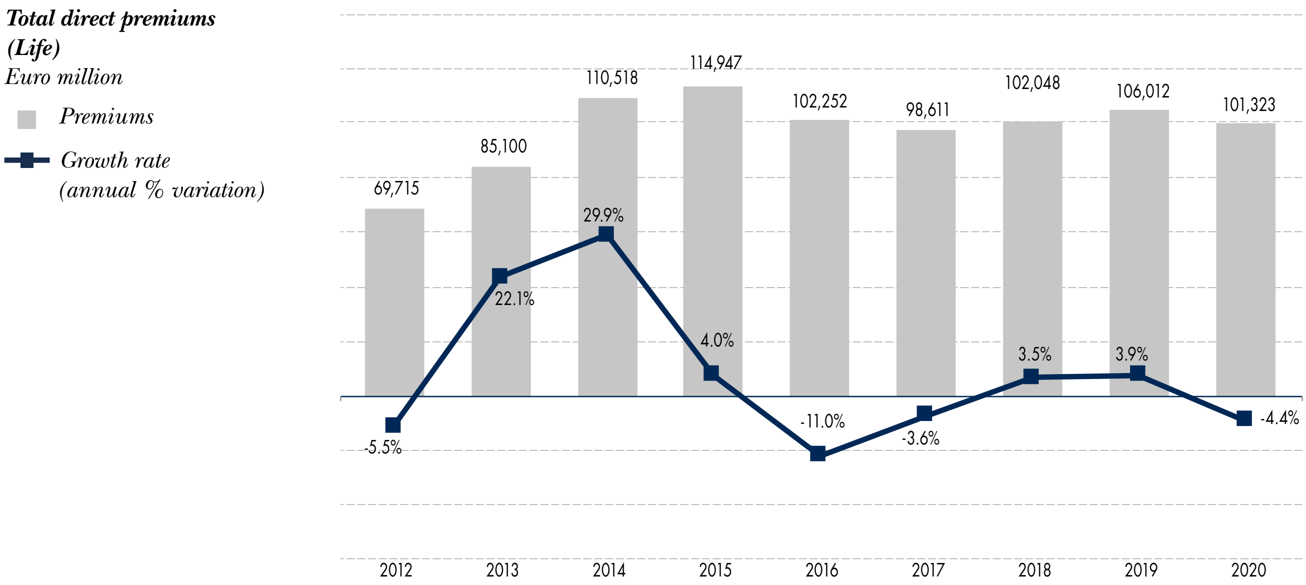
Total life classes (domestic business)
Euro million

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Written premiums	69,715	85,100	110,518	114,947	102,252	98,611	102,048	106,012	101,323
Incurred claims (-)	75,022	66,788	64,577	71,196	62,932	71,155	73,223	76,158	76,467
Changes in mathematical and other technical provisions (-)	10,013	29,928	59,967	53,023	48,448	38,428	24,937	53,418	35,808
Balance of other technical items	-222	-325	-381	-378	-328	-370	-330	-373	-389
Operating expenses (-)	3,367	3,538	3,812	3,974	3,842	3,920	3,901	3,947	3,807
- commissions	1,788	1,982	2,206	2,349	2,181	2,240	2,203	2,168	2,063
- other acquisition costs	681	683	686	701	686	671	667	741	697
- other administration costs	898	874	921	924	975	1,009	1,030	1,038	1,047
Investment income	25,382	18,409	20,588	15,976	16,611	18,181	825	34,010	18,136
Direct technical account result	**6,473**	**2,929**	**2,369**	**2,352**	**3,313**	**2,919**	**483**	**6,126**	**2,988**
Reinsurance results and other items	388	369	383	315	289	294	257	168	508
Overall technical account result	**6,861**	**3,298**	**2,752**	**2,667**	**3,602**	**3,213**	**739**	**6,293**	**3,496**
Net cash flow	**-5,306**	**18,312**	**45,941**	**43,751**	**39,320**	**27,456**	**28,825**	**29,854**	**24,856**
Annual % change in premiums	-5.5%	22.1%	29.9%	4.0%	-11.0%	-3.6%	3.5%	3.9%	-4.4%
Expense ratio	4.8%	4.2%	3.4%	3.5%	3.8%	4.0%	3.8%	3.7%	3.8%
- Commissions / Written premiums	2.6%	2.3%	2.0%	2.0%	2.1%	2.3%	2.2%	2.0%	2.0%
- Other acquisition costs/Written premiums	1.0%	0.8%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%
- Other administration costs/Written premiums	1.2%	1.0%	0.8%	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%
Investment income / Technical provisions	6.1%	4.2%	4.3%	3.0%	2.8%	2.9%	0.1%	4.8%	2.4%
Technical account result/Written premiums	**9.3%**	**3.4%**	**2.1%**	**2.0%**	**3.2%**	**3.0%**	**0.5%**	**5.8%**	**2.9%**
Overall technical account result / Written premiums	**9.8%**	**3.9%**	**2.5%**	**2.3%**	**3.5%**	**3.3%**	**0.7%**	**5.9%**	**3.5%**
Overall technical account result / Technical provisions	**1.64%**	**0.75%**	**0.57%**	**0.49%**	**0.61%**	**0.51%**	**0.11%**	**0.89%**	**0.47%**
Premiums / total life and non-life premiums (%)	*66.3%*	*71.6%*	*77.1%*	*78.2%*	*76.2%*	*75.3%*	*75.5%*	*75.6%*	*75.1%*

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

LIFE INSURANCE

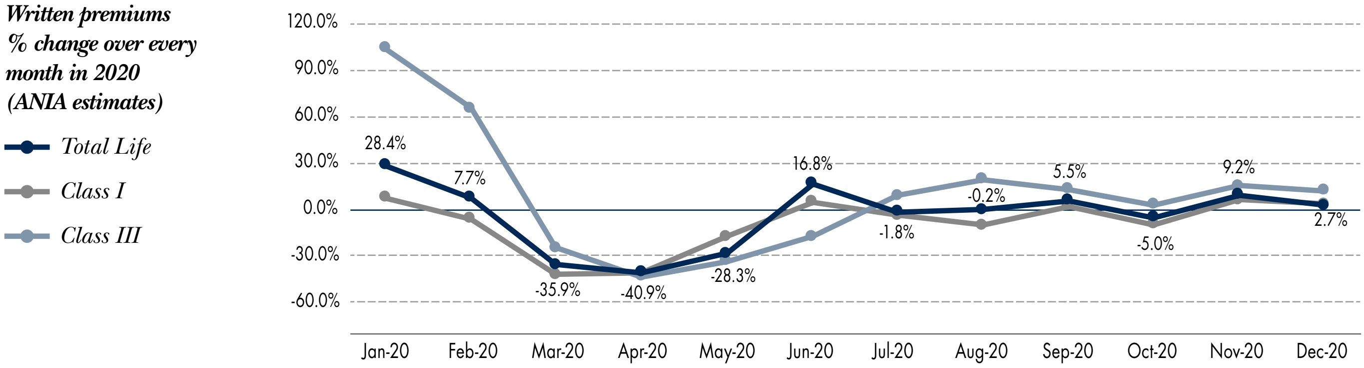
Total direct premiums (Life)
Euro million



The bulk of premiums, 83%, was generated by the issuance of new contracts or by additional single premiums on existing policies. Percentage-wise, in 2020 life premiums amounted to more than three quarters of the total (life and non-life), half a percentage point down from 2019.

The effects of the pandemic on life business, especially over the period of total lockdown, show in the monthly data for written premiums. After two positive months at the beginning of 2020, March, April and May recorded an unprecedented negative shock in the cash flow with a nearly 40% shrinkage in premiums as compared to the same period in 2019. The shock was partially absorbed from June onwards and premiums went progressively back to 2019 levels. However the return to pre-pandemic flows could not compensate for the huge losses over the lockdown months.

Written premiums % change over every month in 2020 (ANIA estimates)



Analysis of life business by insurance class shows how much the pandemic crisis mostly hit traditional policies, jeopardized by very low interest rates (which are currently dropping further), in favor of linked policies.

In particular, both classes underwent a sharp drop in premium flows over the first months of the health care emergency. In the 1st half of the year, Class I premiums dropped by 17% over the previous year, while Class III remained virtually unchanged due to the exceptional production in the two first months of the year. The difference between the two classes is particularly marked in the second half 2020, when linked policies showed greater resilience than traditional ones, increasing their premiums by 6.2% from 2019. Class I policies, even while improving their business volume in the second half, just managed to limit the annual shrinkage to 9.5%. The Class III growth was pushed by the strong recovery of the Italian stock market index, which, after hitting a low in March, gained steadily in a more or less constant fashion over the second half of the year. By the end of 2020, the index had recouped almost all the losses of the first months of the pandemic related to its evolution and the government measures to fight the spread (lockdowns, ECB measures to overcome the economic and financial crisis, its new intensification with the second and third outburst and new lockdowns, approval of first vaccines).

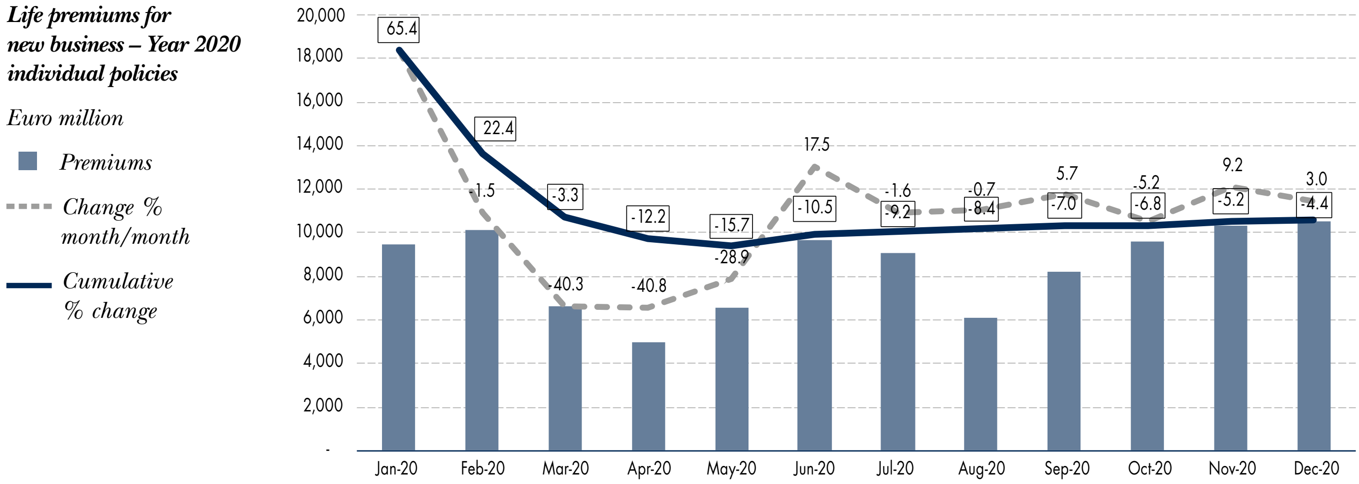
Multi-class products, a combination of traditional insurance components characterized by a minimum guaranteed return (Class I) and more unit-linked investment options (Class III), had a slight increase in 2020. The premiums collected for these products amounted to €37.4 billion (37% of total premiums), 60% of which through banks and post office branches, up by 1.1% from 2019. More than 90% of overall multi-class products is constituted by the so-called pure multi-class products – with the exception of pension plans and individual saving plans – which registered premium volume of €34.2 billion in 2020: the main proportion is still Class I products (64%, equal to €21.7 billion, 33% of total Class I premiums), while the remaining 36% is represented by Class III products (€12.5 billion, 42% of total Class III premiums).

The market of long-term Individual Savings Plans (Piani Individuali di Risparmio, PIR: instituted by Law 232/2016, the 2017 budget law), characterized by the tax exemption of yields when they meet specified conditions for investment in the real economy, remained almost unchanged in 2020 (slightly more than €200 million) since it was unfortunately affected by the 2019 Budget Law, which had some regulatory gaps in new-generation PIRs regulation, which have not yet been entirely resolved by subsequent legislation.

The trend in life product sales in 2020 is also seen in the monthly values of new business (individual policies) issued by Italian and non-EU companies. In detail, Class I premiums went down by 11.8% annually (-20.3% in the first half), followed by Class V new business, closing the year with a sharper drop, equal to 25.7% (a contraction already achieved by the middle of the year). Class III premiums, instead, after recording a 5.0% decline over the first six months, progressively turned up with successive gains in the second part of the year, turning positive again by the end of September (+1.7% compared with the first nine months of 2019), consolidating 3.4% growth at the end of the year. Total new life business, also including group policies, amounted in 2020 to €84 billion, down by 6.5% against 2019. Among the distribution channels, the shrinkage of new premiums is mostly due to the bank and post office channel (-9.0%), which accounts for almost two thirds of all new business.

Life premiums for new business – Year 2020 individual policies

Euro million

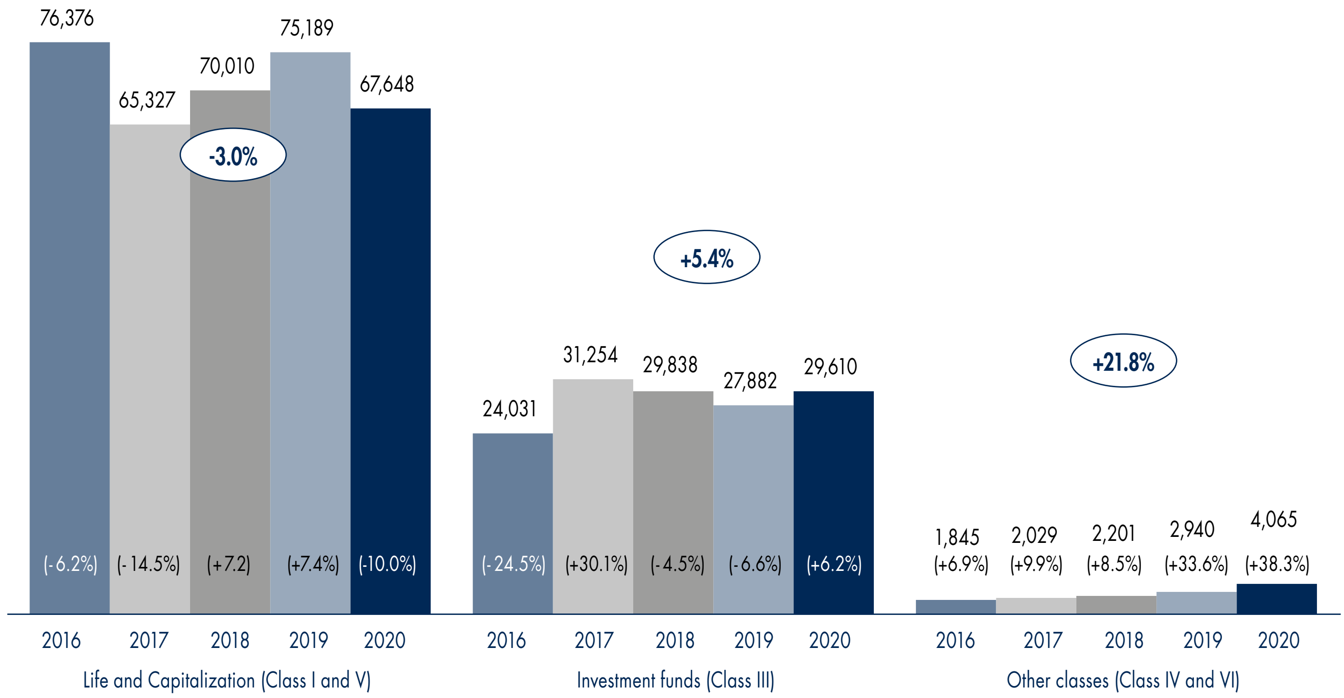


Analyzing the trends of **written premiums** of each class, in 2020 there was an annual drop of 10.0% in traditional policies (Class I and V), interrupting the positive trend observed in the previous two years, with premium collection of €67,648 million (the average growth over the last five-year period in these classes has been negative by 3.0%). In 2020, these premiums accounted for 67% of the entire life portfolio (71% in the previous year), 97% of which consists in Class I policies (which declined by 9.5% compared with 2019) and the other 3% related to Class V policies (which plunged by 23.8%). The drop in Class I policies is mostly ascribable to bank and post office branches, which placed around 64% of those policies, registering a decrease of 10% over the previous year.

By contrast, after two years of negative variations, the trend in Class III premiums (investment funds or index-linked) was positive, collecting a total of around €30 billion in 2020, a gain of 6.2% after the previous year's loss of 6.6%. In 2020, those products represented 29% of the total life business, three percentage points more than in 2019. The average annual change over the last five years comes to +5.4%, an opposite trend from the -3.3% recorded in the previous five-year period. Premium collection in 2020 was mostly due to the work of bank and post office branches, which achieved a market share of 56% of the whole Class III portfolio, but constituted the only channel recording a drop in premium collection in this class (-1%); almost all the rest of unit-linked policies (30%) was marketed by authorized financial salesmen, whose premium sales had an annual increase of almost 18%.

Premiums from direct domestic business by insurance class
Euro million

X,X% Change % geometric mean 2016/2020
(x,x%) annual average change



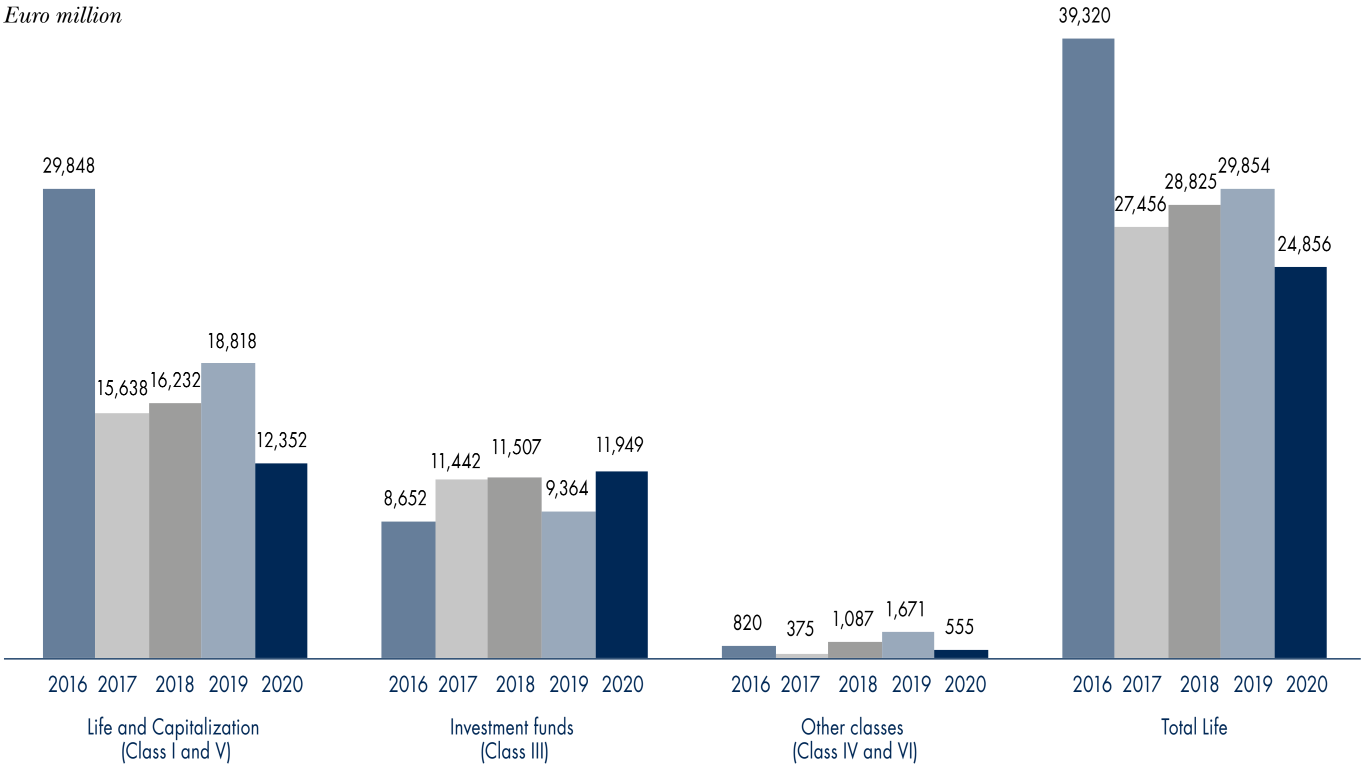
The trend of the premiums related to other life policies (Class IV and VI) was positive in 2020 as well. The two classes recorded an expansion (+38.3%), and their total premium volume progressively rose to €4,065 million, 4% of all life insurance premium income. The average annual change over the last five years amounted to +21.8%, more than seven percentage points better than in the previous five years. In detail, €181 million related to long-term care and protracted illness policies (Class IV), up 21.2% as compared to 2019 (mostly thanks to the premiums marketed by brokers and agents), while the remaining €3,885 million refers to the management of pension funds (Class VI), with a 39.2% increase as compared to the previous year (mainly thanks to direct sales which collected 65% of these premiums, with 74% annual growth).

Incurred claims, defined as amounts paid and the changes in provisions against payable amounts net of recoveries, amounting to €76,467 million in 2020, rose slightly by 0.4% from 2019, exclusively due to the sharp increase in mortality claims (around 15%) and other life-related events, worsened by the pandemic, reaching 16% of total expenses.

On the whole, the **net cash flow**, defined as the difference between premiums and incurred claims, remained positive, amounting to €24,856 million, even if recording a drop of 16.7% (€5 billion) from the previous year, after growing for two consecutive years; the lowest net cash flow in the five-year period was observed in 2020. In 2020, the balance for multi-class products amounted to €21,863 million, 70% of which relating to Class I policies, down by 14.8% from the net flow observed in 2019.

LIFE INSURANCE

Net cash flow
Euro million



In detail, the net cash flow for Class I and V products totaled €12,352 million, down by 34.4% from 2019, mainly due to the reduction in premiums. As for Class III, the net cash flow went up by 27.6%, for an amount of €11,949 million, the highest value in the five-year period analyzed. Even though the volumes are still very small, the net cash flow achieved in the other life classes (Class IV and Class VI) slightly exceeded half a billion euros, with a drop of 66.8% for the year.

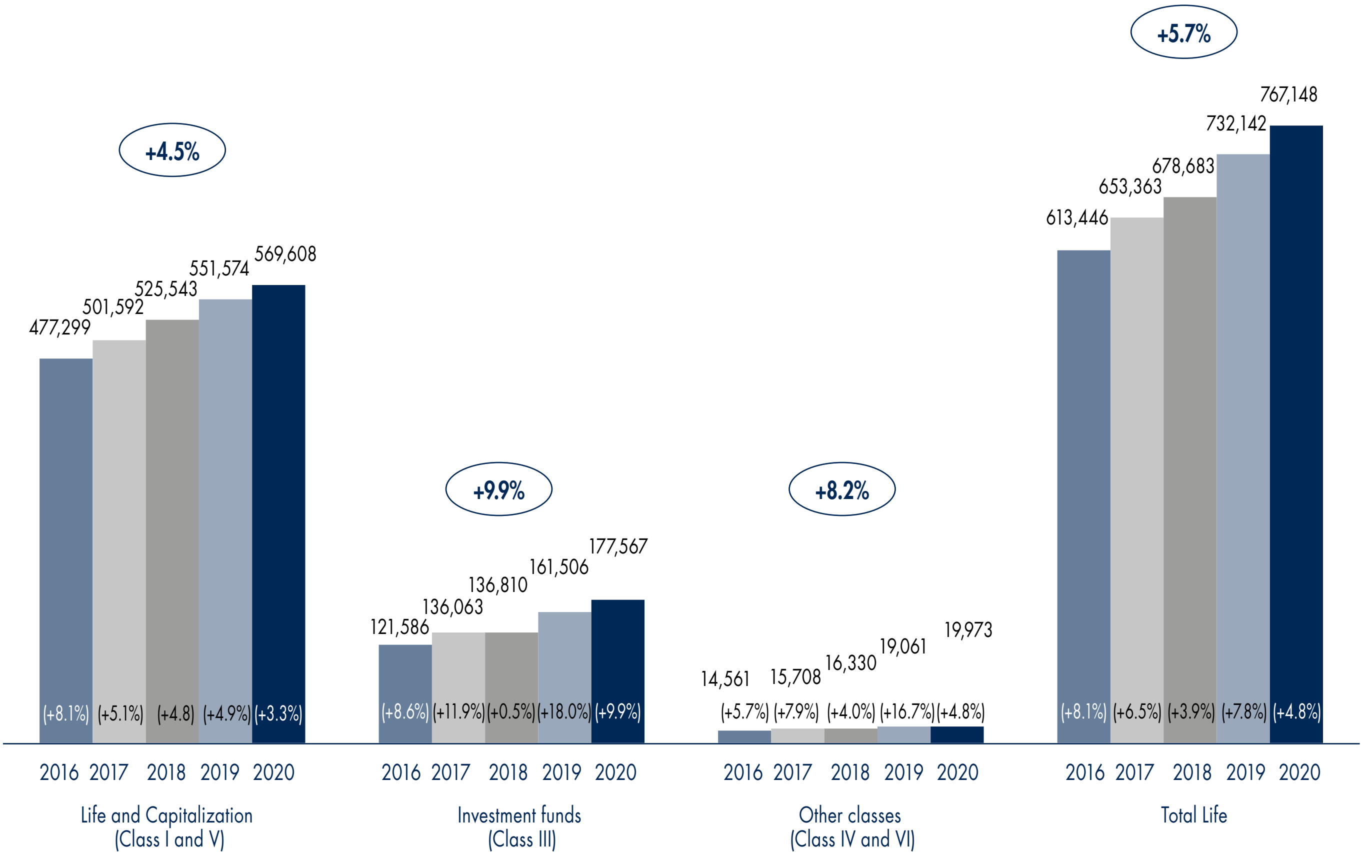
In 2020, the **change in the mathematical reserves and diverse technical provisions** amounted to €35,808 million, showing a significant drop compared to the 2019 figure, owing mainly to the technical account for traditional policies (drop in net cash flow) and to the financial account for unit-linked policies (asset write-downs during the pandemic).

Overall technical provisions, amounting to €767,148 million, rose by 4.8% from 2019, with an average annual growth between 2016 and 2020 of +5.7% (+6.6% in 2015-2019). At the end of 2020, the technical provisions related to multi-class contracts amounted to €186,103 million (24% of total life provisions), up by 30.8% from 2019; over 60% of this relates to Class I products.

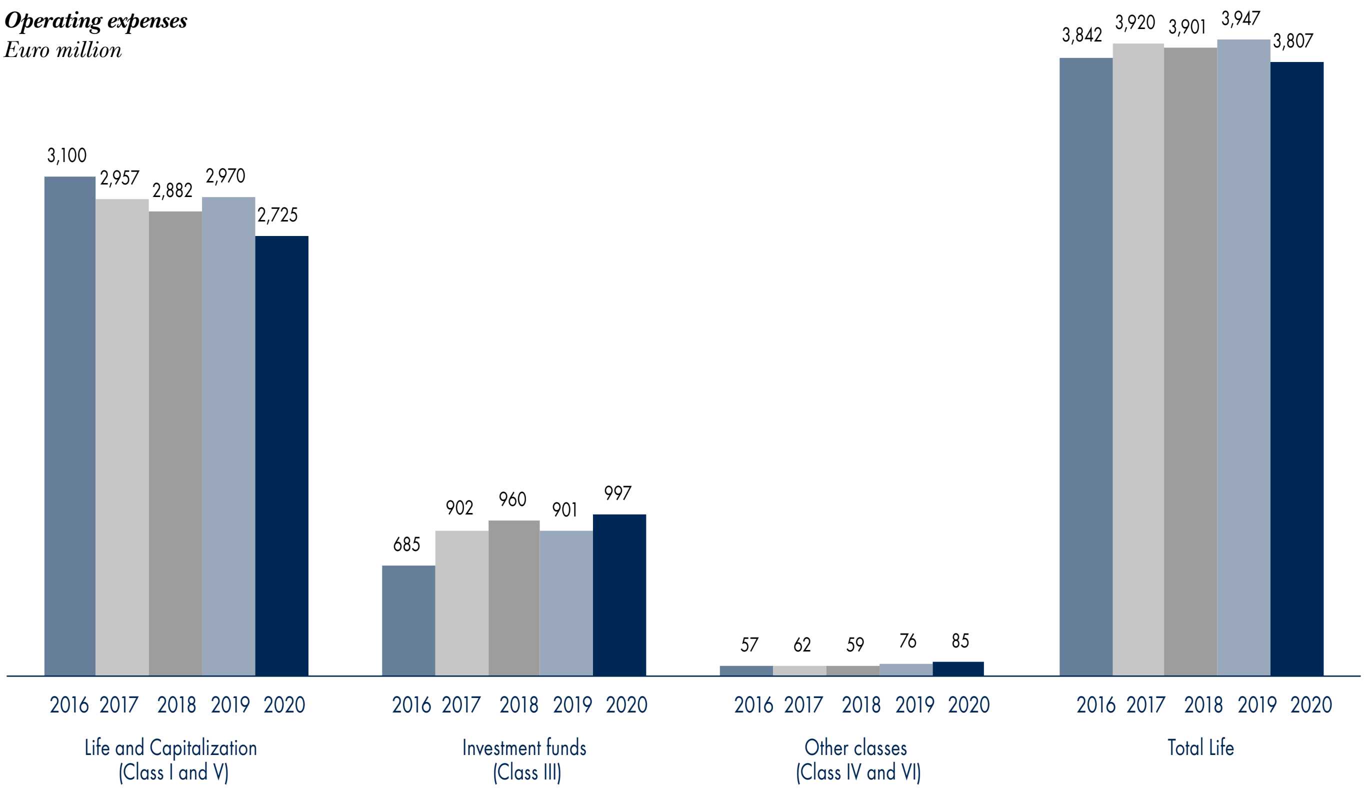
In detail, the provisions set aside in Classes I and V amounted in 2020 to €569,608 million (of which €545,476 million related to Class I), rising by 3.3% against the previous year. These provisions account for 74% of the total life provisions and had an average growth of 4.5% in the last five-year period. The technical provisions related to unit-linked policies came to €177,567

Overall technical provisions
Euro million

(X,X%) *Change % geometric mean 2016/2020*
(x,x%) annual average change



Operating expenses
Euro million

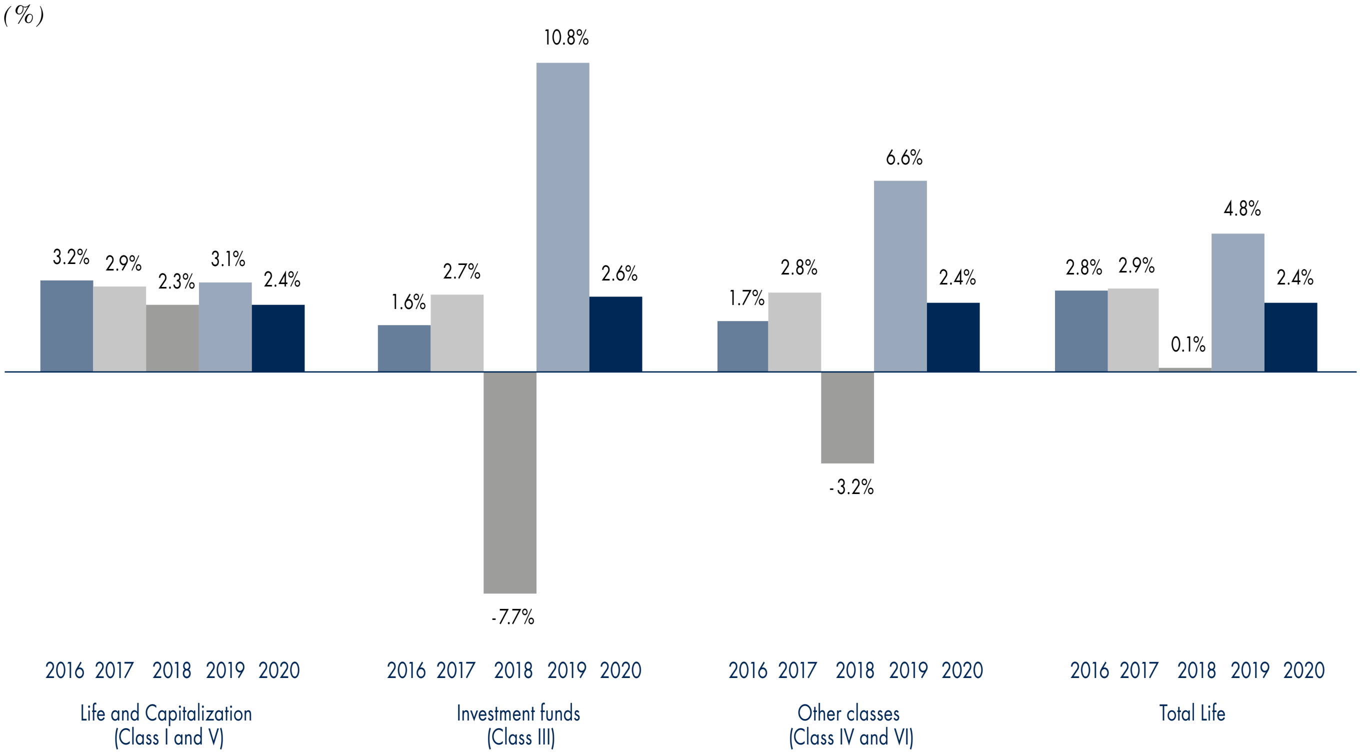


million (23% of total provisions), up by 9.9% from 2019, in line with the annual average growth over the last five-year period. The provisions set aside in other classes (Class IV and VI) amounted in 2020 to €19,973 million, rising by 4.8% against the previous year and by an annual average of 8.2% over the 2016-2020 five-year period.

Operating expenses, which consist in contract acquisition costs and costs relating to the organization and management of the distribution network, and administration expenses, amounted to €3,807 million (72% of which related to Class I and V, 26% to Class III and 2% to other life classes), down by 3.5% over the previous year, exclusively due to traditional policies. The related proportion of management expenses remains substantially unchanged (3.8%) due to the shrinkage in premium income.

The **investment result** amounted to €18,136 million, with a significant drop against the previous year, characterized by the highest level on record (€34,010 million). This result was mainly due to the considerable devaluation of the assets underlying unit-linked funds in March/April during the health crisis, not entirely recouped in the remaining part of the year, which determined a significant drop in investment income (to €4,446 million), whereas in 2019 the revaluation of assets for Class III resulted in a €16,037 million investment profit; the Class I result (mainly with government securities as underlying assets) also registered a reduction (from €15,922 million in 2019 to €12,144 million). In detail, over the five-year period, investment income, measured against average mathematical reserves, in the traditional insurance classes

Profits from investments on mathematical reserves
(%)



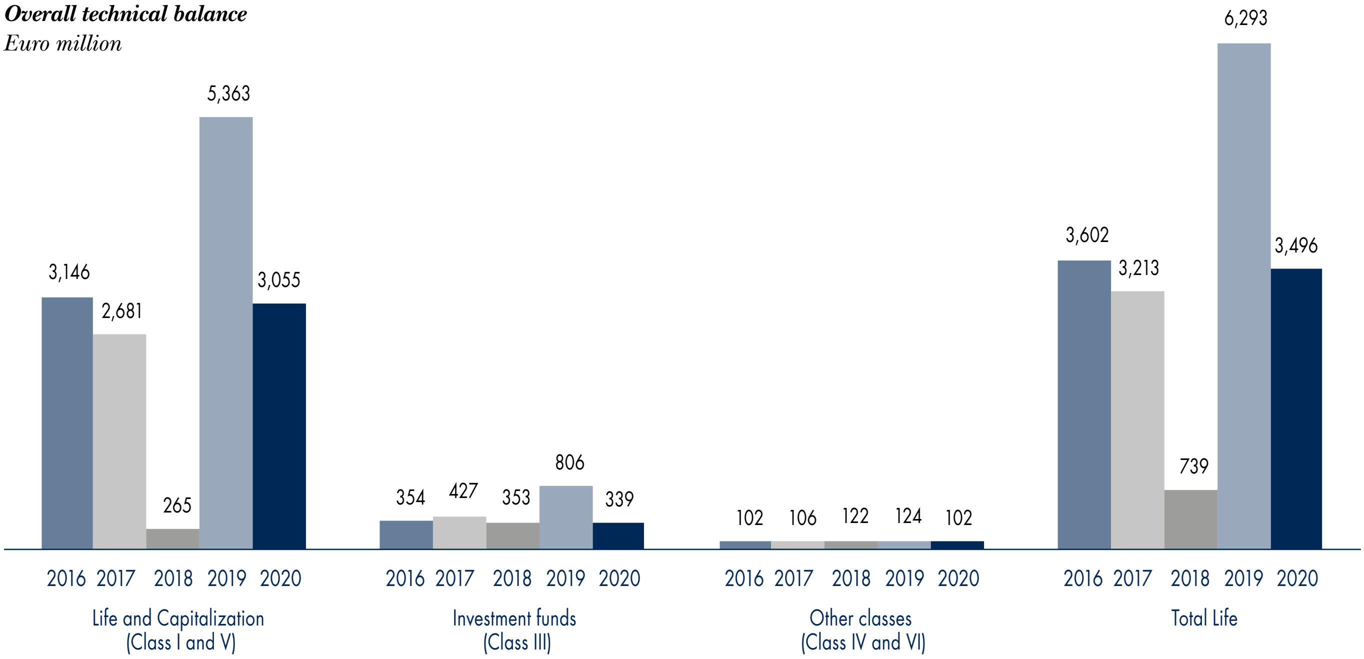
(Class I and Class V) had an uneven performance from the progressive downtrend in 2016-2018 to an upturn in 2019, with a growing value, then decreasing by 2.4% in 2020. For Class III (investment funds or index-linked) in 2020 the increase diminished to 2.6% after the record gain of 10.8% in 2019; for the other life businesses the performance was comparable to that of Class III products, albeit with smaller figures, declining from growth of 6.6% in 2019 to 2.4% in 2020.

The **technical account balance** was positive at €2,988 million (more than 70% of which for Class I), in line with the 2017 values but more than halved against 2019 (€6,126 million).

The balance on reinsurance cessions and net indirect business amounted to €508 million (€168 million in 2019).

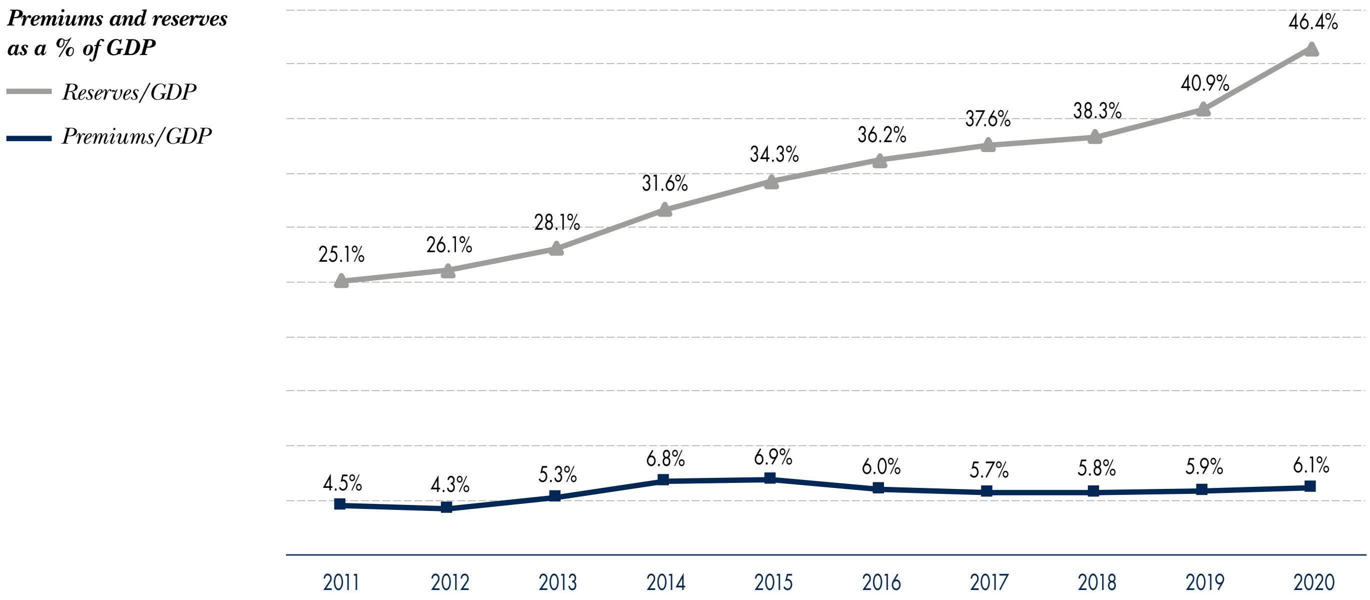
Taking the balance on outward reinsurance into account, the **overall balance of the technical account** was positive by €3,496 million, almost in line with the 2016-2017 period and significantly up from 2018 when it did not exceed €1 billion, but significantly down from 2019 when, thanks to the exceptional investment profit, the overall technical balance amounted to €6,293 million; therefore, the ratio to premiums went down (from 5.9% in 2019 to 3.5% in 2020) as did that to technical provisions (from 0.89% to 0.47%). In detail, the balance for the traditional classes (I and V) moved from €5,363 million in 2019 to €3,055 million in 2020, while Class III (investment funds or index-linked) showed a technical result of €339 million, more than halved as compared with 2019. Conversely, the balance of the other life classes dropped to €102 million, down slightly from 2018-2019 and about the same as in 2016-2017.

Overall technical balance
Euro million



LIFE INSURANCE

Premiums and reserves as a % of GDP



In 2020 growth in life insurance technical provisions of 4.8% was accompanied by a nominal decline of 7.8% in economic activity, so their ratio to GDP accordingly rose from 40.9% in 2019 to 46.4% in 2020, accentuating the progressive increase that started in 2012. The ratio of life premiums to GDP also picked up, from 5.9% in 2019 to 6.1% in 2020.

EVOLUTION OF LIFE PREMIUM COLLECTION DURING THE PANDEMIC

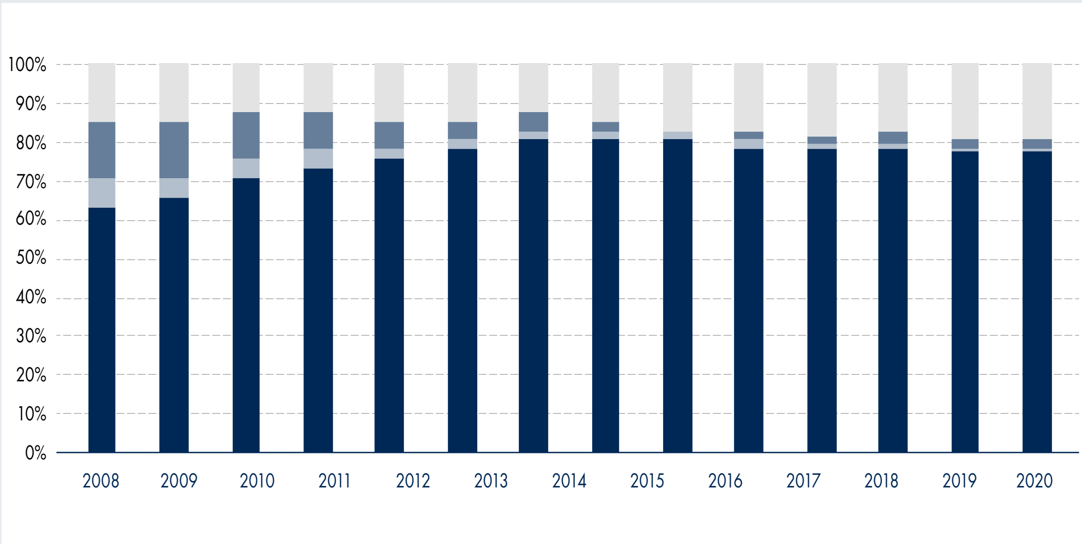
Estimate of share of contracts with guaranteed yields

According to industry statistics, with some approximations and assumptions, and based on the assets covering commitments to policyholders, we can estimate the share of life insurance policies that offer guaranteed yields[(1)].

It is estimated that at the end of 2020 such policies accounted for 78% of life insurance policies (Figure 1), the same as a year earlier. That share is covered almost exclusively by resources invested against commitments guaranteed by with-profit and multi-class contracts (Classes I and V), amounting to 77%, while the incidence of the guaranteed components in linked contracts (Class III) and pension funds (Class VI) account for the other 1%.

Figure 1
% composition of asset shares per type of guarantee

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



Source: Based on IVASS and COVIP data

Contracts envisaging financial protection mechanisms, mostly "protected" unit- or index-linked funds providing for the repayment of premiums at contract maturity but with no guaranteed yield, constituted some 2% of all contracts. The remaining 20% relates to unit-linked products where the investment risk is borne by policyholders.

Over the 2007-2020 period, the guaranteed component of policies has increased – in 2007 it was just over 60% – owing to the increasing incidence

(1) The share of guaranteed life premiums comprises the following:
– Class I and Class V profit-sharing products, including with a minimum return guaranteed;
– unit-linked products, classified as "guaranteed";
– index-linked products featuring the insurance company's guarantee of benefits;
– guaranteed sub-funds of pension funds (Class VI).

of Class I and V. Conversely, the shares of "protected" or guaranteed contracts in Class III and VI have dropped, while the share of totally unguaranteed contracts has risen.

Asset allocation for life products

Using industry statistics, with some approximations(2) and assumptions, we can estimate the asset allocation related to life insurance contracts.

At the end of 2020, government securities constituted slightly more than 55% of the assets (Table 1) and corporate bonds just below 30%, while equities accounted for around 11% of the portfolio.

Table 1
Asset allocation of life products at the end of 2020

Asset allocation corresponding to life products	Macro-asset class			
	Total life market	Sub-total profit-sharing products	Sub-total linked products and pension funds	
			Total	of which: unit-linked
Government securities	55.3%	65.9%	20.1%	16.9%
Corporate bonds	29.6%	27.1%	37.1%	41.0%
Shares and other equities	11.0%	2.9%	37.2%	36.9%
Liquidity	1.6%	0.7%	4.6%	5.2%
Property and other	2.5%	3.4%	1.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

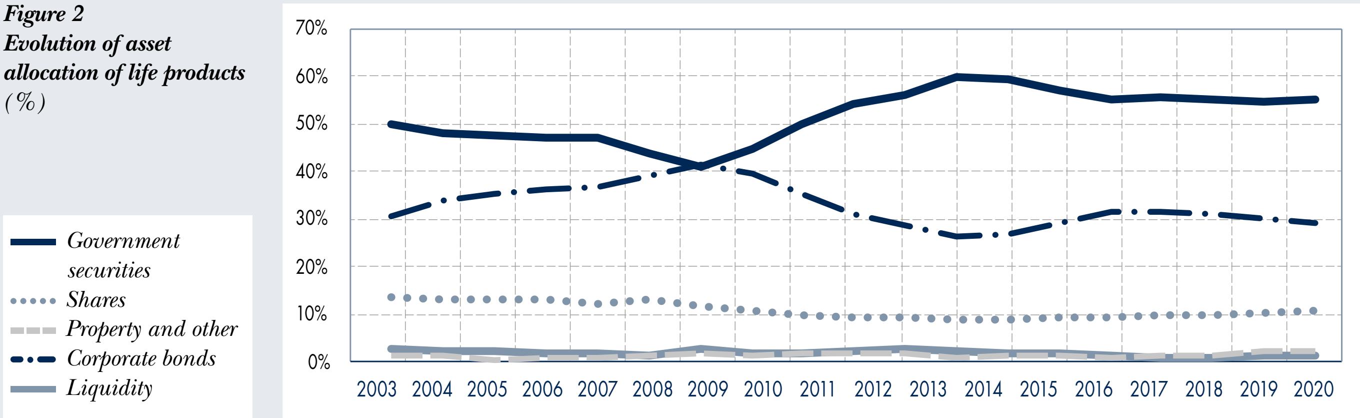
Regarding with-profit and profit-sharing products offering guaranteed minimum returns, the share invested in government securities amounted to around two thirds, while corporate bonds represented more than one fourth. Equities account for just a few percentage points.

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 was around 37% of the portfolio.

Taking a look at asset allocation since 2002 (Figure 2), with reference to all life business contracts, we find a modest decline in government securities investment in recent years and a 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 until 2014.

(2) 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.

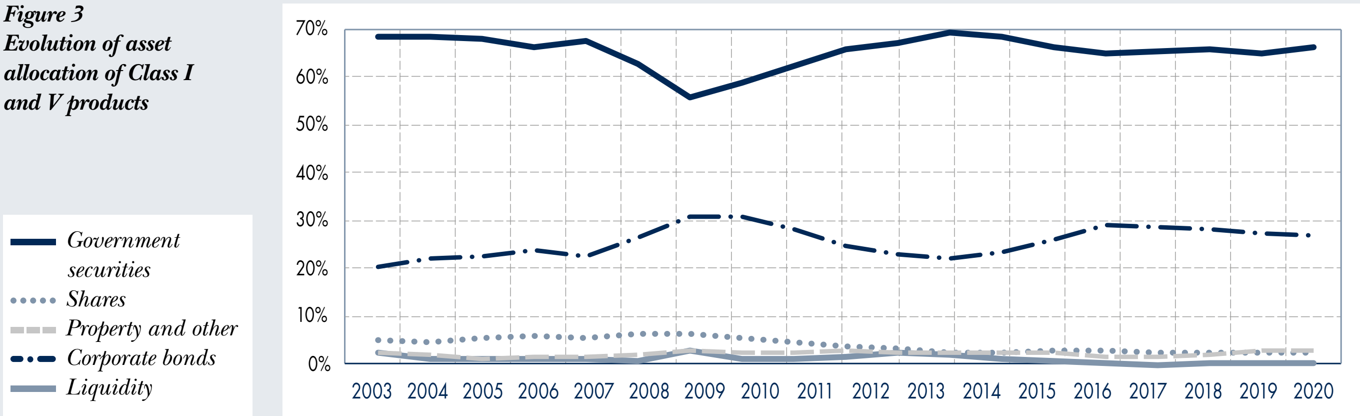
Figure 2
Evolution of asset allocation of life products
(%)



Over the whole period a small shrinkage in the already small portion of equity securities was registered, dropping to around 10%, while the portions allocated to liquidity, real estate and "other" assets remained negligible.

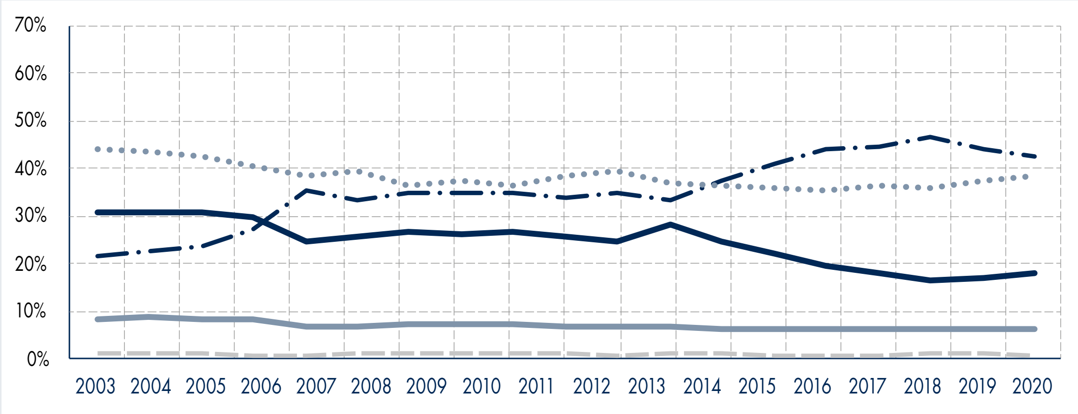
Referring just to profit-sharing and guaranteed minimum yield contracts of the life business (Class I and V), the ratio of investments in government securities, still accounting for the bulk, almost two thirds of the portfolio (Figure 3), has not changed in recent years. Likewise, the share invested in corporate bonds has not changed, accounting for around 30%. The portion invested in other assets remains negligible.

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



Finally, as to the investment allocation of unit-linked funds, fixed income securities (government and corporate bonds) still account for the majority, while the proportion invested in equities remains stable, accounting for more than one third of the portfolio in recent years (Figure 4).

Figure 4
Evolution of asset allocation of unit-linked products

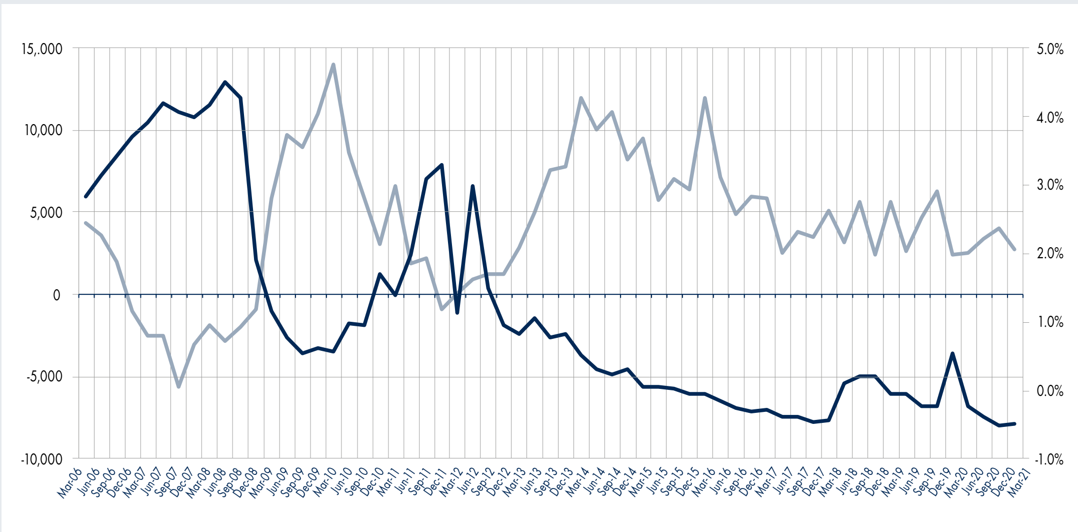


Government securities
Shares
Property and other
Corporate bonds
Liquidity

Long-term evolution of net premium income

Over the period from 2006 to the first quarter of 2021, the quarterly performance of net premium income in life insurance – meaning, the difference for the life classes between paid premiums and amounts paid for surrenders, policies maturing, claims and annuities – has gone up and down, alternating negative and positive periods. In particular, over this period the performance of Class I and V products shows a clear negative correlation with the nominal rates on Italian government securities (Figure 5). In fact those policies, considering the features of the separate asset portfolios to which they are usually linked, characterized by a minimum guaranteed return, are especially competitive when government securities yields are low, as in recent years, owing among other things to the Euro area monetary policy stance. In 2020 and in the last quarter examined (first quarter 2021), net premium income dropped due to the lockdown measures to counter the covid-19 pandemic, but the net impact was limited, as surrenders also diminished.

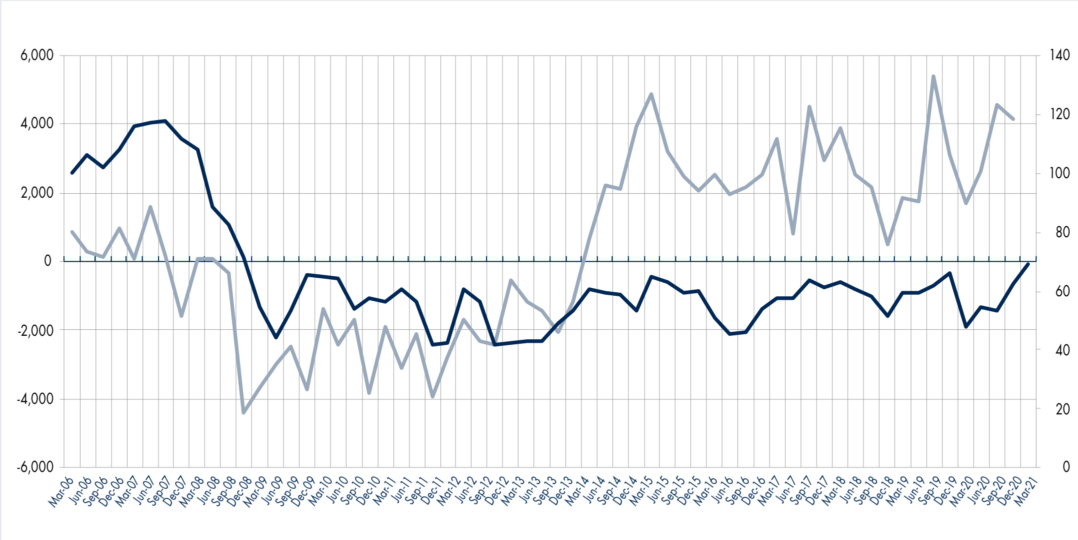
Figure 5
Net premium income of traditional policies and yield on six-month Italian Treasury bills



Net life premium income (Class I and V) € million (left-hand scale)
Gross yield on 6-month T-bills (right-hand scale)

Source: ANIA, Thomson Reuters, Refinitiv

Figure 6
Net premium income of linked policies in each quarter and FTSE MIB index



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

Survey index base 1.1.2006 = 100 (right-hand scale)

Source: ANIA, Thomson Reuters, Refinitiv

As for the net premium income of Class III policies, over the last few years the series has always been positive, showing a close correlation with the Italian FTSE MIB share index (Figure 6).

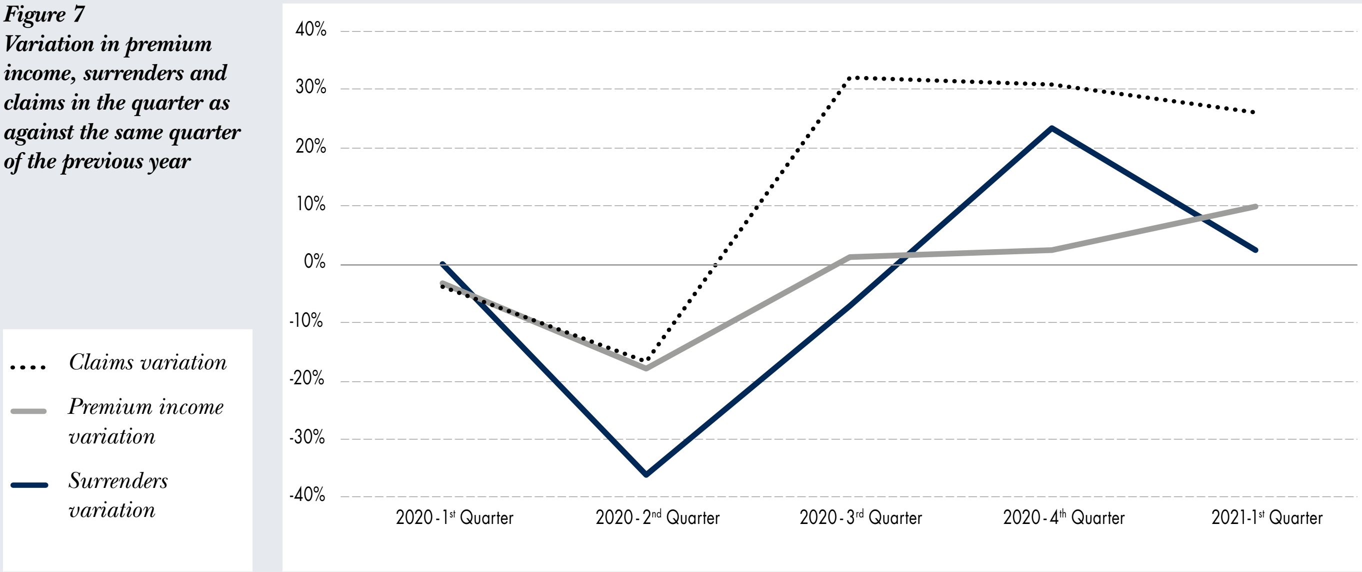
Finally, some analyses on the impact of the pandemic on developments in 2020 and the first quarter of 2021 have been conducted with particular reference to premiums as well as surrenders and claims in comparison with the previous year.

As illustrated in Figure 7, the result for the first quarter of 2020 was affected by the anti-covid control measures implemented in March, with a slight drop in net premium income (-3.3%). For the second quarter the decline sharpened to 20% as compared with the same period of 2019, owing to the extension of the health emergency measures. In the second half, premium income regained its 2019 levels thanks to the easing of restrictions and the adaptation of the offer to the new conditions, and in the first three months of 2021 there was a significant increase (+10%) as against the same period of 2020.

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, the restrictive measures for public health resulted in a sharp reduction (by 36%) in the second quarter of 2020, followed by a smaller decline (of 7%) in the third quarter and a significant increase (+23%) in the fourth quarter of 2020, probably due to delayed surrenders that would ordinarily have been requested in the previous months. In the first three months of 2021, the surrender rate was slightly higher than in the same period of 2020.

The claims rate – the ratio of amounts paid for claims to the average value of reserves – showed a significant drop in the second quarter of 2020 from the previous year as well. We assume that this effect was not due to lower mortality, since in these months there was a peak in the “first wave” of the pandemic, but rather to failure to report deaths until subsequent months.

Figure 7
Variation in premium income, surrenders and claims in the quarter as against the same quarter of the previous year



In fact, in the third quarter of 2020, this indicator was about 30% higher than in the same period of the previous year. In the fourth quarter and the first quarter of 2021, conversely, it was again 30% higher, but this time the increase is mainly ascribable to effectively higher mortality caused by the epidemic.

LIFE INSURANCE AND ITALIAN HOUSEHOLDS' SAVINGS

The impact of the economic and health crisis on households' disposable income was considerable, but less severe than the contraction in economic activity. In 2020 disposable income shrank less (-2.8%, +0.9% in 2019) than GDP (-8.9%). The slightly negative trend in consumer prices mitigated the impact on households' purchasing power in small part (-2.6%, +0.4% in 2019) (Table 1).

The disaggregated analysis of its different components offers a precise picture of how the crisis affected welfare among the different social groups. The restrictive measures, implemented from time to time to reduce the increase in infections, affected self-employed workers (-12.2%, +0.3% in 2019) more severely than payroll employees, even if the latter had to face an unprecedented contraction (-6.9%, +2.0% in 2019). The strong support provided by social benefits (+10.8%, +3.6%) and the reduction in net social security contributions (-5.4%, +2.9%) significantly limited the impact on the aggregate figure.

Table 1
Gross disposable income and households' propensity to save[1] (current prices, except where indicated)

% change from the previous period

	Composition %	Change %		
	2020	2018	2019	2020
Compensation of employees	60.3	3.3	2.0	-6.9
Income from self-employment [2]	22.9	1.5	0.3	-12.2
Net income from property [3]	21.6	-0.4	-1.3	-2.9
Social benefits and other net transfers	37.5	1.8	3.6	10.8
Net social contributions (-)	23.4	4.1	2.9	-5.4
Current taxes on income and property (-)	18.9	0.6	3.3	-2.2
Gross disposable income	100.0	1.9	0.9	-2.8
in real terms [4]	–	0.9	0.4	-2.6
Average propensity to save [5]	–	7.5	7.6	15.3

Source: Based on ISTAT and Bank of Italy data
(1) Referred to consumer 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) % ratio between savings, gross of amortization and net of variations in pension fund reserves, and gross disposable income

The decline in occasions to spend, owing to the more or less generalized restrictive measures characterizing the year, led to a decline in consumption that was more than proportional to the reduction in disposable income, producing a sharp rise in the propensity to save, calculated as the non-spent proportion of disposable income, which more than doubled.

Financial saving

In 2020, the net financial saving of Italian households and non-profit institutions serving households (for brevity, simply "households") amounted to €119.8 billion, more than five times as much as in 2019 (€23.1 billion). This figure is the result of a strong decrease in gross outflows (€6.2 billion, from €24.6 billion in 2019) and the significant increase in inflows to household assets (€126.0 billion, up from €47.7 billion) (Table 2).

As for assets, net inflows increased to all asset classes in 2020; on the liabilities side, with the exception of bank bonds, all the net outflows of the previous year diminished considerably. Managed assets – defined as the sum of investment fund units, life insurance, pension funds and supplementary pensions (excluding severance pay) – saw a 40% rise in investment inflows (€61.4 billion). In particular, the inflow into insurance policies increased by more than €3 billion (to €24.2 billion).

At the end of 2020, the stock of financial assets held by Italian households amounted to €4,777.4 billion, up by more than €300 billion from 2019. The largest share of Italian households' financial wealth still consists in liquid instruments, i.e. bank deposits (28.9%, 27.7% in 2019), followed by insurance, pension funds and employee severance pay provisions (24.9%, 24.0% in 2019) – including life insurance provisions (18.2%, 17.3% in 2019) – and by the amount invested in shares and other equity (19.6%, 21.6% in 2019). At the end of 2020, investments in mutual fund units accounted for 14.4% of the financial assets of Italian households (14.2% in 2020).

Tavola 2
Le attività finanziarie delle famiglie italiane [(1)]

ITEMS	INSTRUMENTS (millions of euro)	YEAR-END STOCKS/TOTAL ASSETS (%)		FLOWS (millions of euro)	
	2020	2019	2020	2019	2020
ASSETS [(2)]					
Cash	185,433	3.5	3.9	3,469	19,543
Deposits [(3)]	1,379,288	27.7	28.9	58,131	85,141
Italian	1,339,790	26.8	28.0	57,109	86,163
sight deposits	902,344	17.4	18.9	52,402	89,145
other deposits	437,446	9.4	9.2	4,707	-2,982
Foreign	39,498	0.9	0.8	1,022	-1,022
Bonds	247,095	5.7	5.2	-41,229	-25,013
Italian	170,362	3.9	3.6	-37,383	-21,075
of which: Government	132,648	2.7	2.8	-23,570	-2,312
bank	36,448	1.2	0.8	-9,439	-18,267
Foreign	76,733	1.8	1.6	-3,846	-3,939
Investment fund units	685,905	14.2	14.4	17,504	33,396
Italian	231,239	5.1	4.8	-4,469	6,280
Foreign [(4)]	454,666	9.1	9.5	21,973	27,116
Shares and other equity	936,385	21.6	19.6	-26,965	-15,763
Italian	852,425	19.9	17.8	-25,708	-18,527
Foreign	83,960	1.7	1.8	-1,257	2,764
Insurance, pension funds, severance pay entitlements	1,191,106	24.0	24.9	29,273	30,615
of which: reserves of the life sector	867,735	17.3	18.2	20,942	24,173
Other assets issued by residents [(5)]	152,237	3.3	3.2	7,477	-1,891
Total assets	**4,777,449**	**100.0**	**100.0**	**47,661**	**126,027**
memo item: managed assets [(6)]	1,679,408	34.0	35.2	43,404	61,461
LIABILITIES					
Short-term debt [(7)]	42,716	5.0	4.4	-90	-4,688
of which: bank	38,473	4.5	4.0	-351	-4,286
Medium and long-term debt [(8)]	704,234	71.6	72.7	17,529	14,948
of which: bank	602,208	60.9	62.2	6,521	14,558
Other liabilities [(9)]	221,917	23.4	22.9	7,120	-4,019
Total liabilities	**968,867**	**100.0**	**100.0**	**24,559**	**6,241**
BALANCE	3,808,582			23,101	119,786

(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) Managed asset portfolios are not specified. Invested assets are included in the single instruments.
(3) Includes Bancoposta current accounts and Cassa Depositi e Prestiti liabilities.
(4) The methodological revisions introduced by ECB Guideline 2018/1151 of the European Central Bank in the field of external statistics affected the data on the households' holdings of foreign investment funds.
(5) Commercial credit, derivatives, employees' stock-options and other minor items.
(6) Includes investment funds, life insurance, pension funds and supplementary funds, excluding severance pay.
(7) Includes funds from factoring companies.
(8) Includes securitized loans, payables to leasing companies, consumer credit from financial companies and loans from other residents.
(9) Trade payables, severance pay funds and other minor items.

SUPPLEMENTARY PENSION FUNDS: ENROLLMENTS, CONTRIBUTIONS AND RESOURCES ALLOCATED TO BENEFITS

Enrollments to supplementary pension plans continued the gradual growth of recent years, even if at a decreasing pace. The number of new members came to 486,552 in 2020, around 100,000 less than the previous year.

At the end of 2020, the number of pension plan accounts was 9.3 million, with 2.5% growth from the previous year (Table 1).

Table 1
Evolution of accounts by pension plan

Pension plans	Number of accounts		Change %
	2019	2020	
Occupational pension funds and Fondinps	3,160,206	3,261,244	3.2%
Open funds	1,551,223	1,627,731	4.9%
Individual retirement plans	3,773,378	3,849,354	2.0%
Pre-existing funds	650,054	647,574	-0.4%
Total	**9,116,469**	**9,341,721**	**2.5%**

Source: ANIA based on COVIP data

At the end of 2020, the effective number of enrollees (shorn of multiple enrollments) was 8.4 million, 33% of the labor force (persons employed plus job seekers above 15 years of age), with 2.2% growth from 2019 (Table 2). However, in 2020 the number of enrollees who had quit paying contributions remained significant at more than 2.2 million: such non-payment was most common for the individual retirement plans.

Table 2
Evolution of participants by pension plan (net of multiple enrollments)

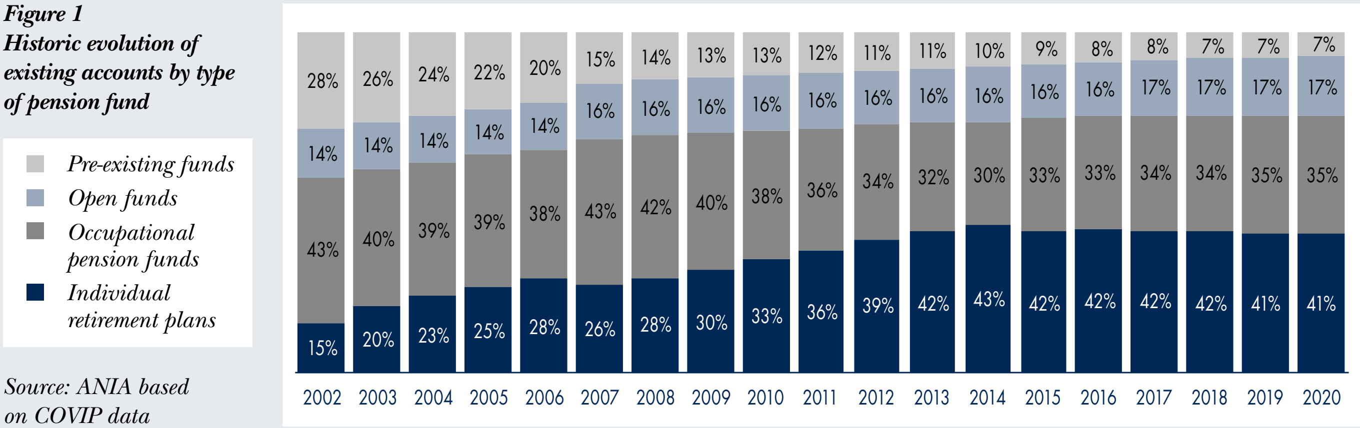
Pension plans	Number of participants (net of multiple enrollments)		Change %
	2019	2020	
Occupational pension funds and Fondinps	3,095,417	3,184,463	2.9%
Open funds	1,515,989	1,590,319	4.9%
Individual retirement plans	3,618,078	3,688,130	1.9%
Pre-existing funds	617,436	616,640	-0.1%
Total	**8,259,968**	**8,445,170**	**2.2%**
Labor force (million)	26.3	25.6	-2.7%
Share of labor force	31.4%	33.0%	1.6%

Source: ANIA based on COVIP data

In particular, open funds showed the strongest growth in enrollments (+4.9%), followed by occupational pension funds, which instead showed the highest increase in absolute terms (more than 89,000), while individual retirement plans confirmed their leadership in terms of total number of participants and accounts (Figure 1).

The overall contributions paid to pension funds went up by 2.2% from 2019 (Table 3). In particular, this slight increase was due chiefly to open funds,

Figure 1
Historic evolution of existing accounts by type of pension fund



Source: ANIA based on COVIP data

inflows to which gained almost 6%, and to occupational funds, which showed the largest increase in absolute terms, while increases in other pension plans were rather limited.

Table 3
Evolution of pension fund contributions
(in Euro million)

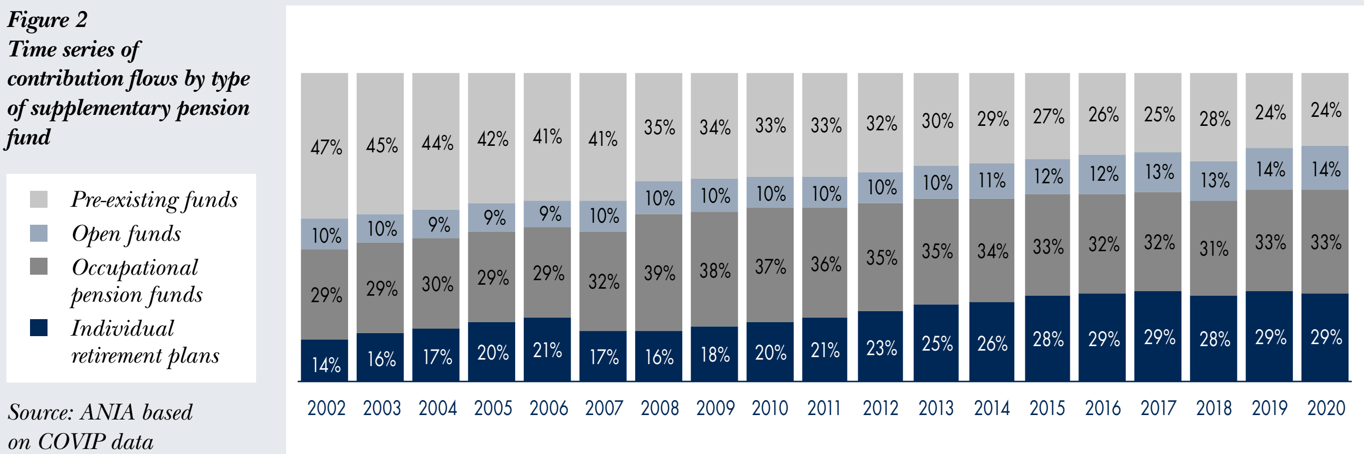
Pension plans	Contributions 2019	Contributions 2020	Change %
Occupational pension funds and Fondinps	5,332	5,488	2.9%
Open funds	2,212	2,343	5.9%
Individual retirement plans	4,734	4,792	1.2%
Pre-existing funds	3,892	3,902	0.3%
Total	16,178	16,531	2.2%

Source: ANIA based on COVIP data

All in all, considering the evolution of pension fund contributions (Figure 2), the shares going to the various types of fund in 2020 remained almost unchanged from the previous year.

The average return on pension plans in 2020 benefited from a first period of rising financial markets, followed by a short but significant share price adjustment as the pandemic spread. While the revaluation of severance pay entitlements was equal to 1.2% in 2020, the average yield on the various occupational pension plan lines was 3.1%, that on open funds 2.9%, that on IRP segregated accounts 1.4%, and that on unit-linked IRPs practically nil.

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



Source: ANIA based on COVIP data

The resources allocated to benefits reached €198 billion, or 12.0% of nominal GDP and 4.1% of households' financial saving, with growth of 6.7% with respect to the end of 2019 (Table 4).

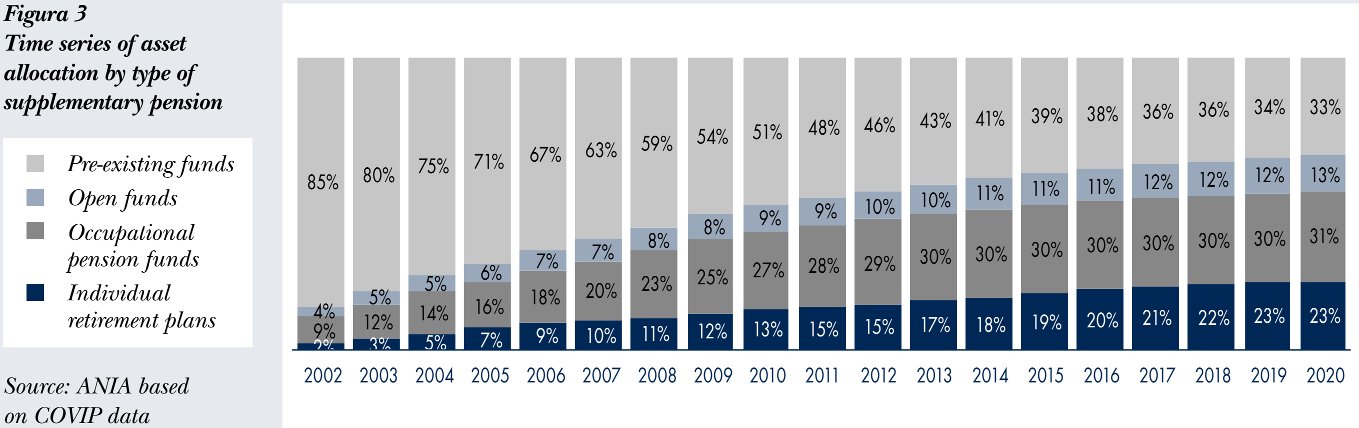
Table 4
Resources set aside for benefits by type of supplementary pension
(in Euro million)

Pension plans	Resources managed 2019	Resources managed 2020	Change %
Occupational pension funds and Fondinps	56,136	60,368	7.5%
Open funds	22,844	25,373	11.1%
Individual retirement plans	42,542	46,068	8.3%
Pre-existing funds	63,831	66,111	3.6%
Total	**185,439**	**197,919**	**6.7%**
Share of GDP	10.4%	12.0%	1.6%
Share of households' financial savings	4.2%	4.1%	-0.1%

Source: ANIA based on COVIP data

The sharpest increase in relative terms was recorded by resources managed by open funds. Occupational pension funds recorded the highest increase in absolute terms. Pre-existing funds, despite their more limited growth than the other forms in 2020 and the progressive decline in their share of resources in relation to those of the other pension types, continued to account for the largest share of allocated resources (Figure 3), equal to one third of the total.

Figura 3
Time series of asset allocation by type of supplementary pension



Source: ANIA based on COVIP data

Main regulatory changes

Several significant regulatory changes were introduced in the social security sector in 2020, followed by a phase of intense regulatory activity by COVIP to complete the implementation of EU Directive 2016/2341 (so-called IORP II Directive) in Italian law. Among the main provisions, COVIP adopted in sequence:

- the Directives on complementary pension plans, specifically aimed at providing pension funds with the guidelines for the new system of governance, including the institution of the fundamental functions, with particular reference to pension funds having legal personality;

- the Instructions on the governance of open funds, defining the procedures for coordination of the new national legislation on governance with the sectoral regulation of the companies managing open funds with a view to safeguarding its application in case of overlapping regulations;
- the Instructions on transparency for pension funds, which must fulfill in a single regulatory act all the information obligations for subscribers and beneficiaries, prior to subscription and during participation in the pension plans, as well as on advertising, web pages and members' reserved areas, in whose regard important new measures were introduced;
- the new Articles of Association for occupational pension plans and the Regulations on open and individual pension plans, for which the necessary documents were updated and made compliant with the new provisions;
- the COVIP Regulation for authorization and approval procedures, as well as the Regulation in the field of sanctions, both duly updated.

The regulatory discipline was supplemented by a Ministry of Labor Decree, after hearing COVIP, on experience and integrity requirements for pension fund officers, this too adapted to the change in primary legislation.

At a European level, the Pan-European Personal Pension Products (PEPP) rulemaking process was completed: these are the first individual Pan-European complementary pension instruments. The "level I" regulation 2019/1238 was followed by the adoption of the delegated regulation 2021/473 at the beginning of 2021. The Regulation provides detailed provisions, including: the content and template of the KID specific to PEPPs, the table on benefits of the PEPP in the course of the contract, the provisions on guarantee or risk mitigation techniques for Basic PEPPs and the annual cost cap of 1%, again for Basic PEPPs. These provisions shall be directly applied in Italy and all EU Member States starting from 22 March 2022. At the same time, the procedure for alignment of the national legislation with the PEPP Regulation has begun. Law 53 of 22 April 2021 empowers the government to adopt the related decrees within 18 months, with the objective of determining a homogeneous new regulatory framework and a PEPP tax scheme similar to the existing provisions for other pension plans.

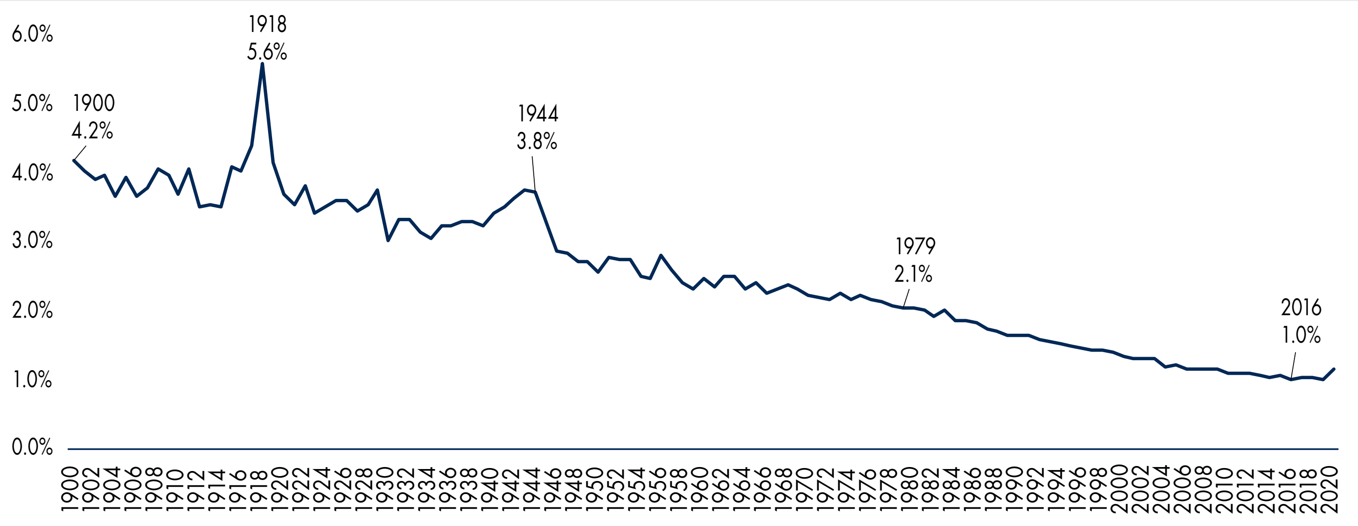
EVOLUTION OF MORTALITY AND THE IMPACT OF THE PANDEMIC

Mortality

The mortality of the Italian population has declined steadily and significantly since the early 20th century. At first, this was due essentially to the drop in child mortality; the reduction in mortality among older age cohorts has come mainly in the last few decades: 54% of the increase in life expectancy at 65 years of age since 1900 has been achieved since 1980, and a full 67% of the gain at age 85.

Calculating the standardized death rate in Italy[1], it is evident that, with the exception of the two world wars and the 1918 outbreak of Spanish flu, it has been declining over time, from slightly more than 4% at the beginning of the 20th century to around 2% at the end of the 1970s and then being halved again in the following 40 years (Figure 1).

Figure 1
Evolution of standardized mortality in the Italian population

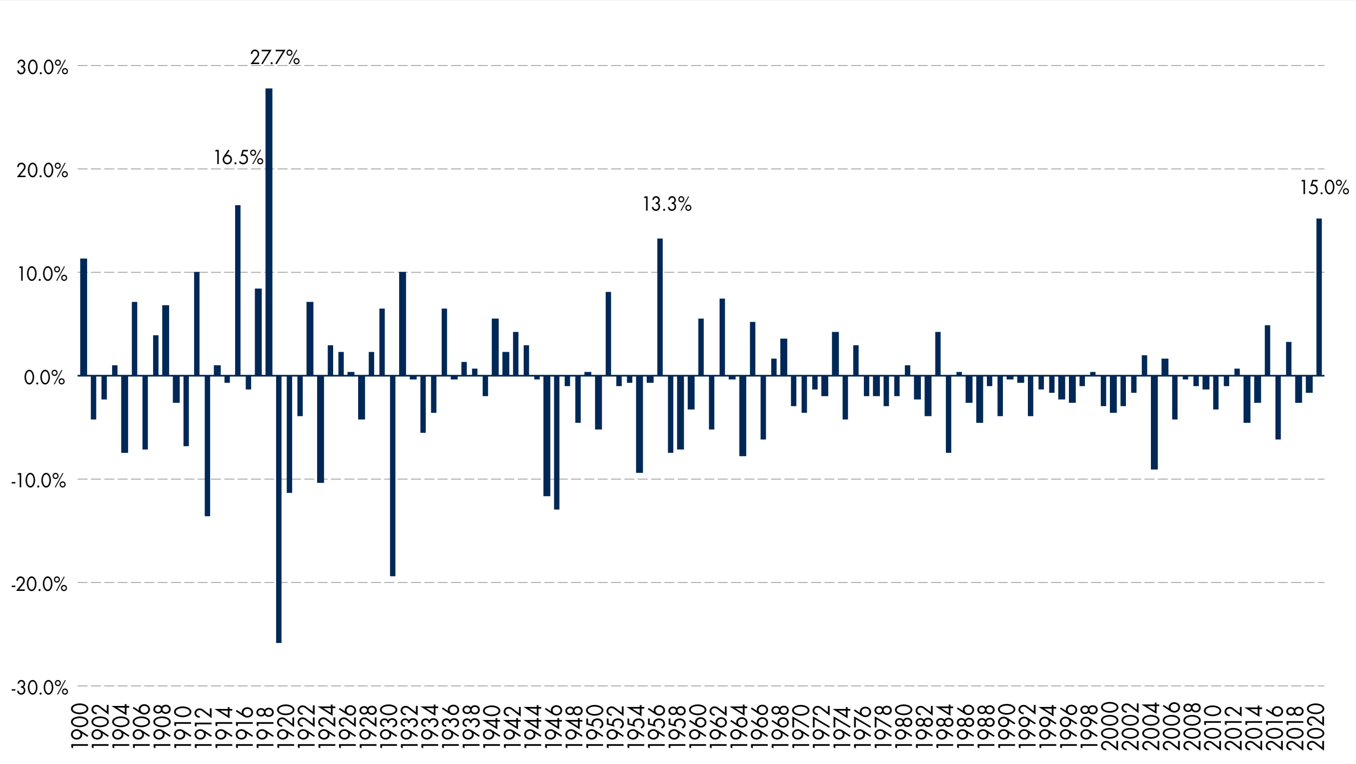


Source: ANIA based on ISTAT data

The annual variations in the standardized mortality of the Italian population show that since the early 1980s, there has been a prevalence of years with negative variations (reduction in mortality) and only 5 years with a rise in the death rate (Figure 2). With reference to 2020, it can be noted that the impact of the covid-19 pandemic increased mortality by over 15%, comparable to

(1) Standardized mortality is calculated as the weighted average of the individual probabilities of death for cohorts from 20 to 100 years of age. The weights used are resident population by single age cohort as of January 1st, 2011. The use of the same reference population for all years for which we calculate the probability of decease within the Italian population permits comparison of these probabilities over time, unaffected by the changes in the demographic structure of the distribution.

Figure 2 – Annual changes in the Italian mortality rate



Source: ANIA based on ISTAT data

the increase in 1915, the year Italy entered World War I, but still considerably lower than the growth observed in 1918 due to the Spanish flu, while higher than in 1956 due to the Asian flu.

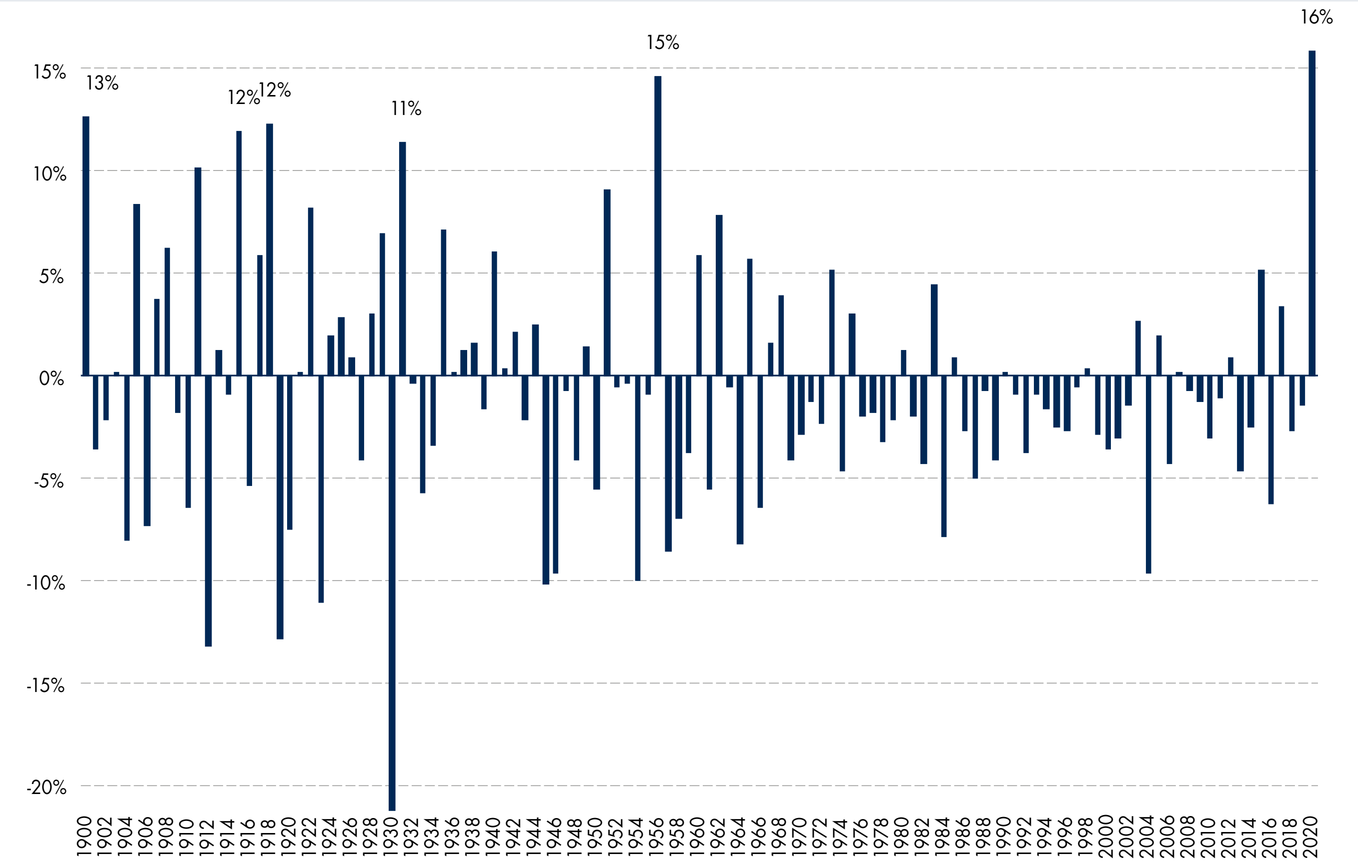
Analyzing the changes in mortality for the population over 65 years of age in detail, it can be seen that the increase observed in 2020 is the sharpest recorded in the entire set of 120 years (Figure 3).

Analysis of mortality over the last 20 years highlights a decline in the average death rate of some 20%, with an abrupt halt to this improvement in 2020 due to the covid-19 pandemic.

More specifically, annualized daily mortality (Figure 4) shows that – with the exception of the first weeks of 2020 when mortality was lower than in the previous five-year period, and higher only than in 2016 – from the end of February there was a sharp increase due to the epidemic, peaking at the end of March (21.3 per thousand on March 25), up by over 75% from the average rates observed on the same days in the five previous years.

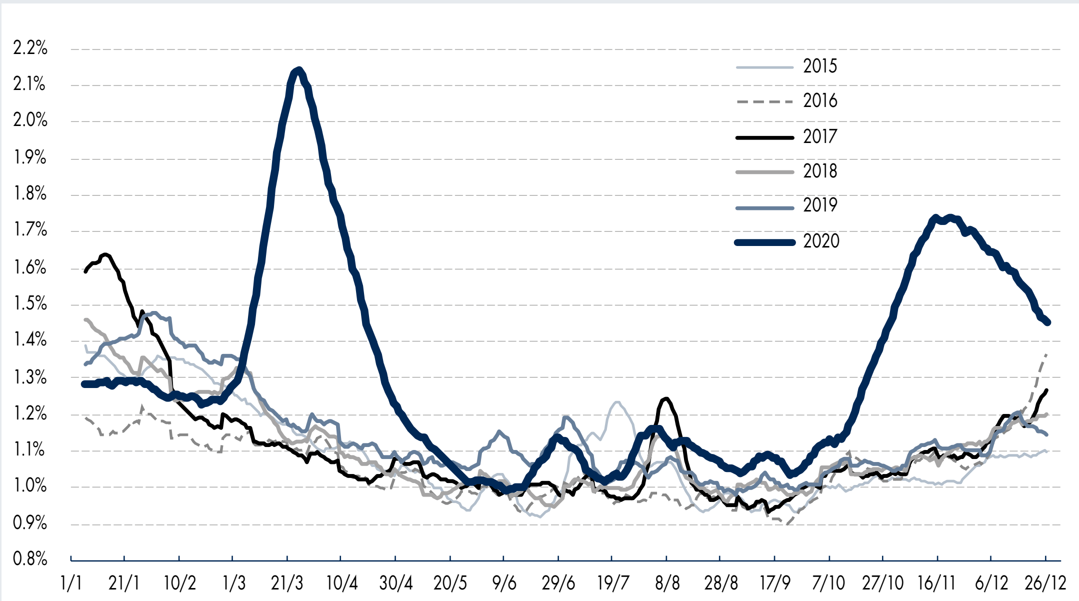
In the following period, thanks to the effects of the containment and control measures, mortality eased considerably and in June was back to normal – or even lower – in line with those observed in the five previous years. From the autumn months and following the relaxation of the containment measures, the epidemic started to resume and the annualized death rate hit a second, if somewhat lower, peak of 17.3 per thousand at the end of November.

Figure 3 – Annual changes in mortality for persons above 65 years of age in Italy



Source: ANIA based on ISTAT data

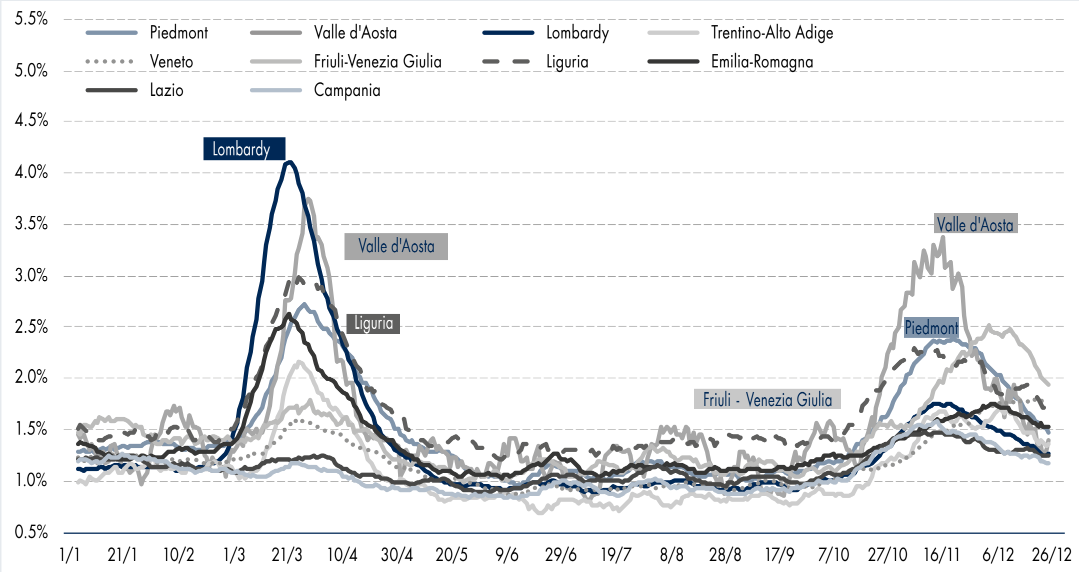
Figure 4
% changes in Italian daily annualized mortality



Source: ANIA based on ISTAT data

These effects were diversified at regional level in the course of the the year. In Northern Italy, in the first phase of the pandemic, the annualized mortality rate reached its highest levels, especially in Lombardy where it exceeded 4% between March 22nd and 24th (Figure 5).

Figura 5
% change in standardized mortality rate in the main regions



Source: ANIA based on ISTAT data

Other regions, such as Lazio and Campania, showed lower increases. The last quarter of 2020 registered the effects of the second outbreak, with a generalized increase in mortality rates for all regions, in particular in Northern Italy.

Finally, from an international perspective it is clear that the spread of the pandemic and the various containment measures adopted produced very different results from country to country. More specifically, very sharp increases in mortality (above 16%) were observed in 2020 over 2019 in Spain, the US, Italy and the UK. In other countries, such as New Zealand, a drop in mortality rates was registered (-2.7%) thanks to the virus containment and the subsequent limited spread of other communicable diseases, including flu and other respiratory diseases. The lockdown also had a generally positive impact in reducing car accidents, work-related deaths, pollution-related and deaths due to post surgery complications, given that many operations were postponed.

Table 1
Deaths in 2019-2020

Country	Deaths		% change '20/'19
	2019	2020	
Spain	414,914	501,063	+20.8%
USA	2,852,462	3,427,778	+20.2%
Italy	642,964	756,528	+17.7%
UK	527,234	614,105	+16.5%
France	597,917	664,335	+11.1%
Israel	45,794	49,495	+8.1%
Germany	936,772	1,001,764	+6.9%
New Zealand	34,088	33,184	-2.7%

Source: ANIA based on ISTAT data

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

The return on with-profit policies

The annuities generated by with-profit policies grow according to the returns on the segregated funds, special insurance funds mostly invested in fixed-income securities, entered in the accounts, for the purpose of determining their return, at purchase or book value, a method also defined as "historical cost". The return of the segregated fund is specified as the ratio of the sum of coupons, dividends and realized capital gains or losses to the average amount of assets held over a given period, generally one year. The return is assigned to benefits in terms of revaluation of ensured amounts according to a set percentage or net of a fixed amount, without prejudice to the guaranteed minimum yield envisaged by the insurance contract.

Historically, the average return on the hundreds of segregated funds in the Italian market – characterized by very low volatility thanks to the special accounting treatment of the assets – has always been positive and higher than government securities yields, the rate of revaluation of severance pay entitlements, and inflation (Figure 1). Over the last five years, in particular, the average yield amounted to 3.0% (2.62% in 2020, against 1.2% registered by the Rendistato index (a basket of government securities with a residual maturity of more than one year), 1.9% for severance pay entitlements, and 0.1% for inflation.

Figure 1
Comparison between average return on segregated funds, government securities, inflation and revaluation of severance pay entitlements (%)

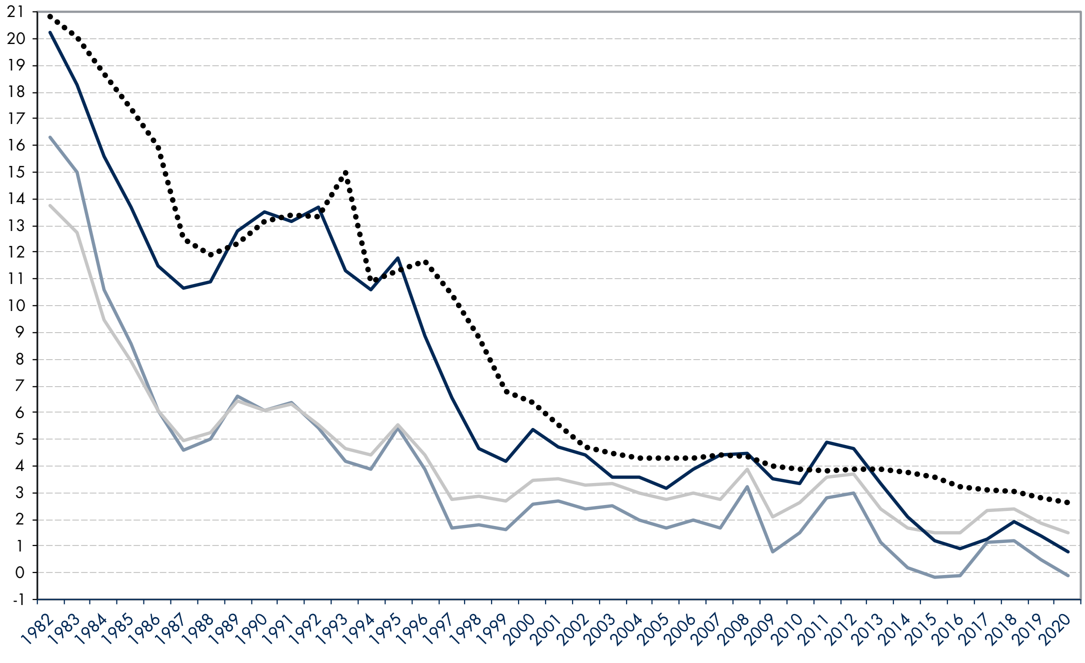
Inflation

Revaluation of severance pay entitlements

Return on government securities (*)

Return on segregated funds

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

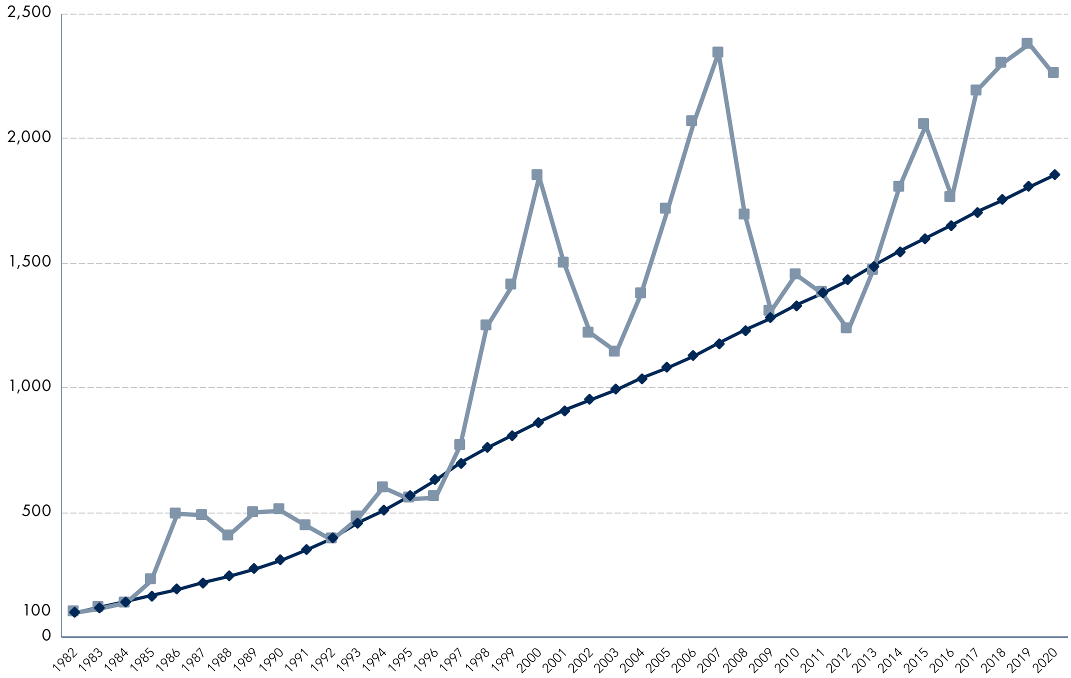


Source: ANIA based on ISTAT and Bank of Italy data

Figure 2
Comparison between yields of segregated funds and Italian shares

Segregated funds gross yield

Shares yield (Datastream index including dividends; annual average)



Source: ANIA based on Thomson Reuter data

Investing the equivalent of €100 in 1982 in a segregated fund, according to average annual returns of those funds, at the end of last year, the investment value would have amounted to €1,853 (Figure 2), with an average annual return of 8% – 4.7% in real terms – and annualized volatility (standard deviation) of 5.5%.

The same investment in Italian equities, assuming full re-investment of dividends, would have reached over the same time frame the value of €2,258, with an average annual return slightly above 8.5% and annualized volatility of 27.7%.

The Sharpe ratio, the ratio of return to standard deviation, which serves to adjust performance for financial risk, amounted over the same period to 1.46 for segregated funds and 0.31 for investment in Italian equities. Even if the figures refer to the gross returns of segregated funds, the Sharpe ratio confirms their advantages: positive and stable returns, as well as neutralization of volatility and fluctuations in the value of the investment.

Analysis of segregated funds' composition and returns in 2020

Last April, ANIA published, online, its updated Segregated Funds Portal, 2020 Edition, permitting full and thorough analysis (summary statement and breakdown of investments) of each of the segregated funds created by insurers and marketed during the year. The data cover 295 segregated funds (7 of which are characterized by the presence of a surplus fund) of 43 insurance companies, 2 more than in the previous year.

Table 1
Breakdown of investments of segregated funds. From the online "Annual Segregated Funds Portal 2020 Edition*"
In thousands of euros

Items	2019		2020		Annual change
	Amounts	Distrib.	Amounts	Distrib.	
Bonds and other fixed-income securities	448,948,580	81.3%	460,478,688	80.7%	2.6%
BTPs	233,624,920	42.3%	228,674,165	40.1%	-2.1%
Listed bonds in Euro	117,307,109	21.2%	119,019,911	20.9%	1.5%
Equity securities	10,401,654	1.9%	9,105,899	1.6%	-12.5%
Listed shares in Euro	8,176,054	1.5%	6,459,457	1.1%	-21.0%
Other assets	93,177,921	16.9%	101,141,094	17.7%	8.5%
UCITS	84,186,499	15.2%	91,223,994	16.0%	8.4%
Liabilities	-888	0.0%	-799	0.0%	10.1%
Balance of assets in segregated funds	552,527,266	100.0%	570,724,883	100.0%	3.3%
Mathematical reserves	541,547,638		559,880,224		3.4%
Average rate of return in period	*2.84%*		*2.62%*		
Coverage rate of assets vs mathematical reserves	*102.03%*		*101.94%*		

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

In 2020 (Table 1), despite the impact of the pandemic, the assets managed increased by 3.3% to €570.7 billion, covering contractual commitments of the insurers for around €559.9 billion (€541.5 in 2019), with a coverage ratio of 101.9% (102.0% in 2019).

Analyzing the composition of assets, investments in fixed-income securities went up by 2.6% in 2020, but their share of the total edged downwards (from 81.3% in 2019 to 80.7% in 2020); in particular, BTPs remained the main asset (40.1%) despite a diminution from 2019.

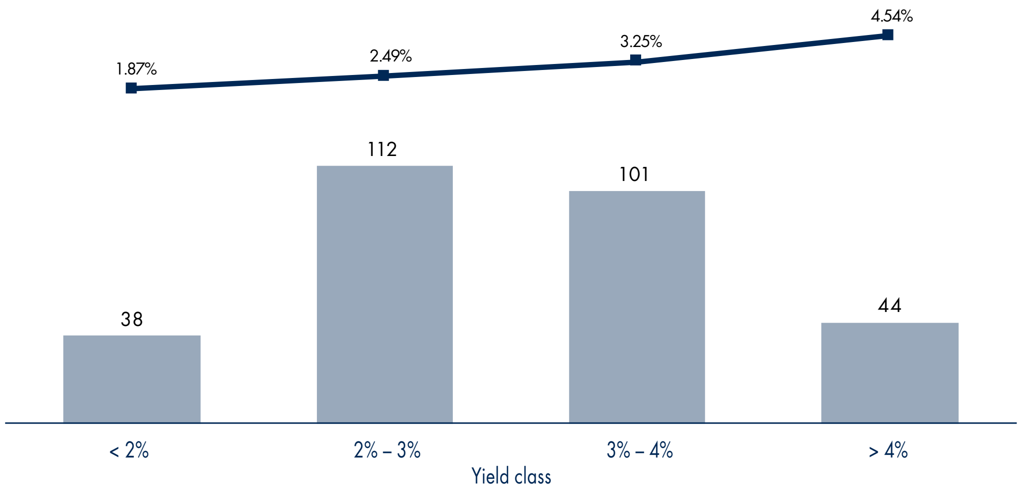
The investment in equity securities remains marginal (1.6% of the total in 2020 against 1.9% in 2019); among the other assets, the investment in UCITS rose from 15.2% in 2019 to 16.0% in 2020.

The average return on segregated funds in 2020 came to 2.62%, down from 2.84% the previous year and confirming the downtrend of the last few years (3.13% in 2017, 3.03% in 2018). The average return of the 7 segregated funds with surplus funds was 1.76% in 2020.

Hereunder is the breakdown of segregated funds in 2020 by yield (Figure 3). Of the 295 funds, 112 (accounting for 70% of the average stock of invested assets) achieved returns of between 2% and 3%, a range that spans the 2.62% average market performance; 38 funds (9% of total invested assets) failed to yield 2%, and the rest (145 funds, with an asset share of 21%) achieved gross returns better than 3%.

Figure 3
Distribution of segregated funds by return in 2020

Number of funds
Average return

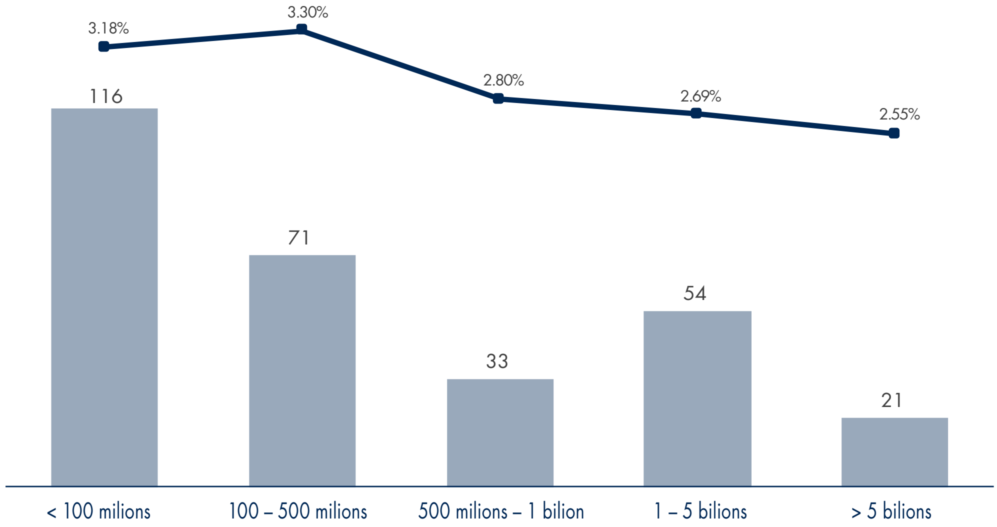


Analyzing gross average returns by stock of assets, we find that when assets increase, the average return shrinks (Figure 4).

In particular, all asset classes lower than the largest (funds over €5 billion, representing almost 70% of the total and with a 2.55% average return) achieved returns exceeding the market average (2.62%), with the 71 segregated funds having assets between €100 million and €500 million showing the best average performance (3.30%).

Figure 4
Distribution of segregated funds according to average stock of assets

Number of funds
Average return



INDIVIDUAL SAVING PLANS (PIR): NEW INVESTMENT THRESHOLDS UNDER THE 2020 BUDGET LAW AND NEW PRODUCTS INTRODUCED BY DECREE LAW 34/2020

In 2020, new amendments to the regulatory framework on the tax benefits for Individual Saving Plans (PIRs) were introduced, in addition to the changes under Art. 13-bis, par. 2, of Decree Law 124 of 26 October 2019 ("companion to the 2020 Budget Law"), added during ratification of Law 157 of 19 December 2019, with reference to the minimum investment thresholds for PIRs constituted from 1 January 2020 onward (so-called "third-generation PIRs").

For these plans, in compliance with Art. 13-bis, par. 2, of Decree Law 124/2019, the following minimum investment thresholds, to be complied with for at least two thirds of each calendar year, were set in relation to the PIR's total investment in order for the plan to be eligible for the tax advantage:

– at least 70% of total investment must go to financial (equity or debt) instruments, not necessarily traded in regulated markets, of companies resident in Italy or in EU or EEA member states with a permanent establishment in Italy. The investment can be made by the natural person holding the plan either directly or through one or more "dedicated" UCITS (whose assets are compliant with the investment thresholds established by the PIR's rule) or through a life or capitalization policy.

Within the 70% threshold of the total value of the investment:

– at least 25% (17.5% of the total) of the tied portion must be invested in financial assets of companies that are not included in the Italian FTSE MIB index or equivalent indexes of other regulated markets;
– a further 5% of this portion (3.5% of the total) must be invested in financial instruments of firms not included in the Italian FTSE MIB and FTSE Mid Cap indexes or equivalent indexes of other regulated markets.

Investments in financial instruments cannot exceed the 10% concentration ceiling per single issuer and, in any case, cannot include financial instruments issued by entities resident in jurisdictions that are non-cooperative for tax purposes.

The tax benefit consists in tax exemption of returns up to €30,000 of annual investment and €150,000 in total, on condition of continuous holding of the financial instruments invested in for at least 5 consecutive years.

This regulatory framework was further modified by Art. 136 of Decree Law 34 of 19 May 2020 (known as the *Decreto Rilancio*), converted into Law 77 of 17 July 2020 which, with the addition of par. 2-bis to Art. 13-bis of Decree Law 124/2019, introduced a new category of PIR.

The new type of PIR can be subscribed starting January 1st 2020 through, among other means, insurance contracts; the minimum investment threshold will be at least 70% of the total in financial instruments, including those not traded in regulated markets or multilateral trading facilities, issued or subscribed by firms that are not included in the Italian FTSE MIB and FTSE Mid Cap indexes or equivalent indexes of other regulated markets.

For this new category of PIR, the concentration ceiling per single issuer is raised to 20% and the amount of payments for which – under the statutory conditions – tax exemption is recognized is increased to €150,000 per year and €1.5 million in total.

However, a preliminary assessment of the compatibility of the new PIRs with the sectoral legislation showed that their minimum investment thresholds are hard to reconcile with ISVAP Circular 474/D/2002, under which investments in assets other than equities and securities issued by subjects under prudential supervision rated “BB” or less or unrated is limited to 5% of the fund’s total assets.

The same Circular 474/2002 sets further limitations, making the obligations of the “Decreto Rilancio” even more difficult to comply with, considering that investment in unlisted instruments is limited to 10% of the underlying unit-linked funds and that the concentration ceiling for instruments of a given issuer is equal to 10% of the value of the fund.

It is worth recalling that, since the introduction of the PIR-related provisions under the 2017 budget law (Law 232/2016), ANIA has called attention to problems of compliance with these strict regulations on the part of PIRs taking the form of insurance policies and has repeatedly raised the question with the Supervisory Authority, to request modification of the aforementioned quantitative ceilings for consistency with the characteristics of the PIRs established by the tax legislation (which, it bears repeating, expressly allows them to be constituted in the form of life and capitalization insurance contracts).

The regulatory amendments made by the *Decreto Rilancio* presented another opportunity to reiterate ANIA’s request to IVASS to open talks on this matter. Hopefully, the Authority will agree to review the aforementioned Circular in order to avoid unequal treatment of insurers with respect to operators in other financial sectors, who are authorized to market the new products.

4

NON-LIFE INSURANCE

NON-LIFE INSURANCE

In 2020, non-life classes' premium income amounted to €33.5 billion, down 2.3% from 2019, due to the covid-19 pandemic, but their share of total premiums rose slightly from 24.4% to 24.9% as a result of the sharper decrease in life premiums. The combined ratio for this accident year showed an improvement (85.0% against 91.2% in 2019), given the decrease in the volume of claims owing to pandemic-related restrictions on mobility, which had a particularly strong effect on the number of traffic accidents.

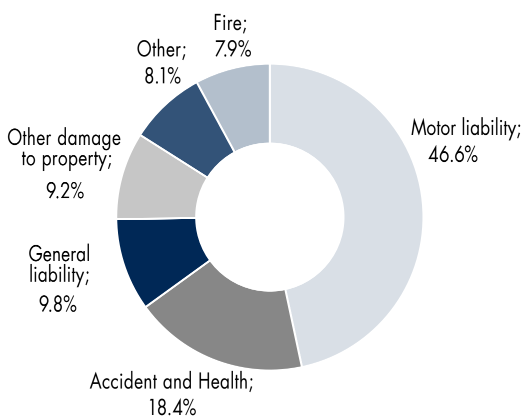
NON-LIFE TECHNICAL ACCOUNT (DOMESTIC BUSINESS)

In 2020, the pandemic suddenly reversed the three-year progressive growth trend (+1.2% in 2017, +2.3% in 2018 and +3.2% in 2019), so the volume of **direct written premiums** of the 63 Italian and extra-EU companies fell by 2.3%, amounting to €33,513 million. This drop is to be ascribed to:

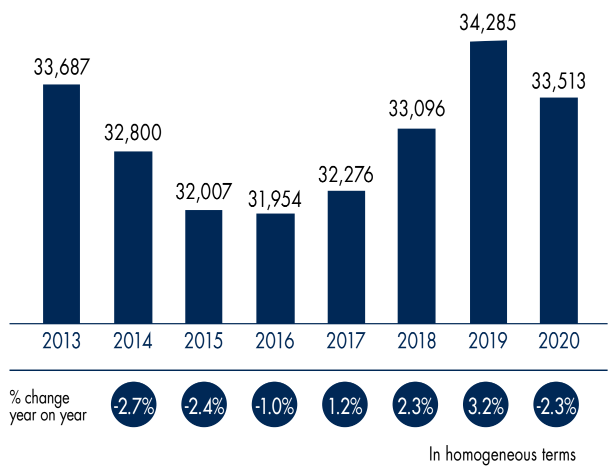
– a sharp fall in the motor liability business (-4.4%);
– overall stability in other non-life business, whose premiums shrank by 0.3%.

The ratio to total (non-life plus life) premiums was equal to 24.9%, up from 24.4% in 2019 due to the greater reduction in life premiums.

Breakdown of main non-life classes – 2020



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 €33,205 million, with a decrease of 0.8% compared with 2019.

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 €20,590 million, down 12% from 2019 due to a general drop in claims during the virus-related lockdowns. Given that premiums showed

NON-LIFE INSURANCE

Non-life technical account
Euro million

	2013	2014	2015	2016	2017	2018	2019	2020
Written premiums	33,687	32,800	32,007	31,954	32,304	33,096	34,285	33,513
Changes in premium reserve and other items (-)	-754	-388	-176	104	499	556	812	308
Incurred claims (-):	22,400	21,201	20,080	20,008	20,234	20,372	21,204	18,905
– incurred claims cost for the current accident year (-)	22,891	22,301	21,691	21,842	22,311	22,431	23,356	20,590
- excess/shortfall for claims in previous years	491	1,100	1,611	1,833	2,077	2,059	2,153	1,685
Balance of other technical items	-605	-527	-599	-612	-609	-577	-593	-825
Operating expenses (-)	8,433	8,599	8,647	8,767	8,907	9,172	9,549	9,400
- commissions	5,361	5,350	5,378	5,565	5,688	5,844	6,023	5,907
- other acquisition costs	1,478	1,629	1,617	1,489	1,477	1,523	1,674	1,656
- other administration costs	1,594	1,621	1,652	1,713	1,742	1,806	1,852	1,837
Direct technical balance	**3,004**	**2,860**	**2,856**	**2,462**	**2,055**	**2,419**	**2,126**	**4,075**
Investment income	1,202	1,278	1,220	1,044	1,155	704	1,194	653
Direct technical account result	**4,205**	**4,138**	**4,077**	**3,507**	**3,210**	**3,123**	**3,320**	**4,728**
Reinsurance result	-772	-600	-495	-587	-253	-333	-319	-834
Overall technical account result	**3,434**	**3,538**	**3,581**	**2,920**	**2,958**	**2,790**	**3,000**	**3,894**
Annual % change in premiums	-4.6%	-2.7%	-2.4%	-1.0%	1.2%	2.3%	3.2%	-2.3%
Combined ratio	**90.1%**	**90.1%**	**89.4%**	**90.3%**	**91.2%**	**90.3%**	**91.2%**	**85.0%**
- Expense ratio	25.0%	26.2%	27.0%	27.4%	27.6%	27.7%	27.9%	28.0%
- Commissions/Gross written premiums	15.9%	16.3%	16.8%	17.4%	17.6%	17.7%	17.6%	17.6%
- Other acquisition costs/Gross written premiums	4.4%	5.0%	5.1%	4.7%	4.6%	4.6%	4.9%	4.9%
- Other administration costs/Gross written premiums	4.7%	4.9%	5.2%	5.4%	5.4%	5.5%	5.4%	5.5%
- Loss ratio:	65.0%	63.9%	62.4%	62.8%	63.6%	62.6%	63.3%	56.9%
- Loss ratio for the current accident year	66.5%	67.2%	67.4%	68.6%	70.1%	68.9%	69.8%	62.0%
- Excess/shortfall of reserves for previous years claims/Earned premiums	1.4%	3.3%	5.0%	5.8%	6.5%	6.3%	6.4%	5.1%
Technical balance/Earned premiums	**8.7%**	**8.6%**	**8.9%**	**7.7%**	**6.5%**	**7.4%**	**6.4%**	**12.3%**
Technical account result/Earned premiums	**12.2%**	**12.5%**	**12.7%**	**11.0%**	**10.1%**	**9.6%**	**9.9%**	**14.2%**
Overall technical account result/Earned premiums	**10.0%**	**10.7%**	**11.1%**	**9.2%**	**9.3%**	**8.6%**	**9.0%**	**11.7%**
Premiums to total life and non-life premiums ratio (%)	*28.4%*	*22.9%*	*21.8%*	*23.8%*	*24.7%*	*24.5%*	*24.4%*	*24.9%*

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

lower drops, the ratio of claims to premiums improved by around 8 percentage points compared with 2019 (from 69.8% to 62.0%).

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 €18,905 million, down nearly 11% from 2019. A factor in this result was the significant release of provisions set aside for claims incurred in the previous years, amounting to €1,685 million (€2,153 million in 2019). The ratio of incurred claims to earned premiums thus improved compared with 2019, dropping from 63.3% to 56.9%.

Operating expenses, i.e. costs of contract acquisition, premium collection and dealers' organization and management expenses, as well as administration expenses for technical management, amounted to €9,400 million, down approximately 1.6%, with a ratio to direct premiums of 28.0% (27.9% in 2019).

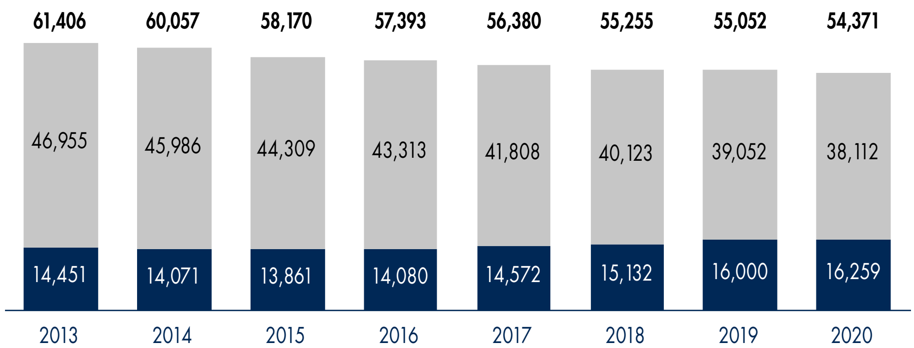
Other administration expenses increased slightly in relation to premiums, from 5.4% to 5.5%, while commissions paid held steady at 17.6%, and that of other acquisition expenses also remained unchanged (4.9%). The **technical balance for direct business** was positive by €4,075 million, almost twice as much as in 2019.

Considering investment income of €653 million (almost halved from €1,194 million in 2019), the **direct technical account result** was positive by €4,728 million (€3,220 in 2019). Its ratio to earned premiums came to 14.2% (9.9% in 2019).

The result for reinsurance cessions and net indirect business was negative by €834 million (against -€319 million in 2019). Therefore the **overall technical account result** was positive by €3,894 million (€3,000 in 2019). Its ratio to accrued premiums came to 11.7% (9.0% in 2019).

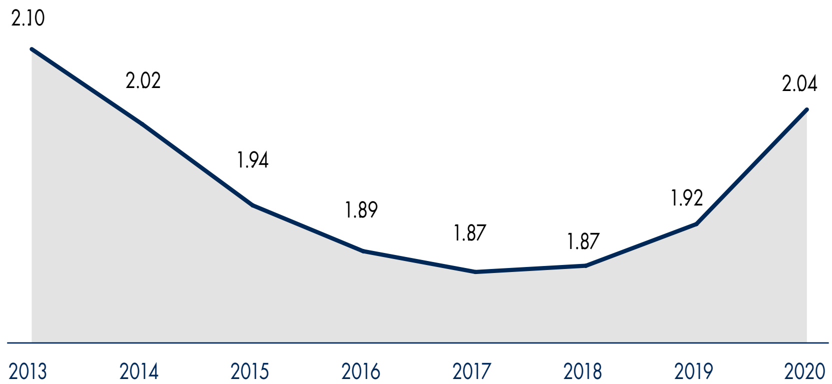
Direct technical reserves, net of sums to be recovered from policyholders and third parties, were equal to €54,371 million at the end of 2020, of which €16,259 million consisted of premium reserves and €38,112 million of claims provisions (for both the current and previous policy generations).

Premium reserves and claims provisions
Euro million



The ratio of direct non-life insurance premiums to GDP rose from 1.92% in 2019 to 2.04% in 2020, as a consequence of the sharper decline in GDP.

Non-life premiums/ GDP (%)



5

MOTOR INSURANCE

MOTOR INSURANCE

The surging covid pandemic and the succession of lockdowns of varying severity in the course of 2020 had special impact on motor liability insurance. Premiums diminished (by nearly 6%), but so did the cost of claims, which owing to restrictions on driving plunged by almost 20%. The outcome, despite a drastic fall in investment profits, was an improvement in the technical account result for this branch, which came to €1.5 billion. The land vehicle insurance branch followed a similar pattern.

MOTOR LIABILITY OPERATIONS

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

Premiums for direct domestic business, collected by the 41 companies operating in this class, totaled € 12,491 million in 2020, down almost 6% on 2019. Motor liability, in fact, was one of the insurance classes suffering the most serious repercussions of the covid-19 epidemic, given that:

1) during the three months of lockdown new car registrations plummeted by over two thirds (68% overall: 70% in March, 91% in April, 46% in May) and transfers of car ownership also fell sharply (60% overall: 57% in March, 91% in April, 32% in May);
2) Decree Law 18 of 17 March 2020 provided that the "extended validity" period for all policies lapsing between 21 February and 31 July (the period for which the insurer is required to keep expired policies active) was lengthened from 15 to 30 days. Some insurers, voluntarily, in response to requests from policy-holders, provided for an additional 30 days' extension. This implied a lag in renewals that inevitably impacted on premium income, especially in the first months of its application (March and April), when income plunged by record amounts of 12% and nearly 20% respectively;
3) further to favor policy-holders, Law 27 of 24 April 2020 gave them the option of requesting suspension of motor liability policies in being as of the date of reception of the request by the insurance company and for the period indicated by the policy-holder up until 31 July 2020;
4) owing to the sharp decline in traffic circulation and therefore in accidents, insurers began to review their pricing policies, cutting the cost of coverage for their customers and offering straight-up discounts on renewals. In particular, reductions in nominal prices, as shown by ISTAT's price index, are continuing in 2021 as well, as changes to insurers' tariff structure necessarily imply a longer time frame than a market shock like that provoked by the pandemic.

In addition, a portion of motor liability premium income in Italy (5% of the total, or € 664 million) was accounted for by EU companies operating under freedom of establishment. Unlike Italian insurers, these companies turned in an increase in written premiums, of more than 9%, in 2020. Overall, Italian, EU and non-EU insurers collected total premium income of € 13,155 million in 2020, down 5%. No data on technical results are available for the non-Italian EU companies, as they are subject to the home country supervisory authorities under the principle of home country control.

Accrued premiums, i.e. total premiums net of the change in premium reserves and some other balance items, came to € 12,532 million, 5.5% less than in 2019.

Motor and marine liability insurance
€ million

	2013	2014	2015	2016	2017	2018	2019	2020
Gross written premiums	16,263	15,211	14,218	13,526	13,234	13,252	13,244	12,491
Changes in premium reserves and other items (-)	-572	-347	-232	-164	-17	17	-16	-40
Incurred claims (-)	11,563	10,818	10,421	10,421	10,053	10,073	10,110	8,223
- incurred claims cost for the current accident year (-)	11,539	11,176	11,032	11,022	10,773	10,631	10,665	8,541
- excess/shortfall of reserves for those claims incurred in previous accident years	-24	358	611	601	720	558	555	318
Balance of other technical items	-248	-143	-127	-172	-185	-187	-190	-331
Operating expenses (-)	3,167	3,187	3,060	2,900	2,805	2,795	2,815	2,682
- commissions	1,732	1,634	1,571	1,521	1,457	1,440	1,430	1,348
- other acquisition costs	690	789	731	631	614	601	645	628
- other administration costs	746	765	757	749	734	753	740	706
Direct technical balance	**1,857**	**1,410**	**842**	**196**	**208**	**180**	**144**	**1,295**
Investment income	613	654	600	500	531	312	508	250
Direct technical account result	**2,469**	**2,064**	**1,442**	**696**	**738**	**493**	**652**	**1,546**
Reinsurance results	-47	-1	10	-16	-37	-26	-8	-35
Overall technical account result	**2,423**	**2,063**	**1,452**	**680**	**702**	**466**	**644**	**1,510**
Annual % change in premiums	-7.0%	-6.5%	-6.5%	-5.6%	-2.2%	0.1%	-0.8%	-5.7%
Combined ratio	**88.2%**	**90.5%**	**93.6%**	**97.6%**	**97.1%**	**97.2%**	**97.5%**	**87.1%**
- Expense ratio	19.5%	21.0%	21.5%	21.4%	21.2%	21.1%	21.3%	21.5%
- Commissions/Gross written premiums	10.6%	10.7%	11.1%	11.2%	11.0%	10.9%	10.8%	10.8%
- Other acquisition costs/Gross written premiums	4.2%	5.2%	5.1%	4.7%	4.6%	4.5%	4.9%	5.0%
- Other administration costs/Gross written premiums	4.6%	5.0%	5.3%	5.5%	5.5%	5.7%	5.6%	5.7%
- Loss ratio:	68.7%	69.5%	72.1%	76.1%	75.9%	76.1%	76.2%	65.6%
- Loss ratio for the current accident year	68.5%	71.8%	76.3%	80.5%	81.3%	80.3%	80.4%	68.2%
- Excess/shortfall of reserves for previous years claims/Earned premiums	-0.1%	2.3%	4.2%	4.4%	5.4%	4.2%	4.2%	2.5%
Technical balance/Earned premiums	**11.0%**	**9.1%**	**5.8%**	**1.4%**	**1.6%**	**1.4%**	**1.1%**	**10.3%**
Technical account result/Earned premiums	**14.7%**	**13.3%**	**10.0%**	**5.1%**	**5.6%**	**3.7%**	**4.9%**	**12.3%**
Overall technical account result/Earned premiums	**14.4%**	**13.3%**	**10.1%**	**5.0%**	**5.3%**	**3.5%**	**4.9%**	**12.1%**
Premiums over total non-life premiums (%)	*48.3%*	*46.4%*	*44.4%*	*42.3%*	*41.0%*	*40.0%*	*38.6%*	*37.3%*
Premiums of EU representatives	**956**	**805**	**762**	**631**	**618**	**679**	**610**	**664**
Annual change in premiums (%)	4.8%	-0.6%	-11.8%	-15.8%	-3.6%	9.8%	5.5%	9.2%
Total premiums of Italian, other EU and non-EU insurers	**17,219**	**16,016**	**14,980**	**14,157**	**13,852**	**13,931**	**13,101**	**13,155**
Annual change in premiums (%)		-7.0%	-6.5%	-5.5%	-2.2%	0.6%	-0.6%	-5.0%

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

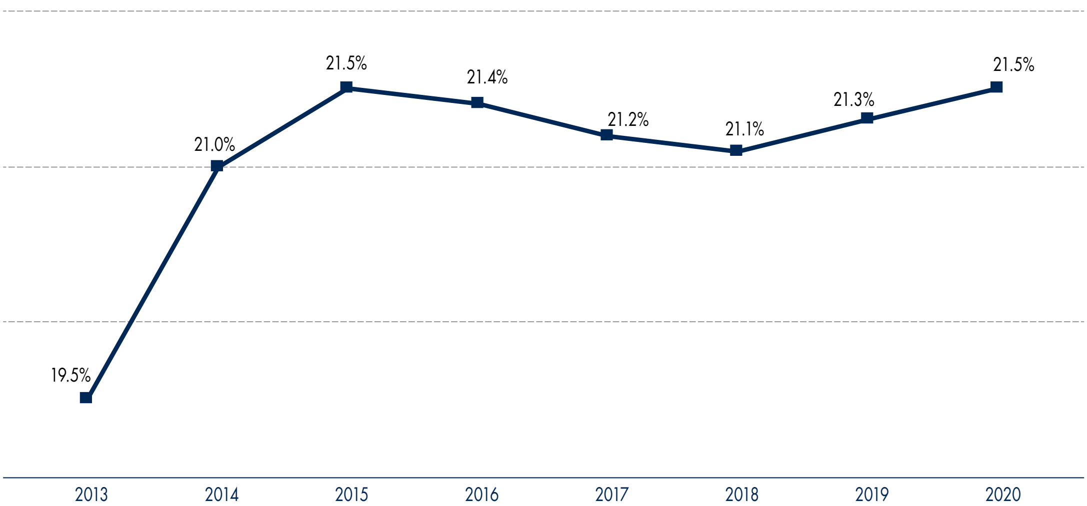
The **incurred claims cost for the current accident year**, defined as the sum of the total cost paid and the total cost reserved for all claims incurred in 2020, amounted to €8,541 million, nearly 20% lower than in 2019. While on the one hand restrictions on driving produced a significant decline in traffic circulation and hence in claims frequency (down 30%), on the other there was a sharp increase in average claim cost (up 14%), owing presumably to higher speeds, especially in city driving, which resulted in more severe damage (especially bodily harm). The rise in the average cost of claims was the resultant of an increase in the average cost of the claims settled (+6.8%) and in the average amount reserved for future claims (+15.2%).

Owing to a fall of 20% in claims costs and one of almost 6% in accrued premiums, the claims/premiums ratio improved by nearly 12 percentage points, falling from 80.4% to 68.2%.

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 €8,223 million, compared with €10,110 in 2019. The difference with respect to incurred claims cost reflected the utilization of €318 million in excess reserves for previous years. The excess of previous years' reserves came to 2.5% of accrued premium income, and the loss ratio accordingly fell sharply, from 76.2% to 65.6% in 2020.

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 €2,682 million (€2,815 million in 2019). The ratio of expenses to premium income edged up from 21.3% to 21.5%. In particular, the incidence of "other administration costs" on income rose marginally from 5.6% to 5.7%, while that of other acquisition costs rose from 4.9%. to 5.0% and that of commissions held constant at 10.8%.

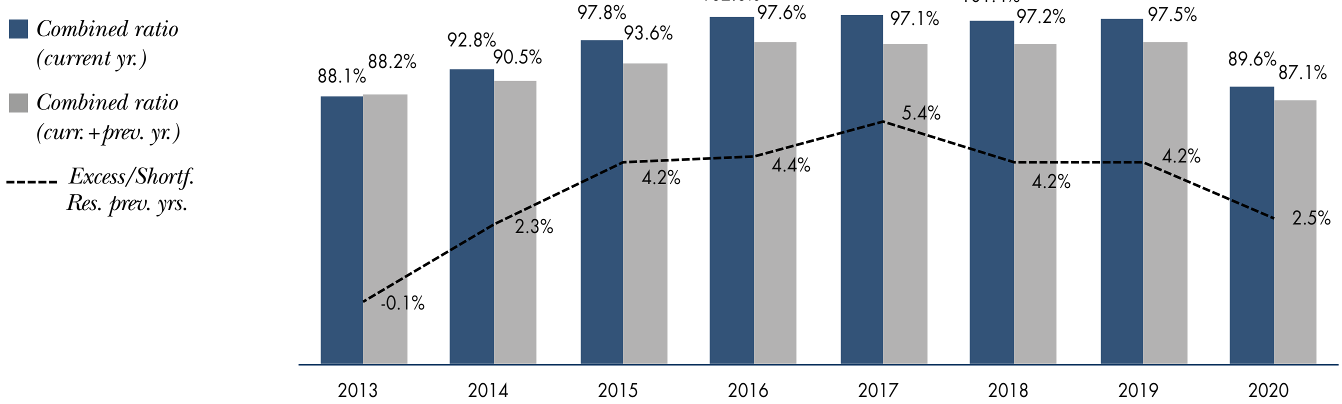
Operating expenses
Incidence on net written premiums (%)



Adding the loss ratio (for the current year 2020 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 2012 to 2020, shows that:

1) The combined ratio for the accident generation of 2020 improved sharply, as noted, falling by 12.1 percentage points from 2019 to 89.6%, practically the same as in 2013;
2) Starting in 2014, and more significantly in the years that followed, 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 the last seven years there was always a surplus (sometimes quite substantial) of reserves against previous years' claims.

Combined ratio (%)



The foregoing variations in the relevant components produced a positive **technical balance** of €1,295 million, compared with €144 million in 2019.

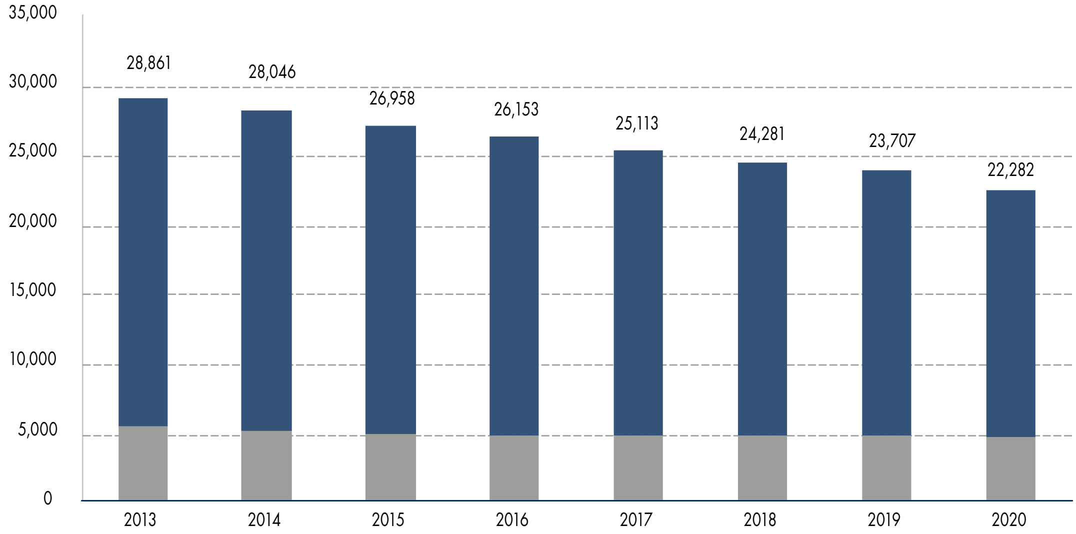
Owing to the halving of profits from investments to €250 million in 2020, the **result of the technical account for direct business** was positive by €1,546 million (€652 million in 2019).

Taking the balance for reinsurance into account (negative by €35 million in 2020), the **overall technical account result** was positive by €1,510 million, more than twice the €644 million recorded in 2019. The overall technical result thus came to 12.1% of accrued premiums for the year, the highest ratio recorded in the last five years but lower than that for 2013 or 2014.

The **technical reserves for direct business** of the motor and marine liability sector, net of recoverable sums, amounted to €22,282 million in 2020, down 6% from 2019. Among these reserves, the premium reserve was about €4,600 million, while the claims reserve for current and previous accident years was about €17,700 million.

MOTOR INSURANCE

Technical reserves, motor and marine liability
€ million



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 44 insurance companies operating in this class amounted to €3,141 million in 2020, accounting for 9.4% of total non-life insurance premiums. This represented an increase in premiums of 1%. This class too, which had grown by almost 5% in 2019, was heavily conditioned by the months of lockdown (March-May), when it recorded a decline of 15% (for April alone, over 25%). In the second half of the year, however, as traffic circulation recovered, policy sales partly closed the gap, with growth of 6% over the second half of 2019; for August alone, with the step-up in car use for vacation purposes, the 12-month increase came to 13.2%.

Accrued premiums, i.e. total premiums net of the change in premium reserves and some other balance items, came to €3,112 (+2.8%).

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 €1,736 million, down more than €300 million compared with 2019. As claims costs decreased while accrued premiums increased, the loss ratio for the year 2020 improved sharply, from 69.0% to 55.8%.

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 €1,730 million, down from €2,068 million in 2019. The loss ratio with respect to earned premiums thus improved sharply, from 68.3% to 55.6%.

MOTOR INSURANCE

Land vehicle insurance
€ million

	2013	2014	2015	2016	2017	2018	2019	2020
Gross written premiums	2,413	2,387	2,455	2,634	2,800	2,966	3,112	3,141
Changes in premium reserves (-)	-76	-13	54	87	119	106	86	30
Incurred claims (-)	1,654	1,459	1,396	1,463	1,626	1,687	2,068	1,730
- incurred claims cost for the current accident year (-)	1,695	1,512	1,463	1,515	1,673	1,726	2,088	1,736
- excess/shortfall of reserves for those claims incurred in previous accident years	41	53	67	53	47	38	20	6
Balance of other technical items	-21	-10	-11	-14	-11	-10	-9	-13
Operating expenses (-)	660	692	733	804	861	935	998	993
- commissions	447	460	492	547	594	641	671	677
- other acquisition costs	102	117	119	122	125	137	164	151
- other administration costs	111	115	121	134	142	157	163	165
Direct technical balance	**154**	**238**	**261**	**268**	**184**	**228**	**-49**	**376**
Investment income	35	38	36	32	39	25	45	22
Direct technical account result	**189**	**276**	**298**	**300**	**222**	**254**	**-4**	**398**
Reinsurance results	1	-27	-36	-64	-36	-37	116	23
Overall technical account result	**191**	**249**	**262**	**237**	**186**	**217**	**112**	**421**
Annual % changes in premiums	-8.6%	-1.1%	2.9%	6.5%	6.3%	5.9%	4.4%	1.0%
Combined ratio	**93.8%**	**89.8%**	**88.0%**	**87.9%**	**91.4%**	**90.5%**	**100.4%**	**87.2%**
- Expense ratio	27.4%	29.0%	29.8%	30.5%	30.7%	31.5%	32.1%	31.6%
- Commissions/Gross written premiums	18.5%	19.3%	20.0%	20.8%	21.2%	21.6%	21.6%	21.6%
- Other acquisition costs/Gross written premiums	4.2%	4.9%	4.9%	4.6%	4.4%	4.6%	5.3%	4.8%
- Other administration costs/Gross written premiums	4.6%	4.8%	4.9%	5.1%	5.1%	5.3%	5.2%	5.2%
- Loss ratio:	66.4%	60.8%	58.2%	57.4%	60.6%	59.0%	68.3%	55.6%
- Loss ratio for the current accident year	68.1%	63.0%	60.9%	59.5%	62.4%	60.3%	69.0%	55.8%
- Excess/shortfall of reserves for previous years claims/Earned premiums	1.7%	2.2%	2.8%	2.1%	1.7%	1.3%	0.7%	0.2%
Technical balance/Earned premiums	**6.2%**	**9.9%**	**10.9%**	**10.5%**	**6.8%**	**8.0%**	**-1.6%**	**12.1%**
Technical account result/Earned premiums	**7.6%**	**11.5%**	**12.4%**	**11.8%**	**8.3%**	**8.9%**	**-0.1%**	**12.8%**
Overall technical account result/Earned premiums	**7.7%**	**10.4%**	**10.9%**	**9.3%**	**7.0%**	**7.6%**	**3.7%**	**13.5%**
Premiums over total non-life premiums ratio (%)	*7.2%*	*7.3%*	*7.7%*	*8.2%*	*8.7%*	*9.0%*	*9.1%*	*9.4%*

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 €993 million (€998 million in 2019). The ratio to premium income in 2020 was 31.6% (32.1% in 2019).

The **technical balance for direct business** was positive in 2020 by €376 million, after a negative balance of €49 million in 2019.

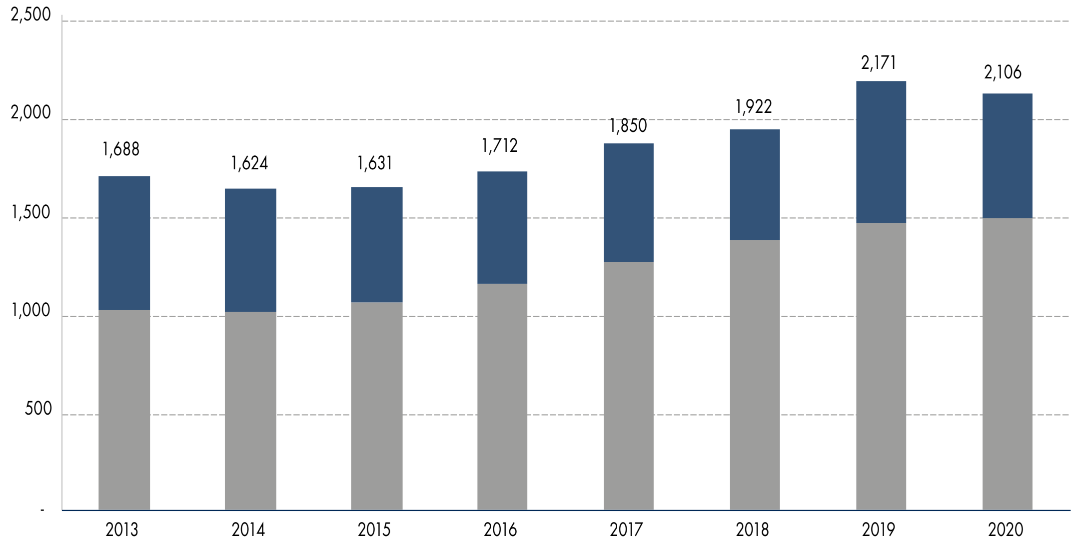
Including investment income, the **technical account result** was positive by €398 million, compared with a marginally negative result in 2018 (-€4 million).

Thanks to the positive balance on reinsurance, the **overall technical account** turned in a positive result at €421 million (€112 million in 2019), and its ratio to premiums jumped from 3.7% to 13.5%.

Technical reserves for direct business, net of recoverable sums, amounted to €2,106 million in the land vehicles class in 2020, down marginally for the year. Among these reserves, claims reserves accounted for some €630 million, while premium reserves amounted to €1,480 million.

Technical reserves, motor and marine liability
€ million

Premium reserves
Claims reserves



CAR THEFT IN ITALY

The Ministry of the Interior has released the data (not yet definitive) on thefts of passenger cars and SUVs in Italy in 2020. We have compared them with the data for 2019 and 2018 (Table 1).

The number of vehicle thefts fell by nearly a quarter last year, from 85,325 to 66,110, a decrease of 22.5%. The restrictions and limitations instituted to counter the spread of the covid-19 epidemic in the course of the year affected every single aspect of community life, including the types of crimes committed. The nationwide lockdown from March through May, the various regional lockdowns in the second half, and above all the curfew in place for most of the year certainly helped to cut down the number of car thefts. Excluding 2018, which registered an increase of 5.5%, the number of thefts has been declining steadily for nearly a decade. Between 2012 and 2017 the number decreased by more than a quarter, or 30,000 fewer vehicles stolen. The improvement has not been paralleled by recoveries of stolen vehicles by the law enforcement forces (Table 2): in 2018 39.0% of the stolen vehicles (about 36,000) were recovered, but this slipped to 38.2% (or 33,000 vehicles) in 2019 and declined further to 36.8% last year, with about 24,300 recoveries.

Using ACI's data on the provincial distribution of cars in circulation in 2020 as a base, we can make an approximate calculation of theft rates. Overall in

Table 1 – Car and SUV thefts by region

Region	Auto thefts**			change % Auto thefts			Distr. % of cars regist. 2020*	Car thefts per 1,000 registered		
	year 2020	year 2019	year 2018	2020 on 2019	2019 on 2018	2018 on 2017		2020	2019	2018
PIEDMONT	3,028	4,326	4,711	-30.0%	-8.2%	-3.3%	7.3%	1.04	1.47	1.60
VALLE D'AOSTA	15	10	18	50.0%	-44.4%	-41.9%	0.6%	0.07	0.05	0.08
LOMBARDY	6,491	9,151	10,455	-29.1%	-12.5%	0.3%	15.7%	1.04	1.47	1.68
LIGURIA	308	408	494	-24.5%	-17.4%	-6.4%	2.1%	0.36	0.48	0.58
FRIULI-VENEZIA GIULIA	280	274	339	2.2%	-19.2%	15.3%	2.0%	0.35	0.34	0.42
TRENTINO-ALTO ADIGE	96	147	279	-34.7%	-47.3%	99.3%	2.9%	0.08	0.13	0.24
VENETO	903	1,126	1,178	-19.8%	-4.4%	-0.7%	8.1%	0.28	0.35	0.37
EMILIA-ROMAGNA	1,310	1,872	1,977	-30.0%	-5.3%	-6.4%	7.4%	0.45	0.64	0.68
NORTH	*12,431*	*17,314*	*19,451*	-28.2%	-11.0%	-0.7%	*46.1%*	*0.68*	*0.95*	*1.06*
TUSCANY	913	1,300	1,697	-29.8%	-23.4%	25.1%	6.5%	0.35	0.50	0.66
UMBRIA	204	265	365	-23.0%	-27.4%	12.7%	1.6%	0.32	0.41	0.57
MARCHE	358	444	624	-19.4%	-28.8%	-11.1%	2.6%	0.34	0.43	0.60
LAZIO	11,815	14,939	16,790	-20.9%	-11.0%	5.3%	9.6%	3.09	3.91	4.40
CENTER	*13,290*	*16,948*	*19,476*	-21.6%	*-13.0%*	*6.3%*	*20.4%*	*1.64*	*2.10*	*2.41*
ABRUZZO	733	960	1,117	-23.6%	-14.1%	-25.9%	2.3%	0.82	1.08	1.25
MOLISE	293	327	281	-10.4%	16.4%	-7.3%	0.5%	1.36	1.52	1.31
CAMPANIA	17,887	20,501	19,369	-12.8%	5.8%	7.8%	9.0%	5.01	5.79	5.47
CALABRIA	1,674	2,128	2,793	-21.3%	-23.8%	10.7%	3.3%	1.27	1.63	2.14
PUGLIA	11,218	14,373	15,726	-22.0%	-8.6%	14.2%	6.1%	4.63	5.98	6.54
BASILICATA	167	263	289	-36.5%	-9.0%	-4.0%	1.0%	0.44	0.69	0.76
SOUTH	*31,972*	*38,552*	*39,575*	*-17.1%*	*-2.6%*	8.8%	*22.2%*	*3.63*	*4.41*	*4.53*
SICILY	7,861	11,751	11,880	-33.1%	-1.1%	6.3%	8.5%	2.32	3.50	3.54
SARDINIA	556	760	882	-26.8%	-13.8%	-14.4%	2.7%	0.51	0.71	0.82
ISLANDS	*8,417*	*12,511*	*12,762*	*-32.7%*	*-2.0%*	4.6%	*11.3%*	*1.88*	*2.83*	*2.88*
TOTAL ITALY	66,110	85,325	91,264	-22.5%	-6.5%	5.5%	100.0%	1.67	2.16	2.31

Sources: (*) Ministry Infrastructures and Transport / ACI – No. vehicles registered at 31 December 2020.
(**) Ministry of Interior – The data for 2020 are subject to rectification

2020, 1.67 vehicles per thousand were stolen, down 23% from 2.16 in 2019 and 2.31 in 2018. The rate varies significantly on a regional basis, however.

The regions of the South are those showing the highest incidence of vehicle theft in 2020, and they are also those where the decrease with respect to 2019 was least significant (from 4.41‰ to 3.63‰, or by 18%). In this part of the country, one third of stolen vehicles are recovered by the police. Basilicata recorded a decline of 37% in car thefts in 2020 (although in absolute terms the numbers for this small region are low indeed), while in Puglia, Calabria and Abruzzo the reduction came to 23%. Campania displayed a smaller reduction (14.0%), followed by Molise (down 11%, although here too the absolute numbers are of little significance). The region with the highest theft rate in Italy in 2020 was Campania, at 5.01‰, ahead of Puglia (4.63‰); these were also the only two southern regions where the incidence of stolen and recovered vehicles diminished by comparison with years past.

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

Region	Stolen vehicles recovered			% stolen vehicles recovered		
	2020	2019	2018	2020	2019	2018
PIEDMONT	1,442	1,832	2,106	47.6%	42.3%	44.7%
VALLE D'AOSTA	11	7	9	73.3%	70.0%	50.0%
LOMBARDY	2,483	3,475	3,903	38.3%	38.0%	37.3%
LIGURIA	220	301	415	71.4%	73.8%	84.0%
FRIULI-VENEZIA GIULIA	123	112	165	43.9%	40.9%	48.7%
TRENTINO-ALTO ADIGE	76	108	105	79.2%	73.5%	37.6%
VENETO	574	694	853	63.6%	61.6%	72.4%
EMILIA-ROMAGNA	899	1,256	1,427	68.6%	67.1%	72.2%
NORTH	*5,828*	*7,785*	*8,983*	*46.9%*	*45.0%*	*46.2%*
TUSCANY	578	864	1,000	63.3%	66.5%	58.9%
UMBRIA	137	162	231	67.2%	61.1%	63.3%
MARCHE	159	220	297	44.4%	49.5%	47.6%
LAZIO	3,319	4,414	4,708	28.1%	29.5%	28.0%
CENTER	*4,193*	*5,660*	*6,236*	*31.6%*	*33.4%*	*32.0%*
ABRUZZO	310	389	422	42.3%	40.5%	37.8%
MOLISE	43	48	60	14.7%	14.7%	21.4%
CAMPANIA	5,459	6,995	6,609	30.5%	34.1%	34.1%
CALABRIA	919	1,066	1,463	54.9%	50.1%	52.4%
PUGLIA	4,054	5,344	6,300	36.1%	37.2%	40.1%
BASILICATA	41	60	67	24.6%	22.8%	23.2%
SOUTH	*10,826*	*13,902*	*14,921*	*33.9%*	*36.1%*	*37.7%*
SICILY	3,187	4,942	4,961	40.5%	42.1%	41.8%
SARDINIA	298	330	466	53.6%	43.4%	52.8%
ISLANDS	*3,485*	*5,272*	*5,427*	*41.4%*	*42.1%*	*42.5%*
TOTAL ITALY	24,332	32,619	35,567	36.8%	38.2%	39.0%

Source: Interior Ministry; the data for 2020 are subject to rectification

The Center regions registered a 22% decrease in auto theft in 2020, comparable to the national average, and a recovery rate of 31.6%. Lazio was again the central region accounting for the majority of thefts; it showed a decrease of 21% for the year, and remains one of the worst regions in Italy in terms of recovery rate (28%). Car theft declined in all the other central regions as well, most markedly in Tuscany, where it dropped by 30%; the incidence of theft declined by 23% in Umbria and slightly less sharply (20.0%) in Marche. All these last three regions show very high recovery rates; in Umbria fully two thirds of all stolen vehicles are recovered by the law enforcement bodies. In the regions of central Italy the incidence of theft to cars on the road was less than 0.35‰, if we exclude Lazio, where it came to 3.09‰. The Center regions account for some 20.4% of passenger cars on the roads.

The North also recorded a diminution in the number of thefts (down 28%), and nearly half of the vehicles stolen were recovered. By region, the sharpest decline was in Trentino-Alto Adige, where the number of thefts fell by over a third. Thefts diminished by 30% in 2020 in Emilia-Romagna, Piedmont and Lombardy, by a quarter in Liguria and by a fifth in Veneto. Trentino-Alto

Adige, Valle d'Aosta and Liguria showed the highest incidence of stolen vehicle recoveries, above 70%. It is worth remarking that the North has nearly half of all Italy's passenger cars (46.1% in 2020) and also the lowest incidence of theft, averaging 0.68‰ overall and a strikingly low 0.08‰ in Trentino-Alto Adige and 0.07‰ in Valle d'Aosta.

The island regions registered the sharpest decrease in auto theft in 2020 (down 33%), while 41.4% of the vehicles stolen were recovered. Sicily recorded a reduction of 34% in the incidence of car theft, the rate coming down from 3.50‰ to 2.32‰, while Sardinia recorded a reduction of 27% and a consequent improvement in the theft rate from 0.71‰ to 0.51‰.

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 2020 and a homogeneous comparison with 2018 and 2019 for the most common types of coverage, namely fire and theft. The observation is for a sample of companies that account for 93% of premium income in this class and refers only to private passenger cars (no fleet policies).

Let us emphasize that as far as claims are concerned, the data for 2020 differ sharply from those for previous years. The restrictions and limitations instituted to counter the spread of the covid-19 epidemic in the course of the year, in fact, affected every single aspect of community life, including the types of crimes committed. And while car thefts diminished sharply in 2020, fires registered a sharp rise, and it cannot be ruled out that some of these may have actually been cases of insurance fraud.

Diffusion of coverage

Based on our sample, we estimate that there were 9.3 million passenger car fire and theft policies in Italy in 2020, about the same as in 2019 and up from 9 million in 2018. Despite the sharp decline in new car registrations in 2020 (down 26% according to ACI), which is generally the main cause of purchases of this type of voluntary insurance coverage, the number of fire and theft policies in being held practically constant.

Nationwide, this works out to a coverage ratio of over 32% of all cars with motor liability insurance. 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 (52.0%) in Lombardy, about 41% in Piedmont and Lazio, 35% in Emilia Romagna and 32% in Liguria. Very low diffusion of 19% to 20% is registered mainly in the regions of the South: Campania, 19.2%; Puglia, 19.7%, Sicily, 19.8% and Basilicata, 20.0%. However, the northern regions of Trentino-Alto Adige and Valle d'Aosta too have only about 20% 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 (6.06 claims per 1,000 insured vehicles in 2020, much lower than in the previous two years) than for fire (0.50 per 1,000 insured cars in 2020, sharply higher than in 2018 and 2019; see Tables 1 and 2).

This indicator too displays great geographical variability (Figure 1). The region with the greatest frequency of theft claims in 2020 was again Puglia, with nearly 19 cars stolen for every thousand insured, down in any case from 23 in 2019 and 25 in 2018, followed by Campania (almost 13 in 2020, down from 17 in the two previous years), Lazio (just over 9, down by comparison with 2019 and 2018) and Molise (about 8, 2 fewer than in the two previous years). By province, the highest frequencies in 2020 were registered in Foggia (nearly 29 auto theft claims for every thousand vehicles insured, down from 35 in 2018 and 37 in 2019), Barletta-Andria-Trani (27, down from 32 in 2018 and 2019), Bari (almost 23, compared with 30 in 2018 and 26 in 2019), Naples (18, down from 23 in 2018 and 2019), and Caserta (13, down from 19 in 2018 and 2019).

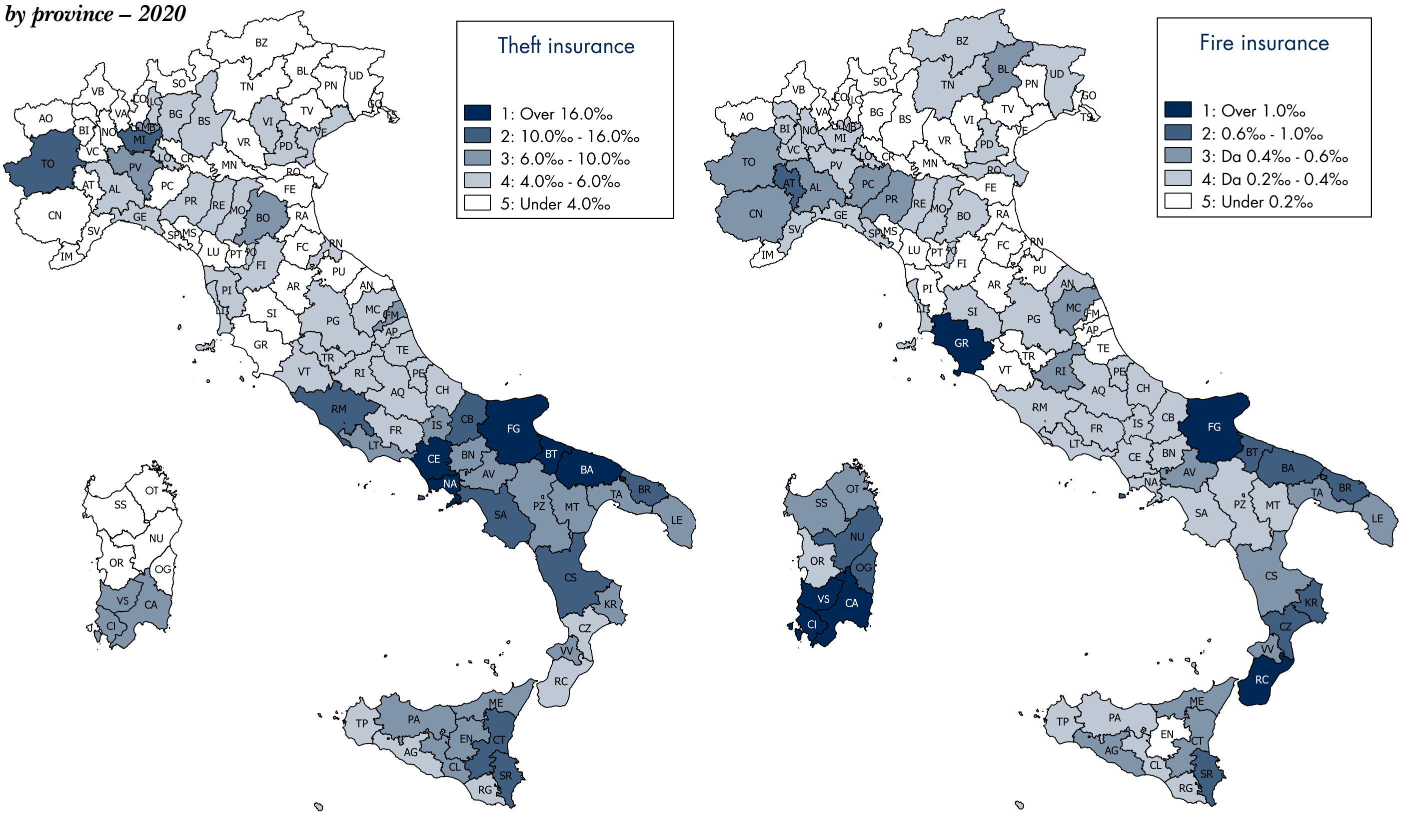
The most "virtuous" regions are nearly all found in the North-East: Friuli-Venezia Giulia scored 1.54 thefts per thousand vehicles insured in 2020 (down from 2.72 in 2019), Trentino-Alto Adige scored 1.94 (down from 2.52 in 2019), and Veneto 3.30 (down from 3.97). Liguria (2.91 thefts per thousand vehicles) and Marche (2.42) were also well below the national average.

Sardinia also registered a low claims frequency of 2 thefts per thousand vehicles insured in 2020, down from 4 in 2018 and 3 in 2019. The provinces with the lowest theft rates in Italy are Gorizia, Oristano, Trieste, Sondrio, Belluno and Verbania, all under 1.5‰.

Table 1
Statistical data, passenger car theft insurance

	Composition of coverage (% of total)			Claims frequency (‰)			Average degree of damage (%)		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Friuli-Venezia Giulia	1.7%	1.7%	1.6%	1.54‰	2.72‰	2.87‰	21.6%	20.0%	25.2%
Veneto	8.5%	8.3%	8.0%	3.30‰	3.97‰	4.64‰	20.4%	17.9%	16.6%
Trentino-Alto Adige	1.3%	1.2%	1.2%	1.94‰	2.52‰	2.68‰	32.4%	28.2%	30.3%
Emilia-Romagna	8.8%	8.6%	8.5%	4.00‰	5.26‰	6.27‰	21.3%	20.0%	20.1%
TOTAL NORTH-EAST	*20.3%*	*19.9%*	*19.3%*	*3.37‰*	*4.33‰*	*5.09‰*	*21.1%*	*19.2%*	*19.2%*
Piedmont	10.1%	10.3%	10.6%	5.43‰	8.24‰	9.28‰	32.0%	31.6%	31.7%
Lombardy	28.1%	28.5%	29.0%	4.97‰	7.18‰	8.54‰	34.9%	34.5%	34.5%
Liguria	2.4%	2.4%	2.5%	2.91‰	4.02‰	6.22‰	19.6%	21.3%	18.4%
Valle d'Aosta	0.2%	0.2%	0.2%	2.66‰	3.26‰	3.25‰	33.6%	21.7%	23.9%
TOTAL NORTH-WEST	*40.7%*	*41.4%*	*42.2%*	*4.96‰*	*7.25‰*	*8.57‰*	*33.7%*	*33.2%*	*33.0%*
Tuscany	4.7%	4.7%	4.6%	3.17‰	4.34‰	6.03‰	23.7%	22.2%	22.7%
Marche	1.9%	1.8%	1.7%	2.42‰	4.34‰	5.30‰	35.1%	37.6%	30.8%
Umbria	1.2%	1.2%	1.2%	3.75‰	4.83‰	5.92‰	26.5%	26.9%	29.3%
Lazio	11.8%	12.0%	12.2%	9.35‰	11.34‰	13.28‰	66.5%	63.1%	62.4%
TOTAL CENTER	*19.6%*	*19.7%*	*19.7%*	*6.86‰*	*8.62‰*	*10.43‰*	*52.1%*	*49.5%*	*48.4%*
Molise	0.5%	0.5%	0.5%	7.63‰	10.06‰	10.13‰	64.1%	62.2%	53.6%
Campania	4.3%	4.2%	4.0%	12.91‰	17.29‰	17.14‰	61.4%	55.5%	53.9%
Basilicata	0.6%	0.6%	0.6%	4.36‰	7.49‰	8.77‰	74.1%	68.7%	61.9%
Abruzzo	2.0%	2.0%	1.9%	3.94‰	5.68‰	7.21‰	51.3%	54.7%	52.5%
Calabria	1.8%	1.8%	1.8%	5.87‰	7.78‰	9.62‰	48.7%	46.9%	45.4%
Puglia	3.6%	3.5%	3.4%	18.72‰	22.89‰	25.18‰	83.6%	83.3%	76.2%
TOTAL SOUTH	*12.8%*	*12.5%*	*12.2%*	*11.58‰*	*14.92‰*	*16.00‰*	*70.6%*	*67.2%*	*63.1%*
Sardinia	1.7%	1.7%	1.7%	2.13‰	3.23‰	4.06‰	48.5%	42.5%	32.9%
Sicily	4.4%	4.5%	4.5%	7.86‰	9.82‰	9.11‰	42.6%	46.2%	39.5%
TOTAL ISLANDS	*6.1%*	*6.2%*	*6.2%*	*6.28‰*	*7.99‰*	*7.69‰*	*43.1%*	*45.7%*	*38.6%*
TOTAL ITALY	100.0%	100.0%	100.0%	6.06‰	8.14‰	9.34‰	43.7%	41.6%	39.9%

Figure 1
Claims frequency for car theft and fire insurance by province – 2020



Fire insurance claims were particularly uncommon in Liguria, Campania and Lazio, the only three regions in which this indicator improved with respect to 2019. However, Trentino-Alto Adige, Basilicata, Abruzzo and Molise also recorded claims frequencies below the national average, albeit up slightly over 2019 (Table 2 and Figure 1). The regions with the highest fire claims frequencies were Marche (1.1 per thousand vehicles insured) and Veneto (0.82‰); they were also the two regions with the sharpest rise in claims frequency in 2020. Above-average frequencies were also found in southern and island regions, notably Sardinia, Puglia and Calabria, where they were 1.5 times the national average. By province the highest risk levels for fire insurance claims in 2020 were registered in Enna, at 3.2‰, followed by Ancona at 2.5‰, and Vibo Valentia at 2.0‰. The most "virtuous" provinces were Ascoli Piceno, Teramo, Prato and Terni, all with claims frequency of less than 0.15‰.

Table 2
Statistical data, passenger car fire insurance

	Composition of coverage (% of total)			Claims frequency (‰)			Average degree of damage (%)		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Friuli-Venezia Giulia	1.8%	1.8%	1.8%	0.55‰	0.22‰	0.12‰	18.0%	32.1%	80.6%
Veneto	9.0%	8.8%	8.7%	0.82‰	0.16‰	0.15‰	20.9%	56.8%	51.8%
Trentino-Alto Adige	1.4%	1.4%	1.3%	0.38‰	0.31‰	0.21‰	28.8%	19.9%	38.2%
Emilia-Romagna	8.7%	8.6%	8.4%	0.47‰	0.32‰	0.20‰	33.4%	51.4%	45.0%
TOTAL NORTH-EAST	*21.0%*	*20.6%*	*20.3%*	*0.62‰*	*0.24‰*	*0.17‰*	*24.9%*	*48.0%*	*49.2%*
Piedmont	10.3%	10.5%	10.8%	0.52‰	0.41‰	0.38‰	46.6%	65.4%	64.7%
Lombardy	27.7%	28.0%	28.5%	0.48‰	0.24‰	0.25‰	41.3%	58.7%	60.1%
Liguria	2.3%	2.4%	2.5%	0.21‰	0.26‰	0.27‰	61.8%	70.1%	68.6%
Valle d'Aosta	0.2%	0.2%	0.2%	0.30‰	0.07‰	0.08‰	15.4%	17.6%	83.0%
TOTAL NORTH-WEST	*40.5%*	*41.1%*	*41.8%*	*0.47‰*	*0.29‰*	*0.28‰*	*43.2%*	*61.5%*	*62.0%*
Tuscany	4.7%	4.7%	4.7%	0.27‰	0.24‰	0.18‰	42.0%	44.9%	49.1%
Marche	1.9%	1.9%	1.8%	1.06‰	0.21‰	0.23‰	21.3%	54.0%	47.8%
Umbria	1.2%	1.2%	1.2%	0.46‰	0.28‰	0.14‰	29.9%	52.6%	33.9%
Lazio	11.6%	11.7%	11.7%	0.32‰	0.36‰	0.35‰	73.2%	69.4%	65.0%
TOTAL CENTER	*19.3%*	*19.4%*	*19.4%*	*0.39‰*	*0.31‰*	*0.29‰*	*48.9%*	*59.1%*	*56.0%*
Molise	0.5%	0.5%	0.5%	0.41‰	0.28‰	0.34‰	56.2%	72.1%	61.7%
Campania	4.3%	4.1%	4.0%	0.28‰	0.32‰	0.29‰	87.2%	79.9%	70.7%
Basilicata	0.6%	0.6%	0.6%	0.31‰	0.28‰	0.26‰	45.2%	94.7%	59.2%
Abruzzo	2.0%	1.9%	1.9%	0.34‰	0.25‰	0.34‰	53.8%	52.0%	52.4%
Calabria	1.7%	1.7%	1.7%	0.73‰	0.73‰	0.75‰	102.0%	84.7%	84.1%
Puglia	3.7%	3.6%	3.4%	0.77‰	0.68‰	0.73‰	73.2%	89.6%	87.6%
TOTAL SOUTH	*12.7%*	*12.4%*	*12.0%*	*0.50‰*	*0.47‰*	*0.49‰*	*77.4%*	*81.8%*	*77.4%*
Sardinia	1.7%	1.7%	1.8%	0.70‰	0.81‰	0.76‰	77.8%	93.9%	91.6%
Sicily	4.5%	4.5%	4.4%	0.54‰	0.42‰	0.48‰	69.8%	81.6%	75.6%
TOTAL ISLANDS	*6.2%*	*6.2%*	*6.2%*	*0.58‰*	*0.53‰*	*0.56‰*	*72.5%*	*87.1%*	*81.6%*
TOTAL ITALY	100.0%	100.0%	100.0%	0.50‰	0.32‰	0.30‰	44.7%	63.3%	62.6%

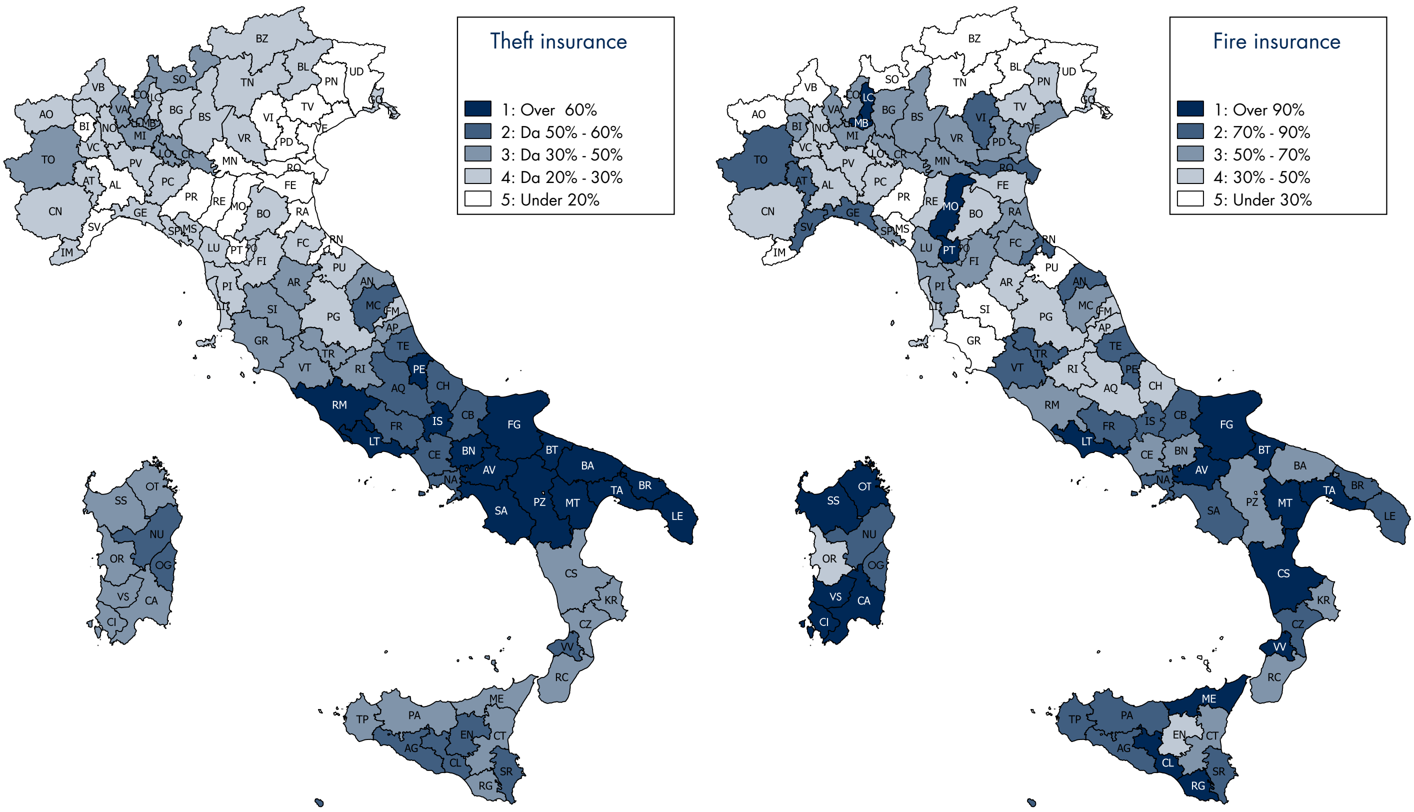
Average degree of damage

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 both 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 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 risk insured) was practically unchanged at €11,000 in 2020, as in the previous two years.

For theft insurance, the degree of damage averaged 43.7% nationwide in 2020, 2 percentage points higher than in 2019 and 4 points higher than in 2018, 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 44.7%, down nearly 20 points compared with 2019 (63.3%) and 2018 (62.6%). That is, in the last year there were a larger number of partial fire claims for lower average damage (the average cost of these claims, in fact, fell from €7,000 in 2018 and 2019 to under €5,000 in 2020).

Figure 2
Average degree of damage by province, auto theft and fire insurance – 2020



Again, the degree of damage varies significantly by region 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 (83.6%), followed by Basilicata (74.1%), Molise (64.1%), Campania (61.4%), and Abruzzo (51.3%). Among the regions of the Center and North, a high degree of damage was recorded in Lazio (66.5%, up somewhat from 2018 and 2019). The provinces with the highest figures in 2020 were Barletta-Andria-Trani (practically 100% of the value of the insured vehicle), Nuoro (96%), Bari (83%), Taranto (79%), Brindisi (79%), and Isernia, Lecce and Foggia (77%).

For fire insurance, the results are similar: degree of damage of over 100% in Calabria, 87% in Campania, 78% in Sardinia, 73% in Puglia and Lazio and 69.8% in Sicily. More in detail, values of 100% or more were recorded in many provinces, such as Isernia, Imperia, Cosenza, Brindisi, Avellino, Caltanissetta, Vibo Valentia and Siracusa.

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. Recall that all the data for 2020 reflect the succession of restrictions, of varying severity, on the circulation of persons and vehicles imposed last year (and continuing in 2021) to combat the covid-19 pandemic. Their main effect was a significant reduction in claims rates, unparalleled since motor liability insurance was made compulsory. Accordingly, comparisons with previous years, for number of claims and all the technical indicators, must be read in the light of this very particular feature.

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 of 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 2020 but that will be reported in future years. By this count, the number of claims lodged with Italian or non-EU insurance companies plummeted by 30.2% last year to 1,493,679 from 2,140,440.

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 dropped from 5.41% in 2019 to 3.82% in 2020, a decrease of 29.4 percent.

Claims frequency declined by slightly less than the number of claims, given that in 2020 the number of vehicle-years insured by Italian and non-EEA companies dipped by 1.2%.[1]

Trends in claims frequency were quite regular through 2019 but changed drastically with the covid-19 pandemic and the consequent restrictions enacted in 2020. In the first three months of the year there was a contraction of 24% in claims compared with the first quarter of 2019; in March alone, when the generalized, nationwide lockdown was enacted, the claims rate fell by over 60%. Over the following three months, from April through June, claims frequency was down 54% by comparison with the year-earlier period; in the third quarter, as the restrictive measures were relaxed, the decline in the rate came to 14%.

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%	2,070	3.6%	21,706	26.8%	4,917	13.1%	4.20%	5,204

(*) ANIA estimates based on advance information on 2020 financial statements
(**) Source: IVASS; for 2020, data from supervisory reporting forms

[1] The absolute number of vehicle years was 39.1 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 42.4 million, practically unchanged (-0.2%) from 2019.

However, with a resurgence in covid cases in the fourth quarter, Italy was divided into three separate risk categories, with commensurate restrictions, and claims frequency fell by a further 25%. The final annual estimates of fuel consumption released by the Ministry for Economic Development confirm the sharp decline in fuel consumption during the year, on the order of 20%, attesting to less vehicle use.

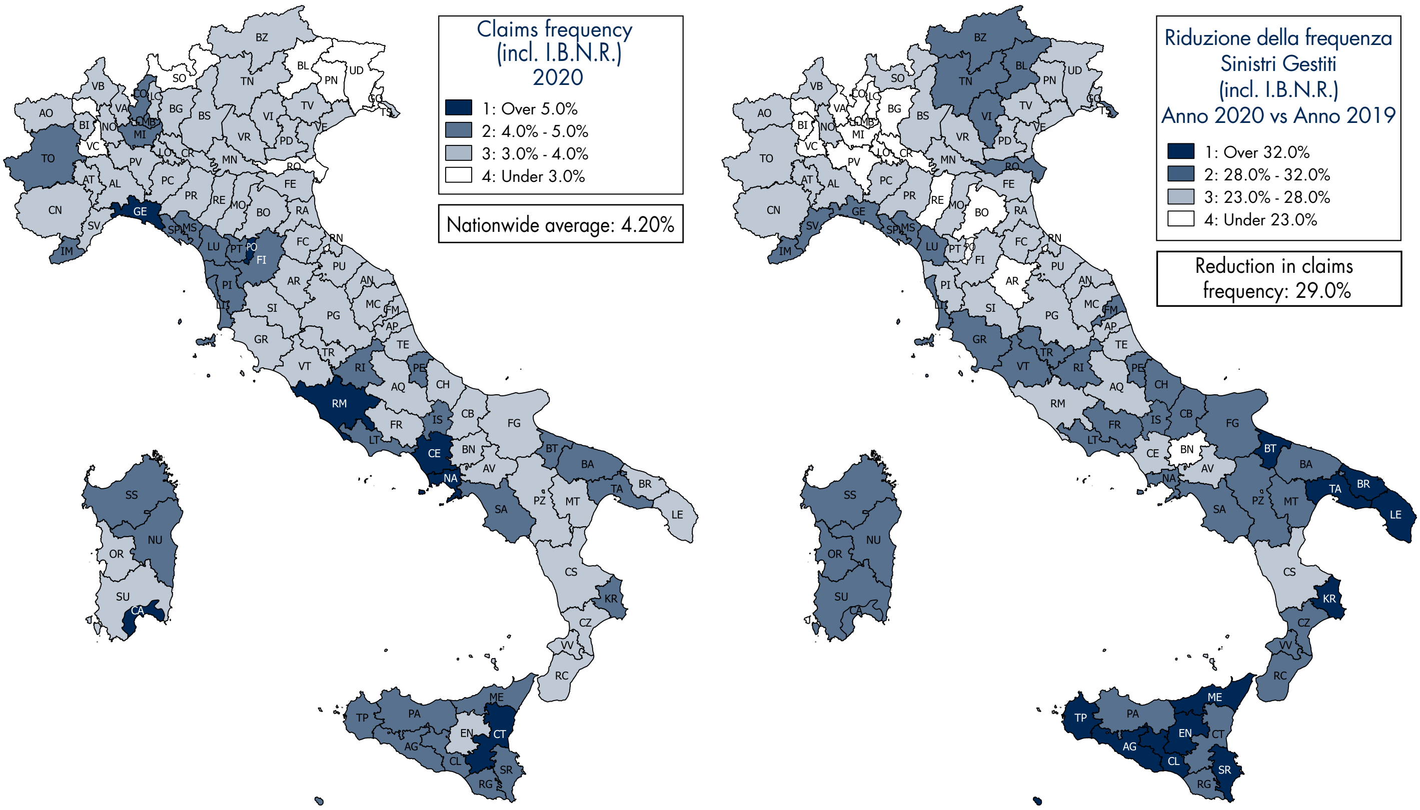
Average cost of claims (excluding IBNR, Table 1, Panel A). The average cost of claims shown in Panel A of Table 1 is derived by dividing the total cost of claims (paid and reserved) by their number. The indicator takes account both of payments made in final or partial settlement and of settlements that 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 2020 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 2020 was €4,917, up 13.1% from €4,348 in 2019. In detail, the average cost of claims involving only material damage increased by 3.6% to €2,070 in 2020, while that of claims involving personal injury (including the material damage component of mixed claims) jumped 6.8% to €21,706 (it was €17,112 the previous year). Apparently the restrictions on driving, especially the near-total lockdown from March through May, thinned traffic and so favored higher speeds for those vehicles that were authorized to circulate, hence more serious accidents.

Number of claims and average cost (including IBNR, Table 1, Panel B). The total number of claims, including the IBNR estimate, came to 1,641,113 in 2020, a drop of 29.8%, cutting claims frequency by 29.0 percent, from 5.91% to 4.20%. 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 increased by 14.1% to €5,204.

The 29.8 percent decline in the number of claims (including late reports or IBNR claims) was thus counteracted in significant degree by the 14.1 percent rise in their average cost, so the total cost of claims for the year contracted by 20 percent.

In interpreting the provincial breakdown of claims frequency including IBNR (Figure 3, left-hand map), we must bear in mind that in the second half 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 2020 were Naples (8.03%), Cagliari (6.04%), Genoa (5.91%) and Prato (5.79%), all far above the national average of 4.20%. Other provinces significantly above the national average were Rome (5.64%), Caserta (5.61%), Catania (5.33%), Palermo (4.96%), Barletta-Andria-Trani (4.95%), Salerno (4.76%), and Turin (4.75%). Once again, the

Figure 3
Claims frequency by province, 2020, and variation vis-à-vis 2019



lowest claims frequencies were recorded in the provinces of the North-East, with Rovigo and Pordenone recording the national low (2.68%), followed by Udine, Belluno, Vercelli and Gorizia, none of which had frequencies higher than 2.80%. Lower-than-average levels were reported also in some provinces of the South, such as Potenza (3.22%) and Oristano (3.33%), as well as Cosenza, Campobasso and Enna, ranging between 3.40% and 3.50%.

The right-hand map in Figure 3, shows provincial reductions in claims frequency in 2020. Nationwide, for all vehicles, the reduction came to 29%. But the provincial breakdown shows that in some parts of Italy the percentage was well above 32%, with peaks in Monza (37%), Lodi (36%) and Varese (35%); the other provinces of Lombardy also registered larger-than-average reductions. In fact, Lombardy was the region affected most severely by the traffic restrictions, especially from February to April, by reason of the large number of covid cases and deaths. The provinces with smaller-than-average reductions were found mostly in the Center and the South; in many provinces of Sicily and Puglia the reduction failed to reach 22%.

HOW INDIVIDUAL MOBILITY CHANGED WITH THE PANDEMIC. THE ESTIMATED IMPACT ON MOTOR LIABILITY CLAIMS IN 2021

To estimate the number of motor liability claims insurers will have to handle in 2021, we must take account of the fact that the year (especially the first half) has continued to be marked by a succession of waves of covid-19 contagion, countered by governmental restrictions (of varying severity), which have significantly limited mobility. The measures to contain the epidemic have been differentiated by region according to degree of infection, with modular approaches in terms of curfew times and times of year (for instance, taking account of holidays and/or days of the week).

Given that these measures remained in effect also in the first six months of 2021 (it was not until the end of June that all of Italy was judged to be low-risk, with all regions color-coded “white”), one must consider at least three factors that will affect the number of claims for the year:

1) the development of the pandemic in the first half and the aforementioned containment measures;
2) the course of the vaccination campaign that began in December 2020;
3) the changes in habits and lifestyles, which may become the “new normal”; for instance, it is important to determine what proportion of workers will continue to work from home even when the restrictions on mobility are relaxed, what proportion of individuals will opt for public or for private transportation, and how leisure-time activities and shopping will be affected.

Some of these factors (which significantly influence the probability of accidents and claims) will undergo structural changes in habits and lifestyles by comparison with pre-covid experience. Accordingly we have run a regression analysis between:

1) the distribution of daily accidents/claims in Italy that were reported to insurance companies between 1 January 2020 and 31 December 2020.
2) daily data on how mobility has been modified in Italy between a specific reference day/period prior to the spread of the pandemic and all subsequent days through 31 December 2020. These data on mobility were obtained from open data made available by both Apple Maps and Google Maps.

The data from Apple Maps are based on the volume of requests for driving directions, by country/region, sub-region or city, and by type of mobility (car, on foot, public transport) and give daily variations with respect to 13 January 2020. The data from Google Maps also measure a variation in mobility habits, here with respect to the median for a specific day in the period of five weeks from 3 January to 6 February 2020 (taken as pre-covid reference period).

In particular they measure the change in individuals traveling to the following destinations:

1) work
2) residence
3) grocery stores, markets, food specialty shops, pharmacies and para-pharmacies (hereafter, grocery stores and pharmacies)
4) public transport centers such as metro stations (public transport stations)
5) restaurants, cafés, shopping malls, theme parks, museums, bookstores and cinemas (recreational locations).

The study analyzes the correlation between number of claims received by insurers and the variables explaining changes to mobility, on the assumption, for instance, that the greater the number of people who stay home (owing above all to restrictions), the fewer accidents there will be; or conversely, the larger the number of people who travel to work, the greater the probability of accidents.

First of all, the model identified the most significant causal variables and excluded those most strongly correlated with each other, which in “explaining” the dependent variable (number of claims) with the same degree of significance made the model over-parametrized. In the end, the mobility variables taken into account were the trends drawn from Google Maps of travel to: 1) workplaces; 2) residential areas; 3) groceries and pharmacies; 4) recreational locations; 5) public transport stations.

In addition to these mobility variables, the model also factored in days of the week and months (flagging the Christmas holidays) so as to eliminate (or at least reduce) the “seasonal” effect of differing circulation intensities depending on day of the week or the difference between work days and holidays.

Finally, geographic variables (region) were also considered, in order to compensate for differences in driving behavior and different accident rates at regional level.

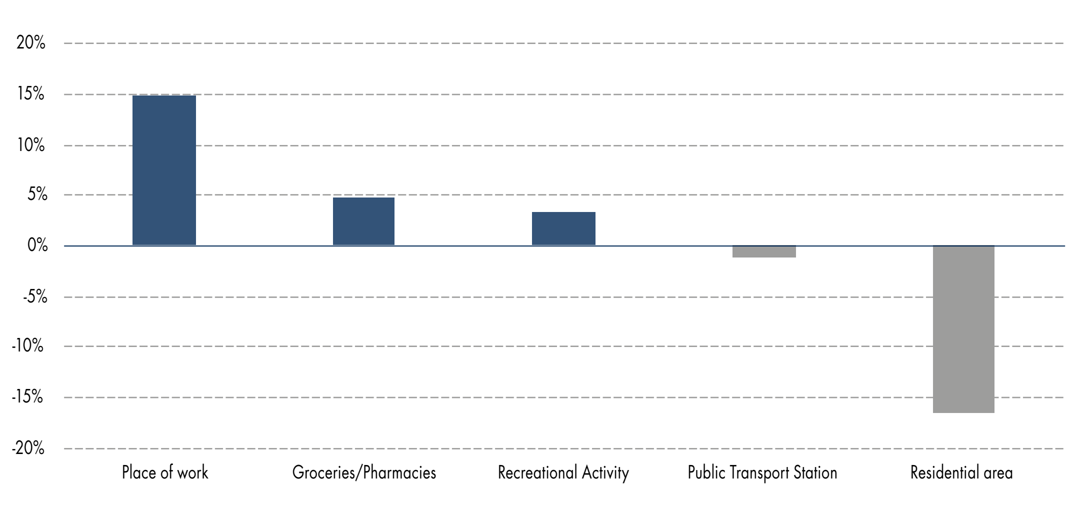
The results of the regression give the percentage of variation in the number of insurance claims with the variation in mobility as expressed by the variables considered (Table 1 and Figure 1). In particular, significant findings include:

- travel to places of work is the preponderant factor in explaining the number of claims; a 10% increase in the number of such trips results in a 15% increase in the number of claims;
- an increase of 10% in trips to groceries/pharmacies results in an increase of nearly 5% in claims;
- less significant in increasing claims is variation in recreational travel; an increase of 10% in mobility for this purpose increases claims by scarcely 3%;
- there is a negative, if modest, correlation with the use of public transport; and a more marked negative correlation with the number of people who stay home. A 10% increase in the former implies a decline of just over 1% in claims, while a 10% increase in people staying at home brings a significant reduction of almost 17% in the number of claims.

Table 1
Regression model results

Mobility factor Travel to:	Estimated correlation coefficient	Hypothesized estimate of mobility factor	Estimate of no. of claims
Place of work	0.0149	10%	14.9%
Groceries/pharmacies	0.0047	10%	4.7%
Recreational activity	0.0033	10%	3.3%
Public transport station	- 0.0012	10%	-1.2%
Residential areas	- 0.0165	10%	-16.5%

Figure 1
How mobility variables affect claims rate



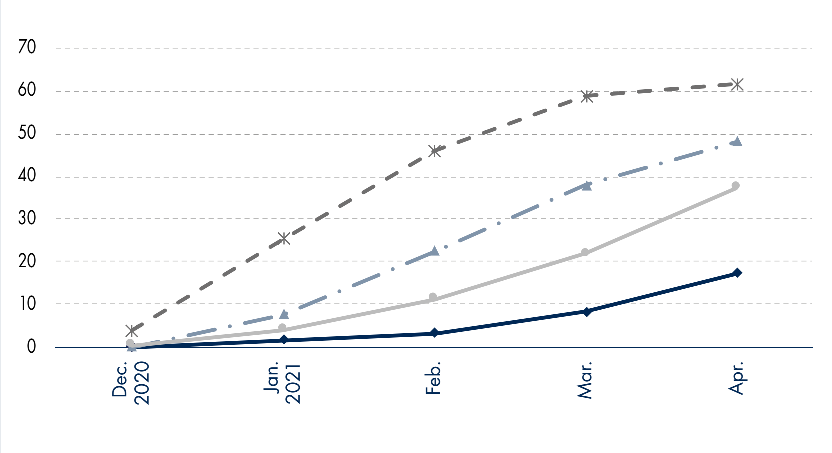
The regression model estimates retrospectively with a high degree of accuracy (R^2 of almost 95%) the number of claims recorded in 2020, based on patterns in individual mobility as derived from the open data sources used.

However, Italian insurance companies now have to grapple with the uncertainty over how claims frequency will change when the pandemic is over, considering among other things the different driving habits of the insured. The beginning of the vaccination campaign has begun to pave the way to a return to pre-pandemic lifestyles, but the question of how peoples' behavior may change in response to that unprecedented scenario remains open. For example, people who can work from home may elect to seek more flexible arrangements on a permanent basis. As a consequence, if people use their cars less or begin to share cars with others, this should induce a structural change in the number of accidents and claims.

In an effort to imagine how habits and lifestyles could change in Italy in the months ahead, we have drawn on mobility data for other countries where the vaccination campaign was more advanced than in Italy. The idea is to determine whether even in conditions of greater freedom of circulation, in the absence of restrictive measures, there is a permanent modification of mobility trends. The countries chosen for this comparison are Israel, the United Kingdom and the United States, which at the end of April (when the analysis was carried out) had a proportion of the population with at least one vaccine dose that was twice or three times that of Italy (Figure 2).

Figure 2
% of population w. at least one vaccine dose

Italy
Israel
UK
US



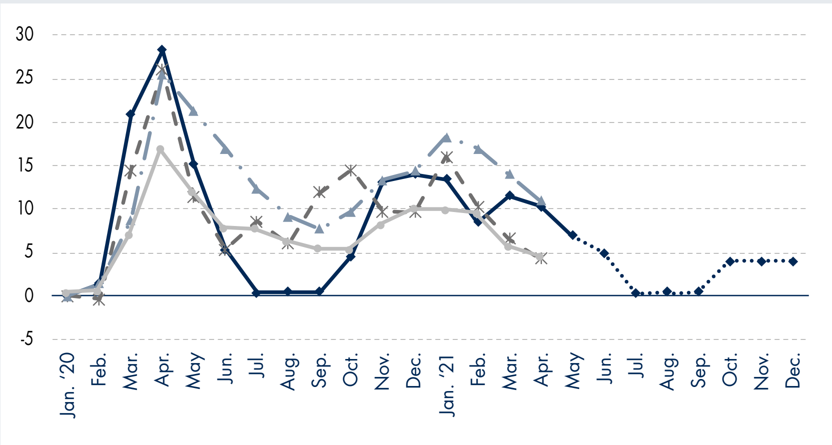
Since these countries, with their high vaccination rates, had eased or abrogated their covid-19 restrictive measures by April 2021, we used the Google Maps mobility data to study how these factors have been modified and develop possible scenarios for how Italy could adapt in the near future. The mobility trends in these reference countries graphed in Figure 3 reveal five major tendencies:

1) the variation in people who continue to gravitate around their residential areas remains positive (from +4% in the US to +11% in the UK);
2) there is a significant drop in the number who no longer travel to work (between -34% in the UK and -18% in the US and Israel);
3) the number of people moving to purchase groceries or pharmacy products returns to pre-pandemic levels or actually increases;
4) recreational activity seems to return to pre-covid levels in the US but remains lower in Israel (-12%) and in the UK (-32%);
5) the pattern for public transport is similar: where in the US it returns to pre-pandemic levels, it stays lower in Israel (-16%) and the UK (-35%).

Figure 3
Trends in mobility variations

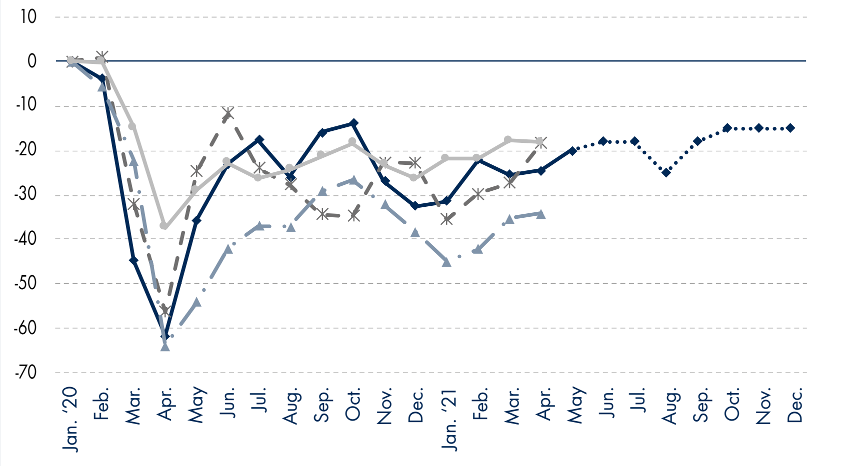
Trends in residential areas

Italy
Israel
UK
US
Average Italian scenario



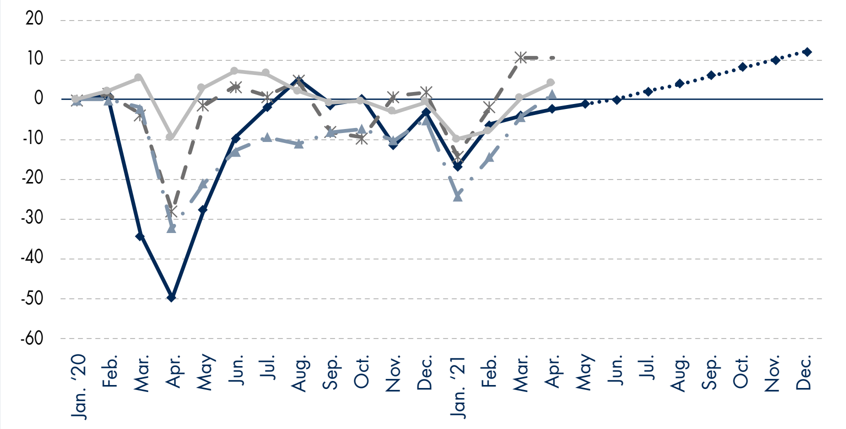
Trends in mobility to work

Italy
Israel
UK
US
Average Italian scenario



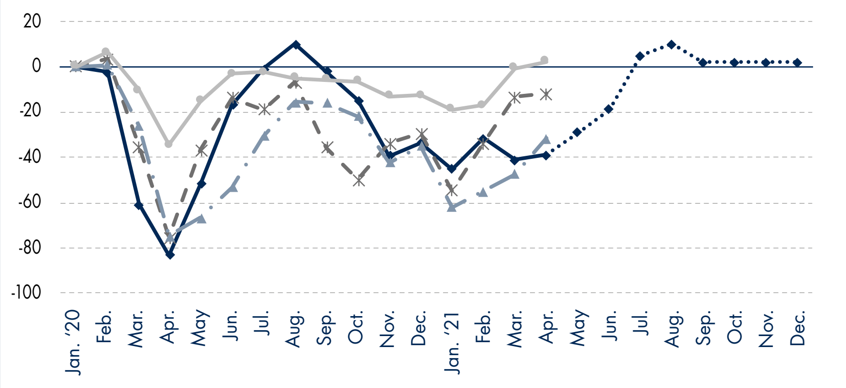
Trends in travel to groceries and pharmacies

Italy
Israel
UK
US
Average Italian scenario



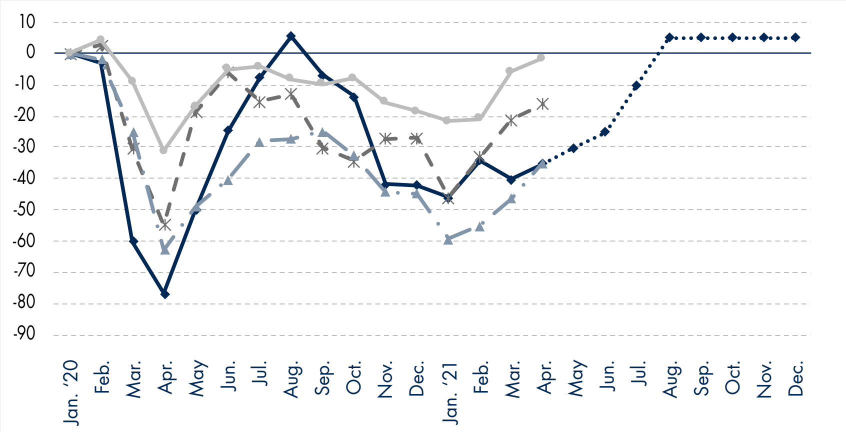
Trends in travel to recreational areas

Italy
Israel
UK
US
Average Italian scenario



Trends in travel to public transport stations

Italy
Israel
UK
US
Average Italian scenario



Drawing on these countries' experience and observing the trends in Italy, we have hypothesized, for each of the model's mobility variables, three scenarios for the variation (low, middle, high) for the months from May through December 2021, each implying a variation (low, middle, high) in the number of claims in Italy for the year (the graphs of Figure 3 are for the middle scenario). We thus performed a sensitivity analysis: using the parametric results of the regression model, this enables us to project into the future the likely number of claims insurers will have to handle in the rest of the year. The study reached a number of conclusions (Table 2):

- the increase in the number of claims in 2021 will range from a minimum of 16% ("low" scenario) to a maximum of 24% ("high" scenario);
- the increase in claims in the course of 2021 implicitly takes account of the fact that January and February (when more or less severe restrictions were in place throughout the country) are compared with the first two months of 2020, when the pandemic had not yet struck;
- some elements of mobility, such as the percentage of people staying home (or who do not travel to work), will affect motor liability claims rates permanently. This factor should be partially counterbalanced in 2021 by increased mobility towards grocery stores and pharmacies, which can be expected to increase the number of claims, albeit to a limited extent.

Table 2 – Estimates of percentage change in number of motor liability claims, 2021

	"Low" scenario	"Middle" scenario	"High" scenario
Month	% change, 20/21	% change, 20/21	% change, 20/21
January	-26%	-26%	-26%
February	-28%	-28%	-28%
March	47%	47%	47%
April	239%	239%	239%
May	82%	79%	79%
June	17%	15%	15%
July	9%	9%	10%
August	12%	11%	12%
September	0%	6%	11%
October	-4%	8%	21%
November	53%	68%	86%
December	35%	49%	63%
Total	16%	20%	24%

COMPENSATION FOR PERSONAL INJURY

The total damages paid (for both property damage and bodily harm) for claims incurred in 2020 came to €8.5 billion.[1] Of this, 64.0% (€5.5 billion) was in relation to personal injury (including the property-damage component of mixed claims). The remaining 36.0% (€3.1 billion) was in relation to damage to vehicles (spare parts and labor for repairs).

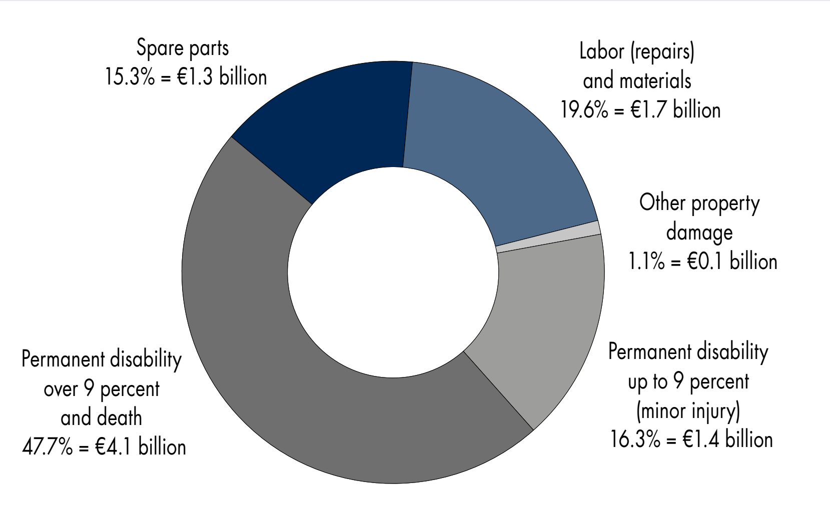
As regards personal injury compensation specifically, two facts stand out for 2020 (Figure 1):

- compensation for mild injury involving permanent disability of 1 to 9 percent amounted to €1.4 billion (16.3% of the total claims cost);
- severe injuries involving more than 9 percent permanent disability or death generated outlays of €4.1 billion (47.7% of total claims cost).

Figure 1
Distribution of total cost of liability compensation, 2020

Compensation for property damage (€3.1 billion, 36.0% of total claims cost)

Compensation for personal injury (€5.5 billion, 64.0% of total claims cost)



The restrictive measures and limits on vehicle circulation enacted in 2020 to fight the covid-19 epidemic not only reduced the number of accidents reported to insurance companies (claims frequency dropped from 5.41% in 2019 to 3.82% last year); it also altered the type and mix of claims. We see, in fact, that the proportion of accidents involving at least some personal injury came down further in 2020, from 15.5% to 14.5% (Table 1). This reduction was accompanied, however, by a sharp increase of 27% in the average cost of personal injury claims, which came to €21,700 in 2020, up from scarcely €17,000 in 2019 (Table 2). The lockdown and other restrictions (the curfew, for instance), applied throughout the second half, may well have enabled those vehicles authorized to circulate to drive at higher speeds, given the thin traffic, and thus to cause more serious accidents. The Highway Police data on road infractions show a 21% decline overall compared with 2019 but a slight

[1] ANIA's estimate, based on data from Italian insurers and units of non-EU insurance companies operating in Italy. The data are for the cost of claims (amounts paid and reserved) for accidents occurring in 2020. The total cost of claims for the year, including excess or shortfall of reserves against claims from previous years, was €8.2 billion.

increase in the incidence of speeding, from 55.1% to 56.4% of total violations on motorways and from 15.1% to 15.7% on city, provincial and regional roads.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total claims frequency	6.53%	5.87%	5.65%	5.48%	5.55%	5.65%	5.61%	5.43%	5.41%	3.82%
% claims with only property damage	*77.6%*	*79.9%*	*81.0%*	*81.5%*	*82.3%*	*82.7%*	*83.4%*	*84.2%*	*84.5%*	*85.5%*
Frequency of claims with only property damage	5.07%	4.69%	4.57%	4.47%	4.57%	4.67%	4.68%	4.57%	4.57%	3.27%
% claims involving personal injury	*22.4%*	*20.1%*	*19.0%*	*18.5%*	*17.7%*	*17.3%*	*16.6%*	*15.8%*	*15.5%*	*14.5%*
Frequency of claims involving personal injury	1.46%	1.18%	1.07%	1.01%	0.98%	0.98%	0.93%	0.86%	0.84%	0.55%
Frequency of claims with up to 9 percent permanent disability	1.401%	1.121%	1.016%	0.963%	0.932%	0.927%	0.874%	0.817%	0.798%	0.522%
of which:										
1% permanent disability	0.617%	0.506%	0.477%	0.428%	0.414%	0.410%	0.392%	0.352%	0.344%	0.224%
2% permanent disability	0.469%	0.294%	0.243%	0.233%	0.222%	0.207%	0.197%	0.181%	0.178%	0.112%
3% permanent disability	0.163%	0.137%	0.128%	0.116%	0.114%	0.121%	0.112%	0.112%	0.110%	0.069%
4% permanent disability	0.069%	0.071%	0.065%	0.071%	0.065%	0.070%	0.064%	0.065%	0.062%	0.043%
5% permanent disability	0.036%	0.043%	0.042%	0.041%	0.046%	0.049%	0.041%	0.042%	0.042%	0.029%
6% permanent disability	0.019%	0.027%	0.025%	0.028%	0.027%	0.030%	0.027%	0.025%	0.025%	0.017%
7% permanent disability	0.012%	0.019%	0.017%	0.019%	0.018%	0.019%	0.018%	0.016%	0.017%	0.014%
8% permanent disability	0.010%	0.014%	0.012%	0.015%	0.016%	0.013%	0.015%	0.015%	0.013%	0.010%
9% permanent disability	0.007%	0.010%	0.007%	0.011%	0.009%	0.008%	0.009%	0.009%	0.008%	0.005%
Frequency of claims with over 9 percent permanent disability	0.062%	0.059%	0.057%	0.052%	0.051%	0.051%	0.049%	0.045%	0.044%	0.034%

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

Minor injury – permanent disability of 1-9 percent. The frequency of accidents involving mild personal injury (i.e. the ratio between the number of claims with 1-9-point personal injury to the total number of risks insured) fell from 0.798% in 2019 to 0.522% in 2020, or by 35 percent, which was a sharper decline than that in the overall claims frequency (29.4 percent). All the degrees of mild injury showed reductions: 35% for those with 1 point, 37% for 2- and 3-point claims, 31% for 4- to 6-point claims, 19% for 7-point claims, 26% for 8-point claims and 42% 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 2020).

The average claims cost for mild injuries was €5,903 in 2020, up 2.2% over 2019 (Table 2); this represented a much smaller increase than that in average injury claim costs overall, which rose by 27%, confirming the greater increase in more severe injuries.

Death and permanent disability of more than 9 percent. The frequency of these claims came to 0.034% in 2020, down 23 percent; this was a more moderate reduction than that in the overall claims frequency (30 percent) or in the frequency of mild injury claims (35 percent).

Turning to the cost of these more serious injury claims of more than 9 percent disability (including damages for fatalities), the average came to over €262,000 in 2020 (up from €220,000 in 2019), representing an increase of 19%, while the overall average claim cost rose by 13%.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total average claim cost	4,345	4,495	4,564	4,532	4,467	4,374	4,326	4,361	4,347	4,917
% of claims with only property damage	*31.7%*	*33.3%*	*33.2%*	*34.1%*	*35.1%*	*36.2%*	*37.4%*	*38.2%*	*38.8%*	*36.0%*
Average cost of claims with only property damage	1,803	1,899	1,883	1,894	1,908	1,912	1,941	1,980	1,998	2,070
% incidence of personal injury claims (value)	*68.3%*	*66.7%*	*66.8%*	*65.9%*	*64.9%*	*63.8%*	*62.6%*	*61.8%*	*61.2%*	*64.0%*
Average cost of claims with personal injury	13,155	14,804	15,986	16,150	16,389	16,132	16,297	17,026	17,112	21,706
of which:										
Average cost of claims with personal injury up to 9 pct. permanent disability	6,135	5,951	5,756	5,668	5,508	5,605	5,397	5,758	5,774	5,903
Average cost of claims with personal injury over 9 pct. permanent disability	179,891	191,379	198,045	210,061	216,797	209,325	212,086	222,736	220,373	262,116

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

The geography of personal injury claims. In 2019 (the year of the most recent available data at province level), the provincial distribution of personal injury claims followed broadly 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 15.0%. The highest provincial proportions are found in Puglia (27.5% in Taranto, 26.6% in Foggia, 25.2% in Brindisi, 24.7% in Barletta-Andria-Trani, 24.6% in Lecce, 23.6% in Bari), Calabria (23.3% in Vibo Valentia, 23.0% in Crotone, 22.0% in Reggio Calabria, 21.0% in Catanzaro, 20.6% in Cosenza), and parts of Campania (23.2% in Salerno, 23.1% in Avellino). Most provinces, in any case, registered a decline in the indicator by comparison with 2018, in line with the reduction in the national average.

Figure 2
Proportion of claims involving personal injury, by province, 2019

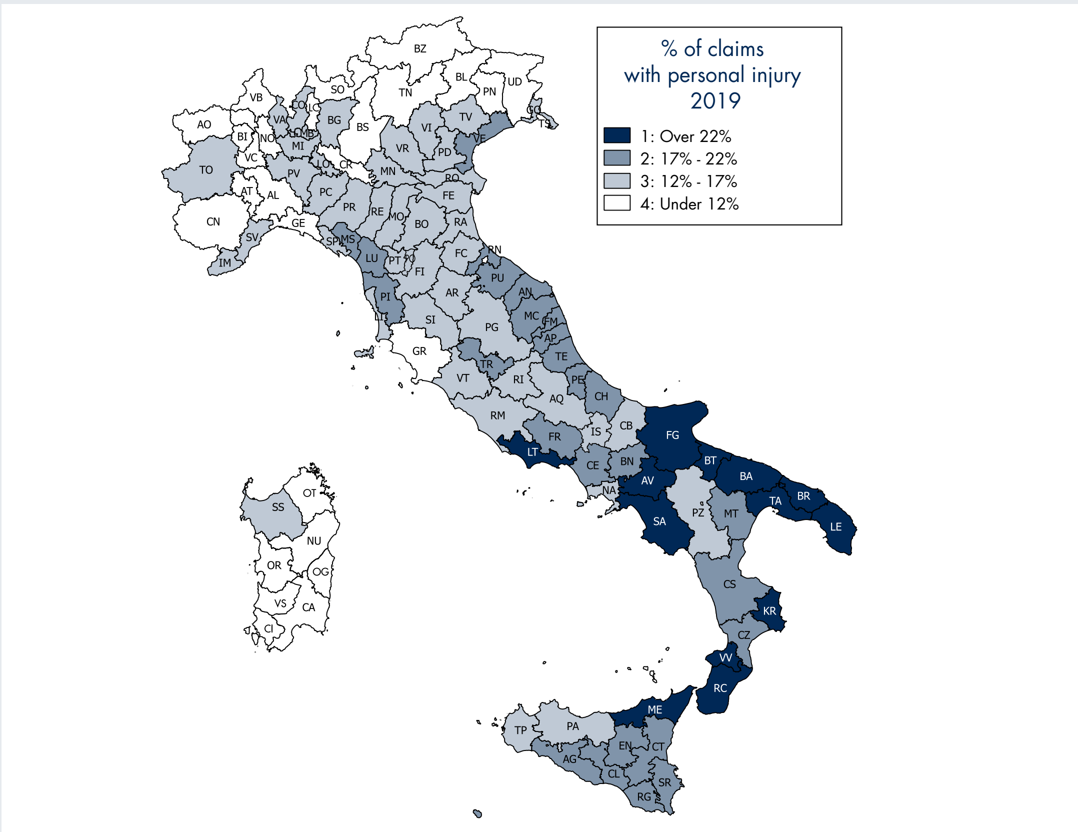


Table 3 – Incidence of claims with personal injury, by province, 2017-2019) (percent) (*)

Province	Year 2019	Year 2018	Year 2017	Change % 2019/2018
(1)	(2)	(3)	(4)	(5)
TARANTO	27.5%	29.7%	30.0%	-7.5%
FOGGIA	26.6%	27.8%	28.7%	-4.4%
BRINDISI	25.2%	25.6%	29.6%	-1.6%
BARLETTA-ANDRIA-TRANI	24.7%	27.9%	27.0%	-11.4%
LECCE	24.6%	25.8%	26.4%	-4.6%
BARI	23.6%	25.1%	26.2%	-6.1%
VIBO VALENTIA	23.3%	25.7%	23.8%	-9.5%
SALERNO	23.2%	24.2%	26.0%	-4.1%
AVELLINO	23.1%	24.5%	25.6%	-5.7%
CROTONE	23.0%	27.2%	28.8%	-15.4%
MESSINA	22.5%	26.5%	25.5%	-15.1%
REGGIO CALABRIA	22.0%	25.1%	25.4%	-12.2%
LATINA	22.0%	22.7%	24.3%	-3.1%
CATANZARO	21.0%	22.7%	25.3%	-7.7%
CALTANISSETTA	20.7%	21.6%	22.1%	-4.3%
COSENZA	20.6%	22.8%	22.9%	-9.6%
RIMINI	20.4%	19.7%	21.5%	3.6%
FROSINONE	20.2%	20.6%	20.4%	-2.1%
MACERATA	19.6%	18.5%	20.0%	6.2%
CHIETI	19.4%	19.1%	20.9%	1.5%
ANCONA	19.4%	18.6%	21.1%	4.4%
FERMO	19.3%	19.4%	19.7%	-0.5%
PESCARA	19.2%	19.2%	20.3%	0.1%
CATANIA	19.0%	21.3%	21.3%	-10.6%
VENICE	19.0%	18.6%	19.9%	2.4%
BENEVENTO	18.1%	18.3%	21.1%	-1.2%
TERNI	18.1%	16.5%	19.1%	9.6%
PESARO-URBINO	18.0%	17.9%	19.5%	0.4%
SIRACUSA	17.9%	20.1%	19.9%	-10.9%
LUCCA	17.9%	17.7%	19.2%	0.9%
MASSA-CARRARA	17.8%	20.5%	20.0%	-13.0%
ASCOLI PICENO	17.8%	18.1%	19.1%	-1.6%
ENNA	17.7%	22.0%	19.3%	-19.4%
TERAMO	17.6%	17.7%	18.5%	-0.8%
AGRIGENTO	17.5%	18.9%	19.0%	-7.4%
CASERTA	17.5%	18.7%	22.0%	-6.6%
MATERA	17.3%	18.9%	18.3%	-8.7%
PISA	17.3%	18.5%	18.7%	-6.3%
RAGUSA	17.2%	19.8%	19.1%	-13.3%
RIETI	16.8%	15.1%	17.2%	11.1%
PERUGIA	16.6%	15.4%	16.7%	7.7%
TRAPANI	16.5%	21.1%	19.2%	-21.7%
PISTOIA	16.5%	16.9%	18.2%	-2.1%
PADUA	16.2%	16.5%	16.9%	-1.6%
ROVIGO	16.2%	16.4%	18.2%	-1.2%
FERRARA	15.5%	15.8%	16.8%	-2.0%
LA SPEZIA	15.2%	16.2%	16.9%	-6.2%
CAMPOBASSO	15.1%	15.3%	15.1%	-1.4%
LIVORNO	15.1%	15.1%	16.4%	-0.3%
POTENZA	15.0%	15.5%	17.6%	-3.1%
ISERNIA	15.0%	15.4%	17.0%	-2.5%
L'AQUILA	14.9%	15.8%	16.3%	-5.7%
TREVISO	14.8%	15.3%	16.5%	-3.0%
LODI	14.8%	14.4%	15.2%	2.7%
BOLOGNA	14.7%	14.8%	15.8%	-0.4%
FORLÌ-CESENA	14.5%	13.8%	15.6%	5.4%

Province	Year 2019	Year 2018	Year 2017	Change % 2019/2018
(1)	(2)	(3)	(4)	(5)
SASSARI	14.3%	16.0%	17.4%	-10.5%
AREZZO	14.3%	14.5%	16.5%	-1.6%
IMPERIA	14.3%	14.2%	14.6%	0.4%
PALERMO	14.2%	17.5%	18.4%	-18.9%
RAVENNA	14.0%	15.3%	16.7%	-8.5%
GORIZIA	13.8%	14.3%	15.5%	-3.2%
MONZA-BRIANZA	13.7%	14.3%	14.3%	-4.0%
VARESE	13.7%	13.6%	14.1%	0.4%
PAVIA	13.6%	13.7%	14.1%	-0.5%
TURIN	13.3%	14.0%	15.1%	-4.8%
VERONA	13.1%	13.4%	14.3%	-2.1%
VICENZA	12.9%	13.0%	13.8%	-0.6%
REGGIO EMILIA	12.9%	13.0%	14.7%	-0.5%
SAVONA	12.8%	14.3%	13.5%	-10.5%
MILAN	12.7%	13.1%	13.7%	-3.3%
PIACENZA	12.7%	12.9%	14.4%	-1.4%
NAPLES	12.6%	13.7%	14.8%	-8.1%
ROME	12.6%	12.9%	14.5%	-2.6%
SIENA	12.5%	11.6%	13.4%	7.8%
VITERBO	12.4%	11.5%	12.0%	7.7%
PRATO	12.3%	12.8%	14.2%	-4.2%
MODENA	12.3%	12.5%	13.8%	-1.8%
COMO	12.2%	13.0%	13.3%	-6.0%
TRIESTE	12.2%	11.9%	13.4%	2.1%
PARMA	12.1%	13.0%	13.7%	-6.7%
FLORENCE	12.0%	12.7%	14.0%	-5.7%
MANTUA	12.0%	12.4%	13.7%	-3.3%
BERGAMO	12.0%	12.1%	13.1%	-0.5%
GROSSETO	11.9%	13.1%	14.1%	-9.4%
NOVARA	11.8%	12.3%	12.8%	-3.8%
CREMONA	11.6%	12.6%	14.1%	-7.6%
CAGLIARI	11.6%	12.2%	12.5%	-5.3%
SONDRIO	11.5%	11.3%	12.0%	1.8%
LECCO	11.3%	12.0%	11.5%	-5.5%
CARBONIA-IGLESIAS	11.2%	13.1%	12.9%	-14.4%
PORDENONE	11.1%	11.8%	12.9%	-6.0%
UDINE	11.0%	11.8%	12.7%	-7.0%
ALESSANDRIA	11.0%	11.6%	12.0%	-4.9%
OLBIA-TEMPIO	10.7%	15.6%	12.6%	-31.4%
ORISTANO	10.7%	11.1%	12.1%	-3.4%
ASTI	10.7%	9.9%	10.5%	7.8%
CUNEO	10.5%	10.5%	11.0%	0.4%
GENOA	10.3%	13.7%	12.5%	-24.8%
BRESCIA	10.3%	10.6%	11.3%	-3.3%
AOSTA	10.3%	10.4%	9.7%	-1.2%
VERCELLI	10.2%	10.5%	12.4%	-2.5%
BELLUNO	9.9%	10.6%	10.9%	-6.2%
VERBANIA	9.8%	10.7%	9.5%	-8.5%
MEDIO CAMPIDANO	9.7%	12.3%	12.6%	-21.1%
NUORO	9.6%	11.0%	10.0%	-12.9%
OGLIASTRA	9.5%	17.6%	13.6%	-46.0%
TRENTO	8.8%	9.5%	9.7%	-7.1%
BIELLA	8.8%	9.4%	9.8%	-6.1%
BOLZANO	8.3%	8.6%	8.9%	-3.3%
TOTAL	15.0%	15.7%	16.6%	-4.7%

(*) The provincial incidence of personal injury claims is drawn from ANIA's annual statistics; this accounts for the slight difference in the total for 2019 (15.0%) from the IVASS data (15.5%), which lack the provincial breakdown

MOTOR INSURANCE PRICES IN ITALY AND EUROPE: FOCUS ON GEOGRAPHICAL VARIATIONS IN PRICE DETERMINANTS IN ITALY

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.

Motor insurance premium income was one of the items affected most severely by the pandemic:

- during the three months of lockdown new car registrations plummeted by over two thirds (68% overall: 70% in March, 91% in April, 46% in May) and transfers of car ownership also fell sharply (60% overall: 57% in March, 91% in April, 32% in May);
- Decree Law 18 of 17 March 2020 provided that the "extended validity" period for all policies lapsing between 21 February and 31 July (the period for which the insurer is required to keep expired policies active) was lengthened from 15 to 30 days. Some insurers, voluntarily, in response to requests from policy-holders, provided for an additional 30 days' extension. This implied a lag in renewals that inevitably impacted on premium income, especially in the first months of its application (March and April), when income plunged by record amounts of 12% and nearly 20%;
- further to favor policy-holders, Law 27 of 24 April 2020 gave them the option of requesting suspension of motor liability policies in being as of the date of reception of the request by the insurance company and for the period indicated by the policy-holder up until 31 July 2020;
- owing to the sharp decline in traffic circulation and therefore in accidents, insurers began to review their pricing policies, cutting the cost of coverage for their customers, and the effects, as shown by ISTAT's price index, are continuing in 2021 as well. In 2020 insurers offered discounts on policy renewals (in recognition of the non-use of vehicles during the lockdown), and these reductions, by our estimate, lowered the average motor liability premium by 4.6%.

To calculate the average price of individual coverage, however, 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]

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[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, 1994-2020

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

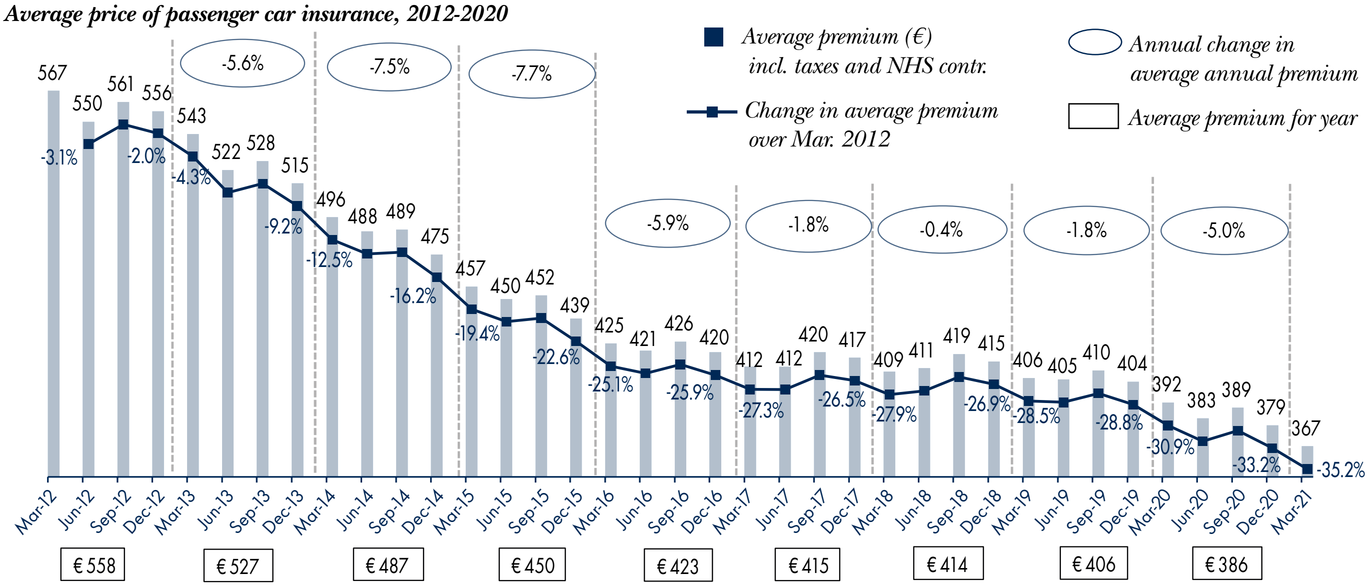
(a) Premiums only of Italian companies and units of companies with registered offices in non-EEA countries.
(b) Through 2008, based on ACI data. Starting with 2009, the number is calculated on the basis of the change in the actual number of vehicles insured derived from an ANIA survey, using a methodology consistent with that which IVASS specifically requests of insurance companies in anticipating their financial reports. Preliminary data showed a modest decline of 1.2% in the number of vehicle/years insured by Italian and non-EEA companies in 2020, to 39.1 million. Counting all the other types of insurer doing business in Italy, the number of insured vehicles was practically stable (-0.2%).
(c) The percentage change in premiums in 2019, 2013 and 2010 is calculated in uniform terms.

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 2020. Albeit owing to the exogenous factor of the pandemic and the restrictive countermeasures, 2020 saw a 5.7% decline in total premium income, which given the 1.2% decline in number of vehicles insured resulted in a fall of 4.6% in the average premium. 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 eight years (by a total of 28.6%) have brought the index of average insurance coverage prices in 2020 (Table 1, column 3) back down to the levels registered in 1996 and 1997.

The price reduction is also confirmed by IVASS's quarterly survey of actual motor liability insurance prices. This Survey of Effective Motor Insurance Prices (IPER),(2) covering passenger cars only, confirms the extent of the eight-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):

Figure 1
Average price of passenger car insurance, 2012-2020



Sources: Dec. 2013-Sept. 2019, IVASS; previous dates, ANIA estimate based on IVASS data

- The survey shows that the average yearly price (the average of the four quarterly values) of passenger car insurance fell from €558 in 2012 to €386 in 2020, or by 30.9%, in line with the insurance price index shown in Table 1;
- For 2020 alone, the IPER survey shows that the cost of passenger car insurance was 5.0% lower than in 2019, dropping from €405.90 to €385.60. But it is worth emphasizing the sharp acceleration in the decline in the fourth quarter (to -6.1% compared with December 2019), which strengthened further (to -6.3% in March 2021). This offers additional confirmation that insurers are slowly, but steadily, passing on to consumers the benefits of the reduction in accidents owing to traffic restrictions (in technical terms as well, not only in the form of one-off discounts on policy renewals);

(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.

- Between the peak of March 2012 and the latest quarter for which data are available (March 2021), the average motor liability premium fell by €200, from €567 to €367, or by over 35%.

The IPER data for the first quarter of 2021 are confirmed by ANIA's quarterly monitoring,[3] which indicates that the average pre-tax price of motor liability insurance, net of taxes and NHS contributions, fell by the same percentage found by IVASS, or 6.3%, and came to €318,[4] or €131 less than the €449 recorded in March 2012 – an overall fall of 29.4% (Table 2). In detail, premiums on cars fell by 6.6% in the year to March 2021, those on motorcycles by 7.0%, and those on motor scooters by 8.3%.

The IPER data for the first quarter of 2021 are confirmed by the ANIA monitoring of average motor liability prices.

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

Month / Year	Average premium (pre-tax) (€)	% change over year-earlier month
March 2021 – All policies	318	-6.3
of which:		
Private passenger cars	321	-6.6
Private motorcycles	210	-7.0
Private motor scooters	140	-8.3

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 only three countries registered decreases in the motor liability price index between 2014 and 2020, namely Greece (-23.0%), Italy (-3.3%) and Belgium (-1.6%). In the rest of Europe the index rose – quite sharply in the Netherlands (27.5%), Finland (20.6%) and Ireland (21.5%), more moderately in France (13.7%), Norway (12.4%), Denmark (12.1%), Spain

(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 2020, the average post-tax cost for all vehicles in March 2021 came to €401. 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 cheaper 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.

(11.9%), and Austria (10.4%). The UK also saw a very significant rise in the index from 2014 to 2020 (26.1%). In 2020, when restrictions on mobility were in effect throughout Europe, only four countries recorded average price declines: Ireland (-6.0%), Italy (-0.8%), Belgium (-0.7%), and Spain (-0.1%). All the others registered increases. The latest data (for May 2021) confirm the downtrend for the same countries as in 2020 (except Belgium), and show decreases also in Denmark (-2.4%), Luxembourg (-1.2%), the Netherlands (-0.2%), and Britain (-11.9%). In these countries, as in Italy, we are witnessing the price reductions gradually accorded to motorists owing to the decline in claims in connection with reduced use of vehicles.

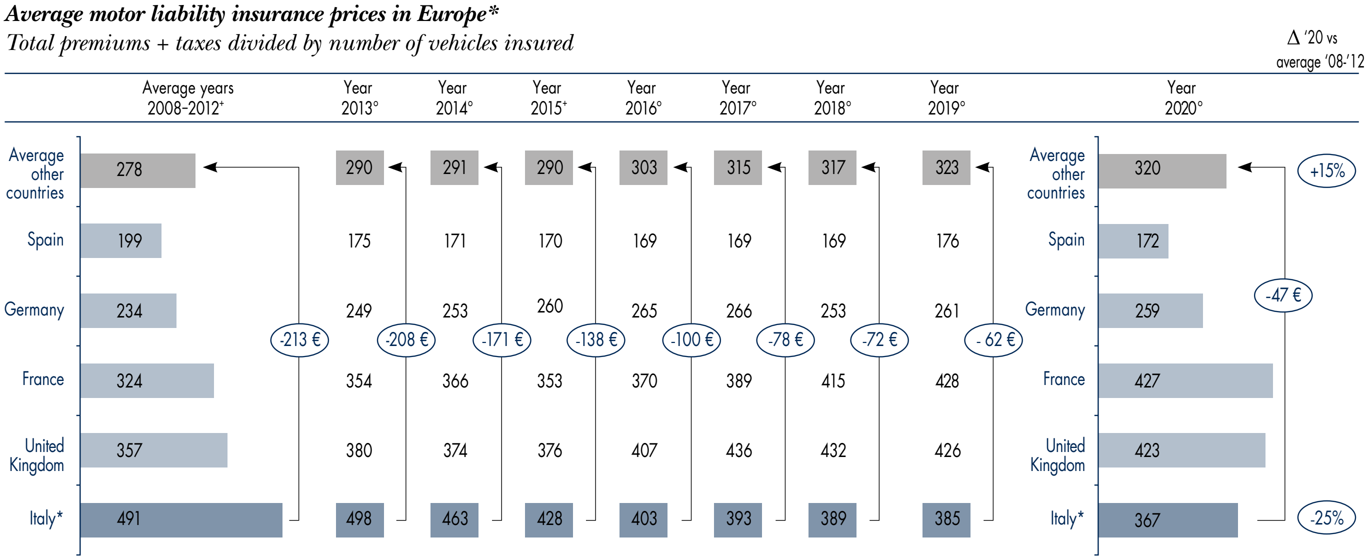
Table 3
Change in transport equipment insurance price index (%)

	AVERAGE FOR YEAR							TOTAL	12-MONTH CHANGE
	2014	2015	2016	2017	2018	2019	2020	2014-2020	May 2021 - 2020
Italy	-2.7%	-1.8%	-0.1%	1.4%	1.0%	-0.4%	-0.8%	-3.3%	-1.4%
Austria	1.9%	1.7%	1.8%	2.0%	1.5%	-0.2%	1.4%	10.4%	1.1%
Belgium	1.3%	0.5%	0.1%	-0.3%	-1.3%	-1.1%	-0.7%	-1.6%	3.1%
Denmark	12.4%	1.9%	-0.1%	-2.3%	1.1%	-2.5%	1.8%	12.1%	-2.4%
Finland	3.9%	6.0%	2.7%	1.0%	1.2%	1.0%	3.2%	20.6%	2.8%
France	-0.2%	1.7%	1.3%	1.4%	3.2%	3.0%	2.6%	13.7%	1.8%
Germany	1.7%	-1.6%	2.1%	0.3%	-4.7%	3.5%	0.8%	1.9%	0.9%
Greece	-8.9%	-9.1%	-3.9%	-3.3%	-1.1%	0.3%	0.9%	-23.0%	0.6%
Ireland	6.0%	19.6%	24.6%	-5.7%	-8.7%	-4.9%	-6.0%	21.5%	-5.2%
Luxembourg	1.8%	0.1%	1.7%	0.0%	1.0%	1.4%	0.5%	6.6%	-1.2%
Norway	0.2%	3.4%	2.1%	6.2%	3.9%	5.2%	3.7%	27.5%	-0.2%
Netherlands	1.0%	0.2%	-0.4%	-0.5%	1.6%	4.2%	5.9%	12.4%	6.5%
Spain	0.7%	1.8%	2.5%	2.6%	1.7%	2.1%	-0.1%	11.9%	-1.3%
Sweden	1.2%	1.9%	-0.1%	0.2%	0.2%	-1.4%	1.2%	3.2%	0.0%
EU 27	0.5%	0.4%	2.7%	2.3%	-0.3%	1.9%	0.6%	7.1%	0.3%
UK	2.1%	3.0%	11.9%	10.9%	-3.9%	-1.4%	2.0%	26.1%	-11.9%

Source: Eurostat; for the UK, Office for National Statistics

Accordingly, the gap between Italian prices and those in the other main countries narrowed once again. 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. But an update of this study has found that the gap diminished to €138 in 2015. Using the trends in motor liability price indices released by Eurostat, ANIA has estimated that the gap has since narrowed further, and in 2020 was just €47 (Figure 2).

Figure 2
Average motor liability insurance prices in Europe*
Total premiums + taxes divided by number of vehicles insured



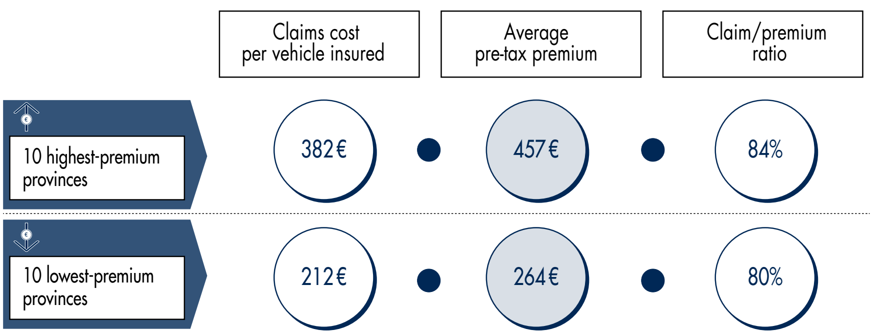
(+) Source: BCG, "Documento Finale Confronto sul Mercato RCA in Europa"
(°) ANIA estimates based on Eurostat and Insurance Europe data
(*) The slight differences between the premium for Italy given here and that from IVASS's IPER survey are due to the fact that IVASS counts only private passenger cars

An additional Boston Consulting Group study focuses on geographical differences within Italy in the determinants of motor liability prices, proceeding to analyze the causes of inter-province price differentials.

In particular, the study exploits the technical motor liability data published annually by IVASS at province level for the main types of vehicle (passenger cars, motorcycles/scooters, trucks). The study compares the average data for the years from 2017 to 2019 (the latest available) for the ten provinces with the highest average premiums[5] and those with the lowest premiums for the vehicles available.[6]

Figura 3
Gap in average premium between Italian provinces: claims

Source: BCG, Comparison between Italian provinces and European benchmark on determinants of motor liability prices

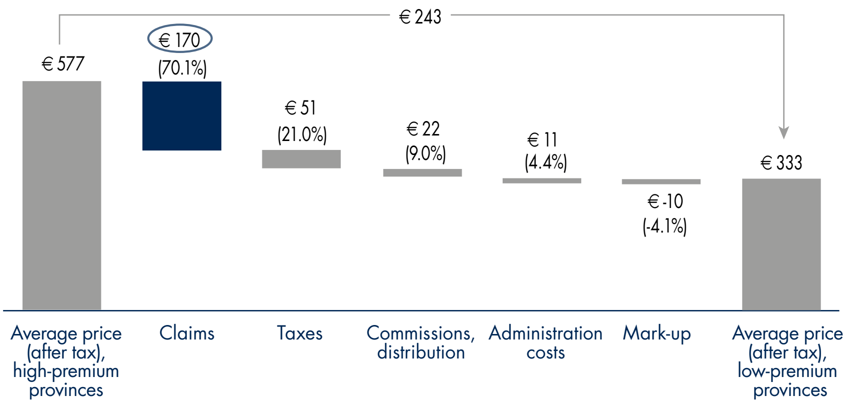


(5) Total premiums divided by number of insured.
(6) The 10 high-premium provinces are: Prato, Pistoia, Naples, Caserta, Livorno, Latina, Reggio Calabria, Crotone, Florence, and Vibo Valentia; the 10 low-premium provinces are: Siena, Grosseto, Gorizia, Massa-Carrara, Verbania-Cusio-Ossola, Bolzano, Enna, Udine, Biella, and Campobasso.

The average premium for the 10 most expensive provinces came to €457 (net of taxes and health system contribution), compared with €264 in the low-cost provinces; the difference thus comes to €193 (Figure 3). To get at the causes of this gap, average premiums were compared with the indicators of the pure cost of insurance coverage, i.e. the ratio of total claims (paid and reserved) to number of vehicles insured. For the high-premium provinces, this per vehicle cost came to €382, against €212 in the low-premium provinces, a difference of €170, similar to the difference in premiums. The ratio of the cost indicator to the average premium is the so-called loss ratio, the prime indicator of the profitability of the technical management of insurance operations, showing the proportion of premium income allocated to settling claims. This indicator does not include all the direct and indirect expenses of insurance companies for the proper management of their business. The data show that the loss ratios for our two groups of provinces are highly similar (84% and 80%), confirming that the premiums are in fact commensurate with claims and the territorial differences in premiums are due essentially to the differences in claims rates.

To complete the analysis, the study examines, in addition to claims, insurers' operating expenses (administration, distribution and commissions), mark-up, and taxes (Figure 4).[7]

Figura 4
Gap in average premium between Italian provinces: all components



Source: BCG, Comparison between Italian provinces and European benchmark on determinants of motor liability prices

Of the difference between the total after-tax premium of €577 in the high-price and that of €333 in the low-price provinces, 70 percent (€170) is accounted for by the difference in claims rates and 21 percent (€51) by differences in provincial tax rates on motor liability insurance. About 13.4 percent of the difference (€33) is due to the commission and administration costs, while the difference in mark-up between the low- and high-cost provinces narrows the gap by just 4.1 percent (€10).

(7) Commission expenses and distribution costs are divided among the provinces in proportion to written premiums, while administration costs are subdivided half in proportion to premiums and half according to number of vehicles insured. The mark-up is the complement to 1 of the distribution of the various premium differentials.

DIRECT INDEMNITY

CALCULATION OF THE SINGLE COMPENSATION AMOUNTS FOR 2021

The Technical Committee has set the single compensation amounts for payments between insurance companies for 2021 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 2021, no deductible was deemed necessary in view of the average costs of these claims at 31 October 2020).

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 2020, which are sufficiently representative of the costs of the claim generation needed to determine the compensation amount.

This year one must consider that the traffic restrictions enacted to combat the covid-19 epidemic abruptly altered the historical pattern of the statistics in this area, sharply reducing claims rates in 2020 for both classes of vehicle (the number of claims for damage to vehicles and property fell by a third and that of personal injury claims by over 40 percent). Nevertheless, 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 revealed a moderate increase in 2020 in indemnities for damage to vehicles and property transported both for the class of "motorcycles/scooters" and for other vehicles. The average settlement for injury to driver also rose in both classes, but more modestly.

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[1] Measure 79 abrogates IVASS Measure 18 of 5 August 2014 but maintains the articles relative to determination of the single compensation amounts.

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 30/06/2021	1,498	1,498	1,498	1,680	1,680	1,680
Adjustment coefficient by area	*1,28*	*1,00*	*0,84*	*1,19*	*1,00*	*0,85*
Average cost of claims by mac-ro-area	1.923	1.498	1.254	1.991	1.680	1.436

PER MEMORIA:

	2014	2015	2016	2017	2018	2019	2020	2021
Average cost of damage to vehicle and property transported (€) (*)	1,651	1,556	1,550	1,559	1,588	1,601	1,628	1,661
Change %	*3.3%*	*-5.8%*	*-0.4%*	*0.6%*	*1.9%*	*0.8%*	*1.7%*	*2.0%*

(*) Average cost for all sectors

The reference values for 2021 were set on the basis of the average costs of definitive settlement of claims of all the claim generations available (2009-2020). 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 amounts so derived were then applied, as usual, to the average cost of the first claim generation, which already includes one year of development (calculated as the weighted average of average costs observed for the last three generations available: 2017, 2018, 2019). This enabled us, among other things, to limit the effects of the anomalous developments of 2020 on our estimates of the ultimate cost of claims.

The amounts were then first projected through December and then inflated for one additional year (given that they are to apply to all of 2021) based on the inflation forecast of 0.5% set in the Italian government's Economic and Financial Document 2020 update.

The base value for average cost of property damage is:

– €1,498 for "motorcycles/scooters"
– €1,680 for the broader class of "other vehicles".

The base value for average cost of mild injury to driver is:

– €4,425 for "motorcycles/scooters"
– €2,286 for the broader class of "other vehicles".

Determination of geographical adjustments

The CONSAP statistics on settlements of claims incurred from 1 January 2016 to 31 October 2020 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).

For "motorcycles/scooters", provinces with fewer than 450 claims were excluded, given the high volatility of costs there.[(2)] These provinces were then all classed in the central group. The determination of the groups also factored in the new province structure of Sardinia. In particular, for the years through 2017 the old data on the provinces of Medio-Campidano and Carbonia-Iglesia (combined in the new province of Sud Sardegna) were aggregated; those of Olbia-Tempio (abolished) included in Sassari, and those of Ogliastra (abolished) in Nuoro. Starting in 2018, insurers have classified the data directly in the new provinces.

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, for 2021 a derogation was 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 2017 generation.

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	1,923	1,498	1,254	*99,40%*	1,991	1,680	1,436	*99.94%*
Average cost of personal injury to driver with permanent disability of less than 9%	4,425	4,425	4,425	*37,78%*	2,286	2,286	2,286	*7.81%*
Average cost of claims by province group	3,583	3,161	2,918		2,168	1,857	1,613	
SINGLE CARD-CID AMOUNT (*)	3,582	3,160	2,917		2,172	1,860	1,616	

(*) Amounts obtained by re-basing, rounding the central class down to the nearest 10 euros

(2) Through last year the cut-off was 500 claims. This year the Technical Committee elected to reduce the value by 10 percent in order to remodulate it with respect to the multi-year downtrend in claims. Hence the threshold was lowered from 500 to 450.

REGULATORY AND JUDICIAL DEVELOPMENTS

"SOFT," SUSTAINABLE MOBILITY – THE CHANGES TO THE HIGHWAY CODE RULES ON E-BIKES AND E-SCOOTERS: THE NEW INSURANCE SCENARIO

The last few years have seen an extraordinary process of integration, interconnection, and rapid technological change in modes of mobility, with the success of alternative means of transport and of "shared" services. This development has gradually opened up the possibility, in order of priorities, of considering the utilization of a vehicle and the enjoyment of transport services as of equal or even greater importance than the ownership or possession of a means of transport. This is consistent with increasing flexibility, including mental flexibility, on the part of the population, especially in cities and metropolitan areas where there is an increasingly strongly felt need for economic, efficient and rapid movement. The mobility process is undergoing constant transformation, ever more closely integrated and connected, and subject to rapid technological change.

The motor liability insurance market is bound to change radically with the emergence of new forms of mobility (intermodal, smart, connected and shared, including self-driving cars, which are already being tested on Italian roads). Meanwhile, it has also been strongly affected by the changes produced by the covid-19 epidemic in 2020. The lockdown instituted in March reduced traffic accidents but at the same time increased mobility using private vehicles and "light" mobility by comparison with public transport, hence an increase in motor liability claims in that sphere.

The exponential increase in light or "soft" means of mobility (electric scooters and other agile equipment, ordinarily with power assistance or electric, such as segways, overboards and monowheels), has stemmed in part from the changing needs of urban mobility with the epidemic but in part also fueled or incentivated by emergency regulations. Government decrees issued starting in mid-2019 – first the "Mobility Decree" and most recently the "Relaunch Decree" – institute incentives for the use of bicycles, e-bikes and light electrically powered vehicles.

This legislation, however, makes no provision whatever concerning the insurability of such vehicles. From the insurance standpoint, the increase in soft mobility demands analysis of several specific questions:

- safety;
- heightened risk;
- protection of drivers and road users;
- design of innovative, "tailor-made" insurance products for the new mobility.

Since the “Milleproroghe” decree for 2020 establishes that e-scooters shall be treated on a par with bicycles, they are now subject to all the general Highway Code rules governing the latter. This includes Article 190 of the Code, which provides that “Circulation using boards, scooters, skates or other means of acceleration is prohibited on streets and roadways” and that “in the areas reserved for pedestrians the use of boards, scooters, skates or other means of acceleration that may create situations of danger to other users shall be prohibited.,”

As electrically propelled means of transport are considered to be vehicles, their drivers must comply with the Highway Code; as a consequence, in case of accident liability is to be assessed in accordance with Article 2054 of the Civil Code. The injured party’s right to compensation for the damages caused by these vehicles lapses after two years, save extensions where a crime is involved.

Article 122 of the Insurance Code provides that the Minister for Productive Activities shall identify the types of vehicles exempt from compulsory liability insurance, but Ministerial Decree 86/2008, issued to that end, merely repeats the content of Article 122(1) of the Insurance Code, and fails to specify which types of vehicles are exempt. The question, that is, is whether light electrical vehicles too are subject to the general principle laid down in Article 122, namely that non-track motor vehicles are banned from circulation on public roads or equivalent areas unless they are covered by liability insurance. ANIA accordingly calls for an ad hoc legislative measure to clarify the relationship between the circulation of such vehicles and the liability insurance requirement.

As to soft mobility, in collaborating with the authorities ANIA intends to seek consensus solutions that respond first and foremost to the need for greater road safety, especially on bike paths, with a focus also on the physical separation between the bike/e-bike paths and ordinary roadways. In our view, serious consideration must be given to instituting an identification requirement for these light, alternative vehicles, and in any case to ways to protect those who may be harmed, with special attention to the most vulnerable, i.e. pedestrians, cyclists, the aged. It is inconceivable, in fact, that if the driver of an e-scooter flees the scene of an accident there is no way for the injured party to obtain protection, which is a constitutionally guarantee right of all citizens. The Highway Code must be amended accordingly, and consideration must be given to the institution of a legal requirement of liability insurance for these types of vehicle.

In our view, a key priority in regulating the circulation of these vehicles is the identification of the driver/person responsible for the circulation of e-bikes and electric scooters (e-scooters). This could be done in two ways:

1) identify the vehicle via personal license plate, like that already required for mopeds and e-bikes that can attain a speed of 25 km/h, linked both to the owner and to the body/registration number of the vehicle. This solution, which is suitable in theory for identifying the person responsible for the

circulation of e-bikes, e-scooters and other light electrically powered vehicles, involves serious problems of implementation in practice;
2) identify the person responsible via the tax code of the owner of the e-bike, e-scooter or other light electric vehicle. This approach would require a new feasibility study, but initial checks with the Motor Vehicles Bureau indicate that it would involve less problems of implementation.

As to liability insurance against damages to third parties, Italy makes it mandatory only for the companies that now rent the "light" e-vehicles circulating on designated thoroughfares on an experimental basis. As a consequence, apart from rental vehicles and outside the experimental areas, to date liability for damages in case of accident falls entirely on the drivers of the vehicle that causes the accident, unless they have stipulated, voluntarily, optional general liability insurance for damages to third parties.

At present, Italian insurers offer essentially two types of coverage:

– accessory coverage under ordinary motor liability policies;
– accessory coverage under individual/household liability policies.

This coverage is also provided in the form of multi-modal mobility insurance "packages" covering the person, regardless of whether the vehicle is private or public, as long as it is specified in the policy (car, motor scooter, e-scooter, e-bike, metro, bus, etc.). In addition, insurers are now receiving numerous requests from consumers for theft policies for these vehicles, especially e-bikes; but the lack of some means of identification makes it hard for insurers to determine the true owners of the vehicles, those who are legitimately entitled to indemnity. This is a serious obstacle to the widespread adoption of theft insurance policies.

Lastly on the theme of "soft" mobility, the ANIA Foundation website's dedicated didactic/information area has inserted a new platform setting out some information on technical aspects of light electric vehicles, the rules for their use, and driving techniques, together with short, explanatory video tutorials. There is also a space dedicated to the general rules of the road, the risks of liability in the event of an accident, and the advantage of insurance, designed to elicit a new sensitivity to the insurance culture among young people.

In conclusion, ANIA calls for six actions in the sphere of "soft" mobility:

– consider instituting mandatory vehicle identification, above all for e-bikes and, more generally, for e-scooters and alternative, light vehicles, thus protecting potential damaged parties;
– protect accident victims also in the case of hit-and-run accidents;
– design a regulatory solution guaranteeing indemnity for all roadway users, regardless of the type of vehicle involved in the accident;
– amend the Highway Code in a more systematic manner;
– introduce mandatory liability insurance also for light vehicles, so as to protect road users;
– promote proper driver education to make users understand that driving an e-scooter too always means circulating "in traffic".

IVASS LETTER TO THE MARKET ON PROVISION 72/2018 ON ASSIGNMENT OF UNIVERSAL CONVERSION MERIT CLASS

On 30 April IVASS posted on its website a letter to the market concerning Measure 72/2018, with a guide to interpretation on the assignment of liability policies to Universal Conversion merit classes (UC), in particular annual policies with missed premium payment installments. For these cases, governed by Articles 5 and 6 of Measure 72, ANIA and insurers had requested operational clarification and had conducted legal, technical talks with the supervisor.

The market letter confirms that the worst merit class (UC 18) is to be assigned to annual liability policies with unpaid premium installments where the policyholder stipulates another liability contract with a different insurance company after the deadline for the unpaid installment and the previous contract has not been legally rescinded.

In a change from past practices, IVASS also allowed for the possibility of maintaining the previous merit class for an annual policy with unpaid installments where the policyholder attests that the vehicle has not been driven since the deadline for the unpaid installment. ANIA and the insurers expressed serious doubts about this possibility, both in legal terms, insofar as continuous observation of risk is lacking, and in operational terms, given the potential for improperly exploiting this new interpretation. The final supervisory evaluation, however, remained the foregoing.

Further, IVASS extended the retention of the UC merit class beyond the cases already envisaged in Measure 72/2018 (to policyholders with disabilities, companies, multi-ownerships, etc.).

All in all the market letter’s interpretation of Measure 72/2018 would appear to further extend the list of cases in which the insured’s UC merit class is maintained. This extension follows that instituted in 2020 with the new “family bonus” (the 2020 fiscal decree), which extended the previously existing bonus also to different types of vehicle and to contract renewals.

In view of this set of interventions, ANIA and its member companies have only strengthened their conviction that by now the bonus-malus system has lost efficacy as a real incentive for more prudent driving on the part of the insured and accordingly that we must develop a proposal for IVASS and the competent institutional authorities for a thorough revision of the system such as to reward good driving and penalize conduct that puts all road users at risk.

TABLES FOR COMPENSATION FOR SEVERE PERMANENT INJURY: STATE OF IMPLEMENTATION AND ANIA'S CONSIDERATIONS

On 13 January 2021 the Ministry for Economic Development opened a 15-day public consultation on the draft presidential decree containing the single Table, for the entire national territory, on compensation for severe permanent psychological and physical injuries (from 10 to 100 percent disability) and the monetary value to assign to every single point of disability, including coefficients of variations corresponding to the age of the injured party, for indemnification of the biological damage in connection with these severe personal injuries for purposes both of motor liability insurance and for medical malpractice, referred to in Articles 138 and 139 of the Insurance Code.

ANIA and our member companies appreciate the Ministry's initiative, as we have always called for the development of a single Table for biological damage from severe permanent injury ("macropermanent" injuries) in order to ensure uniform treatment of victims throughout Italy, regardless of changeable, inconsistent decisions of single local courts. For insurers, this means that once this decree is implemented they will be able to offer greater certainty in the phase of settlement reservation and thus help stabilize the price of motor liability insurance, among other things by containing litigation in the medium term (at the end of 2019 some 221,000 civil and criminal cases were pending before the courts).

Examination of the economic part of the draft Decree indicates that the values of the Ministerial Table are comparable in level and range to those of the Milan Table, with all the deviations imposed by specific cases and disregarding the possibility of personalizing damages up to the legal maximum of an increase of 30% "in the presence of totally anomalous, peculiar damaging consequences."

In this context the method instituted for calculating moral damages – which represents a change from the long-standing method of the Court of Milan) – required special reflection, insofar as the introduction of tripartite ranges – minimum, medium, maximum – delineated an equal number of possible impacts of the new Table. ANIA stressed that an initial estimate suggests a modest reduction in expected claim costs (hence in motor liability premiums) in the case of application of the minimum moral damages percentage, while application of the maximum would imply practical alignment with the Milan Table. These initial impact assessments will have to be supplemented by factoring in the potential effects of the forensic-medical Table.

In conclusion, we formulated an overall positive initial assessment of the impact of the economic Table on motor liability compensation for severe permanent injury, on condition that due consideration is given to the uncertainty, far from negligible, that surrounds the possible trend in litigation given the tripartite parameter for moral damages and the possible litigation stemming from the application of personalization, depending on whether the latter refers to biological and moral damages both or to biological damages alone, as in a recent Court of Cassation sentence.

As to the forensic medical scale table, our most serious doubts reflect the fact that the new scale fails to take due account of technological advances in medicine. Treatments apply far more sophisticated, innovative methods now than in 2004, when for the most part the tables examined here were developed by a committee of forensic medical experts convened to produce the single national table for permanent disability of 10 to 100 points. It was observed that the Table proposed by the Ministry retains the previous framework in its entirety as well as the table items, supplemented by an additional 86 valuations over and above the 158 in being since 2004, bringing the total to 244, with appreciable emphasis on psychological damage and damage to eyesight. The additional items are drawn for the most part from other scales, and not infrequently augmented by several points. We have accordingly pointed out to the Ministry that, although the implementation of the items has been revised, the scale framework remains that of 20 years ago, based on criteria and methodologies of assessment that are now superseded.

Accordingly, ANIA has requested the rapid institution of a new, ad hoc Scientific Committee to verify the forensic medical portion of the draft Decree, which is certainly more problematic than the economic portion, so as to avert the danger that the new tables may retain, as in the unanimous judgment of the forensic medicine experts it does, obsolete, a-technical elements. Finally, it was reaffirmed that it is not up ANIA or the insurance companies to determine the level of compensation in the highly delicate area of severe and fatal injuries resulting from traffic accidents and, more recently, also from medical malpractice. These are naturally matters for social and economic policy choices, as there is no impediment to Italian legislation's mandating compensation of non-economic damages more extensive than in other European countries, as is already the case.

At the same time, however, it was again underscored that the choices of the various competent ministries on implementation of the damage tables must be carefully considered in terms of the economic sustainability of the entire system, because this will have decisive impact on the prices of motor liability insurance in Italy in the years to come.

THE MILAN TABLES FOR SEVERE INJURY, 2021 EDITION

On 10 March 2021 the Milan Civil Justice Observatory released the new Tables for settlement of non-economic damages due to lesion of physical soundness and the loss or serious lesion of family relations, together with the application criteria. Among the main innovations, the Observatory first updated the Tables on the basis of the ISTAT price index from January 2018 to January 2021, revaluing the table values by 1.38%.

The tables were then revised in their graphic presentation, specifically showing the monetary addends of the individual components of non-economic damages (biological and moral). The terminology of the column headings was also updated to recognize that the non-economic damage items, previously "biological damage" and "moral damage/pain and suffering" are now termed, in jurisprudence and legal doctrine, "biological/dynamic relational damage" and "damage from internal, subjective suffering".

In this regard, it must be noted that in the past two years the method used in drawing up the Milan tables has been repeatedly censured by the Court of Cassation, which rejected, in part, the method for constructing the value of variable disability points, with special reference to moral suffering; this type of suffering should always be verified properly and separately, whereas in the previous version it appeared to be recognized by default and compensated automatically, via a set percentage increase to the biological damage component.

The versions released between 2009 and 2018, in fact, augmented each point of biological damage by an expressly specified percentage (progressive up to a maximum of 50%), thus creating the variable point for "non-economic damages," quantified singly and overall. Failing clear methodological indications, in practical application that value was taken systematically as the basis for calculating indemnification, with no verification of the actual existence of the grounds for its application. Thus, for example, using the 2018 tables, a disability of 20 percent was quantified, in practice, taking as parameter the augmented value of the "non-economic" point (€4,397.07) instead of the base "biological" point (€3,233.14).

This "automatic" and generalized practice in applying the tables was not criticized by the Court of Cassation until it began to deviate from the 2008 ruling of the full Court, affirming the necessity of compensating non-economic damage not equally in all cases but only after proper, separate verification of the existence and extent of the single items making it up (biological and moral suffering).

In the 2021 edition, the Milan Court Observatory sought to address this criticism of the "automatic" nature of the calculation, but without negating the suitability of its method or significantly altering the money values set out earlier or the trend in the curve of settlement amounts. In the Observatory's view, the 2018 edition too supplied, albeit without expressly naming them, all the parameters needed for separate assessment of the various damage components, and there is nothing to prevent independent estimate of moral damages, detaching the latter from the augmented "non-economic" point and bringing out the biological component alone. The Observatory held that the fact that actual practice adopted the "shortcut" of always applying the aggregate value was due not to a defect in the Tables but to their improper use.

In this year's reformulation, the Tables are updated by simply "retouching the graphics," as the accompanying report says, to specify, for ease of reading, the monetary addends of the single non-economic damage components. This permits immediate identification and reminds the interpreter of the need to estimate existence and extent of these components separately, in order to motivate the choices made. The new Tables, different in graphic form but not in substance, are thus intended to be a tool for more efficient, uniform valuation of the various parameters of non-economic personal damage, even if considered overall. That is, a damage variable which until yesterday was immune to inquiry and was settled, in practice, on an automatic basis (as non-economic damages including the augmentation for moral suffering) must now be subjected to specific allegation and demonstration, if still on a presumptive basis.

The Observatory also proposes a new question for the forensic medical examiners, so that in addition to ascertaining the percentage of biological/dynamic relational damages, they can also estimate (with the assistance of a specialist, if necessary) the pain and suffering in connection with the disability, describing it via an "objective scale increasing in intensity" (none/extremely low/low/average/high/extremely high), so that the Court can reach a more equitable final judgment. In the light of such inquiry, the judge can then decide:

a) whether or not to grant compensation for moral damages;
b) if so, whether to set the amount equal to the augmentation indicated in the Table or larger or smaller, depending on the single case. It is important to note that the new terminology set out in the Table refers to an increment to "presumed average damages from internal, subjective suffering, as % of biological damage". This suggests that where actual moral damages are lower or higher than average, judges could apply the increment only partially or else, where appropriate, augment it further, in accordance with their own prudent evaluation.

Such a fundamentally open assessment formula might risk making settlement agreements between the parties more complicated than in the past, as it could give rise to sharp disagreement precisely over that specific damage item (suffering), which is harder to verify and often lies more in the story of the person who claims to have suffered than in any objective evidence.

Furthermore, the parceling of damage components is applied also to temporary disability, whose total amount (€99.00) has also been split, with separate values for temporary disability and internal, subjective suffering (€27.00); this latter item had never before been quantified independently (without prejudice to possible further personalization, limited as previously to an increment of up to 50%).

The Italian society of forensic medicine and insurance (Società Italiana di Medicina Legale e delle Assicurazioni) observes that as far as the new forensic-medical question is concerned, the new approach, instead of being of assistance to medical examiners inevitably carries the risk of uncertainty, in that on closer inspection the change to the framework is more formal than substantive. Our own view is that it is surely more important to give significant consideration to the proper training of forensic medical examiners in view of their specific activity, both in and out of court.

Another change to the Tables concerns the criteria used to guide settlement of non-economic damages owing to the absence or inadequacy of informed consent in the field of medical malpractice. The Observatory finds four types of violation of the right to self-determination, depending on the severity of the harm done to this right as ascertained concretely. The greater or lesser intensity of the damage to self-determination to be indemnified is valued by the Court on the basis of the recurrence of previous sentences taken as samples of certain circumstances in motivating the amount of the settlement award. Accordingly, a scale of severity of the violation of the right to self-determination has been developed, with four bands of monetary settlement amounts, in an effort to reproduce as closely as possible the results of the sample of court rulings. The circumstances taken into consideration are:

- impact on the health of the party damaged by a medical procedure not preceded by adequate informed consent;
- the characteristics of the medical procedure not preceded by adequate informed consent;
- the personal characteristics of the damaged party;
- the extent of suffering;
- the characteristics of the failure to perform the information obligation.

The monetary bands are: €1,000-€4,000, €4,001-€9,000, €9,001-€20,000, and over €20,000.

INTERNATIONAL DEVELOPMENTS

The Motor Insurance Directive: State of advancement of the revision by EU institutions and matters of greatest interest to Italy

The trilateral discussion on revision of the Motor Insurance Directive (MID) between Commission, Parliament, and European Council has continued in 2021. The revised Directive, after publication in the *Official Journal of the European Union*, must be transposed into Member State legislation within 24 months.

ANIA has taken part in the discussion through our membership in Insurance Europe, the European federation of insurers. As appropriate, we have emphasized the aspects of greatest interest to the Italian market. In particular, within Insurance Europe, there has been discussion of a number of key points:

1) scope of the revised Directive;
2) claims history statement;
3) periods of limitation of coverage;
4) programs for comparing premiums;
5) insolvency;
6) vehicles dispatched;
7) accidents involving trailers.

For more details on the revisions relating to point 1), scope, point 2) risk attestation, and 5) insolvency, see the discussion of the Motor Liability Directive in Chapter 12 (European Union and covid-19).

6

OTHER NON-LIFE INSURANCE

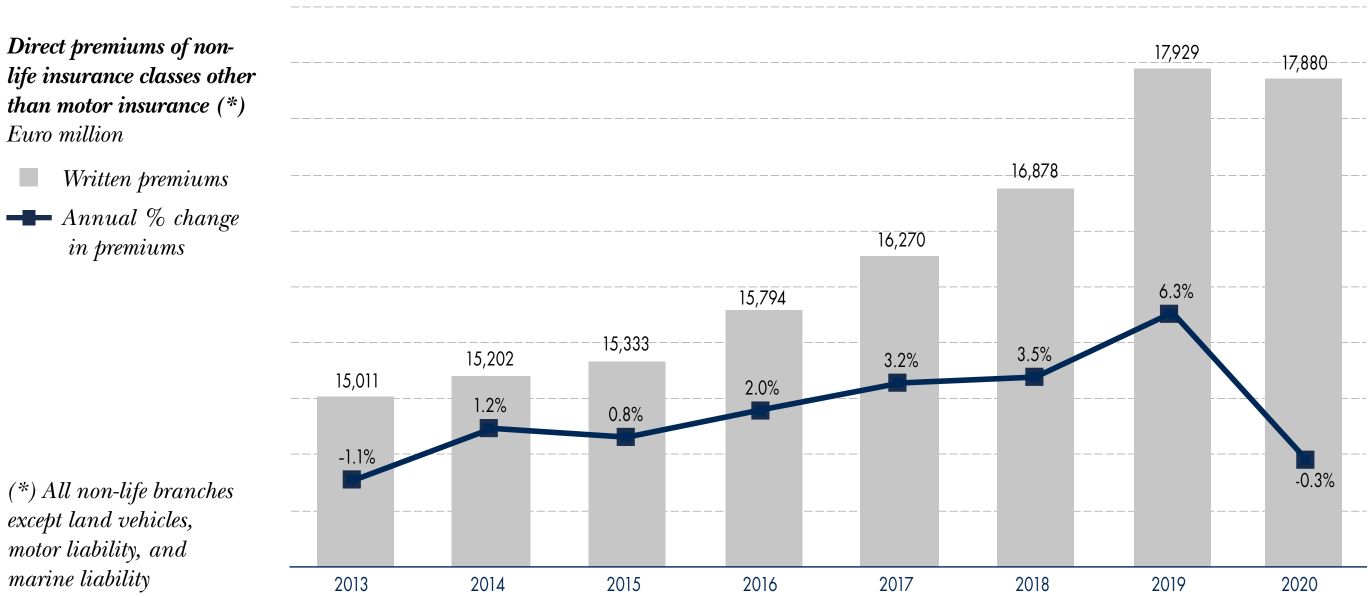
OTHER NON-LIFE INSURANCE

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), after six years of constant growth, went down in 2020 from the previous year due to the pandemic, even if only marginally (-0.3%). The combined ratio improved slightly by comparison with 2019; however, due to a negative reinsurance result and lower investment income, the overall result has dropped, even if remaining positive.

NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR INSURANCE

The spread of the pandemic and the more or less severe containment measures heavily affected premium income in all the other non-life insurance classes (other than motor liability). Before this serious crisis, the other non-life insurance classes had shown an uninterrupted period of growth from 2014 to the first two months of 2020. Considering only March-May 2020, premiums in this class went down by 6.1% from the same period of 2019. In particular, among the most representative classes in terms of written premiums, the sharpest drop in this three-month period was in the sickness (-8.4%), accident (-8.0%) and general liability classes (-7.9%); fire insurance premiums and other damage to property remained substantially unchanged. In the second half of the year there was a progressive rebalancing of the contractions and the non-life classes other than motor liability regained substantial stability (+0.1%) *vis-à-vis* the same period of 2019. More specifically, premiums in the accident and sickness classes shrank by 1.0% and 3.2% respectively, while other property damage, fire and general liability went up by 0.8%, 2.1% and 4.2% respectively; also the legal expenses (+5.4%), credit (+5.9%) and suretyship (+7.5%) classes increased considerably in the second half.

Direct premiums of non-life insurance classes other than motor insurance (*)
Euro million



(*) All non-life branches except land vehicles, motor liability, and marine liability

OTHER NON-LIFE INSURANCE

On the whole, non-motor insurance classes gradually recovered from the significant drops during the months of lockdown, reaching €17,880 million of **written premiums** at the end of the year, slightly down (-0.3%) from the 2019 premium income. The following classes showed a positive variation in 2020, in spite of the severe crisis: other property damage (+1.8%), assistance and fire (+2.0%), general liability (+2.3%), suretyship (+2.4%), legal expenses (+6.4%), credit (+6.7%), ships (+8.8%), aircraft liability (+10.5%) and aircraft (+13.1%). Conversely, the following classes recorded negative variations: accident (-2.2%), sickness (-2.3%), railway rolling stock (-2.9%), goods in transit (-5.7%) and financial loss (-23.9%).

Earned premiums, calculated as the difference between written premiums and the changes in premium reserves and other balance items, amounted to €17,562 million, with 2.2% growth compared with 2019.

The **incurred claims cost**, defined as the sum of settlement costs and amounts reserved for claims incurred in 2020, amounted to €10,313 million, down by

Non-life insurance classes other than motor insurance (excluding land vehicles insurance and motor and maritime liability)
Euro million

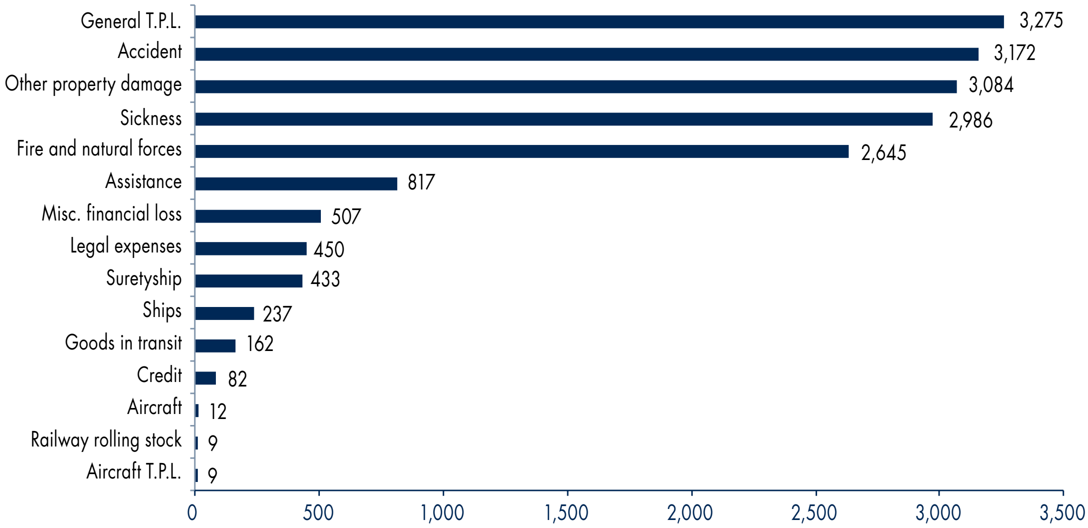
	2013	2014	2015	2016	2017	2018	2019	2020
Gross written premiums	15,011	15,202	15,333	15,794	16,270	16,878	17,929	17,880
Changes in premium reserve and other items (-)	- 105	- 28	1	181	397	434	742	319
Incurred claims (-):	9,183	8,924	8,263	8,124	8,555	8,612	9,025	8,952
- incurred claims cost for the current year (-)	9,657	9,613	9,196	9,304	9,865	10,075	10,604	10,313
- excess/shortfall of reserves for previous years claims	474	689	933	1,179	1,310	1,463	1,578	1,361
Balance of other technical items	- 335	- 375	- 462	- 426	- 413	- 380	- 394	- 481
Operating expenses (-)	4,605	4,720	4,854	5,063	5,242	5,442	5,736	5,724
- commissions	3,182	3,256	3,315	3,497	3,636	3,762	3,922	3,881
- other acquisition costs	686	723	767	736	739	784	866	877
- other administration costs	737	741	773	830	866	896	949	966
Direct technical balance	**993**	**1,211**	**1,753**	**1,999**	**1,664**	**2,010**	**2,031**	**2,404**
Investment income	554	587	584	512	586	367	640	381
Direct technical account result	**1,546**	**1,798**	**2,337**	**2,511**	**2,250**	**2,377**	**2,671**	**2,785**
Reinsurance result	- 726	- 572	- 469	- 507	- 180	- 270	- 428	- 822
Overall technical account result	**820**	**1,226**	**1,868**	**2,003**	**2,070**	**2,107**	**2,244**	**1,963**
Annual % change in premiums	- 1.1%	1.2%	0.8%	2.0%	3.2%	3.5%	6.3%	- 0.3%
Combined ratio	**91.4%**	**89.6%**	**85.6%**	**84.1%**	**86.1%**	**84.6%**	**84.5%**	**83.0%**
- Expense ratio	30.7%	31.0%	31.7%	32.1%	32.2%	32.2%	32.0%	32.0%
- Commissions/ Written premiums	21.2%	21.4%	21.6%	22.1%	22.4%	22.3%	21.9%	21.7%
- Other acquisition costs/Written premiums	4.6%	4.8%	5.0%	4.7%	4.5%	4.6%	4.8%	4.9%
- Other administration costs/Written premiums	4.9%	4.9%	5.0%	5.3%	5.3%	5.3%	5.3%	5.4%
- Loss ratio:	60.7%	58.6%	53.9%	52.0%	53.9%	52.4%	52.5%	51.0%
- Loss ratio for the current year	63.9%	63.1%	60.0%	59.6%	62.1%	61.3%	61.7%	58.7%
- Excess/shortfall of reserves for previous years claims/Earned premiums	3.1%	4.5%	6.1%	7.6%	8.3%	8.9%	9.2%	7.7%
Technical balance/Earned premiums	**6.6%**	**8.0%**	**11.4%**	**12.8%**	**10.5%**	**12.2%**	**11.8%**	**13.7%**
Technical account result/Earned premiums	**10.2%**	**11.8%**	**15.2%**	**16.1%**	**14.2%**	**14.5%**	**15.5%**	**15.9%**
Overall technical account result/Earned premiums	**5.4%**	**8.0%**	**12.2%**	**12.8%**	**13.0%**	**12.8%**	**13.1%**	**11.2%**
Premiums to total non-life premiums ratio	44.6%	46.3%	47.9%	49.4%	50.4%	51.0%	54.2%	53.4%

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

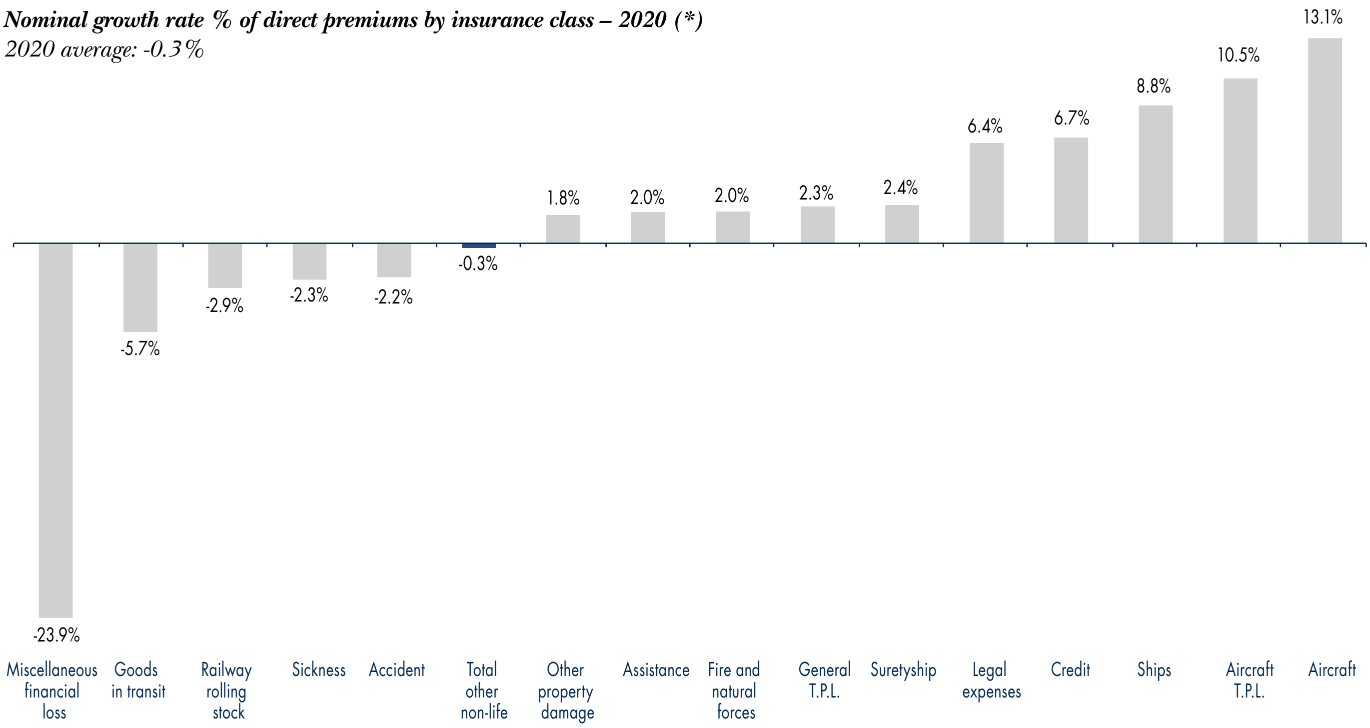
2.7% from 2019. Since this cost item decreased while premiums grew, the loss ratio improved (from 61.7% in 2019 to 58.7% in 2020).

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 €8,952 million, down about 1.0% over 2019. Since there was a drop in positive freeing-up of the amount reserved for claims incurred in previous years (€1,361 million in 2020, €1,578 million in 2019) for an amount nearly equal to the decrease in incurred claims, the incurred claims cost for 2020 remained almost unchanged from 2019.

Premiums from direct domestic business by insurance class – 2020
Euro million



Nominal growth rate % of direct premiums by insurance class – 2020 (*)
2020 average: -0.3%

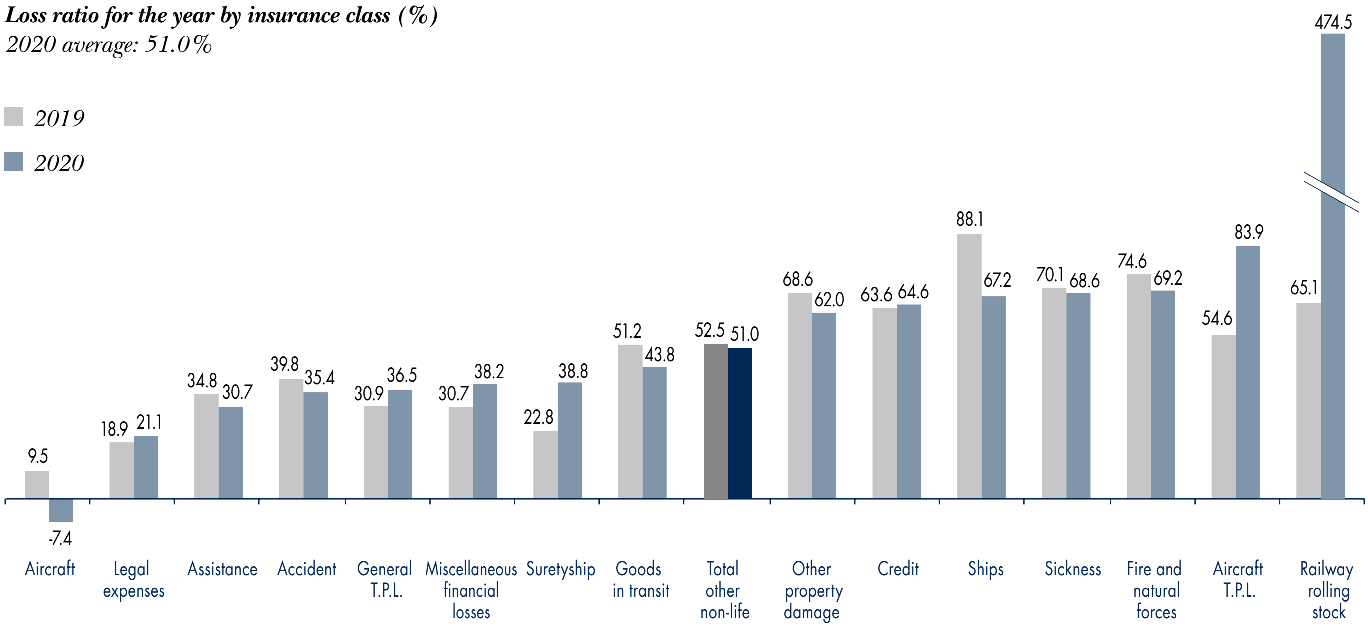


(*) Change calculated in homogeneous terms

OTHER NON-LIFE INSURANCE

The loss ratio to earned premiums improved slightly (from 52.5% in 2019 to 51.0% in 2020) due to the drop in incurred claims costs and the growth in earned premiums. The classes where the loss ratio improved and whose incidence in terms of premiums is higher than the others were accident, whose loss ratio dropped from 39.8% in 2019 to 35.4% in 2020, other damage to property (from 68.6% to 62.0%), sickness (from 70.1% to 68.6%) and fire (from 74.6% to 69.2%). The class showing a deterioration was general liability, whose loss ratio increased from 30.9% in 2019 to 36.5% in 2020.

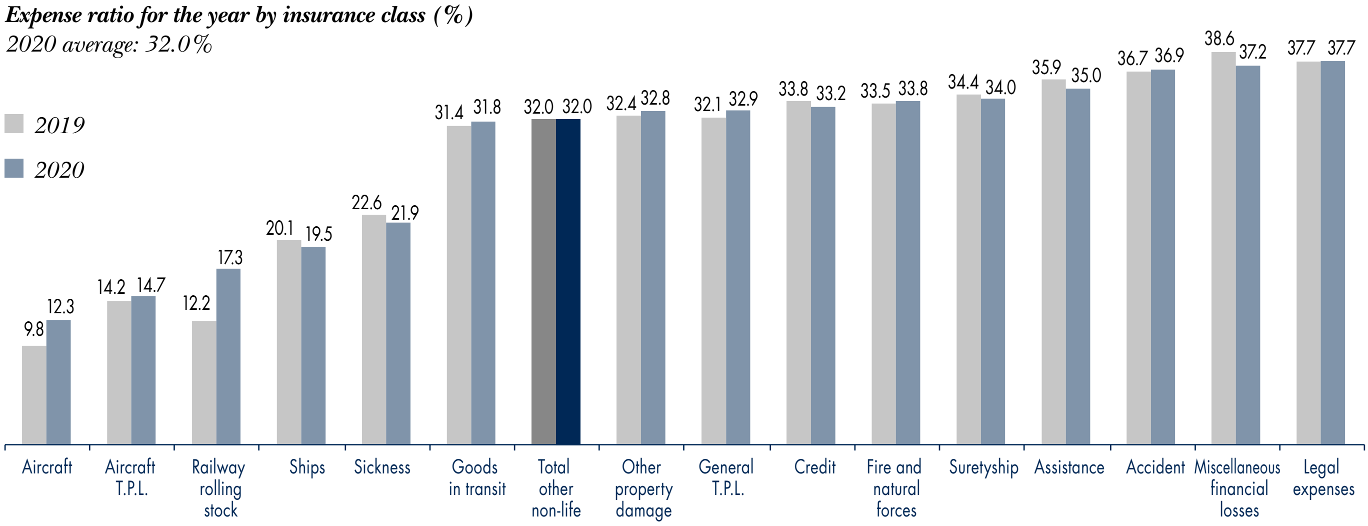
Loss ratio for the year by insurance class (%)
2020 average: 51.0%



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 €5,724 million in 2020 (€5,736 million in 2019). The ratio of expenses to premiums was 32.0%, the same as in 2019. In particular, the ratio of agent commissions to premiums dropped from 21.9% in 2019 to 21.7% in 2020, whereas that of other acquisition costs went up from 4.8% to 4.9% and that of other administration expenses from 5.3% to 5.4%. The business segments with the highest indicators were legal expenses (37.7%), miscellaneous financial loss (37.2%), accident (36.9%), assistance (35.0%) and suretyship (34.0%). Lower ratios, under 20%, were recorded for aircraft (12.3%), aircraft liability (14.7%), railway rolling stock (17.3%) and ships (19.5%).

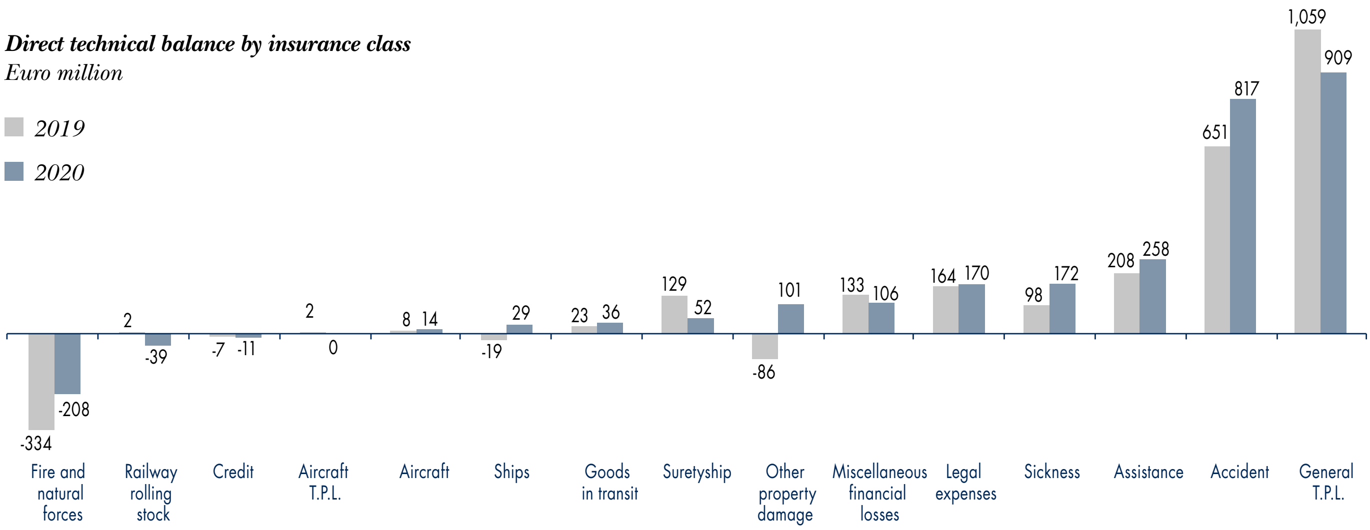
OTHER NON-LIFE INSURANCE

Expense ratio for the year by insurance class (%)
2020 average: 32.0%



The **technical balance** for direct business was positive by €2,404 million (up from €2,031 million in 2019). More specifically, positive balances exceeding €150 million were scored by legal expenses (€170 million, €164 million in 2019), sickness (€172 million, €98 in 2019) assistance (€258 million, €208 million in 2019), accident (€817 million, €651 in 2019) and general liability (€909 million, €1,059 in 2019). The balance was negative for fire insurance (-€208 million), railway rolling stock (-€39 million) and credit (-€11 million).

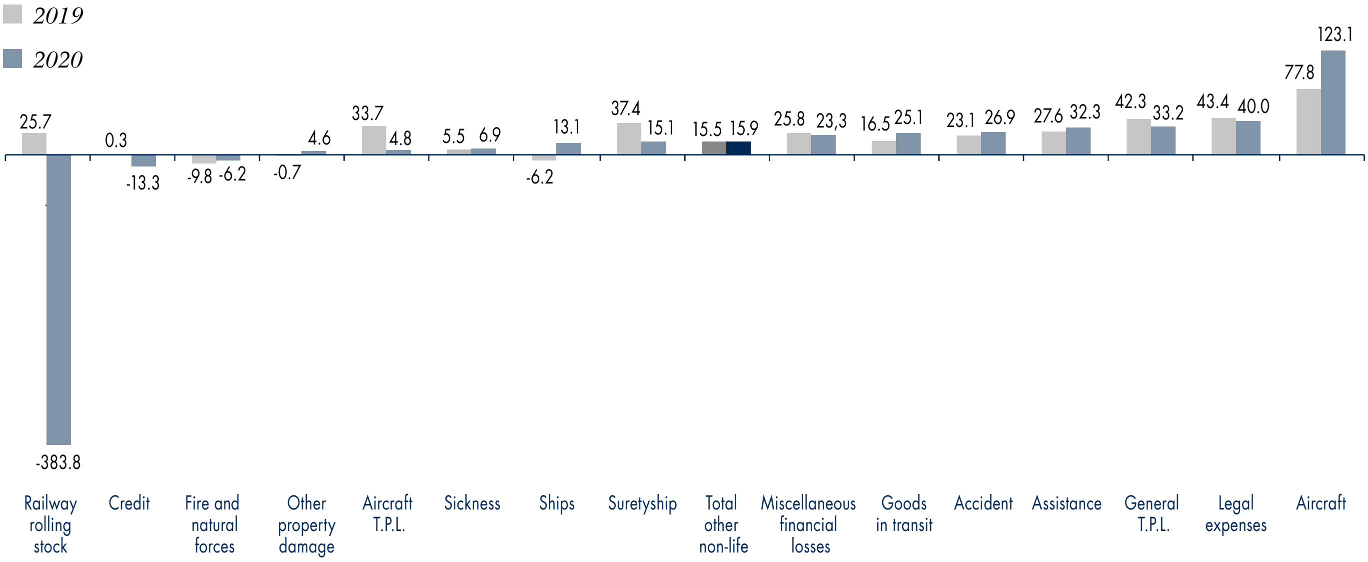
Direct technical balance by insurance class
Euro million



However, considering that investment income was almost halved from 2019, totaling €381 million in 2020 (€640 in 2019), the **direct technical account result** was positive by €2,785 million, with only limited growth from €2,671 million in 2019; the ratio of the overall technical balance to earned premiums was equal to 15.9% (15.5% in 2019). More specifically, negative or below-average ratios were scored in the following lines: railway rolling stock (-383.8%), credit (-13.3%), fire (-6.2%), other property damage (+4.6%), aircraft T.P.L. (+4.8%), sickness (+6.9%), ships (+13.1%) and suretyship (+15.1%). Among the most important

OTHER NON-LIFE INSURANCE

Incidence of overall technical account result on earned premiums by insurance class (%)
2020 average: 15.9%

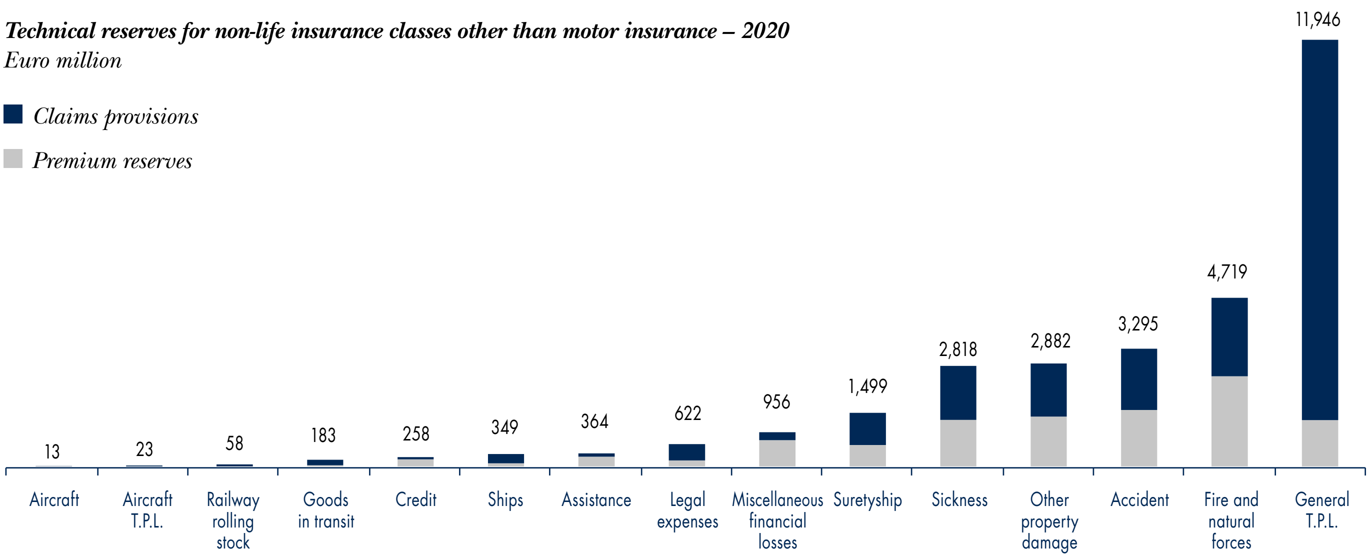


classes in terms of premiums, general third-party liability (33.2%) and accident insurance (26.9%) scored particularly well.

Counting also the balance for reinsurance (negative by €822 million, with a sharp drop from the -€428 million of 2019), the **overall technical account result** was positive by €1,963 million (down from €2,244 million in 2019), equal to 11.2% of premiums (13.1% in 2019).

The **direct technical reserves** of non-life insurance classes other than motor insurance, net of sums to be recovered from policyholders and third parties, amounted to €29,983 million in 2020; premium reserves totaled €10,205 million and claims reserves €19,778 million. General liability was the business segment with the highest technical provisions (€11,946 million counting claims and premium reserves for 2020); total provisions top €3 billion for accident (€3,295 billion) and fire insurance (€4,719 billion).

Technical reserves for non-life insurance classes other than motor insurance – 2020
Euro million



NATURAL DISASTERS: CATASTROPHIC EVENTS IN 2020, ITALIAN INSURANCE'S ESTIMATED CURRENT EXPOSURE, AND EU STRATEGY ON CLIMATE

2020 will not only be remembered for the pandemic, but also as one of the hottest years ever recorded, with extreme events such as fires in Alaska, California and Australia, major drought and an unprecedented intensification in ice melting.

According to the Sigma Swiss Re 2021 report, the number of natural disasters came to 189 in 2020 (204 in 2019), causing losses for €170 billion worldwide (+38% from 2019, when they were €122 billion). The United States was the country most affected, owing to the violent hurricanes on the East Coast, fires in the West and severe convective storms in the Midwest. Australia was affected by extreme drought, fires and unprecedented storms, while Asia was hit by catastrophic floods due to the monsoon rains.

In this scenario, the insurance sector contributed to damage repair for an amount exceeding €72 billion (the fifth highest value reported so far by Sigma), above the annual average of the previous 10 years (€65 billion).

The most severe damages were ascribable to the hurricanes that hit the US. However, the largest share of losses from natural disasters (71%) is ascribable to numerous relatively modest events with higher frequencies: the so-called secondary perils, such as strong convective storms. The share of losses from fires, defined as secondary perils, also went up, especially in California.

Despite the significant intervention from the insurance sector, the protection gap is still wide in terms of exposure both to primary and secondary perils. The global protection gap (considering the damages caused by natural and man-made disasters) was €100 billion in 2020 (+30% from 2019, when it was some €77 billion), 96% of which related to natural disasters; however, the 2020 protection gap was below the average value of the previous 10-year period (nearly €127 billion).

The insurance and reinsurance sectors can contribute significantly to help families and businesses; however, for this purpose, an improvement of the risk assessment and modeling tools is needed in order to make them more complete and accurate.

As far as Europe is concerned, according to *Counting the cost 2020: a year of climate breakdown*, which analyzes the ten most extreme climate events that occurred last year, the "Ciara" and "Alex" storms, hitting Ireland, the UK and Northern Europe in February and Southern France and the bordering areas with Piedmont and Liguria in October, respectively, were among the most severe events in 2020. In total, they reached nearly $6 billion worth of damage.

In particular, the "Alex" storm is a paradigmatic example of increase in intensity of extreme climate events. In some locations such as Limone Piemonte, in the most affected area of the Maritime Alps, 515 mm of rain fell in just 12 hours. This value is twice as much as the historic maximum peak of precipitation and nearly 60% of total normal annual rainfall (the average value over 12 months is 875 mm).

Italy is certainly not unaffected by this new scenario, especially considering that over 70% of the territory is exposed to seismic and hydro-geological risk. The expected increase in temperatures and in the intensity of precipitation will inevitably worsen the flood risk. Snow melting will make hydro-geological disruption events more frequent in the Alps and Apennines. Heavy precipitation will contribute to a further increase in hydro-geological risk in small catchment areas and surface landslides in areas with greater soil permeability.

The 2020 report "Risk analysis. Climate change in Italy" of the CMCC Foundation (Euro-Mediterranean Center on Climate Change), the first integrated analysis on climate risk in Italy, showed that this new scenario will negatively affect the national GDP, impacting on the main production sectors.

First, agriculture. Due to an increase in temperatures between 2°C and 4°C, the overall loss in agricultural production may range between €13 billion and €30 billion.

Agriculture indeed has already been sharply impacted by adverse climate changes over the last few years. According to ISMEA, drought, spring frosts and floods caused a total of €612.6 million damages in 2020. Spring frosts determined €537.2 million of economic loss, droughts €71.3 million, and floods €4.1 million.

Another sector that threatens to be heavily affected by climate change is tourism, both summer and winter. In a scenario characterized by a 2°C temperature increase in summer, a 15% drop in international arrivals is estimated, reaching nearly 22% with a rise of 4°C, and estimated economic losses between €17 billion and €52 billion depending on the two different scenarios, considering also the reduction in national tourist demand.

In order to tackle this situation, the European Commission proposed a new EU climate adaptation strategy on 24 February 2020, charting the way forward to face the effects of the increasingly frequent catastrophic events.

Among the various lines of action proposed, the one aimed at bridging the insurance protection gap for climate risk is particularly relevant. The European Commission highlighted that today, at a European level, these types of insurance coverage are still quite uncommon, ranging from a minimum of 5% to a maximum of 35% of total damages, depending on country, while, according to some estimates of the insurance sector, each percentage point of incremental coverage could reduce the overall cost to be borne by general taxation by 22%.

For these reasons, the European Commission pointed out the need to promote national insurance schemes against natural disasters as much as possible and to boost monitoring and coordination at EU level, announcing its intention to engage in a dialog with stakeholders, starting with insurance companies.

The European strategy was welcomed by the President of ANIA, Maria Bianca Farina: she observed that the Commission's proposals against climate change and, in particular, the important role assigned to the insurance sector are perfectly in line with the suggestions made by ANIA to enhance resilience to natural disasters, with a consequent reduction in the costs borne by the State to cover their effects.

According to the PERILS survey on catastrophic events risk exposure in Italy for 2021 (which sees the participation of 70% of the market in terms of the volume of fire premiums), overall exposure of the insurance market to such risks is:

– for businesses, counting buildings, goods and incidental damage, around €768 billion in respect of earthquakes (-2.3% compared with 2020) and €746 billion in respect of floods (-4.4% from 2020), net of the contractual limits set by the insurance policies. Some 813,000 businesses are insured against earthquakes and 815,000 against floods. Lombardy is estimated to be the region contributing the most to the increase in insurance against both risks;
– for homeowners – for buildings, goods and incidental damage – around €224 billion in respect of earthquakes (+12.4% compared with 2020) and €103 billion in respect of floods (+14.5% from 2019), net of the contractual limits set by the insurance policies. A total of 738,000 dwellings were insured against earthquakes and 270,000 against floods, so many dwellings with fire insurance are assumed to have earthquake insurance as well.

Geographically, total insurance exposure to natural disaster risk (businesses and dwellings) is concentrated mostly in the North of Italy, nearly 60% of the total. The central regions are becoming increasingly important, with 20% of total exposures.

In the light of the absolute levels of insurance coverage described above, 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 risk management. 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.

IMPACT OF COVID-19 ON NON-MOTOR NON-LIFE CLASSES

Public-private partnership for pandemic risk insurability

The covid-19 emergency exacerbated the insurance protection gap characterizing Italy, making the country even more fragile and less competitive.

However, the pandemic risk is considered to be non-insurable with the traditional insurance instruments: it cannot be diversified since it affects everybody at the same time, thus lacking some insurability conditions of the Italian Code.

In order to guarantee a complete protection representing an effective instrument not only for businesses but also for the self-employed and households, public-private partnerships are essential. The State alone cannot face the adverse consequences of catastrophic pandemic events such as the current one.

From the beginning of the healthcare emergency, ANIA formed an Italian committee of experts, bringing together not only professionals from the insurance sector but also economists, virologists and infectivologists, with a view to detecting possibilities and modalities to cover some of the effects that future pandemics may have, especially in the case of prolonged lockdowns, in terms of damages or new services necessitated, through public-private partnerships with insurance instruments. The work of the committee was completed in the second half of 2020 and the project was submitted to the government. The insurability model for pandemic risk designed by ANIA includes a 50% public-private partnership whose public component will be progressively reduced as insurers collect the premiums.

Creation of a public guarantee fund for short-term commercial credit

Article 38 of Decree-Law 34/2020, the so-called *Decreto Rilancio*, of May 2020, provides for the establishment of a public guarantee fund supporting the short-term commercial credit insurance business with a total financial allocation of €2 billion.

This provision, enshrined in Article 35 of the act converting the decree into law, was adopted as the product of a working group created in the insurance field, with the participation of the companies ensuring this type of risk (4 in total, 3 of which operating at an international level as well).

As pointed out by SACE S.p.A. in a recent press release, the Convention, established thanks in part to ANIA's active collaboration, involved the five major short-term credit insurance companies in Italy, with almost total coverage of the market of reference.

The guarantee provided by SACE limited the negative effects that the pandemic has produced and is still producing in the Italian socio-economic fabric, preserving at the same time the continuity in commercial exchanges thanks to access for Italian businesses to short-term commercial credit insurance services; on the one hand, this instrument increases the level of liquidity for businesses, enabling deferred payments, and on the other hand, it helps suppliers in their portfolio management through constant monitoring of trading partners' credit quality.

More specifically, the public guarantee provided via SACE and covering 90% of payments up to €2 billion, allowed short-term credit insurance companies operating in Italy to maintain the credit ceiling agreed with Italian businesses for a total value exceeding €170 billion on 31 December 2020. The coverage remained active until June 30th 2021.

ANIA's proposal for the establishment of a public fund supporting the suretyship business

Following the successful initiative for the creation of the trade credit fund, with a view to allowing for business continuity and protection of liquidity for SMEs, ANIA submitted a proposal for the establishment of a guarantee fund for the suretyship business before the competent institutional bodies, which is similar to the short-term commercial credit fund. While this proposal was deemed worthy of consideration by the competent institutions, it was not implemented due to the lack of resources.

The 2021 Budget Law represented a good opportunity to present the initiative again. This legislative measure, under Art. 1 par. 210 (Law 178 of 30 December 2020, published in the *Gazzetta Ufficiale*, general series no. 322 of 30 December 2020) extended the scope of the guarantee system regulated by Par. 14-bis, Art. 6

of Legislative Decree 269 of 30 September 2003, in order to make it more and more effective in supporting businesses' need for liquidity.

In particular, in addition to defining a 70% maximum coverage of guarantees that can be issued by SACE, this measure requires the latter to issue guarantees not only for banks, financial institutions and other entities authorized to issue credit, but also for national and international insurance companies authorized to operate in the credit and suretyship businesses, considering the important role played by these companies in favor of Italian enterprises.

Following the adoption of this provision, a technical ANIA/SACE working group was established to identify the operational modalities for this suretyship business guarantee.

Focus on travel insurance

The acceleration of the vaccination campaign both in the US and in Europe, together with the new provisions on tourism-related movements, will increase the demand and development of travel policies covering covid-19-related risks, which as is well known have been imposed by many nations as a necessary condition for entry by foreigners.

In addition, the European Commission has recently launched a "digital green pass", a certificate in electronic or paper format that will allow European citizens to travel again, proving that they have been vaccinated or tested negatively or have recovered from covid-19.

It is estimated that the travel insurance market covering accidents and the covid-19 disease ranges between 30 and 40 billion dollars per year. This is an extremely positive figure, especially if we consider the first phase of the healthcare emergency when the pandemic risk was left out of any travel coverage.

Even if some key countries for which an insurance is normally required (US, Canada, Australia) remained inaccessible at least up to 17 June, the demand for travel insurance, which stood at 40% of travelers in the summer of 2020, could well double in 2021.

The response of the insurance sector to the pandemic was extremely fast and the operators adapted their own insurance products very quickly, supplementing them with specific covid-19-related coverage.

The insurance offer in the travel business is particularly wide: from medical assistance to the coverage of treatment costs and reimbursement in the event of trip cancellation or interruption if the insured becomes infected with the virus. What is more, some companies cover trip cancellation if the insured is quarantined even if not infected.

In addition to travel insurance, the insurance offer covering holidays is developing more and more, representing a very useful instrument especially for those who elect to vacation in Italy. These policies protect the insured if they are forced to cancel their holiday at the last moment for being infected with the virus. In this case, the policy shall cover the entire amount of the penalty. These types of coverage can be valid also in the event of trip cancellation due to quarantine.

Cyber-risk coverage

The massive spread of remote working in the last year is bound to become increasingly important, moving from professional infrastructures (servers, personal computers, antivirus software) to technological devices that are normally designed for private use; this phenomenon has increased the vulnerability of information systems to the cyber threat.

According to a Zurich survey reported in 2020, remote and decentralized work increases the risk of being the target of various attacks, including: Phishing / spear phishing, e-mails or electronic communications luring the recipient into clicking on a link, opening a malware attachment or performing other dangerous actions; Business Email Compromise, e-mails convincing the recipient to make bank transfers; and Social Engineering, a kind of psychological manipulation inducing people to perform actions they would not otherwise engage in.

The first wave of the pandemic recorded a peak in e-mail cyber-attacks in Italy and in other countries as well. Worldwide, the spear phishing attacks using covid-19-related topics, for example, increased significantly between the end of February and April 2020.

The Allianz Risk Barometer 2021 estimates that, at global level, the risk perceived by companies of being targeted by a cyber-attack slipped to the third position in the ranking of the most feared risks after the pandemic, but in Italy cyber risk remains the top-ranked risk (54%), followed by business interruption risks (45%) and pandemic outbreak risks (28%).

Based on the latest data made available by the Cyber security & Data Protection Observatory of the Milan *Politecnico*, the expenditure in cyber security solutions reached €1.37 million in 2020, showing a 4% increase from the previous year.

However, even if 49% of the SMEs interviewed are well aware of the increased risk of cyber attacks, only 22% of them allocated investments in security for 2021. As far as cyber security is concerned, 32% of the sample invested in training in the field of security and data protection for their employees, while only 15% took out policies to transfer cyber risk.

The expected increase in cyber attacks in the near future indicates that the offer of these policies will expand significantly. However, it is essential that the insurance market get more and more specifically-targeted products-oriented to meet the clients' needs.

Medical malpractice

ANIA has been carefully monitoring any possible repercussion from the very outbreak of the pandemic in terms of claims involving public and private healthcare facilities. Due to the increased pressure they have been exposed to, these facilities could well be subject to significant growth in claims mainly related to: 1) higher number of medical malpractice events not related to covid-19 but to organizational shortcomings originated by the state of emergency afflicting many facilities; 2) an increase in infections of patients due to the lack of adequate safety measures, especially in the initial phase of the emergency.

In addition, in the first phase of the emergency, insurance companies operating in this business received communications by their insured on organizational changes such as increase in staff and hospital beds, and accordingly had to judge whether these modifications would increase the risk or instead might be offset by other factors. In view of these requests, most companies adopted a prudent attitude, avoiding any increase in premium prices or any change in terms of coverage, but merely monitored the situation.

As of today, there is no evidence of an actual increase in claims due to covid-19. However, as is known, medical malpractice claims are “long tailed”, with effects that may arise years afterwards, also considering that civil proceedings for damages often follow the outcomes of a criminal proceeding.

For example, we know that many criminal proceedings have been initiated for manslaughter, negligent epidemic and unintentional injuries by the families of the inmates of nursing homes which, in the initial phase of the emergency, were asked by the Government to support the national healthcare system.

As is known, nursing homes above all became hotspots of contagion, owing to failure to take adequate safety measures for the protection of staff and residents.

At the moment, the impact of covid-19 on individual practitioners’ malpractice policies is less evident.

In any case, this sector is being constantly monitored by ANIA.

Accident and sickness insurance

Sickness policies

As one can easily imagine, sickness policies were among the most severely affected by the pandemic.

Almost all companies specializing in this business immediately started a review of their products, supplementing them with additional covid-19-related services and guarantees, such as 24/7 telephone assistance, daily allowance for hospitalization or self-isolation and, in the worst cases, the payment of a benefit for those infected with the virus.

In particular, telemedicine and home care services seem likely to become a fundamental component in these policies, because they also serve the new needs arising from the new social distancing rules.

ANIA hopes that this new *customer-oriented* attitude can help bring the public closer to insurance instruments, helping them understand the importance of these protections.

Accident policies

As is known, Decree Law 18 adopting specific measures to support the National Health System and to provide pandemic-related benefits for households, workers and businesses, converted into Law 2 of 24 April 2020, Art. 42 (par. 2), provided for treatment of covid-19 contagion as a work accident, making it eligible for the insurance protection provided by the National Industrial Accidents Insurance Institute (INAIL).

This provision immediately gave rise to problems of interpretation, also considering that, in its circular 13/2020 accompanying this legislative measure, INAIL explicitly clarified that the "virulent" is to be equated with the "violent" cause.

More specifically, doubts have arisen with respect to whether the special public legislation issued in a state of emergency for social insurance could in some way be extended to private accident policies as well.

In various institutional contexts, ANIA made it clear from the start that this provision refers exclusively to social insurance and cannot be extended in any way to private accident policies, for which a strictly medical-legal definition of accident has always been adopted, namely a traumatic and violent event due to an external cause producing "objectively ascertainable physical injuries".

This interpretation, moreover, was confirmed by authoritative case-law and major jurisprudence, which repeatedly clarified that the extension of INAIL's insurance coverage leaves the general third-party liability rules unchanged, especially that on employers' liability.

PANDEMIC RISK: EIOPA'S INITIATIVE

The *EIOPA staff paper on measures to improve the insurability of business interruption risk in light of pandemics* was published in February 2021; the document focuses mainly on non-damage business interruption (NDBI) and provides indications on how to improve insurability for pandemic risk. Insurance Europe contributed to drafting the paper, sharing some comments with EIOPA.

In the light of the differences in insurance coverage against business interruption not due to material and direct damage in a pandemic scenario, the paper analyzes the following three possibilities for improving NDBI insurability.

1. Identifying preventive measures to reduce losses

Preventive measures can be adopted directly by individuals or businesses and can be promoted by private market participants such as insurers, while some such measures are mainly in the remit of public authorities.

There are two important challenges when it comes to identifying the appropriate preventive measures and investing in them efficiently. The first is the lack of relevant data and the limited predictive capacity of the insurance models for pandemic-related socio-economic and behavioral risks; the second is moral hazard. Therefore, innovative solutions are needed, including public-private solutions, to encourage risk prevention and transfer, as well as legislative measures supporting investments in prevention and the identification of objective and relevant parameters for the right to claim compensation.

Insurers can improve their capacity to reduce losses by including different risk prevention measures (through the business continuity plan or offering services such as risk assessment and counseling) in the traditional insurance products, even if this type of coverage is still quite uncommon at the moment. In a pandemic scenario, aiming at bridging the protection gap as regards NDBI coverage, legislative incentives may be necessary to foster the use of risk prevention requirements through the Product Oversight Governance (POG) requirements and to assess business plans or the subscription strategy where national or local prevention plans have been agreed.

What is more, different public-private solutions can be implemented to invest in prevention:

- public intervention can be made conditional on the implementation of prevention and adaptation measures through insurance;
- a progressively higher threshold for public intervention could apply over time in order to promote private insurance initiatives;
- the type of expenses that must be covered by public authorities and private subjects can be established;
- tax incentives on risk management measures, as well as subsidized training programs, could help undertakings to develop a culture of risk prevention and risk management.

2. Improving risk transfer capacity through capital markets

In the absence of sufficient reinsurance capacity, a possible solution could be Alternative Risk Transfer (ART) using capital markets. Insurance-Linked Securities (ILS) may provide an extra level of risk transfer and diversification, in addition to or replacing the traditional (re)insurance solutions; however, this risk transfer mechanism may prove to be expensive and complex to set up. What is more, ILSs must be designed in such a way as to make their expected risk-yield profile attractive.

Another solution could be using a pandemic fund within a public-private partnership structured in multiple layers, where the first risk level is absorbed by the insurers and the investors, while the other losses are funded by governments or similar supranational entities.

Capital markets can also be involved through the issuance of traditional bonds whose proceeds are allocated to finance investments in prevention, based on a principle akin to green bonds or social bonds.

Since there are a number of obstacles to involving capital markets in pandemic risk, such as the lack of relevant data and the complexity of defining appropriate triggers, for now the immediate way forward may be simpler refinancing instruments.

3. Addressing systemic risk by multi-peril pooling

The expected advantages of a multi-peril approach are the following: risk diversification, increase in capacity and reduction of opportunity costs.

Regarding the first aspect, one of the shortfalls of the multi-peril solution is the difficulty in properly assessing and modelling corrrelations. As far as capacity increase, the multi-perils pooling approach could increase the amount of capacity to cover systemic risks; however, there is also a significant accumulation risk: some risks, in fact, can increase the probability of others occurring. As to opportunity costs, the development of the pooling approach would probably be more attractive than a straight pandemic insurance product, since it aims at enhancing the resilience of the society to systemic challenges in a forward-looking way. The search for multi-peril pooling solutions may further encourage competition in the private market over time and increase new types of coverage. At the moment, however, not all Member States dispose of pools and those that do exist are not tailored to pandemic risk. Therefore, in pursuing multi-peril solutions, it is necessary to identify: the common elements that may cause systemic risk, potential common prevention measures, the secondary events and following events likely to occur in a systemic event.

The multi-peril approach may not be a short-term solution, especially considering that these programs must be built from scratch. In the short term, the focus could be on designing of new pandemic risk-based schemes, while in the medium term other systemic risks may be considered as well.

THE DIFFUSION OF FIRE INSURANCE WITH EXTENSION TO NATURAL DISASTERS

With a view to continuing assessment of the impact of the 2018 Budget Law, which introduced tax incentives for natural disaster insurance policies for dwellings, ANIA carried out a new statistical study (whose date of assessment is 31 March 2021) 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 and how this has changed from the two previous editions of the survey (31 March 2019 and 31 March 2020).

The survey again saw the participation of a large sample of companies (representing more than 90% of all fire policy premiums), comparable to the previous editions, and on this basis the exposure for the entire market was estimated. The results for the main factors characterizing the fire insurance policies examined by the survey are set out below.

Type of policy. On 31 March 2021, the total number of active policies (for the whole market) was 11.3 million, up by 7.7% from the previous survey and by 15.5% from that of March 2019 (some 1.5 million policies more in two years). In spite of the operational difficulties due to the anti-covid restrictive measures, the total number of policies is growing in line with the last two years. The total **value insured** was **€3,998 billion** for the **11.3 million** policies, up by nearly 4.9% compared with 2020 and 9.8% from 2019 (Table 1). By type of policy, in 2021 over 54% are multi-risk policies[(1)], down by four points from 2020 (even if the absolute number of policies was stable); 34% are pure fire policies (single risk), nearly 11% comprehensive building policies, and only 0.5% policies covering earthquake but not fire. In 2020 the survey also began to report flood-only policies or earthquake plus flood (without fire); in 2021 there is a significant increase in policies covering both risks (from scarcely 1,000 policies in 2020 to over 75,000 in 2021), while the number of flood-only policies remains negligible.

By contrast, the distribution of the amounts insured shows that 46% of the assets insured are covered by comprehensive building policies (these evidently being the most significant in terms of value), 36% by multi-risk policies and almost 17% by individual fire policies (single risk).

Table 1 – Type of policy

Type of policy	March 2021		March 2020		March 2019		March 2021		March 2020		March 2019		% change 2021 vs 2019	
	No. policies	Distr. % No. Policies	No. policies	Distr. % No. Policies	No. policies	Distr. % No. Policies	Value insured (euro mln)	Distr. % Insured value	Value insured (euro mln)	Distr. % Insured value	Value insured (euro mln)	Distr. % Insured value	No. policies	Insured value
Multi-risk	6,082,722	54.0%	6,084,712	58.2%	5,366,686	55.1%	1,455,877	36.4%	1,478,605	38.8%	1,231,682	33.8%	13.3%	18.2%
Fire (sing.risk)	3,831,325	34.0%	3,114,808	29.8%	3,096,137	31.8%	663,332	16.6%	588,961	15.5%	621,989	17.1%	23.7%	6.6%
Comprehensive building	1,207,878	10.7%	1,199,628	11.5%	1,214,119	12.5%	1,832,493	45.8%	1,724,592	45.3%	1,762,973	48.4%	-0.5%	3.9%
Earthquake only	56,951	0.5%	53,491	0.5%	63,825	0.7%	21,606	0.5%	17,656	0.5%	23,005	0.6%	-10.8%	-6.1%
Earthquake and/or flood	75,244	0.7%	1,069	0.0%	n/a		22,977	0.6%	539	0.0%	n/a			
Flood only	661	0.0%	597	0.0%	n/a		1,252	0.0%	672	0.0%	n/a			
Uncoded	-	0.0%	-	0.0%	735	0.0%	-	0.0%	-	0.0%	38	0.0%		
TOTAL	11,254,780	100.0%	10,454,305	100.0%	9,741,502	100.0%	3,997,536	100.0%	3,811,025	100.0%	3,639,687	100.0%	15.5%	9.8%

All estimates are based on a sample of businesses representing 91% of fire and natural forces premiums in 2020.
All values reported are 100% of the market.

Risk sector. Table 2 shows that 87% of fire insurance policies are for dwellings (almost two million policies more than in March 2019), 11.5% for industrial buildings[(2)] (slightly decreasing from the last survey) and only 1.8% (as in 2020) for ancillary commercial units, i.e. those units used for business activities and located on the ground floor of mainly residential buildings[(3)]. Clearly, in terms of amounts insured the percentage distribution varies greatly, as industrial

(1) Multi-risk policies cover several risks such as theft, fire and third-party liability. However, the survey data refer only to fire insurance.
(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".
(3) This decrease is mainly due to a more precise identification of the type of risk by some companies participating in the census.

buildings, having a greater value than individual dwellings, account for almost half the total amount insured (47.2%), almost on a par with dwellings, while only 2.2% relates to ancillary commercial units.

Table 2 – Risk sector

Risk sector	March 2021		March 2020		March 2019		March 2021		March 2020		March 2019		% change 2021 vs 2019	
	No. policies	Distr. % No. Policies	No. policies	Distr. % No. Policies	No. policies	Distr. % No. Policies	Value insured (euro mln)	Distr. % Insured value	Value insured (euro mln)	Distr. % Insured value	Value insured (euro mln)	Distr. % Insured value	No. policies	Insured value
Dwelling	9,758,111	86.7%	8,942,717	85.5%	8,023,209	82.4%	2,025,718	50.7%	1,862,175	48.9%	1,698,987	46.7%	21.6%	19.2%
Building	1,299,221	11.5%	1,321,566	12.6%	1,389,831	14.3%	1,885,195	47.2%	1,865,320	48.9%	1,828,193	50.2%	-6.5%	3.1%
Ancillary commercial unit	197,448	1.8%	190,021	1.8%	326,307	3.3%	86,623	2.2%	83,530	2.2%	112,367	3.1%	-39.5%	-22.9%
Uncoded	-		-		2,155	0.0%					140	0.0%		
TOTAL	11,254,780	100.0%	10,454,305	100.0%	9,741,502	100.0%	3,997,536	100.0%	3,811,025	100.0%	3,639,687	100.0%	15.5%	9.8%

All estimates are based on a sample of businesses representing 91% of fire and natural forces premiums in 2020.
All values reported are 100% of the market.

It is worth noting that as 1,299,000 policies cover entire buildings, and since the average number of apartments per building is 4.3[4] based on ISTAT data, the overall number of **dwellings insured** for the whole market may be estimated at roughly **15.7 million** = [9.758 mln (dwellings) + 1.299 mln (industrial buildings) x 4.3 + 0.197 mln (ancillary units)]. Of all **dwellings included in ISTAT's census** in 2011 (**31.2 million**), **50.2%** have fire insurance (47.9% in 2020, 46.0% in 2019, 42.8% in March 2018 and 42.2% in 2016).

Policy extension to natural disasters. Italy's traditional way of dealing with damage caused by natural disasters is simply ex-post state intervention. This approach to damages 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: 87.1% of fire policies have no such coverage extension (Table 3).

Table 3 – Policy extension to natural disasters

Policy extension to natural disasters	March 2021		March 2020		March 2019		March 2021		March 2020		March 2019		% change 2021 vs 2019	
	No. policies	Distr. % No. Policies	No. policies	Distr. % No. Policies	No. policies	Distr. % No. Policies	Value insured (euro mln)	Distr. % Insured value	Value insured (euro mln)	Distr. % Insured value	Value insured (euro mln)	Distr. % Insured value	No. policies	Insured value
No extension	9,806,498	87.1%	9,239,681	88.4%	8,915,522	91.5%	3,510,438	87.8%	3,412,687	89.5%	3,364,447	92.4%	10.0%	4.3%
Earthquake only	819,652	7.3%	664,773	6.4%	458,203	4.7%	324,963	8.1%	271,149	7.1%	172,417	4.7%	78.9%	88.5%
Flood only	287,318	2.6%	234,431	2.2%	195,633	2.0%	57,531	1.4%	45,743	1.2%	43,841	1.2%	46.9%	31.2%
Earthquake and flood	341,311	3.0%	315,420	3.0%	172,144	1.8%	104,603	2.6%	81,446	2.1%	58,983	1.6%	98.3%	77.3%
TOTAL	11,254,780	100.0%	10,454,305	100.0%	9,741,502	100.0%	3,997,536	100.0%	3,811,025	100.0%	3,639,687	100.0%	15.5%	9.8%

All estimates are based on a sample of businesses representing 91% of fire and natural forces premiums in 2020.
All values reported are 100% of the market.

(4) 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 (4.3) is higher than that indicated by ISTAT.

A survey of all active policies at 31 March 2021 found that 12.9% have an extension of coverage to natural disasters, up from 11.6% in March 2020 and 8.5% in March 2019, and more than doubled from 5.1% in September 2016.

As of 31 March 2021, there were some **1.4 million policies with extension to natural disasters** on the market (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 (820,000), straight flood policies (287,000) and combined earthquake and flood policies (341,000). Compared with the survey carried out in 2016, after four and a half years, the number of straight earthquake policies had more than quadrupled (+331%), combined policies had increased more than five times (+444%), while straight flood policies had grown by only 54%.

To promote nat-cat policies (earthquake and floods), Law 205 of 27 December 2017 established, from the year 2018, tax incentives for anyone taking out this type of homeowner insurance. To gauge the impact of the law, **considering only the policies with nat-cat extension subscribed from 2018 to March 2021, this type of policy accounted for 55% of the 1.4 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 2021 is estimated at 1.6 million** (it was around 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 (31.2 million) **insurance penetration would appear to be still very moderate at 5.1%** (growing from 4.5% in 2020, 3.2% in 2019 and 2.0% in 2016). Comparison with 2009 (when dwellings insured against natural disasters numbered a mere 35,000) shows a 45-fold increase in insurance coverage, signifying that the Italian market is increasingly sensitive to this type of insurance. As a matter of fact, since 2009 there have been more than 40 floods and several major earthquakes (L'Aquila in 2009, Emilia Romagna in 2012, central Italy between August 2016 and January 2017, Venice in November 2019), which has evidently helped to increase awareness of the need to protect real estate property.

Based on the available data, we estimate, at national level, that:

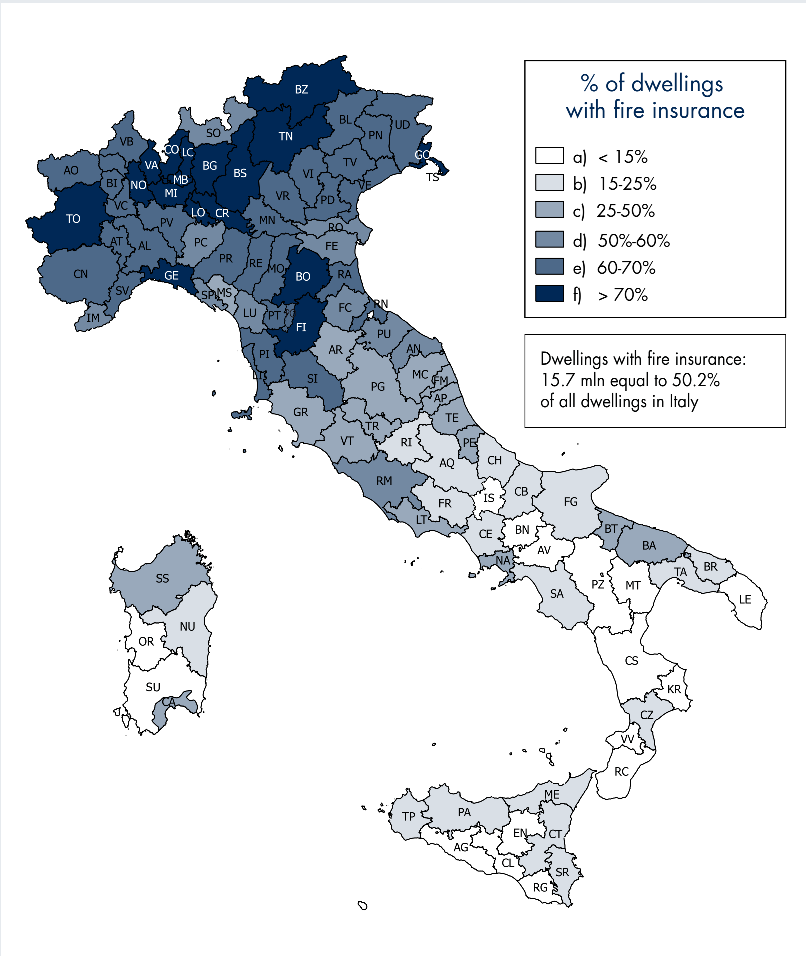
- the **amounts insured** exceed **€325 billion** for **straight earthquake policies** and roughly **€58 billion** for straight flood policies, plus an additional **€105 billion** for combined policies covering **both these risks**. Overall, **total exposure amounts to roughly €487 billion** (it was €400 billion in 2020, €275 billion in 2019 and only €175 billion in 2016);
- the **average premium (net of taxes)**[5] of **fire insurance** for the 11.3 million policies surveyed is €177. Given that these policies provide insurance

(5) Currently 22.25% of the premium.

for 15.7 million dwellings, the average premium per dwelling would be €127. As for the **extension to natural disasters, the average premium (net of taxes)** for the nearly 1.4 million policies insuring against either earthquake or flood or both, is **€134**. As these policies cover about 1.6 million dwellings, the average premium per dwelling would be around €120.

Incidence (%) of dwellings covered by fire insurance on all existing dwellings. Analyzing the incidence by province of insured over total dwellings (50.2% at national level – see above), we find that almost everywhere in the North of Italy more than 70% of dwellings have fire insurance, whereas in the South the proportion is 20% and in central Italy one in two (Figure 1). In Milan and Trieste, more than 88% of dwellings are insured, 84% in Monza-Brianza, 81% in Florence, Bolzano and Varese, compared with only 11% in Benevento, Potenza and Sardegna Sud, and scarcely 9% in Agrigento, Enna and Crotone.

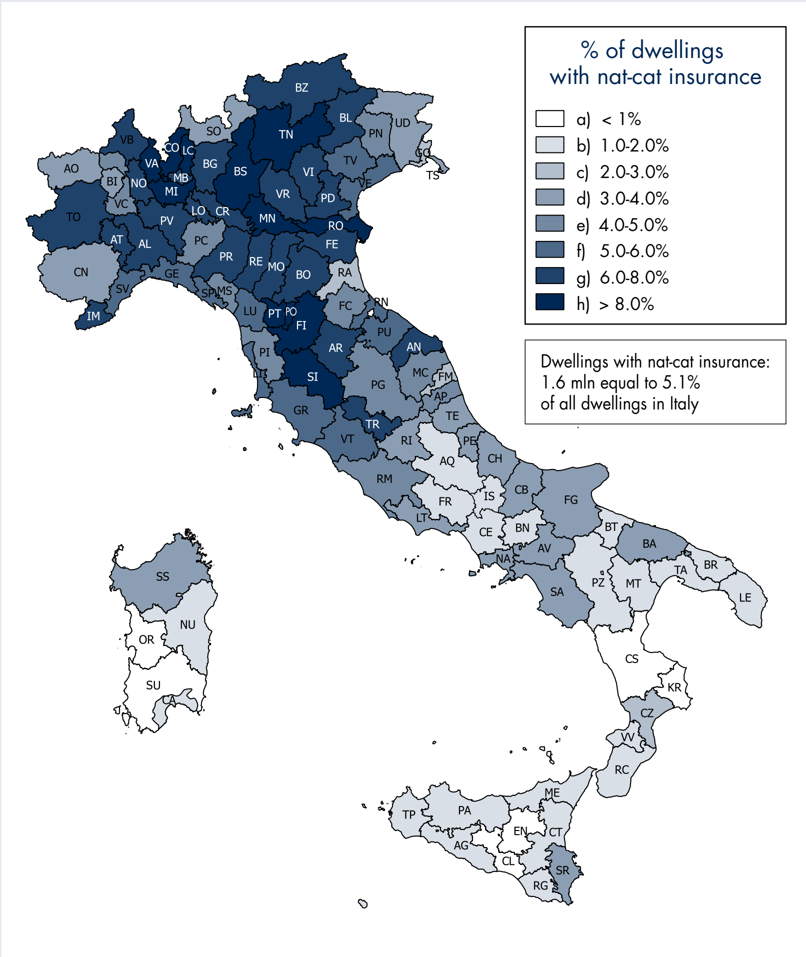
Figure 1
Incidence (%) of dwellings covered by fire insurance on all existing dwellings



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 on all existing dwellings (5.1% at national level). This indicator exceeds 10% only in Milan, Varese, Trento, Florence, Mantua and Siena (Figure 2); generally, across the North, the incidence reaches

6.6%. In Emilia-Romagna, the cities with the highest incidence are Bologna, Ferrara, Modena and Reggio Emilia (over 8%), followed by Parma (slightly over 6.0%). In central Italy, where the average incidence of nat-cat policies is around 5.2%, the cities with the greatest incidence are Florence (10.7%), Siena (10.0%), Prato (9.4%) and Pistoia (8.4%), whereas in the South the percentage of insured dwellings averages about 1.8%.

Figure 2
Incidence (%) of dwellings covered by natural disaster insurance on all existing dwellings



MEDICAL MALPRACTICE: REGULATORY UPDATE

Decree implementing Law 24/2017 (the Gelli-Bianco Law)

The Gelli-Bianco Law (Law 24/2017) implemented a fundamental reform in the field of medical malpractice and introduced an insurance obligation both for practitioners and public and private healthcare facilities; Art. 10 par. 6 provided for the issuance of a decree containing the minimum requirements for insurance policies and other similar measures for healthcare and socio-healthcare facilities (nursing homes), as well as healthcare practitioners. The Ministry for Economic Development (MISE), together with the Ministries of Health and Finance, will be responsible for this decree upon agreement with the Region-State Conference, having heard ANIA's opinion, as well as the opinion of the associations representing private entities, the National Federation of Physicians and Dentists, the professional federations, associations and unions of healthcare professionals and patients' protection associations.

In mid-January, ANIA received and analyzed the draft decree and immediately reported a failure to comply with the procedural formalities, since ANIA was heard only in the first phases of the process, although the Gelli-Bianco Law provided expressly for its auditioning.

From the insurance point of view, the main shortcomings of the decree are the following:

– the bonus-malus mechanism, technically inapplicable to medical malpractice with its "long tail" claims and to the healthcare facilities' coverage in the framework of public tenders, whose duration is normally multi-annual. What is more, within this mechanism, there is excessive use of delegation of powers (which is not provided for in the by the primary legislation);
– the limits to the insurer's right of rescission (also not envisaged in the primary legislation); rescission is conditional on residual, indeterminate events, namely "reiterated gross negligence".

The legislative process provides for final approval by the Council of State: on that occasion, ANIA will submit a note with its own observations.

Tables of permanent non-pecuniary damage

On 13 January 2021, the Ministry for Economic Development launched a public consultation on the draft Presidential Decree containing the National Table of compensations for non-pecuniary damages due to severe injury (from 10 to 100 percent permanent invalidity) deriving from motor (and nautical) liability, as well as medical malpractice.

The Presidential Decree contains:

- the draft Table with economic values for non-pecuniary damage due to severe injury;
- the draft Table with medical and legal scales for severe injury.

The composition of the new scales is based on obsolete assessment criteria and methods, which may lead to an increase in costs, thus undermining the sustainability of the compensation system for motor and medical malpractice.

ANIA suggested involving the sectoral experts from the Ministry for Economic Development to share the founding principles of the discipline submitted to public consultation through an institutional working group gathering the representatives of the medical-legal scientific community, which will be able to analyze the technical problems that need proper consideration.

MEDICAL MALPRACTICE: OVERVIEW OF THE MAIN DATA

The severe health emergency caused by the covid-19 pandemic all through 2020 completely disrupted the normal activity of healthcare facilities and professionals, with exhausting working times and strict safety measures to prevent new infections. Therefore the 2020 data on medical malpractice insurance reported below are affected by this situation because, with the exception of covid-19-related pathologies, the number of hospital admissions for other diseases dropped drastically, and this may have contributed to the reduction in the number of claims. The operational activities of insurance companies (and of others as well) were affected by the new restrictive measures, and this had an impact on claims management and settlement. What is more, in order to have the actual number of covid-related medical malpractice claims, IVASS extended its survey also to a section specifically dedicated to this type of claim. The number of covid-related claims lodged came to 350. In detail, fewer than 130 of them involved public healthcare facilities, around 200 involved private healthcare facilities, and only 30 involved medical staff. Considering that the total number of medical malpractice claims in 2020 was approximately 16,500, covid-related claims accounted for scarcely 2%; in terms of amounts, around €34 million (6.3% of the amount of indemnified claims in 2020) was allocated for these covid-related claims.

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, for the past five years now, on the results of a survey based on data provided by insurance companies to the supervisory authority and to ANIA[6].

The total volume of premiums for this business came to €604 million in 2020 and increased by 4.4% compared to the previous year (Table 1). The volume of premiums of public healthcare institutions was 4.2% higher than in 2019 at €241 million; that of private institutions increased for the fifth consecutive year (+10.4%) to around €128 million, as did premiums of individual practitioners' policies, which amounted to €235 million (rising by 1.5%).

Table 1
Medical malpractice premiums by healthcare facility and medical staff (*)

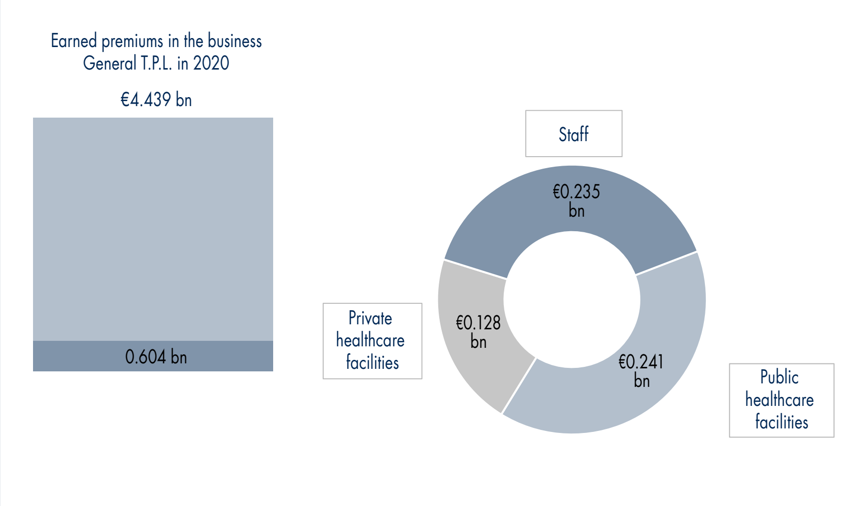
Year of registration	Public healthcare facilities	Annual % change	% distribution on total	Private healthcare facilities	Annual % change	Distr. % sul totale	Medical staff	Annual % change	% distribution on total	Total medical malpractice	Annual % change	% distribution on total
2010	519,969		70%	79,505		11%	140,485		19%	739,959		100%
2011	460,709	-11.4%	63%	103,856	30.6%	14%	169,736	20.8%	23%	734,301	-0.8%	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%

(*) 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 a 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 2010 - 2020	-53.6%	61.2%	67.2%	-18.3%
Annual average change	-7.4%	4.9%	5.3%	-2.0%

[6] 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 other staff. 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 persons active in the medical field (such as nurses and paramedics), in addition to medical professionals that are declared partly or totally responsible for damages against the insured.

Figure 1
Medical malpractice premiums as % of total T.P.L. premiums – 2020



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 2020 was 16,399, of which 4,772 for policies taken out by public healthcare institutions and over 3,800 by private institutions, plus approximately 7,800 from individual practitioners (Table 2).

Table 2
Number of reported claims

Year of claim	Public healthcare facilities	Annual % change	Private healthcare facilities	Annual % change	Medical staff	Annual % change	Total medical malpractice	Annual % change
2010	16,183		6,087		9,681		31,951	
2011	14,422	-10.9%	5,641	-7.3%	13,292	37.3%	33,355	4.4%
2012	13,813	-4.2%	5,265	-6.7%	15,428	16.1%	34,506	3.5%
2013	11,329	-18.0%	4,007	-23.9%	15,949	3.4%	31,285	-9.3%
2014	9,282	-18.1%	3,490	-12.9%	15,368	-3.6%	28,140	-10.1%
2015	7,921	-14.7%	3,291	-5.7%	14,085	-8.3%	25,297	-10.1%
2016	6,971	-12.0%	3,046	-7.4%	12,626	-10.4%	22,643	-10.5%
2017	6,902	-1.0%	3,376	10.8%	13,106	3.8%	23,384	3.3%
2018	6,104	-11.6%	3,159	-6.4%	9,881	-24.6%	19,144	-18.1%
2019	5,600	-8.3%	3,804	20.4%	9,604	-2.8%	19,008	-0.7%
2020	4,772	-14.8%	3,847	1.1%	7,780	-19.0%	16,399	-13.7%
% change 2010 - 2020		-70.5%		-36.8%		-19.6%		-48.7%
Annual average change		-11.5%		-4.5%		-2.2%		-6.5%

For all medical malpractice, the number of claims in 2020 went down by 13.7% from 2019; those of public healthcare facilities dropped by 14.8%, while for private healthcare facilities they showed a limited increase (+1.1%); as for individual practitioners' claims, they went down by 19%.

Over the 2010-2020 period, the number of claims received for the entire medical malpractice class almost halved; from nearly 32,000 in 2010 to 16,000 in 2020. This positive trend is mainly attributable to public healthcare facilities leaving the insurance coverage system (in certain regions) in favor of self-insurance of risk, bringing the number of claims for this sector down by 70.5% between 2010 and 2020. In the same period, the number of claims reported by private healthcare facilities also went down (-37%) while individual practitioners showed a smaller reduction (-19.6%).

Number of no-payment claims

The medical malpractice insurance business is characterized by a high number of claims which, after ascertainment of the effective liability of the professional or healthcare institution, do not result in any compensation actually being paid, since in many cases it is found that there was no act of negligence causing the damage. 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 2020 of medical malpractice claims that insurers closed without compensation (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 the total.

Table 3
Number of no-payment claims 2010-2020

Year of registration	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
2010	7,302	45%	3,487	57%	6,681	69%	17,470	55%
2011	7,267	50%	3,464	61%	10,124	76%	20,855	63%
2012	7,627	55%	3,227	61%	12,092	78%	22,946	66%
2013	5,886	52%	2,369	59%	12,294	77%	20,549	66%
2014	5,194	56%	2,121	61%	11,011	72%	18,326	65%
2015	4,683	59%	1,956	59%	9,507	67%	16,146	64%
2016	4,090	59%	1,803	59%	8,928	71%	14,821	65%
2017	3,666	53%	1,892	56%	8,672	66%	14,230	61%
2018	2,790	46%	1,541	49%	2,958	30%	7,289	38%
2019	1,736	31%	1,461	38%	1,486	15%	4,683	25%
2020	1,305	27%	880	23%	1,415	18%	3,600	22%

Looking at the oldest claims (registered between 2010 and 2016), we see that on average at the end of 2020 nearly two thirds of all malpractice claims were closed without compensation.

Interestingly, no-payment claims show a similar trend both for public and private healthcare institutions, although the latter recorded a slightly higher incidence of non-payment for the older generations of claims. The incidence of no-payment claims for medical staff comes close to 80% of reported claims for older 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: 11 years after reporting, nearly 10% of claims, for the whole class, remained unsettled, accounting for 17.0% of the amount reserved for that claim generation. The insurance of medical staff showed the highest incidence of claims

Table 4
Incidence (%) of number and value of indemnified claims at 31 December 2020 – % distr. paid/reserved

Year of registration	Public healthcare facilities		Private healthcare facilities		Medical staff		Total medical malpractice	
	% No. of paid claims	% N. of reserved claims	% No. of paid claims	% No. of reserved claims	% N. of paid claims	% No. of reserved claims	% No. of paid claims	% No. of reserved claims
2010	90.6%	9.4%	89.3%	10.7%	87.6%	12.4%	89.7%	10.3%
2011	89.5%	10.5%	86.0%	14.0%	85.1%	14.9%	87.8%	12.2%
2012	85.1%	14.9%	83.9%	16.1%	80.5%	19.5%	83.6%	16.4%
2013	79.0%	21.0%	78.1%	21.9%	74.2%	25.8%	77.3%	22.7%
2014	66.6%	33.4%	76.3%	23.7%	71.8%	28.2%	70.2%	29.8%
2015	56.2%	43.8%	70.6%	29.4%	65.5%	34.5%	62.8%	37.2%
2016	45.7%	54.3%	65.2%	34.8%	56.2%	43.8%	53.6%	46.4%
2017	39.5%	60.5%	54.0%	46.0%	47.8%	52.2%	45.8%	54.2%
2018	33.5%	66.5%	45.1%	54.9%	36.3%	63.7%	36.8%	63.2%
2019	25.8%	74.2%	26.7%	73.3%	15.4%	84.6%	20.5%	79.5%
2020	8.2%	91.8%	9.0%	91.0%	5.8%	94.2%	7.2%	92.8%

Year of registration	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
2010	83.3%	16.7%	85.3%	14.7%	77.2%	22.8%	83.0%	17.0%
2011	79.1%	20.9%	77.2%	22.8%	74.4%	25.6%	78.0%	22.0%
2012	82.7%	17.3%	85.3%	14.7%	67.1%	32.9%	80.7%	19.3%
2013	78.3%	21.7%	71.3%	28.7%	62.4%	37.6%	74.0%	26.0%
2014	63.7%	36.3%	60.3%	39.7%	55.1%	44.9%	61.4%	38.6%
2015	57.8%	42.2%	51.6%	48.4%	49.6%	50.4%	55.0%	45.0%
2016	43.3%	56.7%	47.8%	52.2%	37.5%	62.5%	42.5%	57.5%
2017	28.7%	71.3%	32.6%	67.4%	27.6%	72.4%	29.1%	70.9%
2018	13.9%	86.1%	25.4%	74.6%	17.1%	82.9%	16.5%	83.5%
2019	6.1%	93.9%	13.2%	86.8%	9.6%	90.4%	8.3%	91.7%
2020	0.4%	99.6%	1.3%	98.7%	2.9%	97.1%	1.2%	98.8%

to be paid, both in terms of number (12.4%) and in terms of amount (22.8%) for the oldest claims (2010); for (public and private) healthcare facilities, this percentage is 10% of claims on average and 15% of the total cost of claims.

Evolution of the average claim cost

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 worth noting that the amounts only take direct claim costs into account, leaving indirect costs out).

Table 5
Evolution of the average claim cost, 2010-2020

in Euro

Business	Year of registration	Years of development										
		1	2	3	4	5	6	7	8	9	10	11
Public healthcare facilities	2010	36,747	46,465	53,697	59,364	62,880	65,313	65,806	65,729	65,703	66,353	66,472
	2011	49,046	56,989	61,152	63,751	64,569	63,863	63,031	63,654	63,630	62,929	
	2012	53,281	69,210	74,710	71,742	74,050	64,009	62,789	63,239	62,435		
	2013	50,664	62,535	67,641	72,204	71,570	69,685	71,119	71,460			
	2014	58,562	73,723	85,034	92,590	85,509	87,380	81,486				
	2015	68,543	97,916	109,691	107,811	108,996	91,084					
	2016	86,857	111,190	121,722	124,134	105,039						
	2017	80,447	107,826	104,585	86,541							
	2018	72,868	87,880	89,670								
	2019	83,201	88,721									
	2020	79,520										
Private healthcare facilities	2010	26,746	39,467	47,598	52,108	52,514	53,080	53,717	55,057	56,737	60,078	60,615
	2011	35,710	43,142	52,299	55,993	59,591	58,299	57,623	61,305	64,596	66,512	
	2012	42,504	51,545	58,202	71,443	72,566	72,036	71,899	71,962	71,982		
	2013	53,605	69,016	68,816	64,887	64,367	59,865	64,323	61,386			
	2014	43,341	51,703	60,446	62,856	53,976	56,376	54,363				
	2015	36,379	57,295	54,399	47,718	50,636	49,456					
	2016	40,445	46,145	41,002	46,081	47,031						
	2017	45,043	44,165	53,873	52,210							
	2018	35,192	47,984	48,290								
	2019	35,332	47,915									
	2020	44,201										
Medical staff	2010	21,217	24,154	28,796	34,710	35,263	37,680	37,457	36,462	33,816	34,141	33,786
	2011	20,461	24,154	33,738	34,864	40,617	41,179	41,764	39,359	38,746	37,667	
	2012	19,236	23,775	29,128	38,157	40,551	37,363	35,936	34,100	32,739		
	2013	24,282	28,488	39,695	46,497	42,374	38,563	37,380	35,196			
	2014	21,694	26,114	30,958	31,487	30,719	29,555	27,933				
	2015	21,962	20,682	29,267	29,562	29,081	27,366					
	2016	19,256	22,734	31,978	33,923	32,594						
	2017	18,497	20,534	28,580	28,585							
	2018	17,119	18,696	25,079								
	2019	15,483	17,840									
	2020	19,205										
TOTAL MEDICAL MALPRACTICE	2010	31,139	39,531	46,460	52,219	54,707	56,870	57,278	57,289	57,152	58,472	58,683
	2011	37,097	43,601	51,136	53,816	57,148	56,747	56,550	57,033	57,548	57,215	
	2012	37,672	47,882	54,640	60,844	63,245	57,520	56,535	56,384	55,717		
	2013	39,311	48,232	56,989	61,506	59,982	57,347	58,627	58,132			
	2014	36,723	46,723	56,009	59,943	55,989	56,973	55,194				
	2015	38,582	47,949	59,493	58,278	59,759	54,994					
	2016	41,785	52,327	63,995	67,580	63,141						
	2017	40,264	49,192	58,945	54,219							
	2018	35,341	43,098	51,702								
	2019	37,421	44,132									
	2020	41,338										

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 2010, insurance companies registered an average claim cost of nearly €37,000. Three years later, the cost had risen by 60%, reaching around €60,000, and it continued to grow further to €66,000 at the end of 2020 to end at 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 11 years after registration for claims made in 2010 was lower (around €60,000) for private healthcare institutions and just over half that amount (€34,000) 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) for 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 31 December 2020, the average loss ratio over the total medical malpractice for many generations was practically at or above 100%.

Observing the three technical indicators separately, public and private healthcare institutions' coverage presents the highest ratios and has a greater impact on the overall trend for the sector. For the 2010-2013 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 103% and 148%, and given the greater impact of this group 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 was far below 100% for all generations.

Table 6 – Loss ratio at 31/12/2020

Business	Year of registration	Years of development										
		1	2	3	4	5	6	7	8	9	10	11
Public healthcare facilities	2010	104.4%	116.9%	115.2%	111.7%	111.2%	109.6%	107.9%	107.6%	106.9%	111.3%	114.4%
	2011	122.5%	128.2%	119.0%	112.1%	108.4%	104.4%	100.8%	101.6%	102.6%	102.1%	
	2012	120.8%	134.2%	122.6%	112.8%	112.4%	96.4%	93.7%	94.2%	98.7%		
	2013	122.4%	128.0%	122.7%	120.3%	116.2%	112.9%	113.9%	124.3%			
	2014	123.5%	143.2%	134.7%	128.8%	114.2%	112.2%	121.6%				
	2015	120.8%	146.5%	140.0%	120.3%	114.2%	112.7%					
	2016	109.5%	131.6%	120.8%	110.9%	105.2%						
	2017	116.4%	139.3%	120.5%	102.8%							
	2018	105.0%	120.1%	110.9%								
	2019	138.5%	148.2%									
	2020	114.3%										
Private healthcare facilities	2010	152.4%	179.6%	183.5%	179.5%	169.0%	164.4%	165.9%	172.2%	179.2%	194.0%	198.2%
	2011	142.3%	142.8%	142.4%	141.6%	134.7%	125.6%	118.2%	129.1%	139.0%	143.2%	
	2012	166.3%	178.8%	161.7%	182.9%	177.0%	158.2%	154.7%	157.2%	154.6%		
	2013	188.4%	210.2%	180.9%	155.6%	133.4%	119.9%	125.2%	119.9%			
	2014	118.7%	116.3%	117.7%	104.5%	82.4%	79.9%	75.6%				
	2015	112.1%	136.1%	119.4%	89.4%	88.1%	83.4%					
	2016	99.3%	99.1%	73.4%	72.0%	68.2%						
	2017	113.3%	89.5%	94.2%	81.1%							
	2018	77.4%	84.7%	72.2%								
	2019	94.5%	101.4%									
	2020	103.4%										
Medical staff	2010	94.9%	100.4%	97.0%	97.5%	89.0%	89.1%	85.3%	81.9%	73.0%	72.2%	71.7%
	2011	91.3%	96.1%	101.8%	89.6%	87.6%	85.2%	79.8%	73.1%	71.1%	69.4%	
	2012	88.7%	93.2%	85.8%	84.8%	83.2%	69.0%	64.3%	60.1%	57.8%		
	2013	113.0%	114.1%	108.6%	105.9%	87.4%	74.9%	69.1%	65.3%			
	2014	111.1%	104.8%	88.8%	76.4%	68.2%	61.1%	58.2%				
	2015	67.7%	62.4%	59.3%	51.2%	44.8%	41.8%					
	2016	63.6%	67.3%	59.9%	54.4%	49.8%						
	2017	66.2%	64.6%	58.1%	51.9%							
	2018	58.2%	56.8%	48.5%								
	2019	51.9%	53.1%									
	2020	52.0%										
TOTAL MEDICAL MALPRACTICE	2010	107.8%	120.5%	119.1%	116.3%	113.2%	111.6%	109.8%	109.7%	108.3%	112.8%	115.3%
	2011	117.9%	122.6%	118.2%	110.9%	107.2%	102.8%	98.2%	98.7%	100.3%	100.2%	
	2012	118.4%	129.3%	118.0%	115.0%	113.5%	97.6%	94.3%	93.8%	95.4%		
	2013	129.0%	135.5%	126.7%	120.9%	109.6%	101.9%	101.4%	105.0%			
	2014	118.5%	125.6%	116.4%	107.0%	93.3%	89.4%	92.3%				
	2015	96.7%	108.8%	102.5%	86.4%	80.8%	78.2%					
	2016	91.2%	103.3%	91.6%	84.6%	79.5%						
	2017	97.2%	103.4%	93.0%	80.3%							
	2018	82.2%	89.6%	80.2%								
	2019	95.0%	100.8%									
	2020	87.7%										

GROUP SICKNESS POLICIES AND IMPACT OF THE PANDEMIC

Main results for 2020

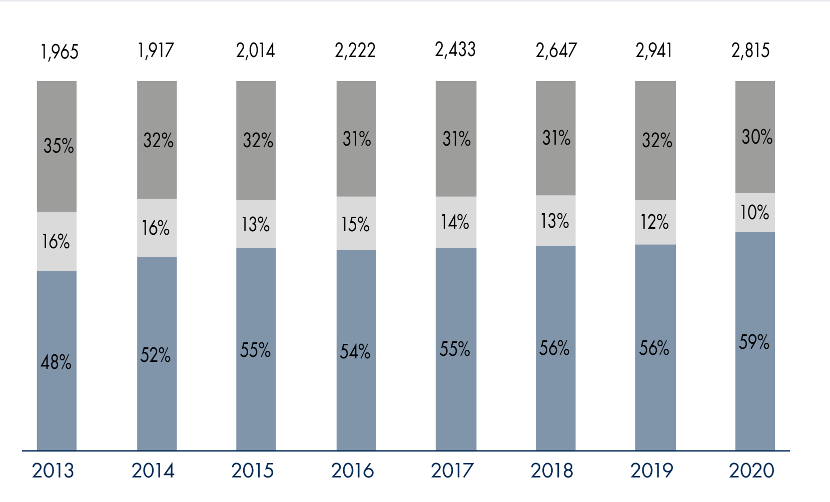
The data reported hereunder come from ANIA's annual survey on group policies in the sickness business, with a sample of companies amounting to 94.4% of total premiums (individual and group policies) written in 2020, considering those companies that showed sickness premium income of at least €10 million over the year.

These are sample data and report information on premiums and claims paid and reserved for group sickness policies, divided into two types:

- group policies subscribed by healthcare funds (supplementary funds pursuant to Art. 9 of the Legislative Decree 502/1992) exclusively providing services (or their reimbursement) that are strictly supplementary to the National Healthcare System, with the exception of the Essential Levels of Care, as well as those subscribed by entities, funds and mutual societies with exclusively assistance purposes, which enjoy tax benefits as long as they provide at least 20% of the total in supplementary services;
- the remaining group policies subscribed by entities other than those mentioned above.

Figure 1
Trend in sickness premiums by type of policy
(In Euro million)

Healthcare funds and like entities
Other group policies
Individual policies



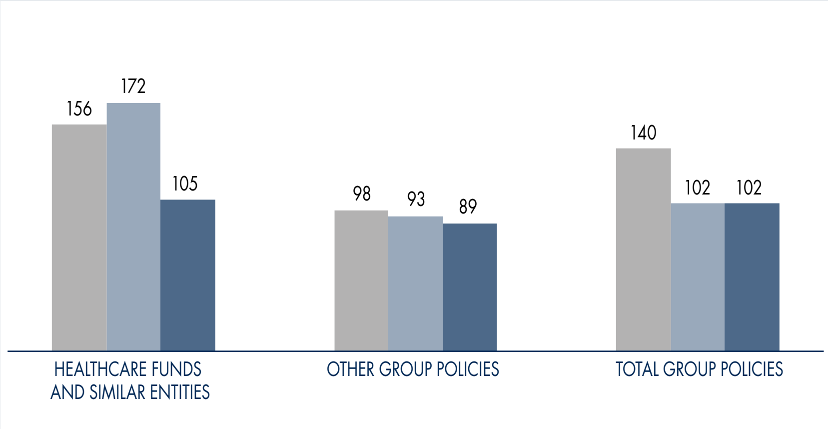
Source: Sample data, ANIA elaborations

As far as premiums are concerned, the incidence of group policies issued by healthcare funds and similar entities continued to increase in 2020, from 56% of the total in 2019 to 59% in 2020 (it had been 48% in 2013) (Figure 1); the percentage of the other policies went down, to 30% for individual policies and 10% for the remaining group policies. In 2020 the premium income from healthcare funds and the like was the only area showing a positive annual change, and this was insufficient to offset the drop observed for the other types of policy.

In 2020, most healthcare funds and similar entities issued specific policies providing for coverage of covid-19 (sickness class) for nearly all clients, thus doubling the number of insured risk units. In almost all cases, this coverage was included for free or at very moderate prices, affecting the average premium (€105), which shrank considerably from the value estimated in the two years before (Figure 2). The average premium on other group policies also went down (€89 in 2020, €93 in 2013), confirming the downward trend reported in 2019.

Figure 2
Trend of average premiums by type of group sickness policy
(in Euro)

2018
2019
2020

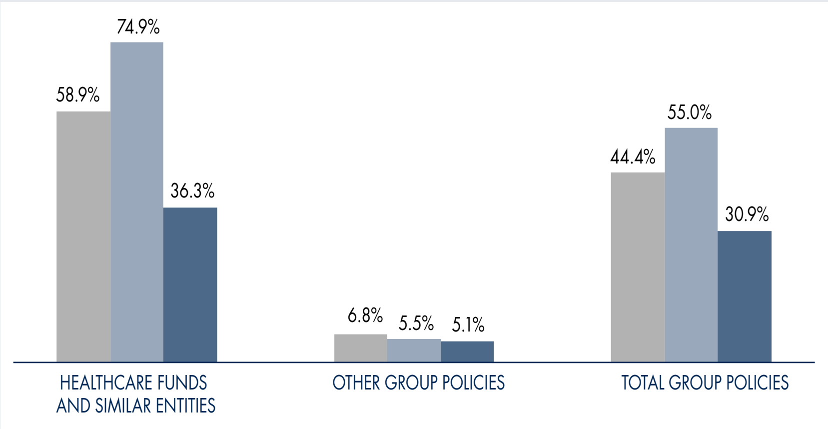


Source: Sample data, ANIA elaborations

The considerable increase in the number of insured risk units, due to the issuance of specific pandemic-related policies, brought about a drop in the frequency of healthcare fund claims (Figure 3).

Figure 3
Trend of claims frequency by type of group sickness policy

2018
2019
2020

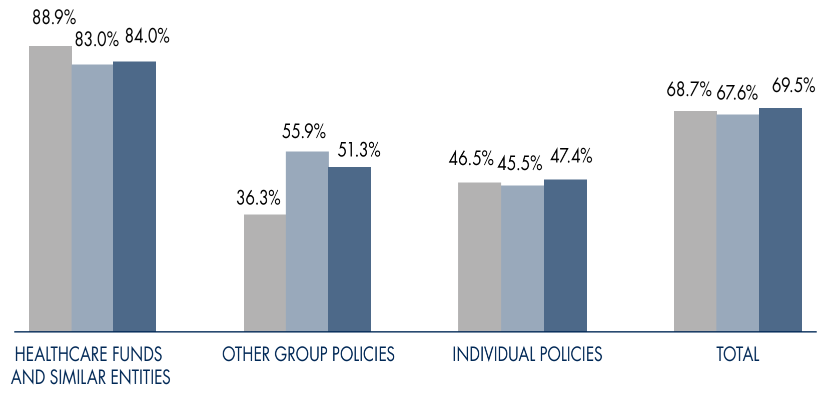


Source: Sample data, ANIA elaborations

As far as the cost of claims is concerned, in 2020 the total amount paid and reserved for claims for the current and previous years is given by sickness policies issued by healthcare funds and similar entities (71%), other group policies (8%) and individual policies (21%).

The loss ratio for the year went up slightly from 2019 both for healthcare funds and for individual policies (Figure 4). As for healthcare funds, the increase is due to the insufficient claims reserves for previous years recorded in 2020, against the considerable amount recorded in 2019.

Figure 4
Trend of loss ratio by type of sickness policy

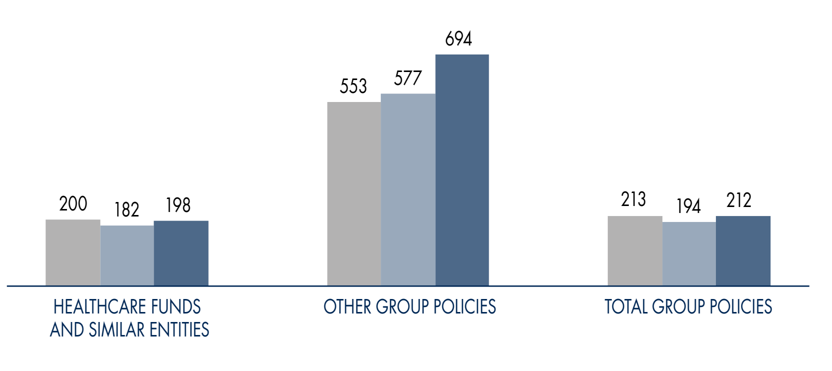


Source: Sample data, ANIA elaborations

In 2020, the cost of settlements for amounts paid and reserved in the current year went up for all types of policies; healthcare funds showed the lowest indicator (6.8%), followed by individual policies (7.9%) and the other group policies (8.1%). The general upward trend of these values over the last year suggests a connection with the higher cost of operations in the settlement of damages due to the pandemic.

As for the average cost of claims, focusing only on the current management of group policies, the average settlement (paid and reserved) of healthcare funds was €198 in 2020, against €694 for other group policies, both of them increasing from the previous year (Figure 5).

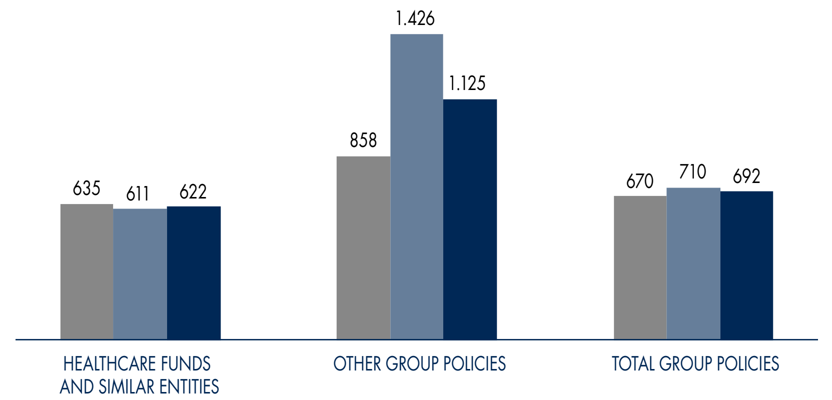
Figura 5
Trend of average cost for current generation by type of group sickness policies
(in Euro)



Source: Sample data, ANIA elaborations

More specifically, considering only the pandemic-related claims indemnified in 2020, the average cost is far higher for both types, reaching €622 for healthcare funds and €1,125 for other group policies (Figure 6).

Figura 6
Average cost of claims for current generation due to covid-19 in 2020
(in Euro)



Source: Sample data, ANIA elaborations

In 2020, the settlement speed for covid-related claims, calculated according to amount, was around 20 percentage points lower than the average for all claims paid in the same year for both types of policy (Figure 7); more specifically, healthcare funds settled (partially or totally) less than half of the amount of covid-related claims (46.8%).

Figura 7
Trend of claims settlement speed for current generation
(amounts)

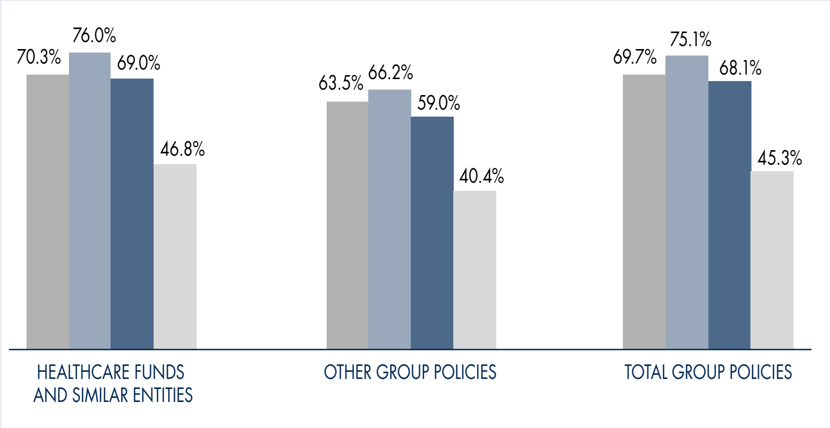
2018

2019

2020

2020 of which for covid-19

Source: Sample data, ANIA elaborations



Considering only the covid-related claims, the amount paid for healthcare funds was €12.3 million, 1.5% of the total amount paid for the current claims generation, almost €2 million less than the reserved amounts (€14 million), equal to 3.9% of the total amount reserved for the current generation. As for the other group policies, the covid-related claims – both paid and reserved – showed lower amounts but higher incidence on the total (Figure 8).

Figura 8
Covid-related claims paid and reserved for the current generation

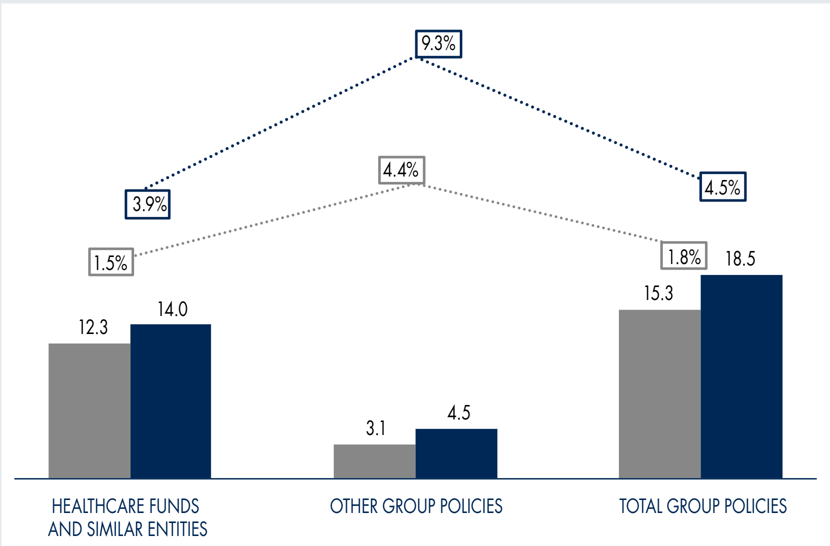
Paid (in mln)

Reserved (in mln)

Incid. (%) of covid-related claims paid over the total claims paid

Incid. (%) of covid-related claims reserved over the total claims reserved

Source: Sample data, ANIA elaborations



DIFFUSION OF CYBER RISK INSURANCE AMONG ITALIAN BUSINESSES WITH AT LEAST 20 EMPLOYEES IN 2016

The Bank of Italy collects data on an annual basis on the ordinary and extraordinary activities of a stratified sample of Italian businesses operating in the industrial and non-financial services sectors with at least 20 employees.

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), had sales turnover exceeding 70% of the national total (2016 ISTAT data).

The survey is carried out through two separate questionnaires. The first is related to an inquiry on the activity performed by the businesses in the previous year through quantitative data to be provided. The second is a survey on the current situation, mainly qualitative information on investment plans, the outlook for demand and more.

Incidence of cyber attacks

The 2016 questionnaire had a specific section on cyber risk where, among other things, the business was asked whether they it suffered any cyber attack over the last 12 months and the related economic damage (Figure 1).

Figure 1
Survey on industrial and non-financial service businesses

Was your firm targeted by cyber-attacks in 2016? *Please only consider those attacks that had an impact, even if modest and/or short-lived and/or easily reversible, on the operation of the business systems and/or the integrity and confidentiality of the data stored on them . . . .* (Yes/No)	
Over the course of 2016, what was the approximate damage caused to your firm by these cyber-attacks? (*in thousands of euros*) Please consider the causes listed above plus any other monetary cost incurred because of the attacks (e.g. damages paid to clients and vendors, legal fees, fines paid to regulatory bodies)	

Source: Bank of Italy

According to the survey, nearly 30% of all businesses said they suffered a cyber attack in the previous 12 months (60% reported none and the other 10% did not know/not reply). According to a study conducted by the Bank of Italy itself, the frequency of cyber attacks is greatly underestimated. Beyond the reluctance of some subjects to admit having been targeted by a cyber attack, in many cases the businesses may not even have realized that they had suffered a violation or would not consider it as such.

With the exception of the Southern and island regions, where the incidence of cyber attacks is considerably lower, the geographical distribution of these events does not show any particular tendency (Figure 2).

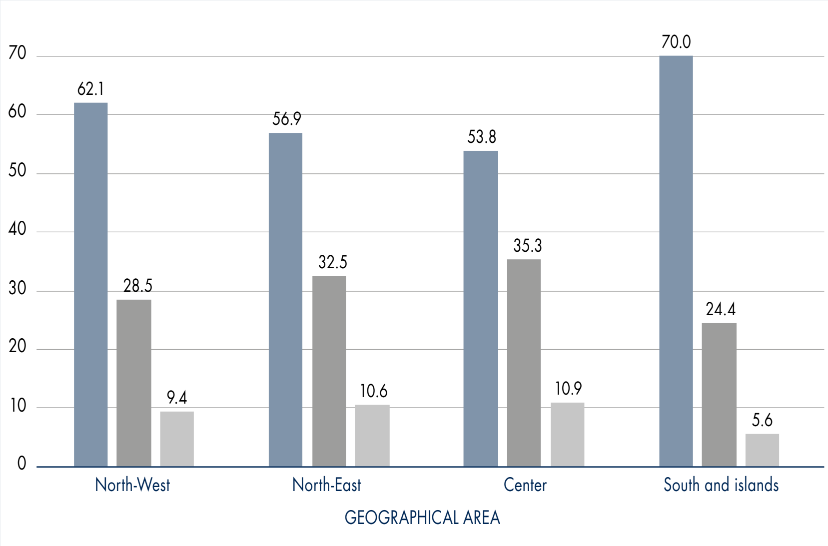
The distribution of these events by size of the business is particularly interesting. The percentage declaring no cyber attacks in the year before the survey

Figure 2
Frequency of cyber attacks by geographical area (%)

No attacks

At least 1 attack

Does not know/did not reply



Source: Bank of Italy

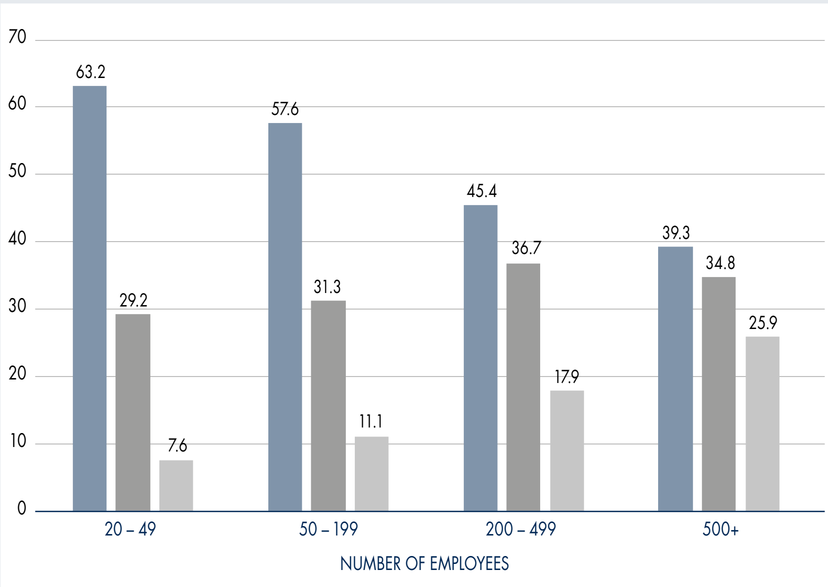
decreases as the size of the business grows (number of employees), owing presumably to greater awareness of the cyber threat at larger companies. However, the number declaring that they don't know or do not reply also grows considerably. These data may be related to greater reticence on the part of bigger companies when it comes to showing their weaknesses, in turn due to the importance they attach to the value of their reputation (Figure 3).

Figure 3
Frequency of cyber attacks by company size (%)

No attacks

At least 1 attack

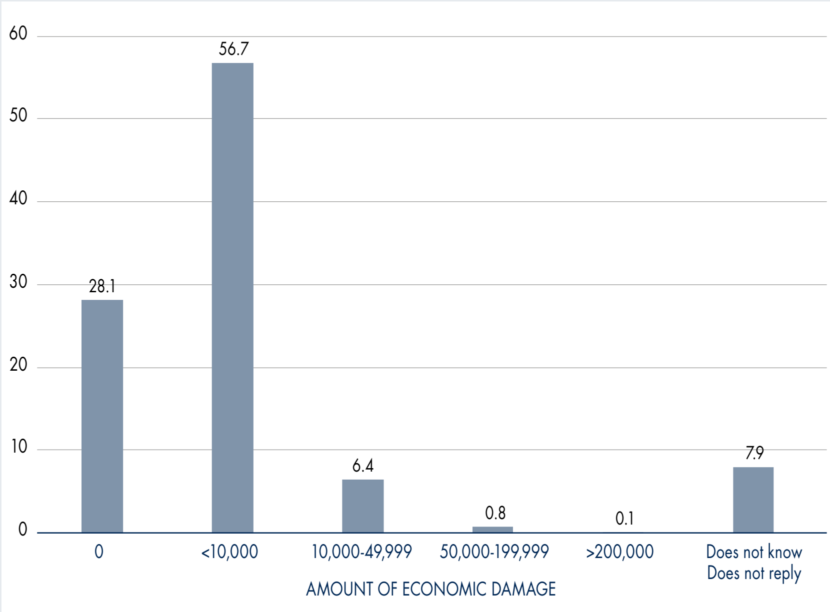
Does not know/did not reply



Source: Bank of Italy

As far as the economic consequences of these attacks are concerned, the sample shows that over 80% entailed little or no cost (less than €10,000) (Figure 4).

Figure 4
% of companies attacked by amount of economic damage



Source: Bank of Italy

Cyber coverage held

A new set of questions on insurance coverage against cyber risk was inserted in the survey.

In case of positive answer, the companies were asked to specify the type of insurance contract and, in case of negative answer, they were asked to specify the reason why they were not provided with this type of insurance (Figure 5).

Figure 5
Survey on the current situation for industrial and services companies

Cyber security

26 Are you insured against the risk of cyber attacks? ....

1. No.
2. Yes, we have a dedicated policy for this risk alone.
3. Yes, with a policy covering other risks as well.
9. Don't know/Do not wish to answer.

Cyber-attack: any action carried out with IT tools and targeting any business system with an ITC component with the objective of disrupting their operation, inflicting physical damage on them, controlling them remotely or in any case compromising their integrity.

Answer ONLY IF you answered 1 to the previous question

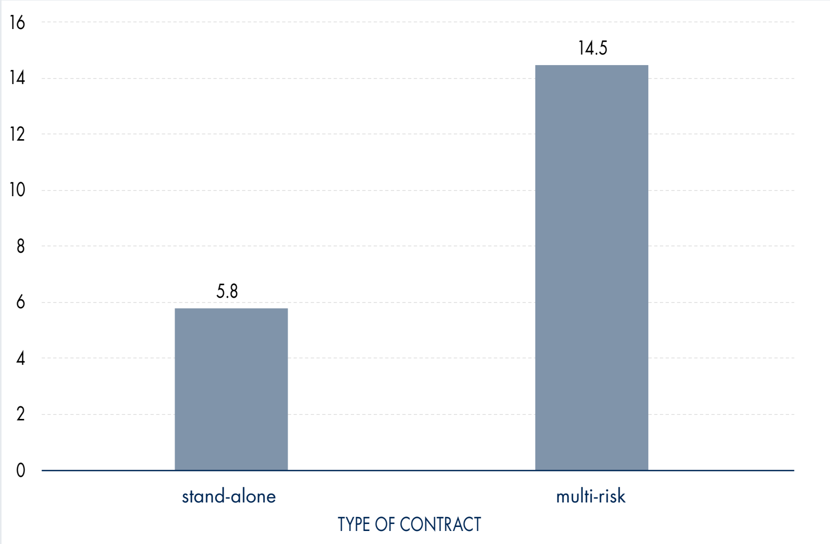
27 Why aren't you insured? ....

1. We don't think it's necessary.
2. The cost would be too high.
3. We haven't found a policy fitting our needs on the market.
9. Don't know/Do not wish to answer.

Source: Bank of Italy

The survey showed that slightly more than 20% of the companies with at least 20 employees in 2016 held some type of insurance coverage against cyber attacks, three quarters of them as part of a multi-risk policy and the others as a dedicated (stand-alone) policy (Figure 6).

Figure 6
% of companies insured by type of contract



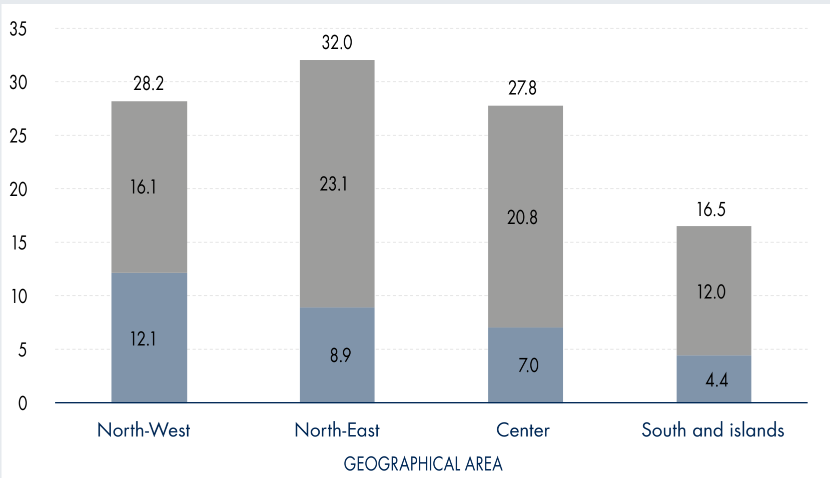
Source: Bank of Italy

Over 60% of the companies without insurance coverage against cyber attacks did not consider it necessary, around 15% regarded the product offer as inadequate for their needs or too costly, and the other 25% did not provide any reason.

There is a clear differentiation in the diffusion of this type of coverage by geographical macro-areas, where Southern Italy and the islands show considerably less protection against cyber attacks compared to the rest of the country. The figures on North-Western Italy are probably underestimated because financial services businesses – which are more concentrated in that area – are not included in the sample, whereas they are presumably more likely to be provided with this type of coverage (Figure 7).

Figura 7
% of companies insured by geographical area

stand-alone
multi-risk



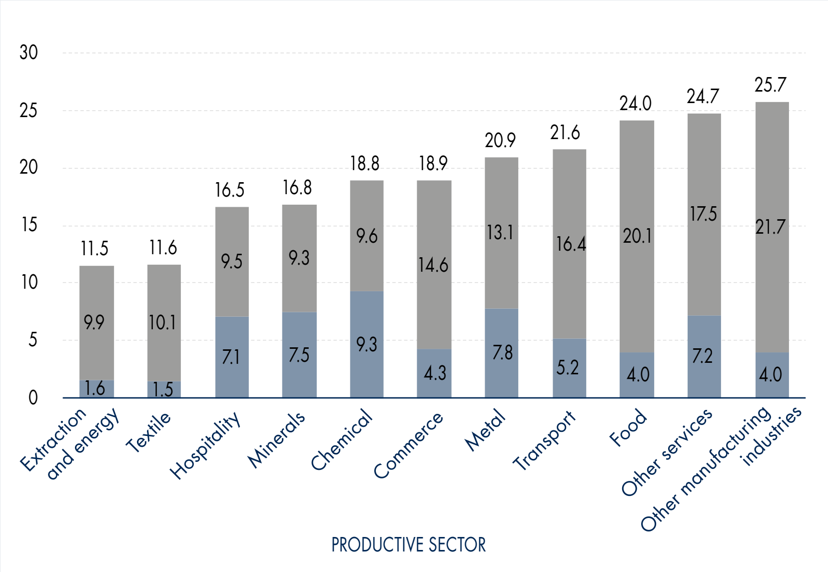
Source: Bank of Italy

Analyzing the diffusion of this type of coverage by economic sector, it is clear that food, “other services”, “other manufacturing” and transport show percentages of cyber protection above the average, with a considerable prevalence of multi-risk contracts. Even if with insurance penetration rates below the average, the incidence of stand-alone policies in the hospitality, extractive and chemical industries is relatively higher (Figure 8).

Figure 8
% of companies insured by productive sector

stand-alone

multi-risk



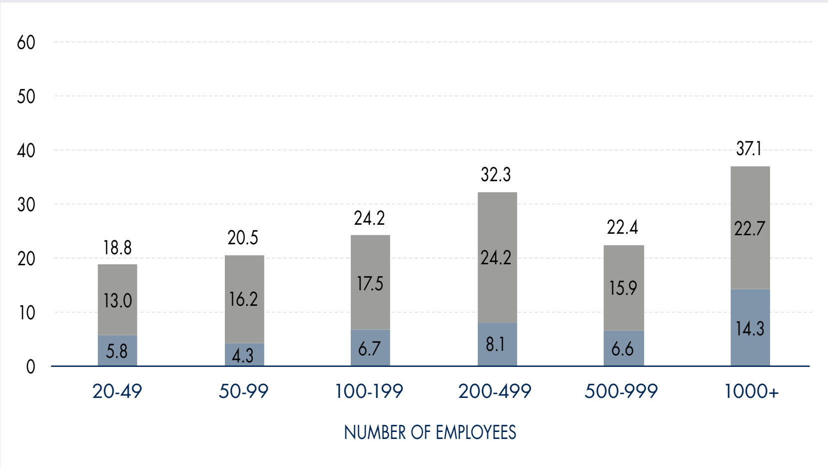
Source: Bank of Italy

On the whole, there is a positive correlation between insurance coverage against cyber attacks and the size of the company (in number of employees). The lesser diffusion among companies with 500-999 employees is probably ascribable to the limited number of businesses in this size class (Figure 9).

Figura 9
% of companies insured by company size

stand-alone

multi-risk



Source: Bank of Italy

Econometric estimate of cyber insurance demand from businesses

The main limit of the statistics reported here is that they do not allow determination, with reasonable confidence, of which variables actually have an impact on the possession of cyber protection policies (which can be interpreted as an indicator of the propensity to purchase these products).

Therefore, this study should be supplemented by an econometric estimate of a model of policy demand. The binary nature of the variable “cyber protection possession” enables us to estimate the probability of a generic company’s having cyber protection coverage through specifically-designed econometric models (Table 1).

Table 1
Econometric estimate of cyber insurance demand

Model 1			Model 2		
	Coefficient	Significance		Coefficient	Significance
Business			**Macro-sector**		
Textile	-0.050		Extraction and energy	-0.32	*
Chemical	0.051		Non-financial services	0.07	
Mining	-0.486	***			
Metal	-0.215				
Other manufacturing	-0.277				
Extraction and energy	-0.133				
Commerce	0.024				
Hospitality	-0.456	**			
Transport and communications	-0.144				
Other services	-0.208				
Geographical area			**Geographical area**		
North-East	0.114	*	North-East	0.11	
Center	-0.049		Center	-0.06	
South - islands	-0.284	***	South and islands	-0.30	**
Number of employees			**Number of employees**		
50-99	0.051		50-99	0.06	
100-199	0.160	*	100-199	0.18	**
199-499	0.400	***	200-499	0.41	***
500-999	0.090		500-999	0.10	
1000+	0.521	***	1000+	0.53	***
Exporting company	0.031		**Exporting company**	0.00	
Constant	-0.758	*	**Constant**	-0.88	***

Statistical significance: * 90%; ** 95%; *** 99%.

Source: ANIA elaborations based on Bank of Italy data

This analysis reports the results of a Probit estimate, hypothesizing that the distribution of coefficients follows a Gaussian curve. Alternative (Linear and Logit) estimates showed comparable results.

Since it is a non-linear model, it is not possible to interpret a percentage variation in the coefficients as a corresponding percentage variation in the propensity to purchase a cyber protection policy. However, the sign of the coefficient clearly indicates the impact of the variable and, in the case of sortable variables, its magnitude too.

The coefficients of the various productive sectors did not provide any relevant indication (Model 1). Only the mining and hospitality industries are statistically significant negative drivers of demand. That is, a company belonging to those sectors will be less likely to have cyber protection insurance. No other industries produced coefficients statistically different from zero. This is probably due to the fact that the business sectors are very numerous and particularly fragmented, which reduces their degree of freedom and so disperses their informative potential.

To address this problem, a second specification (Model 2) has been elaborated, where the industries are grouped into macro-sectors: manufacturing industry, extraction-energy, and non-financial services. This simplification results in a statistically significant negative coefficient for the extraction-energy industry, which is not easy to interpret since the manufacturing industry is automatically excluded from the estimate.

The coefficients associated with the various geographical areas suggest interesting interpretations. Being located in North-East Italy increases the possibility of having cyber protection insurance, while in Southern Italy and the islands this probability drops. The coefficient associated with Central Italy is not statistically different from zero, while North-West Italy has been automatically excluded from the estimate to avoid multicollinearity.

Company size, by number of employees, seems to be a significant driver for the demand. The coefficients are statistically significant and positive, and they increase with company size.

Conclusions

For the first time in Italy, the Bank of Italy's economic survey on industrial and services firms, published in 2017, allows analysis of the characteristics of firms that have procured cyber protection insurance. Both the descriptive study and the econometric analysis show that geographical location and company size are statistically significant drivers of the demand for this type of policy.

ANIA SURVEY ON THE IMPACT OF CYBER RISK ON THE ITALIAN INSURANCE INDUSTRY

In November 2020, ANIA carried out a survey of the impact of cyber risk on the insurance industry.

Insurance companies are interested in cyber risk for two main reasons: at the underwriting level, since some companies include this type of coverage in their product lists for businesses and households; and at an operational level because insurance companies, with their huge amounts of sensitive and/or confidential data, are an obvious potential target for cyber attacks.

With this initiative, ANIA aims to heighten awareness on the practices adopted by insurance companies to mitigate the impact of cyber threats on their own operational risk and, at the same time, on the characteristics of the market for this type of insurance coverage and risk class.

The survey is divided into two sections.

The first provides a representation of the market. On the supply side it describes products, underwriting practices, risks covered and services offered (if any); on the demand side, the survey illustrates the main drivers, the types of customer and, in case of corporate clients, the industrial sectors most heavily affected, considering the new logistic arrangements consequent to the recent covid-19 containment measures.

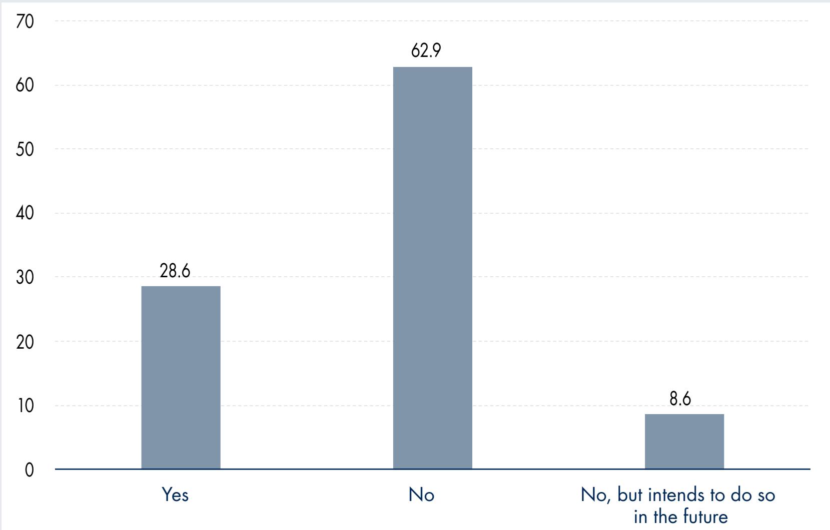
The second section focuses on the ways insurance companies manage cyber risk in their own internal operations.

A total of 35 insurance companies responded to the questionnaire, accounting for nearly 40% of premium income in 2019 in both sectors.

The survey shows that of the 35 companies, 10 (28.6%) reported offering cyber protection products, and another 3 (8.6%) replied that they are not offering them at the moment but they will in the future (Figure 1).

Figure 1
Cyber products offered by insurance companies (*)

(*) % of companies included in the sample



Source: ANIA

Cyber policy market

Thirteen companies participated in the first part of the survey on the management of cyber risk from the underwriting point of view, with a 35% market share in terms of non-life premiums. The vast majority of these companies consider the cyber threat to be developing rapidly.

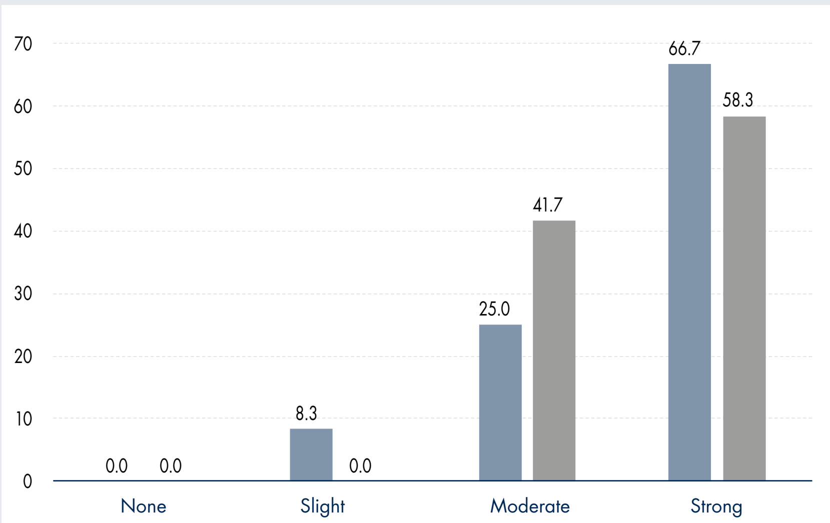
The covid-19 crisis encouraged the adoption of remote work through digital platforms. For many experts, moving from professional infrastructures to technological equipment designed for private use may have increased the vulnerability of the system to the cyber threat, with a subsequent growth in the number of cyber attacks (Figure 2).

Figure 2
Impact of remote working on cyber risk (*)

(*) % of companies included in the sample

Present impact

Future impact



Source: ANIA

Companies were asked about their perception on the issue and the vast majority of them consider the increase in the use of remote work to be an important driver of growing exposure to cyber attacks, both now and in the future. Nine out of ten companies believe that remote work will exacerbate the cyber risk (from moderately to very much).

Cyber risk is complex by nature and involves the insurance company's underwriting activity through various channels. The cyber attack damage can be direct, bringing about economic losses for the entity under attack as in the case of business disruption due to the downtime of IT systems, or indirect, as in the case of the victim's liability if the attack consists in the theft of sensitive data belonging to third parties who can then seek recourse against the victim.

Finally, there is another type of insurance coverage, relating to the assistance business, which offers different types of pre-claim services, such as an assessment of vulnerability, and post-claim services such as restoring the IT systems, ensuring safety of the system and mitigating reputational damage.

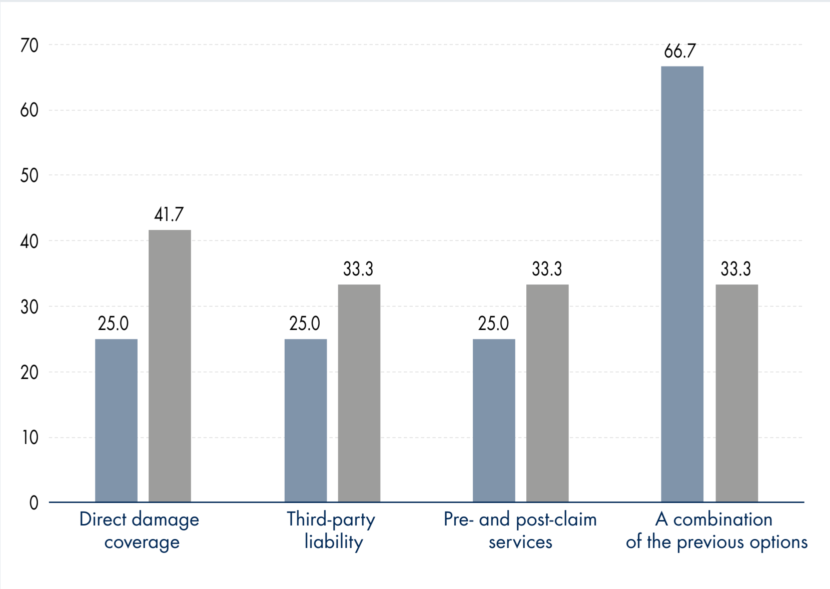
These kinds of coverage can be marketed individually or in multi-risk packages (Figure 3).

Figure 3
Cyber coverage composition (*)

(*) % of companies included in the sample

stand-alone

multi-risk

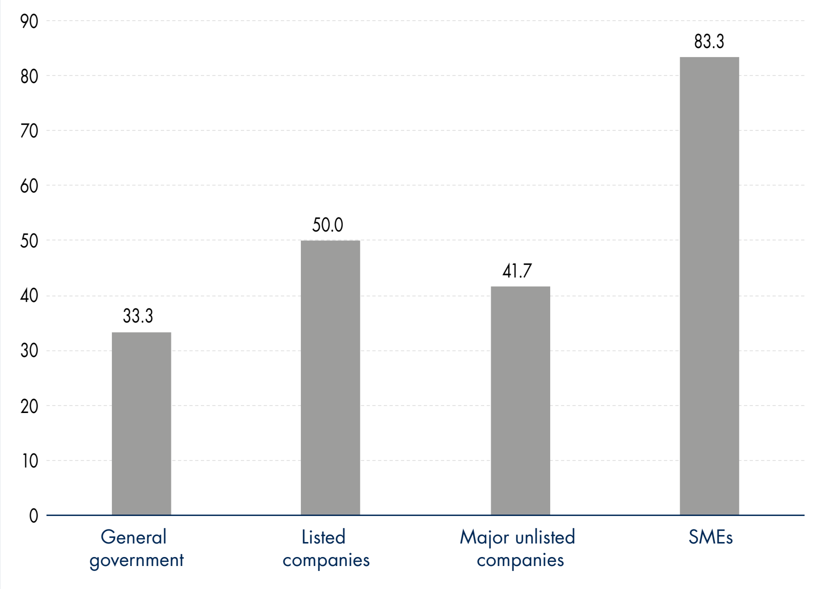


Source: ANIA

Finally, the cyber insurance on offer in Italy is mainly addressed to corporate clients. In this area, the supply is directed mainly to SMEs, followed at a distance by listed and unlisted companies. The presence of general government bodies – even if limited – is worth mentioning (Figure 4).

Figure 4
Type of corporate clients for cyber products (*)

(*) % of companies included in the sample



Source: ANIA

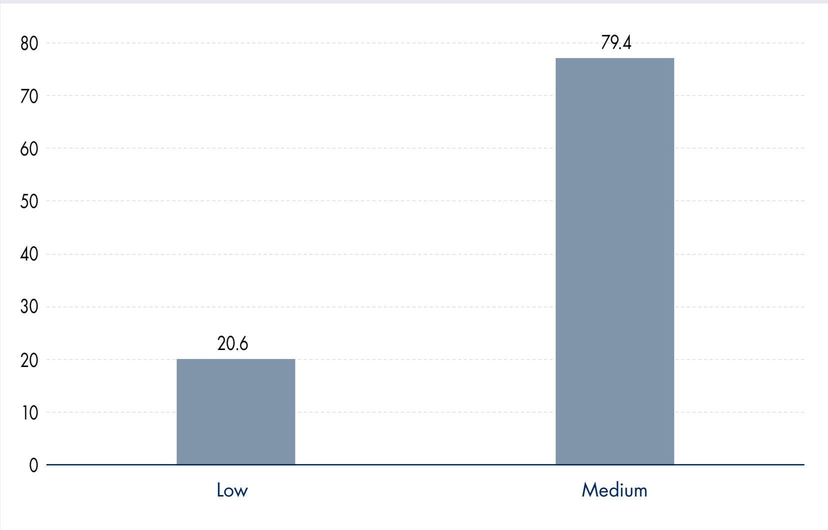
The cyber threat as an operational risk for insurance companies

A section of the questionnaire contains specific questions on the impact of cyber risk on the internal operational risk profile and management. This can be important, since insurance companies manage a huge amount of sensitive and confidential data. The increasingly pervasive digitalization of these data makes insurance companies an ideal target for cyber attacks, necessarily making the issue of IT security one of the top priorities for risk-managers.

In order to evaluate the industry's state of awareness on this issue, respondents were asked for their judgment on corporate exposure to cyber attacks. The 35-company sample provided a mainly intermediate indication of such exposure (Figure 5).

Figure 5
Judgment of cyber risk exposure (*)

(*) % of companies included in the sample

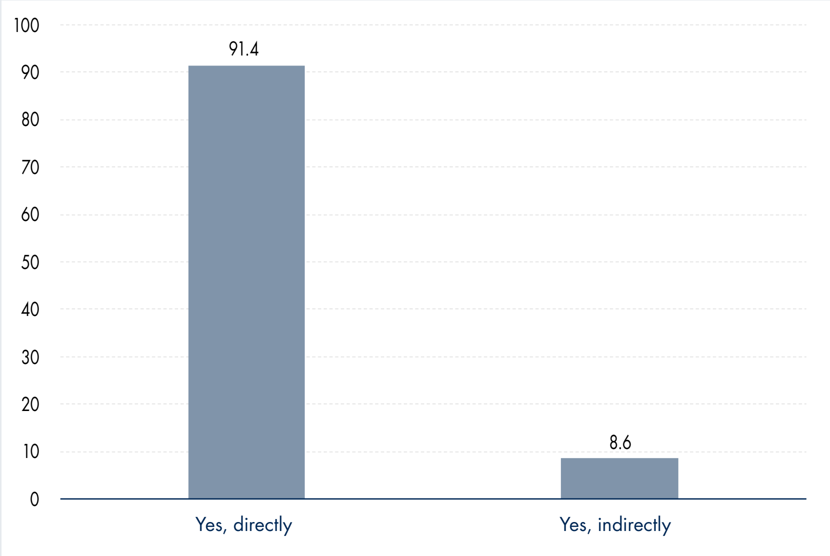


Source: ANIA

Another indicator of insurance companies' awareness of the cyber threat as an operational risk is its explicit inclusion among corporate risk management practices. All 35 companies participating in the survey responded that cyber risk is part of operational risk management; over 90% of the respondents consider it as a separate risk category (Figure 6).

Figure 6
Inclusion of cyber risk in risk management (*)

(*) % of companies included in the sample

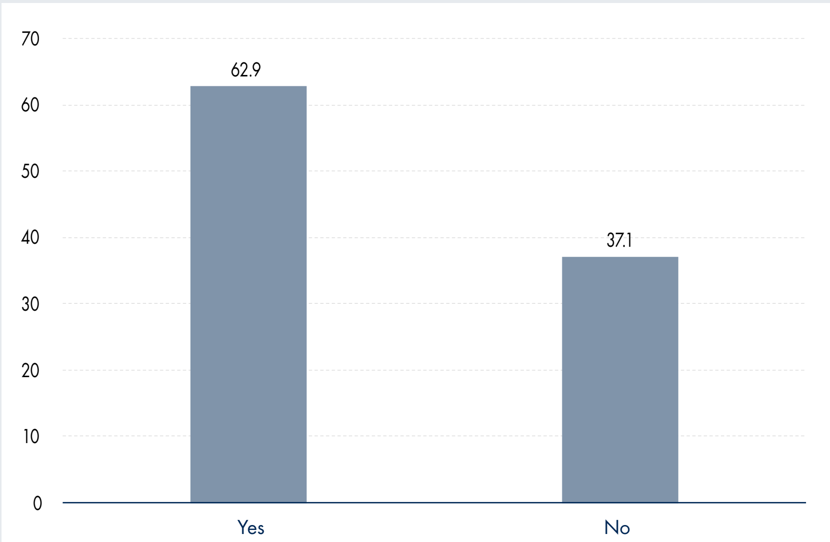


Source: ANIA

Insurance companies, with the enormous mass of data that they handle, are clearly a potential target for various types of cyber attack. Over 60% of the respondents declare that they have experienced a cyber attack (or an attempt) in the last 5 years. The vast majority of these attacks had no consequences (Figure 7).

Figure 7
% of companies experiencing a cyber attack in the last 5 years (*)

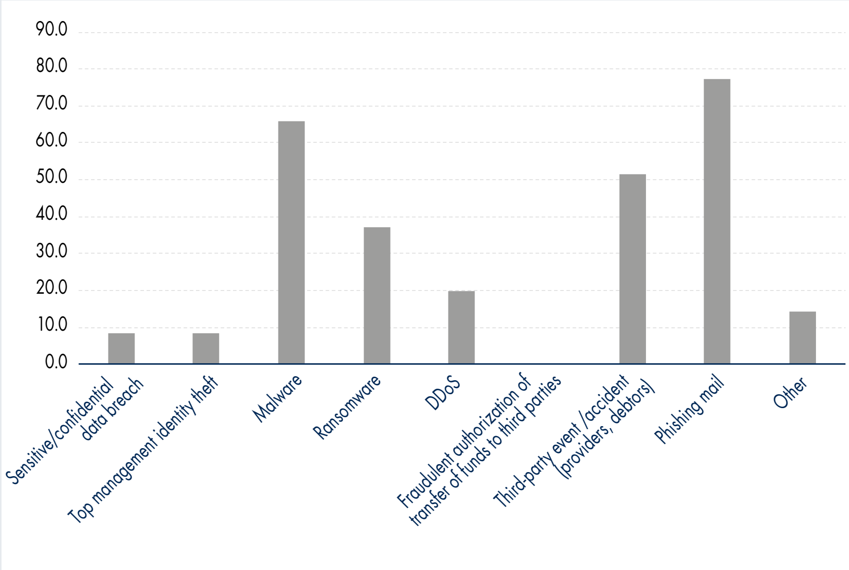
(*) % of companies included in the sample



Source: ANIA

In fact, the vast majority of cyber attacks in insurance are of the same types found most frequently in other industries: mail phishing and unauthorized access attempts through dedicated software packages (malware). A significant share of events is ascribable to cyber attacks against third parties (providers, outsourced services) (Figure 8).

Figure 8
% of companies attacked by type of cyber attack



Source: ANIA

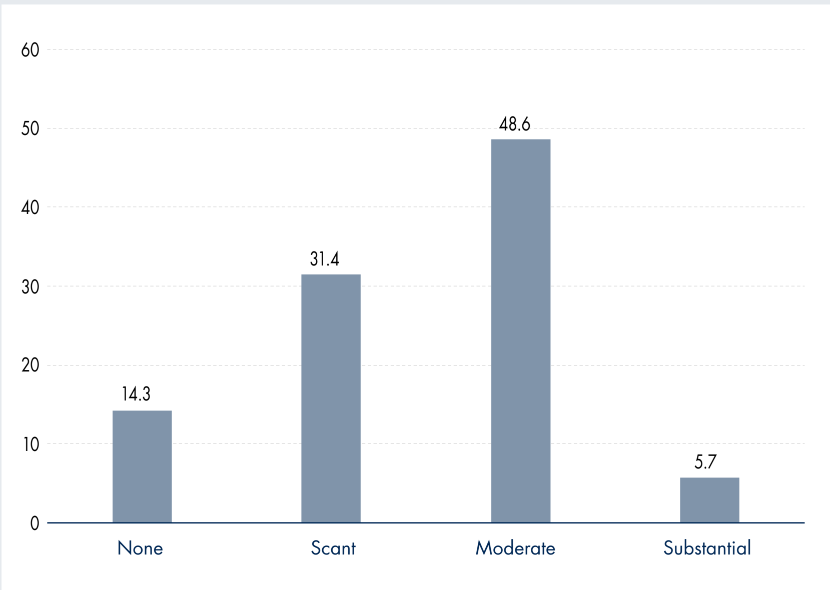
The covid-19 crisis led to deep changes in the way people interact in different contexts, including at work. These new modalities are likely to persist even after the emergency ends (Figure 9).

It is generally recognized that the adoption of remote working – forced by the social distancing measures – through the use of digital platforms is here to stay and will grow in the next few years. The passage from professional infrastructures (servers, PCs, antivirus systems) to IT equipment that is designed for home use may have increased the vulnerability of the system to cyber threats, with a subsequent growth in cyber attacks.

This concern is present in the insurance industry as well, where remote working is recognized to have heightened the operational risk load for risk management divisions.

Figure 9
Impact of remote working on internal operational risk (*)

(*) % of companies included in the sample



Source: ANIA

EFFECTS OF COVID-19 ON AVIATION AND TRANSPORT INSURANCE

The covid-19 emergency showed its negative and pervasive effects at all levels. From the economic perspective, some industrial sectors have been affected more than others; the general uncertainty provoked by the virus impacted heavily on the insurance industry as well, in particular transport and aviation insurance. One of the first common signals among the different industries was the significant reduction and, in some areas, the total shutdown of sea cruises and international air travel.

The slowing of freight traffic had a severe impact on the air cargo industry and on maritime container shipping, with strong effects on the demand for goods shipped and transferred around the world.

What is more, the total halt to the global cruise fleet and the forced grounding of many airlines caused an anomalous risk concentration, exposing insurers to potential losses from natural disaster (tornadoes, hail storms, fires) or negligent or malicious human action (terrorist attacks), which could cause billions of dollars worth of damage.

Aviation and transport policies generally cover material, direct damage to the insured goods, excluding delay-related losses or damages. Therefore, these policies might not cover pandemic-related losses due to such factors as late delivery, market loss, consequent damages/business interruption, extra costs for goods detained in a port/airport or unloaded at locations other than the final destination, or stored in warehouses owing to the closure of borders.

Aviation industry

The International Air Transport Association data showed that total demand in 2020 (measured by Revenue Passenger Kilometers) shrank by 65.9% from 2019, by far the sharpest decline in the history of civil aviation. In April 2021, the International Civil Aviation Organization data report a moderate recovery of domestic traffic, while international travel continues to stagnate. The actual impact will depend on the duration and extent of the pandemic, as well as on the containment measures implemented, on consumer confidence in air travel, and on economic conditions in general. Passenger traffic is very unlikely to return to its 2019 pre-crisis levels before 2023. This is the toughest challenge ever experienced by the global aviation business, even worse than the impact of the September 11 attacks in 2001, which triggered a 30% drop in global air travel the following year.

The pandemic has raised concerns about the long-term profitability and survival of airports and the maintenance sector, especially when fleets remain grounded for such a long time, as well as about aircraft producers.

According to current market practice, with some exceptions aviation insurance policies generally do not have clauses excluding insurance coverage for communicable disease-related damages.

By contrast, regarding air carriers' third party liability coverage vis-à-vis passengers and their possible involvement in covid-related complaints, possible claims for compensation for infection allegedly contracted during flights cannot be ruled out, to go by a recent ruling of the European Court of Justice, which considered the carrier to be liable for the sole circumstance of in-flight contagion, regardless of the onset of a risk inherent in air travel as such.

Further, the current mechanism of distribution of the burden of proof – established by the 1999 Montreal Convention – remains unchanged; with this mechanism, the passenger must prove that the contagion occurred during the flight, which is difficult indeed, given that, at least to date, it is impossible to establish the exact moment from which the passenger can be considered to be infected.

Transport industry

As mentioned above, in general, economic losses other than material damage are not covered by Marine policies: in the goods business, all delay-related damages or expenses are excluded, while in the watercraft insurance business, leasing losses due to ship detention must be ascribable to damage to the watercraft covered by the policy in order to qualify for compensation.

An impact on goods-in-transit coverage (especially by sea) can be hypothesized in terms of coverage of forwarding charges, i.e. the higher costs needed to ship goods whose transport – due to covid-related issues – terminates in a different port from the intended destination. However, the forwarding charges coverage is triggered only when the transport interruption is caused by a covered risk; and in traditional *all-risks* insurance, the effect of a virus is not regarded as a reason for exclusion. In the goods in transit business, the perishable goods coverage may be affected by the impact of the virus, provided that the guarantee is issued in compliance with the Frozen Food Extension Clause, for which no cold chain equipment failure is required for indemnification.

To conclude with a general consideration, there does not appear to have been any increase in claims relating to Marine and Aviation policies as a direct consequence of covid-19. It is also true that the recessionary impact of the pandemic on the economy (both production and trade) has had a broader, general effect on the context in which the subjects underwriting these risks operate: an already struggling context which will be put under severe pressure in an attempt to recover sustainable technical profits.

Further, the insurance market in general appears to be more inclined to consider the needs of clients, who are asking for support actions through the deferment of premiums and the reimbursement of premium installments already paid, even where the contract does not provide for them.

Finally, beyond the undeniable problems caused by the pandemic, it is worth highlighting the resilience shown by the insurance market, which proved to be able to adapt very well and extremely quickly to the new operational needs given by the restrictive measures, accelerating the digitization of work processes, with indisputable benefits for operational efficiency and the consequent reduction in operating costs.

7

ANTI-FRAUD ACTION

MOTOR INSURANCE FRAUD

Fraud statistics in Italy

The lockdown measures and restrictions adopted in light of the spread of the covid-19 pandemic throughout 2020 had an impact on every aspect of people's lives, including the types of crimes committed. For some categories of insurance guarantee, despite a drop in accidents in general, the incidence of fraud against insurance companies turned upward; this was the case, for example, of motor liability.

Using IVASS's definitive data for 2019 and preliminary data for 2020, 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 lodged a civil or criminal complaint. The data come from the compulsory anti-fraud reports that all enterprises authorized to do motor liability insurance business in Italy must submit yearly to IVASS (IVASS Regulation 44/2012) (Table 1).

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 2020, which numbered 1,993,333, significantly down from 2019 (-29%) and from any previous year, as a result of the extraordinary limitations to mobility, more or less strict, adopted throughout the year. Claims dropped more significantly in Northern (-31%) and Central Italy (-30%), while they were somewhat more contained in southern (-25%) and island regions (-26%). This reflects the measures adopted based on the risk scenario of the regional covid zones.

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 over total claims lodged in 2020 was 24.9%, the highest ever recorded (it was 23.9% in 2019, 22.3% in 2018, 22.4% in 2017, and as low as 13.4% in 2012 – Figure 1).

The lowest rate of fraud risk in 2020 was again registered in the North at 19.3%, in line with the previous year. The share of claims subjected to further investigation dropped from 8.7% to 8.4%. Ultimately, 14.9% of the claims

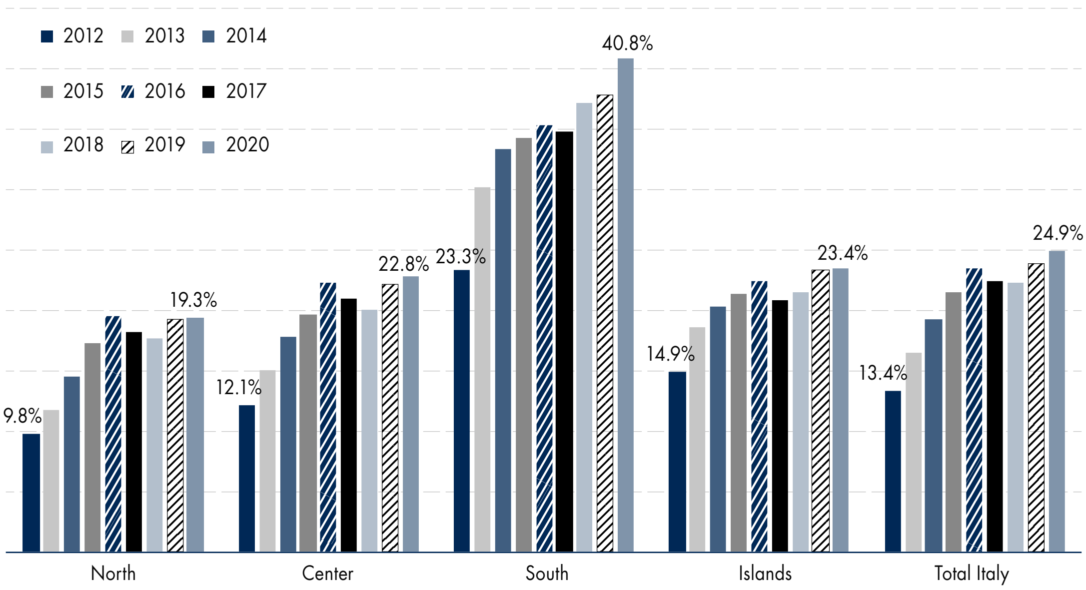
Table 1 – Analysis of motor insurance fraud – Years 2019 and 2020

REGION	CLAIMS FILED (*)		CLAIMS EXPOSED TO FRAUD RISK OVER TOTAL CLAIMS FILED (%)		CLAIMS INVESTIGATED FOR FRAUD RISK OVER TOTAL CLAIMS (%)		CLAIMS W/O COMPENSATION AFTER ANTI-FRAUD INVESTIGATION OVER TOTAL CLAIMS INVESTIGATED (%)		CLAIMS FOR WHICH FORMAL LEGAL COMPLAINT IS LODGED OVER TOTAL CLAIMS INVESTIGATED (%)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
EMILIA ROMAGNA	146,708	209,804	20.6%	20.3%	10.1%	11.5%	13.9%	10.8%	1.0%	0.8%
FRIULI - VENEZIA GIULIA	30,899	43,336	18.7%	17.9%	6.9%	6.9%	15.0%	13.2%	0.4%	0.7%
LIGURIA	64,238	86,973	21.4%	23.3%	10.3%	11.5%	16.7%	12.8%	3.0%	0.7%
LOMBARDY	336,117	481,558	18.2%	17.9%	8.0%	8.2%	14.8%	11.5%	0.8%	0.7%
PIEDMONT	149,759	221,134	21.8%	21.2%	9.5%	9.4%	15.4%	13.8%	1.4%	1.2%
TRENTINO ALTO ADIGE	41,775	75,907	25.7%	23.8%	6.3%	4.1%	18.7%	15.3%	3.4%	5.0%
VALLE D'AOSTA	3,858	5,801	18.3%	15.8%	8.1%	7.4%	22.9%	16.7%	0.6%	1.6%
VENETO	139,071	196,085	15.4%	16.1%	6.5%	7.0%	13.9%	11.0%	0.4%	0.4%
NORTH	*912,425*	*1,320,598*	*19.3%*	*19.3%*	*8.4%*	*8.7%*	*14.9%*	*12.0%*	*1.2%*	*0.9%*
LAZIO	262,510	374,615	24.7%	23.5%	14.7%	13.4%	14.5%	12.0%	1.1%	0.9%
MARCHE	46,053	64,949	20.3%	18.7%	10.1%	8.9%	12.4%	11.5%	0.6%	0.6%
TUSCANY	138,258	198,895	20.4%	20.5%	10.1%	10.1%	13.6%	10.6%	1.4%	1.0%
UMBRIA	28,098	39,749	21.9%	22.0%	11.4%	10.2%	16.1%	12.7%	1.2%	1.3%
CENTER	*474,919*	*678,208*	*22.8%*	*22.1%*	*12.7%*	*11.8%*	*14.2%*	*11.7%*	*1.1%*	*0.9%*
ABRUZZO	37,059	52,230	22.7%	22.1%	10.2%	9.5%	17.8%	14.6%	0.9%	1.3%
BASILICATA	13,502	18,437	28.1%	26.7%	15.8%	14.8%	15.9%	15.0%	0.9%	1.4%
CALABRIA	42,394	57,155	33.6%	32.0%	21.8%	19.8%	16.2%	15.2%	2.3%	1.9%
CAMPANIA	194,353	259,743	53.1%	48.4%	37.9%	33.6%	17.7%	14.9%	2.4%	1.8%
MOLISE	8,549	11,647	39.0%	35.4%	25.4%	22.6%	18.6%	15.5%	1.1%	3.1%
PUGLIA	108,069	140,013	29.4%	27.8%	17.7%	16.6%	12.1%	12.7%	1.0%	0.6%
SOUTH	*403,926*	*539,225*	*40.8%*	*37.8%*	*27.3%*	*24.5%*	*16.6%*	*14.5%*	*2.0%*	*1.6%*
SARDINIA	50,666	69,452	17.2%	16.6%	8.9%	8.4%	14.7%	12.2%	0.6%	0.5%
SICILY	151,397	202,820	25.5%	25.5%	14.9%	14.8%	15.2%	12.6%	1.2%	1.4%
ISLANDS	*202,063*	*272,272*	*23.4%*	*23.3%*	*13.4%*	*13.2%*	*15.1%*	*12.6%*	*1.1%*	*1.3%*
TOTAL ITALY	1,993,333	2,810,303	24.9%	23.9%	13.7%	12.9%	15.4%	12.9%	1.5%	1.2%
MEMO:	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
TOTAL ITALY	2,813,191	2,857,883	22.3%	22.4%	13.3%	12.4%	14.9%	14.2%	1.2%	1.3%

(*) "Claims filed" means, with the exception of claims regarding a carrier's third-party liability, all Class 10 claims (motor liability) for which the insurer, during the financial year, has received a claim or a request for compensation under articles 148 and 149 of Legislative Decree 209 of 7 September 2005. The claims refer to all motor liability insurers operating in Italy (undertakings incorporated in Italy and foreign branches of EU and non-EU companies).

subjected to further investigation were closed without settlement (12.0% in 2019); in 1.2% of the cases, compared with 0.9% in 2019, the insurer lodged a civil or criminal complaint. By region, Trentino-Alto Adige and Piedmont registered the highest share of suspect claims (25.7% and 21.8% respectively), Veneto and Lombardy the lowest (15.4% and 18.2% respectively). As to further investigations concluded without compensation – that is, cases of successful anti-fraud action by insurers – the highest rates were in Liguria and Trentino-Alto Adige (17% and 19% 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 14.9%. Trentino-Alto Adige and

Figure 1
Share (%) of claims exposed to risk of fraud over total claims filed in the year



Liguria showed the highest share of civil or criminal complaints lodged (3.4% and 3.0% respectively, compared to a 1.2% average for the North of Italy), but with a positive trend compared with the previous year: while the number of civil and criminal complaints lodged decreased in the former, it increased in the latter (it was 0.7% in 2019), probably because of the unusual year that just ended.

Fraud risk in central Italy was found in 22.8% of all claims submitted in 2020, slightly up from 22.1% in 2019. Insurers conducted more than the ordinary inquiry in respect of 12.7% of total claims (up from 11.8%), with 14.2% of them being terminated without settlement (up from 11.7% in 2019); in 1.1% of the cases, compared with 0.9% in 2019, the insurer lodged a civil or criminal complaint. The highest incidence of suspect cases was in the Lazio region (24.7%, up from 23.5%), while the region where settlement without compensation was most common was Umbria (16.1% of the suspect cases). The regions with the lowest exposure to fraud risk were Marche and Tuscany (around 20%), although the latter was also the region with the most civil or criminal complaints lodged (1.4%).

Once again in 2020, the highest incidence of fraud risk was found in the South: nearly 41% of all claims were suspect, up from 37.8% in 2019. The claims subjected to additional inquiry rose to 27.3% of the total, up from 24.5% in 2019. Of these, 16.6% were closed without compensation. Insurance companies filed civil or criminal complaints in respect of 2.0% of the claims (up from 1.6% in 2019). The regions with higher-than-average percentages were Campania, at 2.4%, and Calabria (2.3%); in all the other regions the percentage of civil or criminal complaints lodged in respect of claims averaged around 1%.

In the island regions the incidence of claims with risk of fraud was lower than the national average at 23.4%. More specifically, Sicily was just above the average at 25.5%, while Sardinia was well below it at 17.2%. The number of claims terminated without settlement increased in both regions compared with 2019 (from 12.2% to 14.7% in Sardinia and from 12.6 % to 15.2 % in Sicily), while the percentage of claims for which a civil or criminal complaint was lodged remained stable or decreased slightly, averaging 1.1% in 2020.

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 insignificant 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 they are requested. On 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.

The data published by IVASS in its Statistical Bulletin[(1)] permit derivation of the provincial distribution of contested claims subject to litigation[(2)] and their incidence on the claims reserved at the end of the year. Figure 2 shows that the incidence of litigation on total claims does not exceed the national average in the Center of Italy (with the exception of a few provinces in Tuscany, Abruzzo and Umbria); it is lower in the North (less than 10%) but significantly higher in the South, with some provinces in the regions of Campania, Molise and Calabria showing incidences that are double the national average.

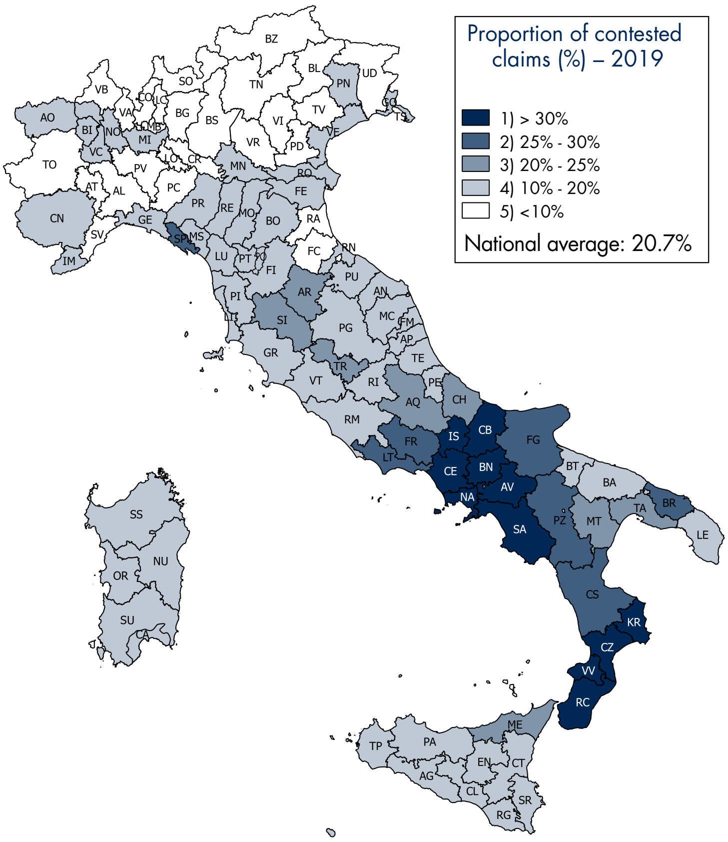
Among the causes of motor liability fraud, we must mention a series of rules governing the insurer's formulation of a settlement offer: designed to speed up the settlement process, these often appear to be incompatible with thorough-going anti-fraud action:

– 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

(1) Bolletino statistico, No. 17, December 2020: Litigation in motor and marine liability insurance (2010-2020).

(2) Contested claims subject to litigation means claims identified by IVASS's specific annual survey (Regulation No. 36 of 28 February 2017). ANIA's observation includes only claims processed in civil courts of first instance. At the end of 2019, they numbered 208,667, accounting for 95% of all civil proceedings, 94% if we include also criminal proceedings.

Figure 2
Proportion of contested claims (%) – 2019



evidence that insurers can use to detect fraud; in the province of Naples, for instance, 15% of claims are filed more than a year after the date of the accident, compared with a national average of "late" claims of 4.8%;

– 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 term 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 inquiry, 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. The rule, in fact, does not envisage the possibility of withdrawal of the claim by the claimant.

Accordingly, ANIA has analyzed the vehicle damage claims for accidents that occurred and were settled in 2020 (and, for comparison, in 2019) 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 37 days, longer than in 2019 as a result of the impact of lockdown

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	
		2020	2019	2020	2019
	Liguria	7.6	7.4	38.1	34.6
	Lombardy	5.6	5.3	39.3	35.5
	Piedmont	6.4	6.1	39.3	35.2
	Valle d'Aosta	5.9	5.9	33.8	31.1
North-West	*Total*	*6.0*	*5.7*	*39.1*	*35.3*
	Emilia-Romagna	5.5	5.3	37.7	35.1
	Friuli-Venezia Giulia	4.8	4.7	36.5	33.9
	Trentino-Alto Adige	5.9	5.6	33.3	33.4
	Veneto	5.1	5.0	38.4	35.0
North-East	*Total*	*5.3*	*5.2*	*37.5*	*34.8*
	Lazio	9.2	9.3	40.7	38.1
	Marche	6.4	6.5	36.2	31.4
	Tuscany	7.5	7.4	38.7	36.0
	Umbria	5.5	5.9	31.8	27.8
Center	*Total*	*7.9*	*8.0*	*38.7*	*35.7*
	Abruzzo	6.7	6.5	32.0	28.8
	Basilicata	6.4	6.3	26.8	24.1
	Calabria	8.0	8.1	33.4	28.7
	Campania	12.2	12.0	38.0	33.6
	Molise	6.3	6.4	24.9	22.8
	Puglia	7.3	7.6	35.8	29.0
South	*Total*	*8.6*	*8.6*	*34.5*	*29.7*
	Sardinia	6.9	6.9	30.6	28.5
	Sicily	8.4	8.5	32.9	29.6
Islands	*Total*	*7.8*	*6.6*	*32.0*	*34.0*
	TOTAL ITALY	6.8	6.6	37.4	34.0

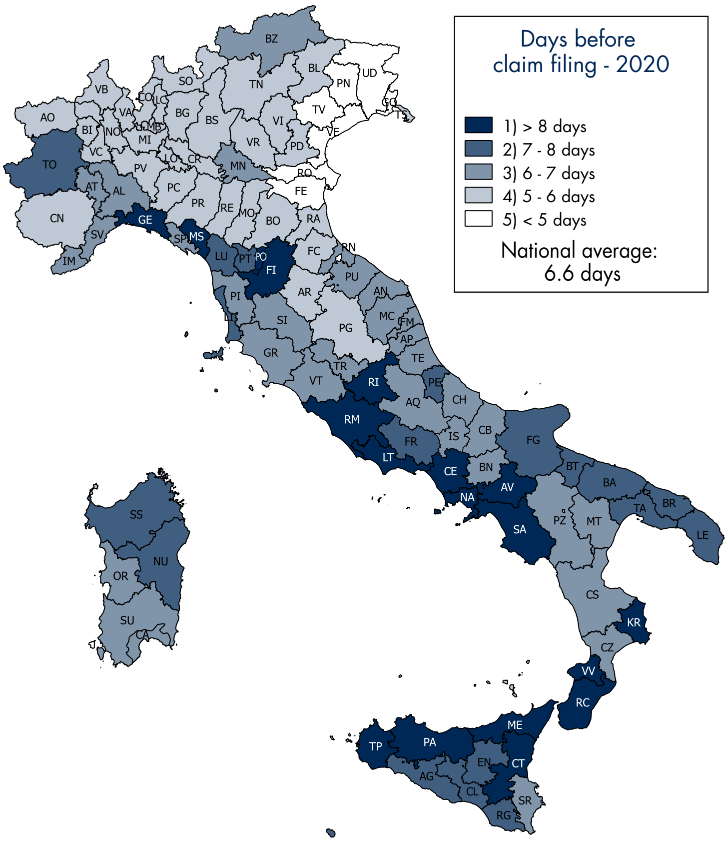
and other restrictive measures on insurance undertakings which limited their operations), an average of 6.8 days elapse between the date of the accident and the date when it is reported to the insurer (Table 2).

A regional breakdown, however, shows that the time period involved is lower than average in almost all the regions of the North, while in the Center and the South it is regularly higher, and nearly twice the average in Campania.

In that region in 2020, on average, 12 days elapsed between accident and report. And on the provincial level (Figure 3) we find an average of 16 days in Naples, 11 days in Messina, 10 days in Salerno, Reggio Calabria, Crotone, Rome and Caserta. The indicator is lowest in the northern provinces of Gorizia and Rovigo (under 4.6 days). In the major cities values range from 5.8 days in Bologna and Milan to 7 in Turin, 8 in Florence, 9 in Palermo and 10 in Rome.

Motor insurance fraud is strictly correlated, geographically, with the circulation of uninsured vehicles.

Figure 3
Time to consensual claim filing (vehicle damage only) – 2020



However, estimating the extent of insurance evasion is no easy task. On the one hand 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 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 covers all registered vehicles, divided into 4-wheeled vehicles (cars etc.) and 2-wheeled vehicles (motorbikes and motorcycles) and broken down by region, province and municipality. The data used for the present analysis refer to vehicles registered as of 31 December 2020; 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.

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 Italy's numerous judicial depositories (over 300 in 107 provinces), for which there is no central database of vehicles held;
b) unused vehicles (hence, non-circulating) but nevertheless regularly registered and kept in private garages or parking places;
c) vehicles abandoned on the street (mostly motorbikes and motorcycles), 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" used cars);
e) vehicles with temporary insurance (mostly motorbikes and motorcycles) that have coverage for the spring and summer 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 motorbikes and motorcycles 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.

Table 3 – Estimate of uninsured vehicles, 2020, by geographical area
Euro million

Area	Total insured vehicles	Est. uninsured vehicles	Memo: est. uninsured vehicles					Total vehicles on road	% uninsured vehicles (*)	Memo: % uninsured vehicle				
	2020	2020	2019	2018	2017	2016	2015	2020	2020	2019	2018	2017	2016	2015
North	20.9	0.8	0.8	0.9	0.9	0.9	1.1	21.8	3.8%	3.8%	3.9%	4.1%	4.3%	5.2%
Center	9.4	0.6	0.6	0.6	0.6	0.7	0.9	10.0	6.0%	6.0%	6.1%	6.3%	6.6%	8.2%
South	11.2	1.2	1.2	1.2	1.2	1.3	1.4	12.4	9.4%	9.4%	9.6%	10.1%	10.7%	11.1%
TOTAL ITALY	41.5	2.6	2.6	2.7	2.8	2.9	3.4	44.1	5.9%	5.9%	6.0%	6.3%	6.7%	7.6%

ANIA, based on Motor Vehicles Bureau data

Table 4
Estimate of uninsured vehicles, 2020
Regions and regional capitals
(millions of vehicles)

Region/Capital	Total insured vehicles	Est. uninsured vehicles	Total vehicles on road	% uninsured vehicles (*)
	2019	2019	2019	2019
Bologna	0.711	0.027	0.738	3.7%
Total EMILIA ROMAGNA	3.461	0.131	3.592	3.7%
Trieste	0.166	0.005	0.171	2.9%
Total FRIULI VENEZIA GIULIA	0.998	0.029	1.027	2.8%
Genoa	0.582	0.022	0.604	3.6%
Total LIGURIA	1.164	0.044	1.208	3.7%
Milan	1.931	0.127	2.058	6.2%
Total LOMBARDIA	7.087	0.324	7.411	4.4%
Turin	1.535	0.084	1.619	5.2%
Total PIEDMONT	3.309	0.153	3.462	4.4%
Trento	0.478	0.011	0.489	2.3%
Total TRENTINO ALTO ADIGE	0.942	0.021	0.964	2.2%
Aosta	0.115	0.007	0.123	6.1%
Total VALLE D'AOSTA	0.115	0.007	0.123	6.1%
Venice	0.557	0.016	0.573	2.8%
Total VENETO	3.862	0.114	3.976	2.9%
TOTAL NORTH	*20.938*	*0.825*	*21.763*	*3.8%*
Pescara	0.212	0.013	0.225	6.0%
Total ABRUZZO	0.963	0.057	1.020	5.6%
Rome	2.478	0.263	2.741	9.6%
Total LAZIO	3.631	0.346	3.978	8.7%
Ancona	0.353	0.013	0.365	3.5%
Total MARCHE	1.180	0.047	1.228	3.9%
Florence	0.697	0.029	0.727	4.0%
Total TUSCANY	2.839	0.118	2.957	4.0%
Perugia	0.565	0.025	0.590	4.3%
Total UMBRIA	0.748	0.033	0.781	4.3%
TOTAL CENTER	*9.361*	*0.603*	*9.964*	*6.0%*
Potenza	0.261	0.017	0.278	6.1%
Total BASILICATA	0.390	0.026	0.416	6.3%
Reggio Calabria	0.284	0.042	0.326	12.8%
Total CALABRIA	1.140	0.131	1.271	10.3%
Naples	1.229	0.240	1.469	16.3%
Total CAMPANIA	2.878	0.408	3.286	12.4%
Campobasso	0.171	0.011	0.182	5.8%
Total MOLISE	0.244	0.016	0.260	6.0%
Bari	0.773	0.051	0.824	6.2%
Total PUGLIA	2.497	0.182	2.679	6.8%
Cagliari	0.274	0.024	0.298	8.0%
Total SARDINIA	1.097	0.076	1.173	6.5%
Palermo	0.650	0.075	0.724	10.3%
Total SICILY	2.979	0.326	3.305	9.9%
TOTAL SOUTH	*11.225*	*1.165*	*12.390*	*9.4%*
TOTAL ITALY	41.525	2.592	44.117	5.9%

(*) ANIA, based on Motor Vehicles Bureau data

On these assumptions, we estimate that in 2020 **2.6 million vehicles, 5.9% of the total in circulation**, lacked insurance coverage. This was in line with 2019, although there were 1 million fewer vehicles on the road. As in previous years, there is very significant geographical variation: against the national average of 5.9%, the proportion was nearly 9.4% in the South, about average in the Center, and much lower (3.8%) in the North (Table 3).

A more detailed geographical breakdown of the incidence of uninsured vehicles shows that practically all the regions of the North, and their capital cities, are at or well below the national evasion rate of 5.9%. In the Center, it is above all the Lazio region and the city of Rome whose rates are high, at 8.7% and 9.6% respectively, twice those of the other regions of the Center. In the South there is a range from values just above the national average in such regions as Molise, Basilicata, and Sardinia up to over twice the nationwide rate in Calabria and, above all, Campania: in Naples in particular, one of every six vehicles on the roads is uninsured, and in Reggio Calabria one in eight (Table 4).

INSURANCE FRAUD IN THE NON-LIFE CLASSES OTHER THAN MOTOR INSURANCE AND THE IMPACT OF COVID-19

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), ANIA launched a statistical survey, with the collaboration of the anti-fraud officers of member companies, to collect data on the phenomenon over the last three years (2018, 2019, 2020).

Taking as a reference the information collected by IVASS through its annual report on anti-fraud action for motor insurance pursuant to Regulation 44/2012, the following data has been gathered for each class analyzed and separated by financial year of observation:

- number of claims filed;
- number of claims subjected to further investigation in connection with fraud risk (regardless of the year in which the claim was created);
- number of claims subjected to further investigation and terminated without settlement;
- number of claims for which a civil or criminal complaint was lodged;
- qualitative description of the main types of fraud.

Insurance companies were also asked, where possible, to break down the foregoing data by region of claim filing. Where the information is not available, they were asked to break down the claims by risk-taking region (or by region of residence of the policyholder in case of claims filed online, or region of the bank or post office branch that processed the claims in respect of the risks taken on through those channels).

The survey was carried out on a sample representing respectively 53% and 46% of the market in terms of non-life premiums (net of motor liability) and of Class-I life premiums. The data collected on the sample of companies was then used to estimate the total number of claims filed in a year for the overall insurance market, as reported in Table 1 below:

Table 1
Estimate of claims filed in the non-life, non-motor classes and life (pure risk) classes

	Estimate of total claims filed (100% of the market)		
	2020	2019	2018
Non-life classes (other than motor liability)	10,533,636	11,463,194	9,881,922
Life (pure risk)	65,837	59,743	63,493
Total	11,488,605	12,491,252	10,779,433

Taking into account all non-life classes combined (minus motor liability), claims subjected to further investigation in connection with fraud risk accounted for 4.1% of total claims filed in 2020, almost twice the incidence recorded in 2018 (2.0%) or 2019 (2.3%). Conversely, the incidence of claims terminated without settlement on total claims investigated dropped from 5.3% in 2019 to 3.3% in 2020 (see Table 2). Also in decline (from 1.13% in 2019 to 0.73% in 2020) was the incidence of claims for which insurers lodged a civil or criminal complaint against the policyholder on the number of claims subjected to inquiry.

In other words, the data suggest that insurance undertakings intensified their anti-fraud investigation action during the year of the pandemic, even though this did not lead to an increase in the number of claims terminated without settlement or for which a formal legal complaint was lodged.

With regard to life policies covering pure risk, the incidence of claims subjected to further investigation in connection with fraud risk on total claims filed in 2020 was 0.2%, in line with the previous year. At the same time, the incidence of claims closed without settlement on total claims investigated rose by 65%, from 55.6% in 2019 to 91.7% in 2020. The proportion of claims subjected to inquiry for which insurers lodged a civil or criminal complaint against the policyholder jumped to 52.1% in 2020, from just 11.1% in 2019 and 8.6% in 2018.

It would therefore seem that the snapshot of the last year of observation for claims in pure risk life policies – given an equal number of claims subjected to further investigation – highlights a sharp upturn in ascertained fraud in terms of the number of claims terminated without settlement or for which the insurers lodged a civil or criminal complaint against the accused persons.

Table 2
Indicators of anti-fraud action for life (pure risk) and non-life, non-motor 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		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Non-life classes (other than motor liability)	4.1%	2.3%	2.0%	3.3%	5.3%	4.7%	0.7%	1.1%	1.4%
Life Class I	0.2%	0.2%	0.1%	91.7%	55.6%	45.7%	52.1%	11.1%	8.6%
Total	4.1%	2.3%	2.0%	3.3%	5.3%	4.7%	0.7%	1.1%	1.4%

Taking into account 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 rate are accident, sickness, marine craft, goods in transit, fire and natural forces, other damage to property and general third-party liability insurance (see Table 3). More in detail:

- For accident and sickness: the incidence of claims subjected to anti-fraud inquiry in 2020 was 3.5% and 1.8% respectively, up from the previous two years, when they were 2.7% for accident and 0.1% for sickness in 2019, and 1.8% and 0.0% in 2018;
- For marine craft insurance: despite 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 in 2020 nearly doubled to 4.2%. In particular, in the pleasure craft market reports of "sunk" vessels sold secondhand to other countries increased sharply;
- For goods in transit: in 2020 the proportion of claims subjected to further investigation was the highest of all non-life classes (8.6%), a marked increase from the previous two years, when it was under 2.0%;
- For fire, other damage to property and general third-party liability: the incidence of claims involving a risk of fraud in 2020 was in line with 2019 but slightly up from 2018; conversely, the number of claims terminated without settlement and for which an inquiry was launched registered an upturn compared to 2019. In particular, general third-party liability is the class that showed the highest incidence of claims closed without settlement on those subjected to fraud investigation in 2020 (31.2%), followed by accident insurance (16.4%).

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		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Class 1 – Accident	3.5%	2.7%	1.8%	16.4%	13.2%	15.6%	8.7%	6.5%	9.6%
Class 2 – Sickness	1.8%	0.1%	0.0%	2.7%	37.1%	16.2%	0.0%	0.2%	0.4%
Class 3 – Land vehicle	1.0%	1.4%	1.6%	8.7%	6.8%	5.9%	8.8%	6.7%	5.3%
Class 6 – Marine craft	4.2%	2.4%	1.1%	10.5%	9.8%	18.9%	1.8%	1.6%	2.7%
Class 7 – Goods in transit	8.6%	1.9%	1.1%	7.4%	14.8%	26.0%	0.2%	0.6%	0.0%
Class 8 – Fire and natural forces	1.2%	1.4%	1.1%	13.7%	11.9%	16.8%	2.7%	2.6%	4.7%
Class 9 – Other damage to property	1.9%	2.2%	1.1%	12.3%	10.6%	14.0%	0.8%	0.6%	1.3%
Class 13 – General third-party liability	3.9%	4.1%	2.8%	31.2%	28.3%	25.8%	5.1%	2.9%	4.1%

The geographical breakdown of the data shows that the highest incidence of fraud over the total of relevant claims was registered in the South of Italy, where it is twice that of northern and central regions (see Table 4). In particular, in 2020 Campania was once again the region with the highest rate (9.8%), despite an improvement compared with the previous two years. The decline affected other southern regions as well, while the number of fraudulent claims rose in the North and Center. More specifically, Liguria showed the highest increase, from 3.7% in 2019 to 8.0% in 2020. In central Italy, there was a worsening in the Lazio region (from 1.1% in 2019 to 1.8% in 2020).

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 when stipulating a contract, submission of false death certificates for foreign citizens domiciled in Italy and who were reported to have died abroad;
- Accident: false physician's statement and coexistence of multiple unreported policies for the same risk;
- Sickness: reticent statements when stipulating the contract (unreported pre-existing conditions);
- Land vehicle: claim for pre-existing damage, simulated vehicle theft or damages due to road accidents reported as vandalism;
- Marine craft: simulated theft of vessels sold abroad or scuttled at sea;
- Goods in transit: simulated claims for damaged or stolen goods;
- Fire and natural forces: arson or coexistence of multiple unreported guarantees;
- Other damage to property: simulated theft, deliberate damage to water pipes or coexistence of multiple unreported guarantees;
- General third-party liability: undue assumption of liability by the insured party for damages suffered by relatives or personal acquaintances, policies underwritten specifically for the purpose of subsequently submitting claims for pre-existing damage, claims for accidents that occurred in a place different from that insured;
- Suretyship: falsification of surety policies never issued by the insurer;

Geographical macro-area	Region	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		
		2020	2019	2018	2020	2019	2018	2020	2019	2018
NORTH	Emilia-Romagna	4.0%	3.5%	3.0%	8.0%	6.4%	5.6%	0.7%	0.5%	0.6%
	Friuli-Venezia Giulia	1.8%	2.4%	1.9%	6.3%	4.7%	5.3%	0.6%	0.8%	0.9%
	Liguria	8.0%	3.7%	2.9%	2.9%	6.5%	5.1%	0.2%	0.4%	0.8%
	Lombardy	5.2%	2.3%	1.9%	1.9%	3.7%	3.5%	0.1%	0.3%	0.6%
	Piedmont	2.5%	1.7%	1.4%	2.8%	5.1%	4.7%	0.4%	1.1%	0.9%
	Trentino-Alto Adige	2.7%	2.8%	2.0%	5.9%	2.9%	6.7%	0.2%	2.0%	1.2%
	Valle d'Aosta	1.9%	1.7%	1.2%	8.4%	11.7%	7.9%	0.0%	0.0%	0.0%
	Veneto	1.0%	1.1%	1.0%	12.1%	7.5%	5.8%	0.3%	0.3%	0.5%
	Total North	*3.4%*	*2.0%*	*1.7%*	*3.5%*	*5.0%*	*4.5%*	*0.2%*	*0.5%*	*0.7%*
CENTER	Lazio	1.8%	1.1%	1.2%	3.3%	5.5%	5.3%	0.9%	2.1%	1.5%
	Marche	2.9%	4.1%	3.3%	8.0%	4.1%	5.5%	1.1%	0.7%	1.1%
	Tuscany	2.7%	2.8%	2.6%	6.6%	5.4%	4.2%	1.4%	0.3%	1.1%
	Umbria	4.3%	4.9%	3.6%	8.3%	4.5%	4.3%	0.9%	4.4%	0.3%
	Total Center	*2.1%*	*1.8%*	*1.7%*	*4.8%*	*5.3%*	*4.8%*	*1.1%*	*1.5%*	*1.2%*
SOUTH	Abruzzo	5.9%	6.7%	7.2%	11.7%	19.5%	7.1%	1.0%	0.3%	1.4%
	Basilicata	6.1%	8.3%	8.2%	5.5%	3.4%	5.0%	2.3%	5.9%	6.6%
	Calabria	4.5%	5.7%	5.2%	6.1%	4.1%	6.7%	2.5%	2.4%	2.6%
	Campania	9.8%	12.7%	12.5%	5.1%	3.9%	4.4%	6.3%	3.5%	4.1%
	Molise	3.9%	3.9%	3.3%	13.5%	8.9%	5.0%	5.4%	14.9%	28.1%
	Puglia	4.5%	5.4%	5.6%	5.0%	4.1%	3.1%	3.3%	2.4%	2.5%
	Total South	*6.6%*	*8.0%*	*8.0%*	*6.2%*	*6.4%*	*4.8%*	*4.5%*	*2.9%*	*3.5%*
ISLANDS	Sardinia	2.6%	3.2%	2.6%	7.5%	5.2%	5.6%	0.3%	1.3%	1.3%
	Sicily	5.4%	7.4%	6.3%	3.9%	2.3%	2.1%	3.5%	0.5%	1.4%
	Total Islands	*4.5%*	*6.0%*	*5.0%*	*4.6%*	*2.8%*	*2.8%*	*2.9%*	*0.6%*	*1.4%*
	Total Italy	4.1%	2.3%	2.0%	3.3%	5.3%	4.7%	0.7%	1.1%	1.4%

Table 4
Indicators of anti-fraud action for life (pure risk) and non-life, non-motor classes, by region and geographical macro-area

(*) 33% of claims were not broken down by region

- Miscellaneous financial loss: reporting claims for loss of employment with attempted falsification of documents or reporting claims for loss/ theft of credit or debit card (often in conjunction with other objects) and subsequent fraudulent use of those items.
- Assistance: underwriting of travel policies after the trip has already started.

Besides starting systematic monitoring of insurance fraud for all non-life classes other than motor liability, we also sought to determine the impact of covid-19 on the number of cases of insurance fraud detected.

The data show that the health and economic crisis due to the pandemic favored a rise in fraudulent activity, specifically for the following insurance products:

- Travel insurance: submission of false physician's or employer's certifications to activate the travel cancellation guarantee for concerns associated with the pandemic;
- Goods in transit insurance: reporting damages to goods in storage or simulating the theft of goods in transit (to cover trading costs sustained during the pandemic);

- Property insurance: reporting arson at industrial/commercial buildings or the theft of machinery (fraudulent activity strictly connected to the interruption of operations due to the restrictive measures adopted to contain the spread of the pandemic).

In this respect, an interesting survey conducted on a sample of 443 insurance companies in 52 countries by FRISS – a company that provides AI solutions to detect insurance fraud for non-life insurers across the world – showed that in 2020 18% of overall costs was attributable to fraudulent activity. This percentage differs sharply from the figures reported by the global insurance industry in years past, which ascribed just 10% of all claims costs to fraud.

ANIA'S ANTI-FRAUD POLICY

Insurance fraud weighs significantly on a country's economy: according to the Association of Certified Fraud Examiners (the world's largest anti-fraud organization, with headquarters in the United States), insurance fraud is one of the most frequent types of scams in the world, second only to tax fraud.

Combating insurance fraud in Italy clearly requires a two-front approach: raising awareness among the general public to build a different culture while at the same time combating organized crime. In order to achieve the first objective, it is essential to spread a culture of insurance; ANIA has been committed to this goal for years, working through our ANIA-Consumers Forum to develop insurance information and education initiatives addressed to the general public.

With regard to fraudulent acts committed by organized crime, these require the effort of the institutions, the Judiciary, and law enforcement bodies. In this context, ANIA is ready, willing and able to cooperate with the authorities to collect useful information for investigations, and has signed Protocols with a number of Prosecutor's offices to facilitate the exchange of information between the Authorities and the undertakings victims of insurance-related offences.

In addition, in 2019 ANIA established a service dedicated specifically to fraud and has since then launched a series of projects to support insurers in their anti-fraud activities.

Its achievements include the definition of guidelines for the anti-fraud activities conducted by the persons appointed by the insurer (forensic physicians, lawyers, investigators and adjusters in the property sector); these guidelines are a useful tool in the creation of comprehensive and standardized fraud complaint files to facilitate Prosecutor's offices in their investigations. These measures should also serve to speed up the process and avoid the real risk of the statute of limitations expiring before the legal process has been concluded.

Finally, ANIA has been developing a series of useful tools to facilitate the detection of single cases of fraud as well as fraudulent activities by organized crime. The project is to design, for all insurance classes, predictive models based on indicators of claims anomaly as well as IT platforms to promote the exchange of information on recurrent fraud patterns across Italy.

ITALIANS' PERCEPTION AND OPINION OF INSURANCE FRAUD

ANIA Foundation has conducted a survey in collaboration with Ipsos that provides a snapshot of the perception and opinion of Italians towards insurance fraud. According to the survey 62% of Italians believe that there is no correlation whatsoever between the price of insurance premiums and fraud; and only 50% of respondents are aware that the cost of fraud against insurance companies is ultimately borne by honest policyholders.

The document also suggests that frauds are favored by deep-seated beliefs, such as, for instance, the decision "not to insure a vehicle" which is taken lightly because citizens believe they are unlikely to be caught and see fraud as a way of "recouping" part of the cost of insurance.

8

HUMAN RESOURCES AND LABOR

STAFF AND LABOR COSTS

Personnel make-up and costs: the statistics

At the end of 2020, the Italian insurance industry's managerial and non-managerial staff numbered 46,300, down 0.8% from a year earlier, when total staff came to 46,668.

It is important to stress that this decline is not attributable to the negative impact of the pandemic on the economy, but rather to significant restructuring and reorganization operations carried out by the insurance companies over the past five years. In fact, with the exception of 2019 – when staff increased by 1% compared with the previous year – insurance employment has shown a downward movement since 2016 in light of the reasons illustrated earlier. These restructuring operations often required recourse to the extraordinary benefits of the ANIA/AISA Solidarity Fund, resorting to early retirement plans for the employees concerned.

ANIA produced this estimate for the entire industry, which includes some 3,500 employees of subsidiaries covered by the insurance industry labor contract, using data from a sample of companies accounting for about 85% of total insurance employment.

Staff comprises administration personnel (36,944 employees), dealers and organization staff (5,649), contact center staff (2,333)(1), and managers (1,374).

Interestingly, for the entire industry, the number of women employed slipped by 0.4%, less than that of men (-1.2%).

At the end of 2020 female personnel accounted for 47.4% of the total, slightly up from a year earlier (47.0%). About 51% of all insurance employees are now university graduates, whereas 46% 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 €3,815 million in 2020, 1.7% less than the previous year. This mirrored the negative trend of employment for the same period, with the number of employees decreasing by 1.5%.

The per capita cost(2) for these employees came to €93,140, down 1.2% from 2019.

(1) Contact center staff is subdivided into contact center operations employees (formerly called "call center, first section") numbering 1,546, and contact center sales employees (formerly called "call center, second section") numbering 787.
(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.

HUMAN RESOURCES AND LABOR

Number of staff

Year	Administrative (*)	Dealers	Total
2010	41,730	5,456	47,185
2011	42,193	5,284	47,477
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

Total staff costs
(Euro million)

Year	Administrative (*)	Dealers	Total
2010	3,192	263	3,456
2011	3,284	267	3,551
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

Change in total staff costs (from the previous year)
(%)

Year	Administrative (*)	Dealers	Total
2010	1.6%	0.7%	1.6%
2011	2.9%	1.5%	2.7%
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%

Change in per capita staff costs (from the previous year)
(%)

Year	Administrative (*)	Dealers	Total
2010	1.3%	-0.2%	1.2%
2011	2.5%	3.4%	2.6%
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%

(*) Administrative, contact center and managerial staff

However, the total cost for dealers and related staff increased by 4.8% to €326 million, owing to the combined effect of the positive employment trend (+4.6% employees) and of the rise in commissions, which gained around 10%.

Their per capita costs remained virtually unchanged in 2020 at €59,000 (-0.2%).

For the entire industry – i.e., administration and managerial staff, contact centers, and dealers and their organizational staff – the companies' total labor costs shrank by 1.2% to €4,141 million compared with 2019, as did per capita costs which came down to €89,100 (-1.3%).

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 numerous laws and regulations that were enacted because of the epidemiological emergency.

The first part of 2021 was again marked by the health emergency provoked by the covid-19 pandemic, which led the legislator to introduce and extend a number of labor regulations.

The most relevant provisions, in this respect, were those contained in Decree Law 137 of 28 December 2020 – the so-called *Decreto Ristori* (Support Decree) – converted into Law 176 of 18 December 2020; Decree Law 149 of 9 November 2020 – the so-called *Decreto Ristori bis* (Support Bis Decree) – converted into Law 176 of 18 December 2020; Law 178 of 30 December 2020 (the 2021 Budget Law); Decree Law 30 of 13 March 2021, converted into Law 61 of 6 May 2021; Decree Law 41 of 22 March 2021 (the so-called "Financial Support Decree"), converted into Law 69 of 21 May 2021; and, finally, Decree Law 73 of 25 May 2021 (the so-called "Financial Support Bis Decree"), currently in course of conversion.

Here below is a summary of the main measures for the insurance industry.

1. Decree Law 104 of 14 August 2020, converted into Law 126 of 13 October 2020 (the so-called August Decree) extended for an additional maximum 18 weeks the permission for employers who suspend or reduce work activity owing to events in connection with the covid-19 pandemic to apply for access to the ordinary benefits of the Intersectoral Solidarity Fund for insurance companies and insurance/assistance companies, citing "covid-19 emergency" as the cause, for periods between 13 July and 31 December 2020.

   With the Support Decree, the 2021 Budget Law 2021 and the Financial Support Decree, the aforementioned wage supplementation emergency measures were extended once more, at first for a maximum of 6 weeks (for periods between 16 November 2020 and 31 January 2021), then for an additional 12 weeks (for periods between 1 January and 30 June 2021), and finally for a supplementary 28 weeks (for periods between 1 April and 31 December 2021).

2. In addition, the extension to 31 December 2021, without prejudice to the maximum overall duration of 24 months, also applied to the possibility for companies to renew or extend fixed-term employment contracts (including via temporary employment agencies) for a maximum of 12 months as a oneoff measure, even in the absence of justifiable cause for such renewal/extension.

3. With regard to subsidies for parents, Decree Law 30/2021 envisaged a number of measures for parents of children under 16 years of age or with disabilities in force until 30 June 2021. In particular, parents with salaried employment contracts who are living with at least one child under 16 are entitled (alternatively with the other parent) to work remotely for the entire or partial duration of 1) the suspension of the child's in-class teaching activities; 2) the child's infection with covid-19; 3) the child's quarantine ordered by the Prevention Department of the competent Local Health Unit for exposure to the virus regardless of where such exposure took place.

   Differently from the previous provisions, established by the so-called August Decree and in force until 31 December 2020, with this piece of legislation remote work benefits were extended to any scenario in which a parent's child is placed under quarantine for exposure to the virus regardless of where such exposure took place. Furthermore, a new hypothesis that would justify recourse to remote working is contemplated, that is the case in which a child under 16 is infected with covid-19 regardless of where the contagion took place.

   In the sole and exclusive event of types of work that cannot be carried out remotely for the all or part of the suspension of the child's in-class teaching activities, the child's infection with covid-19, or the child's quarantine period, the parent living with said child under 14 years of age, or alternatively the other parent, is entitled to a subsidy amounting to 50% of his or her pay.

   In the case of children between 14 and 16 years of age, instead, one of the parents, or alternatively the other parent, is entitled to an unpaid and unsubsidized leave of absence.

4. In the case of parents of children with severe disabilities, let us recall that the August Decree established, until 30 June 2021, the right to remote working even in the absence of individual agreements, provided that the other parent is not non-employed and that the relevant parent's work does not necessarily require the worker's physical presence. This provision was integrated with a leave of absence subsidized at 50% of the pay for parents with disabled children attending any type of school whose in-class teaching activities were suspended, or day care facilities that were temporarily shut down.

5. Also until 30 June 2021, parents living with children under 14 are entitled to one or more vouchers to pay for baby-sitting services up to a maximum of €100 per week. The vouchers can be used also when parents are eligible for remote working and leave of absence (suspension of the child's in-class teaching activities; child's infection with covid-19; child placed under quarantine). The recipients of such subsidies in the insurance industry are workers enrolled in the separate INPS pension fund, self-employed workers and self-employed workers not enrolled in the separate INPS pension fund.

6. Law 87 of 17 June 2021 extended to 31 December 2021 the provisions regarding simplified remote working. For the insurance industry, this entails:

– the possibility to apply remote working to any and all employment contracts, in compliance with the principles established by the current legislation (Law 81 of 22 May 2017), even in the absence of individual agreements with the employee;
– compliance with the information requirements for the protection of the health and safety of employees working remotely, also by using the documents made available on the INAIL website;
– obligation to communicate to the Ministry of Labor, via electronic means, the names of the employees and the dates on which they stopped working remotely using the documentation made available on the Ministry's website.

7. The general and extraordinary provisions on the ban on collective mass and individual redundancies for justified objective cause, as well as the relevant derogations and exclusions (including collective bargaining agreements for early retirement), are further extended until 31 October 2021 for insurance companies.

8. Decree Law 73/2021 (*Decreto Sostegni bis* - Financial Support bis Decree) extended the expansion contract, effective until 31 December 2021, to all companies with at least 100 employees. Based on the specifications provided by the ministry at the time and after completing a complex trade union procedure at the Ministry of Labor, insurance companies may access only a specific type of early retirement plan. This measure is targeted specifically to workers who are not more than 5 years away from fulfilling the requirements for old age pension or for early retirement and who have explicitly manifested their written consent to the consensual termination of the employment contract.

The Intersectoral Solidarity Fund for income support, jobs, occupational reconversion, and requalification for employees in insurance and social assistance (Ministerial Decree 78459/2014)

As to the Intersectoral Fund's activity, in 2020 and 2021 the insurance companies and groups that were involved in major corporate reorganization and restructuring with an impact on jobs had recourse to extraordinary benefits; in addition, they applied for ordinary benefits to fund the subsidies granted for the suspension or reduction of work activity as a consequence of the covid-19 epidemiological emergency, as well as the professional training and retraining programs for the employees directly affected by such reorganization and restructuring operations.

As of today, a total of 1,380,794 hours has been authorized for the ordinary benefits associated with the covid-19 pandemic, amounting to €18,478,665 of income subsidies for a total of 27,166 employees.

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 2020.

LABOR RELATIONS AND COLLECTIVE BARGAINING, INDUSTRY-WIDE AND COMPANY-LEVEL

On 24 February 2021 ANIA and the trade unions First-Cisl, Fisac-Cgil, fna, Snfia, and Uilca signed a Memorandum of Understanding establishing the Guidelines for the implementation of remote working measures in the insurance/assistance industry.

The Memorandum was fruit, first of all, of the need to guide a cultural change in the sector in view of the digitization and technological transformations under way and which became even more urgent due to the health emergency. This was possible thanks to the guidelines on the new work mode which provide a reference framework for future company agreements, without prejudice to the pre-existing ones.

The Guidelines – where compatible with the employer’s production and organizational needs – aim to promote inclusion, by simplifying access to and the execution of work for some disadvantaged categories (workers with children, with disabilities, with complex family situations or with logistic difficulties in reaching their place of employment).

As for the specific contents of the Memorandum, the Parties confirm that remote working requires flexible management of work, in terms of both the time and the place of performance; the willingness of both parties and the use of technological instruments, including forms of work organization by phases, cycles and goals. Remote working also encourages greater autonomy and accountability and a results-oriented approach on the part of workers, introducing a potentially new way of conceiving work, also in terms of space, organization and the attainment of objectives. Essentially, remote working should promote labor productivity on the one hand and a better work-life balance on the other.

With regard to the share of remote work, in other words the distribution between work carried out at the office and outside it, both Parties agreed to safeguard the individual organizational and production characteristics of each company, delegating the decision in this area to the company level. In any case, the basic principle is introduced according to which corporate offices remain the center of aggregation and development of a sense of belonging.

The so-called "right to log off" is recognized. In this respect, the Memorandum provides that in days when the employee works remotely, work may be carried out in hour bands established by the company agreements, taking into account the work-life balance, and without exceeding the maximum daily and/or weekly work time laid down in the national and company collective bargaining agreements. Outside of the daily working hours and in case of so-called justified absence (sickness, accidents, paid time off, vacation days), the employee may log off all company-issued connection devices, and in the event of receipt of corporate communications, shall have no obligation to act upon them before resuming work as scheduled.

The right to log off may, however, be specified further at a company level in order to meet specific needs, while complying with the applicable legislation.

A long chapter focuses on the system of individual and collective union rights and freedoms established by the law and by collective bargaining. The Memorandum establishes that companies shall seek to develop modes that are compatible with and capable of guaranteeing the remote exercise of workers' union rights and freedoms. In particular, in compliance with articles 14, 15 and 20 of Law 300/70, suitable IT environments shall be made available (electronic bulletin board, ad hoc virtual platforms), to allow remote workers to maintain a relationship with their trade union representatives and exercise their right of assembly.

Finally, a Bilateral National Observatory on remote work is instituted, in order to "monitor the Guideline's implementation and assess possible developments and impacts with regard both to new regulations and to the fast-paced technological and digital evolution in the field."

ISSDC – Insurance Sectoral Social Dialogue Committee. On 16 March 2021, the European social partners in the insurance industry signed the Joint declaration on Artificial Intelligence. Based on the joint declarations on digitization of 12 October 2016 and 15 February 2019, this document aims to encourage Social Partners at all levels to deal with Artificial Intelligence (AI) in a reasonable way that provides opportunities for the industry and its employees. With this declaration, the Social Partners also underline that AI must be designed and used to enhance, rather than replace, human skills. Similarly to any other technological innovation, its characteristics depend on man-made decisions and implementation. The implementation of AI systems must, at all times, adhere to the principle of human control.

Agreements with trade unions on corporate reorganization and restructuring

Throughout 2020 and the first half of 2021, ANIA continued to provide consulting and support to insurance companies in relation to corporate and group reorganization and restructuring and to the procedures for applying for the ordinary covid-19 benefits, above all to assist them as regards compliance with the procedures for negotiation with the trade unions laid down in the industry-wide bargaining agreement. The talks resulted in agreements with the trade unions preliminary to recourse to the benefits of the Intersectoral Solidarity Fund.

Activity of the Working Group within the Standing Industrial Relations Committee

Working group on insurance/assistance companies: with reference to the specific activity of these companies, we continued to offer assistance for access to the ordinary Fund benefits for covid-19. Consultations on industry-specific labor issues continued, in view of the upcoming renewal of the collective bargaining agreement covering the assistance sector.

9

INSURANCE DISTRIBUTION

The share of life premiums written through bank and post office branches decreased in 2020, while that accounted for by direct sales increased. In the non-life sector, agents confirmed their position as the main form of insurance distribution with a market share in line with the previous year; brokers' incidence increased slightly at the expense of bank branches. However, an ANIA study based on data from the Italian Association of Insurance and Reinsurance brokers (AIBA) has shown that insurance company figures underestimate the importance of brokers in the non-life sector.

LIFE INSURANCE

In 2020, life written premiums dropped during the lockdown months but then recovered, ending the year with a 4.4% reduction in total volume This trend had a negative impact across all distribution channels except for direct sales.

In particular, in 2020 the fall in premium income registered by bank and post office branches (-7.4% on 2019) was sharper than the industry's average (-4.4%). Their incidence (59.2%) shrank by 2 points compared with the previous two-year period (61.1%) and the five-year average annual change was negative at -1.7% (Table 1).

Table 1 – Breakdown of distribution channels for the 2016-2020 observation period. Life classes

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Change (%)	Annual change (%)					Average change (%)
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	(2016-2020)	2016	2017	2018	2019	2020	(2016-2020)
Bank branches (1)	64,294	60,425	62,389	64,735	59,961	62.9	61.3	61.1	61.1	59.2	*61.1*	-11.8	-6.0	3.2	3.8	-7.4	*-1.7*
Financial salesmen	14,276	14,759	14,184	13,983	13,855	14.0	15.0	13.9	13.2	13.7	*13.9*	-22.0	3.4	-3.9	-1.4	-0.9	*-0.7*
Agents	14,669	13,699	13,459	15,317	14,921	14.3	13.9	13.2	14.4	14.7	*14.1*	-0.1	-6.6	-1.8	13.8	-2.6	*0.4*
Direct sales	8,358	8,789	10,183	10,410	11,035	8.2	8.9	10.0	9.8	10.9	*9.6*	-0.9	5.2	15.8	2.2	6.0	*7.2*
Brokers	659	939	1,833	1,567	1,551	0.6	1.0	1.8	1.5	1.5	*1.3*	10.9	42.4	95.3	-14.5	-1.0	*23.9*
TOTAL	102,257	98,611	102,048	106,012	101,323	100.0	100.0	100.0	100.0	100.0	*100.0*	-11.0	-3.6	3.5	3.9	-4.4	-0.2

([1]) Data for this channel includes premiums distributed by post office branches

After the strong climb registered in 2019, the volume of life premiums sold by agencies went down (-2.6%) but less than the average drop experienced by the whole life business. Thus, their market share continued to expand up to 14.7% in 2020 (it was 14.4% in 2019 and 13.2% in 2018).

In 2020, business intermediated through financial salesmen continued to decline (-0.9%), confirming the negative trend that started in 2018, but less sharply than the sector's average, thus gaining half a percentage point in their market share compared with the previous year, totaling 13.7% of life premiums distributed (up from 13.2% in 2019).

Probably because of the difficulty in going physically to the premises of the life insurance distributors in light of the restrictions adopted by the Government to stop the spread of the pandemic, direct sales, including not only the Internet and telephone channels but also policies marketed through tied agencies, was the only channel to show an increase in the volume of premiums in 2020 (+6.0% compared with 2019). As a consequence, its share for 2020 was the highest in the last five years, accounting for 11% of total premiums, up from 8.2% in 2016 and 9.8% in 2019).

With still marginal premium income (€1.6 billion), brokers intermediated 1.0% less life premiums than the previous year, with a virtually unchanged market share (1.5%).

By type of product (Tables 2 and 3), Class I products (traditional life insurance policies) decreased by 9.5%, owing to an overall decline in the volume of premiums across all distribution channels; in particular: banks and post

Table 2
Breakdown of life market by class and distribution channel (%)

Class	Agents	Brokers	Bank branches (1)	Financial salesmen	Direct sales	Total
YEAR 2020						
I - Life	17.4	1.3	63.7	7.1	10.5	100.0
III - Investment funds	9.0	0.6	56.2	30.3	3.9	100.0
IV - Health	46.4	36.3	12.1	0.3	4.9	100.0
V - Capitalization	19.0	21.3	32.6	1.3	25.7	100.0
VI - Pension funds	9.5	0.6	19.9	5.2	64.7	100.0
Individual retirement policies (2)	37.2	0.2	28.3	18.0	16.3	100.0
TOTAL LIFE	14.7	1.5	59.2	13.7	10.9	100.0
YEAR 2019						
I - Life	16.2	1.4	64.0	8.5	10.0	100.0
III - Investment funds	8.1	0.6	60.4	27.3	3.6	100.0
IV - Health	39.8	41.9	13.7	0.0	4.5	100.0
V - Capitalization	34.4	11.3	24.5	1.4	28.5	100.0
VI - Pension funds	13.4	1.0	27.6	6.4	51.7	100.0
Individual retirement policies (2)	37.8	0.3	27.9	18.2	15.8	100.0
TOTAL LIFE	14.4	1.5	61.1	13.2	9.8	100.0

Table 3
% change 2020/2019 in life premium volume by Class and distribution channel 2020/2019

Class	Agents	Brokers	Bank branches (1)	Financial salesmen	Direct sales	Total
I - Life	-2.7	-15.6	-9.9	-24.1	-5.1	-9.5
III - Investment funds	18.0	11.7	-1.1	17.6	15.0	6.2
IV - Health	41.3	4.8	7.2	809.6	33.4	21.2
V - Capitalization	-58.0	44.2	1.5	-28.1	-31.1	-23.8
VI - Pension funds	-0.6	-11.7	0.7	13.3	74.2	39.2
Individual retirement policies (2)	0.9	-40.0	4.0	1.5	6.0	2.6
TOTAL LIFE	-2.6	-1.0	-7.4	-0.9	6.0	-4.4

(1) Data for this channel includes premiums distributed by 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)

offices dropped by 9.9%, just above the class average, thus accounting for 63.7% of the total (it was 64.0% in 2019). A negative trend, although more moderate than market average, was registered also by agents (-2.7%) and direct sales (-5.1%), whose market shares thus rose from 16.2% in 2019 to 17.4% in 2020 and from 10.0% to 10.5% respectively. The sharpest decline, instead, was registered by financial salesmen (-24.1%), whose market share thus shrank from 8.5% in 2019 to 7.1% in 2020. A similarly steep fall was shown also by premiums intermediated by brokers (-15.6%), who accounted for just 1.3% of Class I premiums.

Unlike traditional policies, Class III products (unit and index linked) grew across all sales channels (+6.2%), thanks to the strong recovery of market indexes during the second half of the year, with the exception of bank and post office branches which, instead, showed a slight decline. While confirming their lead market position in the sale of Class III policies, the weight of bank and post office branches diminished (from 60.4% in 2019 to 56.2% in 2020), due to a 1.1% decrease in premium income which favored other channels. The second-leading sales channel for this class was financial salesmen, whose volume of premiums increased by 17.6%, bringing their market share from 27.3% in 2019 to 30.3% in 2020. The growth also involved agents, whose incidence went from 8.1% to 9.0%, as a result of an increase in premium volume greater than all the other channels (+18.0%). Finally, direct sales intermediated 3.9% of Class III policies (+15.0%), thus showing a mild improvement compared with the previous year, when its volume of premiums was 3.6%.

The collection of Class III premiums intermediated by brokers remained marginal and unchanged (0.6% of total premiums).

As for capital redemption policies (Class V), these were the most severely impacted by the negative effects of the crisis, falling by nearly 24% compared with 2019.
All other distribution channels – with the exception of bank and post office branches and brokers – decreased more than the Class average. In detail, thanks to mild growth of the volume of premiums (+1.5%), bank and post office branches are the first distribution channel for the collection of Class V premiums, with a market share that increased from 24.5% in 2019 to 32.6% in 2020. Interestingly, brokers – as a result of the marked expansion registered in 2020 (+44.2%) – gained more than 10 percentage points in their market share, accounting for 21.3% of the premiums in this Class. With an incidence of 25.7%, direct sales confirmed their position as second-leading sales channel for these policies, despite a reduction in the volume of premiums of more than 31%.
Conversely, after the sharp increase registered in 2019, when they were the first distributors in terms of market share, agents showed the greatest contraction for the Class (-58.0%), with a significant impact on their incidence, which went down from 34.4% in 2019 to 19.0% in 2020. The market share of financial salesmen remains marginal at 1.3%, with premiums down by 28%.

Class VI products (pension funds) recorded the best performance for the sector, with nearly 40% more premium income compared with a year earlier.

Premiums collected through direct sales continued to gain (+74.2%), after the surge of 2019, thus remaining the market leader for this Class, with a market share that reached 64.7% in 2020 (up from 51.7% in 2019). Accordingly, the percentage weight of all the other channels diminished. In particular, premiums intermediated by bank and post office branches only grew by 0.7%, thus leading to a loss of market share from 27.6% to 19.9%. Agents were responsible for 9.5% of premiums in 2020, compared with 13.4% in 2019, due to a downturn in premium volume from the previous year. Despite the expansion in their volume of premiums (+13.3% on 2019), the gain for financial salesmen was smaller than the Class average, thus leading to a reduction in their market share to 5.2% (from 6.4% in 2019). As a consequence of a steep fall in the volume of premiums written in 2019, brokers' incidence declined further to just 0.6%.

In 2020, premiums/contributions of individual retirement policies confirmed their upward trend across all channels, although the increase was limited: +2.6%. Sales of premiums rose across all the main distributors, except for the increasingly marginal channel of brokers. More specifically, agents remain the main distribution channel, despite a slight contraction in their share – which in 2020 came to 37.2% of the market – due to an increment of the volume of premiums below the Class average (+0.9%). The incidence of bank and post office branches went up from 27.9% in 2019 to 28.3% in 2020, thanks to 4.0% rise in the volume of premiums collected compared with the previous year. Financial salesmen ranked third in the sale of individual retirement policies, with a slightly shrinking market share (18.0% in 2020), while direct sales expanded their percentage weight to 16.3% in 2020, from 15.8% in 2019, thanks to an increase in premium collection (+6.0%) sharper than the class average and that of all the other channels.

NON-LIFE INSURANCE

In 2020, as a result of the crisis produced by the pandemic, the uptrend in the non-life sector reversed to a 2.3% decline compared with the previous year. The negative trend was common to all distribution channels except for brokers.

In detail, after growing consistently for three years, premiums sold through insurance agents dropped, although less than the average (-2.1%). They remain the main distribution channel for this sector, with an incidence of 74.2%, in line with that of 2019 (Table 4). However, with an average change close to zero in the five-year observation period, agents have gradually lost ground in terms of market share.

Brokers – which were the only channel to show an increase in the volume of premiums (+3.6%) compared with 2019 – had their highest market share for the observation period (9.7%).

It should be noted, however, that this share is underestimated, insofar as a significant portion of the premium income they generate (estimated at 24.8%

Table 4 – Breakdown of distribution channels, 2016-2020 – Non-life classes

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Average	Annual Change (%) (3)					Av. change (%)
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	(2016-2020)	2016 (3)	2017	2018	2019	2020	(2016-2020)
Agents	24,633	24,643	24,912	25,407	24,877	77.1	76.3	75.3	74.1	74.2	75.4	-2.7	0.1	1.0	2.0	-2.1	0.2
Brokers (1)	2,927	3,013	3,155	3,135	3,249	9.2	9.3	9.5	9.1	9.7	9.4	4.5	3.0	4.6	-0.6	3.6	2.6
Direct sales (*)	1,163	1,185	1,359	1,536	1,473	3.6	3.7	4.1	4.5	4.4	4.1	7.6	1.5	15.8	13.0	-4.1	6.1
Distance sales (**)	1,407	1,389	1,419	1,546	1,511	4.4	4.3	4.3	4.5	4.5	4.4	-6.5	-0.7	1.6	0.9	-2.3	1.8
Bank branches (2)	1,756	1,981	2,176	2,576	2,278	5.5	6.1	6.6	7.5	6.8	6.5	17.3	12.9	9.7	18.0	-11.6	6.7
Financial salesmen	65	91	74	87	125	0.2	0.3	0.2	0.3	0.4	0.3	-14.0	39.9	-18.7	16.6	44.1	17.6
TOTAL	31,953	32,304	33,096	34,285	33,513	100.0	100.0	100.0	100.0	100.0	100.0	-1.0	1.2	2.3	3.2	-2.3	1.2

(*) *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 24.8 percentage points in 2020)*

(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*

percentage points) 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 €11.5 billion (€3.2 billion in the official statistics) or 34.5% of all non-life premiums (9.7% in the official statistics). As a consequence, the share effectively accounted for by agents should be adjusted to €16.6 billion (and not €24.9 billion, as in the official statistics) and their market share from 74.2% to 49.5%. For motor liability insurance, brokers' share in 2020 would thus come to 11.0% against 5.2% in the insurance company figures, while agents' share would come down from 82.7% to 76.9%. But this anomaly is significant mainly in the other non-life classes, where brokers' share should be adjusted from 13.6% in the official statistics to 54.9%, while that of agents would be reduced from 66.8% to 25.6%.

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 but 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 €14.9 billion, which is higher than ANIA's own estimate, owing essentially to the different estimate of premiums deriving from 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 2011 on, adjusted as above. Note that in these ten years the share of total non-life insurance accounted for by brokers fluctuated between

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 (%)
2011	3.5	9.9	87.6	81.2	13.0	57.0	74.3	30.3	7.6	30.2	81.8	59.2
2012	3.3	9.8	86.8	80.3	13.3	58.4	73.4	28.3	7.6	30.7	81.0	57.9
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

30% and 35%, whereas the gap between the figures derived from the insurance companies and those estimated by ANIA on AIBA data was again close to 25% in 2020.

The volume of premiums collected via distance sales diminished by 4.1% in 2020, more than the sector's average, thus interrupting the uptrend registered by this channel between 2016 and 2019, which in 2020 accounted for 4.4% of all non-life premiums written; the share of direct distance sales, through internet and telephone, remained stable at 4.5% owing to a negative variation in the volume of premiums (-2.3%) in line with total premiums sold in this Class.

The marketing of non-life policies through bank and post office branches declined (-11.6%) bringing the channel's market share to 6.8% in 2020 from 7.5% in 2019, after four years of progressive growth.

Financial salesmen continue to have an extremely marginal market share (0.4% in 2020).

As for motor insurance (third party liability and land vehicles) agents are still the main sales channel, accounting for nearly 83% of the entire market; however, the volume of premiums declined compared with 2019, registering a negative change of 4.3%, in line with the industry trend (Tables 6 and 7). In 2020 direct distance sales remain the second-leading channel for motor insurance, accounting for 8.1% of the business, down from 2019, chiefly because of a decrease in telephone sales (-10.2%). By contrast, the only distribution channel to register an increase in the volume of premiums intermediated is that of brokers (+0.6%), accounting for 5.2% of total motor insurance, up from 4.9% in 2019. The volume of premiums written by bank and post office branches decreased more than the sector average (-12.3%), accounting for 3.0% of premiums intermediated by this sector in 2020, down from 3.3% the previous year.

The impact of the crisis on the other non-life classes was smaller, essentially showing stability in terms of premium volume compared with 2019. Agents remain the main channel with a market share of 66.8% and a virtually unchanged volume of premiums on 2019; they are followed by brokers (13.6%), whose written premiums went up by 4.6%, and bank and post office branches (10.1%) which, however, registered the steepest decline of the entire sector (-11.4%).

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: Telephone	Direct distance sales: Internet	Total
YEAR 2020								
Motor liability	84.5	3.6	2.7	0.0	0.6	1.8	6.8	100.0
Land vehicle insurance	75.7	11.4	4.4	0.1	2.4	1.3	4.6	100.0
Total motor	**82.7**	**5.2**	**3.0**	**0.0**	**0.9**	**1.7**	**6.4**	**100.0**
Health and accident	53.8	12.4	13.4	1.3	17.4	1.0	0.8	100.0
Transport (3)	35.6	61.9	0.2	0.0	2.0	0.3	0.1	100.0
Property (4)	74.2	11.4	10.2	0.5	2.0	0.7	1.1	100.0
General liability	78.2	13.5	5.6	0.1	2.3	0.1	0.1	100.0
Credit and suretyship	70.3	19.8	5.5	0.2	4.2	0.0	0.0	100.0
Total non-motor	**66.8**	**13.6**	**10.1**	**0.7**	**7.4**	**0.6**	**0.7**	**100.0**
TOTAL NON-LIFE	74.2	9.7	6.8	0.4	4.4	1.2	3.4	100.0
YEAR 2019								
Motor liability	84.6	3.3	2.8	0.0	0.6	2.0	6.8	100.0
Land vehicle insurance	74.0	11.8	5.6	0.1	2.4	1.4	4.6	100.0
Total motor	**82.6**	**4.9**	**3.3**	**0.0**	**0.9**	**1.9**	**6.4**	**100.0**
Health and accident	53.6	11.8	15.3	1.0	17.0	0.5	0.8	100.0
Transport (3)	34.1	61.0	0.4	0.0	4.4	0.1	0.1	100.0
Property (4)	73.2	10.9	11.6	0.2	2.5	0.5	1.0	100.0
General liability	79.0	12.4	5.4	0.1	2.8	0.1	0.1	100.0
Credit and suretyship	72.2	19.4	4.5	0.0	4.0	0.0	0.0	100.0
Total non-motor	**66.4**	**13.0**	**11.3**	**0.5**	**7.7**	**0.4**	**0.7**	**100.0**
TOTAL NON-LIFE	74.1	9.1	7.5	0.3	4.5	1.1	3.4	100.0

Table 7
Change (%) in non-life premium volume by class and distribution channel 2020/2019 (5)

Class	Agents	Brokers (1)	Bank branches (2)	Financial salesmen	Direct sales	Direct remote sales: Telephone	Direct remote sales: Internet	Total
Motor liability	-5.9	3.4	-8.1	(...)	-4.5	-11.3	-5.7	-5.7
Land vehicle insurance	3.3	-2.7	-21.2	-14.0	-0.2	-3.8	2.4	1.0
Total motor	**-4.3**	**0.6**	**-12.3**	**-14.0**	**-2.3**	**-10.2**	**-4.6**	**-4.4**
Health and accident	-1.9	1.9	-14.3	31.4	-0.1	82.0	-4.9	-2.3
Transport (3)	7.2	4.3	-59.5	0.0	-51.8	225.7	39.0	2.8
Property (4)	1.2	3.9	-12.5	105.9	-18.7	36.1	4.4	-0.1
General liability	1.3	11.5	6.0	14.1	-16.9	15.8	11.8	2.3
Credit and suretyship	0.5	5.4	26.0	(...)	8.0	(...)	(...)	3.1
Total non-motor	**0.3**	**4.6**	**-11.4**	**47.4**	**-4.3**	**56.8**	**1.2**	**-0.3**
TOTAL NON-LIFE	-2.1	3.6	-11.6	44.1	-4.1	2.9	-3.9	-2.3

(*) *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 24.8 percentage points in 2020)*

(2) *Data for this channel includes premiums distributed by post office branches*

(3) *The class of transport insurance consists of: railway rolling stock, aircraft, ships, 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*

ANIA GUIDELINES ON THE AGENCY NETWORK'S PROVISION OF INSURANCE DURING THE HEALTH EMERGENCY

Throughout the year 2020, ANIA – in coordination with the association's ad hoc Working Group for the covid-19 emergency – laid down a series of guidelines for the agency network to ensure proper provision of insurance services.

The initiative forms part of the measures adopted by the insurance industry to protect all market operators who, while guaranteeing the provision of services to their customers, protected employees and collaborators with measures to prevent and combat the spread of the covid-19 virus at the workplace.

The Guidelines, which will remain valid until the end of the emergency measures enacted by the Government, are structured in five points regarding different aspects of work and rules of conduct for agency points of sale: from rules on how to enter the premises, perform the assigned tasks and use any common areas, to measures to sanitize the space and protocols to be implemented should any cases of covid-19 be found among members of the staff or on the agency premises.

Finally, the ANIA Guidelines also establish rules on how to distribute insurance services outside the office.

IVASS REGULATION 45/2020: POG

On 4 August 2020, IVASS issued Regulation 45/2020 laying down provisions on the requirements of insurance product oversight and governance (POG).

The Regulation is a complement to the relevant national legislation for insurance undertakings and distributors and implements the provisions of the European Delegated Regulation on POG and of the Private Insurance Code. The new regulatory provisions are effective as of 31 March 2021.

In particular, these regulate:

Role and tasks of the Compliance Function: this Function is responsible for developing compliance analyses to monitor the procedures and measures adopted regarding the correct definition of POG rules and internal processes aimed, among other things, at identifying and reporting any problems. The results of this activity are included in a specific annual report drafted by the Compliance Function, whose content comprises the entire approval procedure and distribution strategy for insurance products.

Definition of the information flows between manufacturers and distributors: under the new regulation, undertakings must now define any exchange of information between manufacturer and distributor by drafting an agreement establishing:

– for distributors, the acquisition of the information necessary to define the actual reference market and to understand and properly know the products to be distributed on that market;
– for manufacturers, the acquisition of information on sales made by the distributor.

Target market and actual reference market: the target positive and negative reference markets must always be identified by the manufacturer and communicated to the distributor. Distributors are, in turn, required to indicate an actual reference market (positive and negative), which may be the one identified by the manufacturer or a different market specified by them. Distributors are required to communicate the actual reference markets to the undertaking prior to the placement of the insurance product.

Horizontal collaboration between intermediaries: the Regulation provides that undertakings carry out detailed assessments, as specified also in the recent FAQs published by IVASS. The assessment is to be carried out on the issuing intermediary and must ensure compliance with conduct obligations by the proposing intermediaries operating in direct contact with the customers.

Internal control requirements for distributors: in accordance with the proportionality principle, the Regulation establishes different regimes of internal controls based on the type of intermediary, with more specific provisions for banks and financial intermediaries than for traditional distribution channels, agents and brokers.

Finally, with regard to the scope, the Regulation also regulates the distribution by financial and banking intermediaries that place life and non-life products, without prejudice to the competence of CONSOB on the placement of insurance-based investment products (IBIPs).

IVASS MEASURE 97/2020

On 4 August 2020, IVASS also issued Measure 97/2020, whose provisions became effective on 31 March 2021.

In particular, the Measure amended:

- **Regulation 23/2008, laying down rules governing premium and contract terms disclosure in compulsory insurance for motor vehicles and watercraft**, by establishing the possibility for EU undertakings authorized to operate in Italy under either the freedom of establishment or the freedom to provide services to adhere to the direct indemnity system;
- **Regulation 24/2008, concerning the procedure for submitting complaints to IVASS and the procedure for managing complaints by insurance undertakings and intermediaries,** by extending the obligation to publish a report on the activity of handling complaints to EU undertakings authorized to operate in Italy under either the freedom of establishment or

the freedom to provide services (where a certain threshold is exceeded) and establishing the obligation for banks and financial intermediaries to communicate to the undertakings with which they are in a distribution agreement the complaints received and handled internally, with consequent obligation for the undertakings to record such complaints in their database and include them in the statistical statements and annual complaints report.

- **Regulation 38/2018, laying down provisions on the system of corporate governance**, by adding the provision under which undertakings – when identifying and assessing the risk of non-compliance – shall take into due consideration the fulfillment of the insurance product oversight and governance requirements.
- **Regulation 40/2018, laying down provisions on insurance and reinsurance distribution**, by introducing a number of changes, the most significant amendments being those on:

Horizontal Collaborations: the contents of the intermediaries' agreement are defined; and intermediaries are required to notify mandatary firms of any horizontal collaboration agreements signed.

Report on Distribution Networks: IVASS confirmed the authority of the Compliance Function to prepare the annual report on distribution networks, integrating its contents with forecasts of the analyses carried out on insurance POG. A new implementing provision on the Report on Distribution Networks is pending.

Pre-contractual Disclosure: the amendments introduced aim to simplify the content of Disclosure by aggregating homogeneous data by macro-categories, rationalizing the delivery methods of pre-contractual documentation and reorganizing the numbering system for the annexes required under the regulations.

Assessment of Policyholder's Needs and Requests: the requirement is introduced to provide a specific document in which the distributor attests that the insurance product meets the policyholder's needs and requests.

Cross-selling: a new provision is introduced to identify additional information that must be provided when insurance products are sold in conjunction with another non-insurance ancillary product/service.

Telephone Recordings: recording requirements are established according to which, in the case of remote sales, distributors shall provide the relevant information notice on the purpose of the placement and record the telephone conversations or communications which lead to the execution of an insurance contract. In case of IBIPs all communications are to be recorded, including those that do not result in a contract being entered into, pursuant to the provisions of the CONSOB regulation.

Under this provision, distributors shall ensure full compliance with the requirements set by the Regulation by 1 January 2022.

Supplementary Requirements on the Placement of Insurance-Based Investment Products: the amendment completes the legislation on the distribution of IBIPs for the channels under IVASS supervision. In particular, the provision regulates pre-contractual information documents, inducements, and suitability and appropriateness assessments. As for the admissibility of inducements, it should be borne in mind that intermediaries and undertakings shall ensure full compliance with the requirements set by the Regulation by 31 March 2022.

– **Regulation 41/2018 on transparency, disclosure, and design of insurance products**, whose most significant provision concerns the annual statement of account of IBIP contracts. The provision, in fact, extends to IBIPs the requirements in force for unit-linked contracts, pursuant to which undertakings provide policyholders with an analytical statement of costs and expenditures, including distribution costs, on an annual basis. To fulfill such requirement, distributors shall preliminarily communicate to the undertaking the information necessary to fill out the annual statement of account, known as DUR (from the Italian "Documento unico di rendicontazione" – Single Reporting Document) which comprises all costs and charges associated with distribution, including horizontal collaborations between intermediaries.

For the sake of regulatory consistency, the provision applies also to "Communications in course of contract" sent by the undertakings to the policyholders with regard to insurance products other than IBIPs.

CONSOB RESOLUTION 21466/2020: AMENDMENTS TO THE REGULATION ON INTERMEDIARIES

On 29 July 2020, CONSOB adopted Resolution 21466 amending the Regulation on Intermediaries.

The amended regulation, implementing the IDD Directive in secondary legislation, was adopted in accordance with the new competences vis-à-vis supervised entities attributed to CONSOB and IVASS by Parliament with the European Delegation Law 2016-2017.

The drafting of this regulation stems from a broad dialogue between the two Supervisory Authorities in order to identify rules of conduct for their respective supervised entities that are as homogeneous as possible with regard to the distribution of insurance-based investment products, regardless of the channels through which they are distributed.

More specifically, the amendments consist in the rewriting of Book IX of the Regulation on Intermediaries and are related to the rules of conduct and information requirements that apply to intermediaries under the supervision of CONSOB (including banks, investment firms, and Poste Italiane) with regard to the distribution of IBIPs. The new provisions are in line with the regulatory interventions concomitantly adopted by IVASS.

The new rules established by CONSOB also became effective on 31 March 2021.

The greatest changes concern:

Rules Applicable to Horizontal Collaborations: the amended regulation establishes the principle that the requirements of the various sector-specific provisions on the arrangements for the provision of information, suitability, appropriateness, admissibility of inducements, and conflicts of interest must be fulfilled by the person holding the direct relationship with the customer. In addition, CONSOB – in order to guarantee customers full disclosure of all inducements paid to the parties involved in the horizontal collaboration – provided that the information requirement upon the person holding the direct relationship with the customer applies to all inducements paid or received by the parties involved in the horizontal collaboration.

Advice on IBIPs: the regulatory text submitted for consultancy was subjected to three different types of advice:

- “basic” or “non-independent” advice;
- advice “based on impartial and personal analysis”;
- “independent” advice, in accordance with the MiFID II directive.

Given that the “advice based on impartial and personal analysis” in accordance with the IDD consists in assessing a sufficiently large number of IBIPs available on the market, this form of advice can be assimilated to that based on a broad analysis of the market envisaged by the MiFID II directive. Thus, the category “advice based on impartial and personal analysis” – which formed the third type of advice after “basic/ non-independent” and “independent” advice – was eliminated.

Mandatory Advice: the rule subject of the advice established the obligation upon authorized entities to provide advice when distributing IBIPs, except for non-complex products as defined by the European Delegated Regulation.

The regulation examined was revised to:

- eliminate all reference to the criteria for the identification of complex products, on the assumption that the complexity of an IBIP is assessed by the product’s manufacturer – both during its creation and when determining its reference market – by reference to the definition of complex products adopted by IVASS in compliance with the EU Regulation on IBIPs;
- establish the obligation to provide advice during the distribution of IBIPs, while also stating that the advice on IBIPs and investment consultancy services offered together with a regular suitability assessment shall not entail application of the principle of the Private Insurance Code whereby the economic cost of mandatory advice shall not be borne by the customer.

Finding of Equivalence within the Framework of Suitability Assessment: the amended regulation established the obligation for authorized entities to adopt adequate policies and procedures in order to ensure their ability to "decide – based on costs and complexity – whether other equivalent financial or insurance-based investment products are suitable for the customer." In light of this, comparability between IBIPs and other non-insurance financial products shall be ensured both procedurally and operationally.

Declaration of Compliance with the Insurance Needs and Requests of the Customer and Declaration of Inappropriateness: the changes made relate to

– elimination – from the Declaration of Compliance with the Insurance Needs and Requests of the Customer and from the Declaration of Inappropriateness – of the double signature by the distributor and the customer, on grounds of its excessive cost;
– Elimination – from the Needs and Requests Declaration – of the information requirement for products sold outside the reference market, as this is a mere aggravation of the operational burden not offset by any actual benefit for the investor, and it is not required by the relevant European legislation.

Inducements: CONSOB confirmed the admissibility criteria for inducements to be paid to intermediaries where this improves the quality of distribution through the provision of additional or higher-class services to the customer.

Reports to Customers: to allow authorized insurance distributors to comply with the reporting requirements mentioned earlier, IVASS regulations established the obligation upon insurers to provide distributors under the supervision of CONSOB with information on all the costs and charges associated with the product.

Distribution of IBIPs on grey target markets: the amended version of the regulation confirmed that IBIPs may be placed in grey target markets provided they meet the appropriateness requirement, but only products that are not subject to mandatory advice.

LEGISLATIVE DECREE 187 OF 30 DECEMBER 2020. PROVISIONS SUPPLEMENTING AND CORRECTING LEGISLATIVE DECREE 68 OF 21 MAY 2018 IMPLEMENTING EU DIRECTIVE 2016/97 ON INSURANCE DISTRIBUTION

On 9 February 2021, the Legislative Decree known as the IDD Corrective Decree entered into force, amending and supplementing the provisions of the Private Insurance Code.

With regard to the provisions concerning Title IX of the Code on insurance distribution, the following changes were made:

– *Art. 106: insurance and reinsurance distribution*

The change aligns the new definition of insurance distribution with the previously amended definition contained in the IDD directive, which mentions advice as the first inherent element of insurance distribution (without prejudice to the fact that advice is mandatory only for complex products).

– *Art. 119-bis: rules of conduct and conflicts of interest*

The Corrective Decree specifies that insurance distributors shall not receive or offer any remuneration to their employees “based on criteria contrary to their obligation to act in the best interest of the policyholder” and that they may not adopt provisions regarding remuneration, sales targets or other forms of inducement for themselves or their employees.

– *Art. 120-quinques: cross-selling*

When an insurance product is offered together with an ancillary product or service which is not insurance (as part of a package or the same agreement), the insurance distributor shall inform the (potential) customer on whether it is possible to buy the different components (insurance and non-insurance) separately and, if so, provide an “adequate description” of the various components of the agreement or “package” as well as “separate evidence” of the costs and charges of each component.

The distributor shall also specify to (potential) policyholders why the insurance product included in the “package” or agreement is suitable to their needs and requests. Finally, the regulation restates IVASS’ power to implement protective and prohibitory measures, including the authority to prohibit sales; this authority may apply to any cross-sales, “regardless of whether the ancillary product is auxiliary to the insurance or to the non-insurance service or product.”

– *Art. 121-septies: assessment of the suitability and appropriateness of the insurance product and disclosure to customers*

The change introduced establishes that where – within the context of an offer of insurance-based investment products – the potential policyholder does not provide information on their investment knowledge and experience, or the information provided is insufficient, the distributor shall inform them that this will prejudice the possibility to assess the actual appropriateness of the product. The potential policyholder may still enter into the contract provided they expressly manifest their intention to this effect.

Conversely, the same does not apply when the insurance-based investment product is offered within the context of an advisory service: in fact, the lack or insufficiency of necessary information (knowledge and experience, financial situation, investment objectives) makes it impossible to assess the appropriateness of the product, which therefore cannot be sold to the potential policyholder.

The rest of the interventions touch upon:

Rules on Whistleblowing; the changes involve:

- reference to final parent firms, which now include the ultimate parent company;
- reference to "insurance and distribution activity carried out" to specify that the reports shall concern the violation of the provisions regulating insurance and distribution activity;
- reference to "employees", which extends the scope of this legislation also to collaborators.

Alternative Dispute Resolution (ADR) Mechanisms

- *Art. 187.1 – Alternative Dispute Resolution Mechanisms*

The changes introduced by the "IDD Corrective Decree" aim to include the provision on alternative dispute resolution mechanisms in Chapter II-bis, "Disputes", which is specifically dedicated to the matter, specifying that the recourse to insurance arbitration constitutes an alternative to legal mediation under Legislative Decree 28/2010 for all insurance contracts and to assisted negotiation under Decree Law 132/2014 converted with amendments into Law 162/2014 for disputes involving mandatory motor liability insurance.

Sanction System

- *Art. 310 – Administrative Pecuniary Sanctions*

The amendment to Article 310 of the Private Insurance Code was made necessary to allow IVASS to open a sanction procedure when the judge transmits a copy of the verdict ascertaining the failure to formulate an offer to the injured party.

- *Art. 311-ter – Order to cease the violations*

The changes to Article 311-*ter* of the Private Insurance Code authorize the issuance of the order to cease the violations as an alternative to sanctions also for violations of the rules of conduct; and they encourage the adoption of sanctions alternative to fines, consisting in the order to cease the violations.

– *Art. 324 – Sanctions for violations of the provisions on the manufacture and distribution of insurance products, including insurance-based investment products, committed by intermediaries*

The amendments to paragraph 1 of Article 324 on intermediaries establish the possibility to impose sanctions for the violation of obligations regarding not only the distribution but also the manufacture of insurance products – including IBIPs (in the case of intermediaries that are "de facto manufacturers") – and introduce the possibility of sanctions for violations of Article 187(1) on insurance dispute arbitration.

– *Art. 324-bis – Sanctions for violations of the provisions on the manufacture and distribution of insurance products, including insurance-based investment products, committed by intermediaries*

The changes proposed to Article 324-*bis* of the Private Insurance Code aim to align the text with the new numbering and clearly state that the sanction applies also to insurance companies in that they design the product. Furthermore, the supplementation to the article was necessary to extend the scope of the definition of management structure of the distributor to natural persons.

– *Art. 325-bis – Definition of turnover*

The amendment intends to solve problems inherent in the calculation and enforcement of administrative pecuniary sanctions based on the total annual turnover as set out in the last available financial statement by establishing that when the turnover "cannot be determined, for any reason whatsoever, the applicable sanction shall amount to a minimum of €5,000.00 and a maximum of €5 million."

Transitional and final tax provisions

– *Art. 335 – Insurance and Reinsurance Undertakings*

Under the amended regulation, the mandatory annual supervisory contributions shall be due also from companies with registered offices in another EU Member State, operating in Italy under either the freedom of establishment or the freedom to provide services, registered in the lists annexed to the register referred to in Article 26 of the Private Insurance Code. In this respect, IVASS has yet to define the relevant implementing procedures.

FINANCIAL SUPPORT FOR INSURANCE INTERMEDIARIES

Decree Law 41 of 22 March 2021 (hereinafter "Decreto Sostegni" – Support Decree) containing "***Urgent measures for support to companies and economic, labor, healthcare and local services operators related to the covid-19 emergency***" was published on 22 March 2021 in issue 70 of the *Gazzetta Ufficiale*. The Decree Law appropriates around €32 billion to reinforce the tools to contrast the spread of the covid-19 virus and contain the social and economic impact of the preventive measures.

The most relevant provisions applicable also to insurance intermediaries include:

New Outright Grant

A new outright grant was established for economic operators hit by the covid-19 pandemic that have a VAT account, are resident or based in Italy carrying out a business, art or profession or generating agricultural income.

The recipients of the provision are persons whose income and revenue for the tax year 2019 did not exceed €10 million and whose average monthly turnover for the year 2020 was 30% less than that of 2019.

The lost turnover requirement does not apply to persons that opened a VAT account on or after 1 January 2019.

The measure does not apply to:

– entities whose business ceased by 23 March 2021 (date on which the Decree entered into force);
– entities that opened a VAT account after the entry into force of the Decree;
– public bodies, financial intermediaries and holding companies.

The financial support, which totals a maximum of €150,000, is granted in the minimum amount of:

– €1,000 for natural persons;
– €2,000 for other entities.

The content, terms and methods of application were defined in a provision issued by the Director of the Italian Revenue Agency on 23 March 2021.

New Exceptional Redundancy Payments and Wage Subsidy Allowance

The duration of the exceptional redundancy fund and of the allowance payable by the special Salary Supplementation Fund was extended for employers that suspend or reduce work activity for reasons attributable to the covid-19 epidemiological emergency.

The new wage subsidization period applies to workers with an effective employment contract on 23 March 2021 (date of entry into force of the Decree) and may not exceed 28 weeks between 1 April and 31 December 2021.

Extension of the provisions on collective and individual redundancies for justified objective cause

The general and extraordinary provisions of the ban on collective and individual redundancies for justified objective cause, as well as the relevant derogations and exclusions established by the 2021 Budget Law with effect until 31 March 2021, are extended until 31 October 2021.

Protections for Fragile Workers

The Support Decree extended to 30 June 2021 the provisions laid down by the 2021 Budget Law for the protection of workers defined as “fragile.”

For employees who have a certificate issued by the competent medical and legal entities attesting that they are at higher risk because of a condition of immunodepression or oncological disease, or because they are undergoing life-saving treatments, including workers with a recognized severe disability, the period of absence from work, where it is prescribed by the competent health authorities or by the primary practitioner who has the patient under care, is considered to be equivalent to hospitalization.

The extension to 30 June 2021 applies also to the provision establishing that fragile workers should mainly work remotely, possibly assigning them to different tasks within the same category or job grade, as defined by the collective bargaining agreements in force, or by enrolling them in specific remote vocational training activities.

Renewal and Extension of Fixed-term Contracts

The possibility for companies to renew or extend fixed-term employment contracts (including temporary employment) for a maximum of 12 months as a one-off measure, even in the absence of justifiable cause for such renewal/extension, is further extended to 31 December 2021, without prejudice to the maximum overall duration of 24 months.

Decree Law 30 of 13 March 2021 introduces support measures for workers with underage children who are attending school remotely or are placed under quarantine.

In brief, the provision grants parents, until 30 June 2021, the possibility to benefit from leave with partial pay, baby-sitting vouchers and remote working in the event of suspension of in-class school activity or the children’s infection with covid-19 or quarantine.

In particular, parents with salaried employment contracts who are living with at least one child under 16 are entitled (alternatively with the other parent) to work remotely for the entire or partial duration of:

1) the suspension of the child’s in-class school activities;
2) the child’s infection with covid-19;
3) the child’s quarantine ordered by the Prevention Department of the competent Local Health Unit for exposure to the virus, regardless of where such exposure took place.

In the sole and exclusive event of types of work that cannot be carried out remotely and for a period corresponding at least in part to one of the three grounds listed above, the parent living with said child under 14 years of age, or alternatively the other parent, is entitled to financial support amounting to 50% of his or her pay. In the case of children between 14 and 16 years of age, instead, one of the parents, or alternatively the other parent, is entitled to an unpaid and unsubsidized leave of absence.

In the case of parents of children with severe disabilities, also until 30 June 2021, the Decree Law confirms the right of parents to recourse to remote working provided that the other parent is not unemployed and that the interested parent's work does not necessarily require the worker's physical presence. This provision was supplemented with a leave of absence subsidized at 50% of salary for parents with disabled children attending any type of school whose in-class activities were suspended, or day care facilities that were temporarily shut down.

Lastly, the Decree Law entitles parents living with children under 14 to one or more vouchers to pay for baby-sitting services up to a maximum of €100 per week. The vouchers can be used also when parents are eligible for remote working and leave of absence as a result of the suspension of the child's in-class school activities, the child's infection with covid-19, or the child's quarantine.

The recipients of the subsidy are:

1) workers enrolled in the separate INPS pension fund;
2) self-employed workers;
3) self-employed workers not enrolled in the separate INPS pension fund.

This voucher is available only where the other parent is not the beneficiary of other forms of support or leave of absence at 50% of salary and only as an alternative to other financial support for parents.

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THE CONDUCT OF INSURANCE BUSINESS

SOLVENCY II

THE 2020 SOLVENCY II REVIEW: THE STATE OF THE ART

On 17 December 2020 the European Insurance and Occupational Pensions Authority (EIOPA) released and transmitted to the Commission its Opinion on the Solvency II 2020 Review. The paper suggested amendments to the Solvency II regulations, i.e. Directive 2009/138/EC, in effect since 1 January 2016.

The paper represents the end-product of a process that began with the Commission's Call for Advice in February 2019 (centered on countercyclical measures for long-term guarantees) and continued with the release of the first draft of EIOPA's Opinion (open for public consultation from 15 October 2019 to 15 January 2020), three impact assessments(1) and a series of official meetings between EIOPA and the stakeholders.

Over the same months the Commission went ahead with its own assessments and analyses, based on the feedback from stakeholders on the consultation paper on Review 2020 released on 1 July 2020 and terminating in October. The consultation, more comprehensive than that conducted by EIOPA, dealt with four, intersecting thematic areas: i) the role of insurance companies in long-term finance for the economy and in sustainability; ii) proportionality and disclosure; iii) the single market and protection of policyholders; and iv) emerging risks and new opportunities.

The next steps call for the Commission's assessment of the definitive technical proposals produced by EIOPA and of the consultation feedback. Following this assessment the Commission will publish a draft proposal for amendment of the present regulatory framework, to be submitted to the European Council and Parliament for the standard codecision procedure.

As in the previous phase of the revision process, ANIA took part in both consultations both via the response document drafted by Insurance Europe and voicing our own position, intended to bring out the main problems affecting the insurance industry in Italy.

(1) Data Call (October-December 2019); Holistic Impact Assessment (2 March-1 June 2020); Complementary Information Request (1 July-14 September 2020). intended to supplement the information obtained in the previous study so as to take account of the impact of the pandemic.

THE *EIOPA* OPINION

While EIOPA stated that it considered its approach as evolutionary, not revolutionary, the measures set out in its Opinion bear on a number of structural elements of Solvency II; the Authority maintained that the framework needed to be brought up to date in order to keep it consistent with the evolving economic and financial context.

EIOPA's principal proposals can be summarized as follows:

- changes to the Volatility Adjustment (VA) on the basis of the framework tested in the Holistic Impact Assessment, comprising: i) changes to the methodology used in calculating the risk correction (which now depends on the value of the current spread); ii) introduction of application ratios based on certain characteristics of the undertaking's portfolio; iii) raising the general application ratio from 65% to 85%; iv) improving the terms for activating the national component, so as to reduce the "cliff-edge effect" of the current formulation (Table 1);
- modification of the methodology for extrapolating risk-free interest rates (the Smith-Wilson method) in order to take account of market rates at maturities beyond the starting point of the extrapolation and so avoid underestimating technical provisions (Table 2);
- revision of the treatment of interest rate risk in the relevant module in the standard formula, in order for the regulatory framework to allow for negative rates (Table 3);
- rethinking of the criteria for access to special favorable treatment for long-term equity investments;
- fine-tuning the method for calculating the Risk Margin, in order to reduce its sensitivity to interest rate developments, especially for the longer-term maturities.

As regards the method for calibrating interest rate risk and for the extrapolation of the curve, in view of the significant impact these measures will have, EIOPA calls for a gradual phasing-in: over five years from entry into force for the former and until the end of 2023 for the latter.

EIOPA also calls for a new process to implement and supervise the proportionality principle within Solvency II. It suggests quantitative risk-based standards that identify "low-risk" groups of undertakings eligible for proportional treatment in the implementation of some governance and reporting requirements (Pillar II and Pillar III).

Some of the other proposals set out in the Opinion reflect the thesis that the micro-prudential framework of Solvency II needs to be complemented by a macro-prudential perspective. The document also calls for a series of elements and measures to endow European and national supervisory authorities with sufficient powers to counter the various sources of systemic risk.

Lastly, EIOPA proposes to institute a recovery and resolution framework with minimum harmonization; it further proposes the creation of a European network of national insurance guarantee schemes to strengthen the degree of protection provided to policyholders.

On 28 May 2021 ANIA published its own assessments of the Opinion in a position paper presented at the webinar "*Solvency II review: il punto di vista dell'Italia*" (the Italian point of view). The webinar served to present the position paper and initiate a discussion with the main Italian stakeholders on Italy's priorities with a view to the impending publication of the Commission's proposal for a directive. In addition to ANIA representatives, participants included representatives of the European Commission, IVASS, and insurance companies.

ANIA'S POSITION PAPER ON THE SOLVENCY II REVIEW

ANIA released a Position Paper presenting the Association's views on the Solvency II Review on 28 May 2021. The objective was to analyze the most important and problematic issues for Italian insurance companies, gauge their economic impact (see the box: "The quantitative impact of the proposals") and develop practical counterproposals as a contribution to the work of the European Commission and information to the main international stakeholders.

First of all, it is essential that the final phases of the review focus on strengthening and perfecting the measures already in place, eliminating unnecessary operational costs for insurers, and achieving a comprehensively "balanced" final result, i.e. one that does not impose any unneeded capital increases and properly reflects the business model of the insurance industry. If the approach recommended in the Paper is followed, the industry can continue to play its natural, major role in attaining the community objectives set forth in the action plans "Capital Market Union," "European Green Deal," and "Next Generation EU."

The technical issues identified as priorities are: i) Volatility Adjustment; ii) the method for extrapolating the risk-free interest rate curve; iii) the interest rate sub-module; iv) the long-term equity risk sub-module; and v) the proportionality principle.

As to the VA, which is crucial to the insurance market in Italy, ANIA sees further amendments and improvements, in addition to those proposed by EIOPA in its Opinion, as indispensable. ANIA appreciates the effort made by EIOPA in proposing some corrections and refinements to the existing VA framework aimed at addressing the most important shortcoming of the current VA – i.e., the failed activation of the national component.

This effort threatens to be undone by a series of unresolved structural inconsistencies and harmful, procyclical proposals such as the calibration of the risk correction directly by the Authority itself using a new methodology[2]. This method, based on averages of current spreads, clashes with the chief purpose of the VA, namely its countercyclical action especially in periods of high volatility, which is precisely when the instrument should display its greatest efficacy.

To avoid this and thereby ensure more stable results, the Position Paper calls for keeping the risk correction calculation method as it is, based on long-term statistics and hence better suited to measuring "fundamental risk" – risk not due to artificial volatility. As an alternative, there should necessarily be provision for revising EIOPA's parameters so as to minimize procyclicality (Table 1).

Turning to the other issues taken up in the Paper, as regards the risk-free interest rate curve (used to discount technical provisions and calibrate capital requirements), ANIA sees no need to alter the extrapolation method, which would increase its complexity and volatility (Table 2), but we do see a high-priority need to introduce an explicit, term-dependent floor in the interest rate sub-module, to prevent overestimation of interest rate risk (Table 3). For the floor, in fact, EIOPA proposes downward shocks so small as to raise doubts about the effective functioning of financial markets should such a case materialize and, in any event, about the relevance of economic evidence and paradigms proper to positive-rate situations in times of negative interest rates. ANIA's simulations indicate that the floor proposed – assumed constant at -1.25% – would be utterly ineffective even in conditions of ultra-low interest rates such as the last few months of 2020, because it would intersect the interest rate curve only for very short durations (at 31 December 2020, just two years).

ANIA accordingly suggests an alternative formulation, with the introduction of an increasing, term-dependent floor that would therefore be effective over the longer term (Table 3).

Finally, there should also be changes to the eligibility requirements of the long-term equity risk sub-module, to make it properly reflect the fundamentals of long-term investment, the volatility of share markets, and market practices in the largest possible number of European countries.

Last of all, let us mention the work on implementing the proportionality principle in Solvency II. While we certainly judge EIOPA's efforts to improve the Solvency II proportionality framework positively, in designing the new European framework, extreme care must be taken to ensure that, by leveraging on national experiences, including that of Italy, it avoids duplication or incoherence of eligibility criteria and requirements.

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(2) The correction that the Directive applies to the insurer's average portfolio spread to eliminate. in the VA the risk component not related to "artificial" and short-term volatility.

Table 1 – Summary of proposals for changes to Volatility Adjustment *(definitions in the note)*

	Framework Solvency II	Opinion EIOPA	Position Paper ANIA
Formula	$VA = VA_{currency} + VA_{country}$ $VA_{currency} = 65\% \cdot S^{RC}_{currency}$ $VA_{country} =$ $65\% \cdot max(S^{RC}_{country} - 2 \cdot S^{RC}_{currency};\ 0)$	$VA = VA_{permanent} + VA_{macro,j}$ $VA_{perm} = GAR \cdot AR^{i}_{4} \cdot AR^{i}_{5} \cdot scale_{curr} \cdot S^{RC}_{currency}$ $VA_{macro,j} =$ $GAR * AR^{i}_{4} \cdot AR^{i}_{5} * \omega_j *$ $\max(S^{RC}_{country} * scale_{country} - 1{,}3 * S^{RC}_{currency} * scale_{curr};0)$	☑
Underlying asset portfolio	EIOPA reference portfolio of insurance companies' fixed-income investments (by currency and country).	No change	☑
Calculation of spread	Weighted average of yield spreads in EIOPA portfolio.	✓ Calculation unchanged. ✓ Application of weight rescaling factor ($scale_{curr}$, $scale_{country}$) to exclude investments with variable return (equity, cash).	☑
Risk-correction	Based on long-term statistics. ✓ Gov't securities of EEA countries: $RC_{gov} = 30\% * LTAS$ ✓ Other fixed-income securities: $RC_{corp} = max(PD + CoD; 35\% * LTAS)$	Based on long-term statistics and percentages of current spread. ✓ Gov't securities of EEA countries: $RC_{gov} = 30\% * min(S^{+}, LTAS^{+})$ $+20\% * max(S^{+} - LTAS^{+}, 0)$ ✓ Other fixed-income assets: $RC_{corp} = 50\% * \min(S^{+}, LTAS^{+})$ $+40\% * \max(S^{+} - LTAS^{+}, 0)$	1. Keep present risk correction. 2. Alternatively: ✓ Gov't securitries of EEA countries: $RC_{gov} = 30\% * min(S^{+}, LTAS^{+})$ $+10\% * max(S^{+} - LTAS^{+}, 0)$ ✓ Other fixed-income securities: $RC_{corp} = 35\% * \min(S^{+}, LTAS^{+})$ $+15\% * \max(S^{+} - LTAS^{+}, 0)$
General Application Ratio (GAR)	65%	85%	100%
Country component	$S^{RC}_{country} > 85\ bps$ $S^{RC}_{country} > 2 * S^{RC}_{currency}$	$S^{RC}_{country} > 60\ bps$ $S^{RC}_{country} > 1{,}3 * S^{RC}_{currency}$	☑ Cliff-edge effect of current requirements for activation eliminated.
Duration-based application ratio (AR^{i}_{4})	n.a.	Introduction of an application ratio based on maturity mismatch between assets and liabilities of fixed-income investments of company *i* (Entity-specific, <100%)	☑
Liquidity-based application ratio (AR^{i}_{5})	n.a.	Introduction of an application ratio based on the illiquidity of the liabilities of company *i* (Entity-specific, <100%)	Eliminate, if GAR = 85%. Alternatively, issue to be dealt with in Pillar II

$S^{RC}_{currency}, S^{RC}_{country}$ = yield spreads over EIOPA portfolio risk-free interest rate, adjusted for credit risk and probability of default of bonds in portfolio; $scale_{curr}$ = currency rescaling factor; $scale_{country}$ country rescaling factor; CoD = credit spread corresponding to expected loss due to asset downgrading; PD = credit spread corresponding to probability of default of portfolio assets; $LTAS$ = long-term average (30 years) of risk-adjusted spreads; ω = parameter of gradual activation of country component; $LTAS^{+} = max(LTAS, 0)$; in RC_{gov}: $S^{+} = \max(S^{RC}_{gov}; 0)$, , in RC_{corp}: $S^{+} = \max(S^{RC}_{corp}; 0)$.

Table 2 – Summary of proposals for changes to method of extrapolation of the risk-free interest rate curve

	Framework Solvency II	Opinion EIOPA	Position Paper ANIA
Methodology	Smith-Wilson Method for extrapolating forward rates beyond last liquid point. Main model parameters: • LLP (Last liquid point); • UFR (Ultimate forward rate); • T (time to convergence).	Alternative extrapolation Method for extrapolating forward rates taking account also of liquid maturities between LLP and UFR. Main model parameters: • FSP (First smoothing point); • UFR (Ultimate forward rate); • LLFR (Last Liquid Forwar Rate); • α (speed of convergence).	No change to methodology.
Emergency brake	n.a.	Transition mechanism (completion in 2023) calibrated on speed of convergence α and level of FSP. α once fully phased in = 10%.	If this proposal is accepted, it will be necessary to revise the transition mechanism to make it gradual, simple, mechanical, hence predictable.

Table 3 – Summary of proposals for changes to mechanism for extrapolating the risk-free interest rate curve

	Framework Solvency II	Opinion EIOPA	Position Paper ANIA
Shock down (r_t^{down})	$r_t^{down} = min\{r_t - r_t * s^{down}, r_t\}$ r_t= baseline risk-free interest rate curve (RFR) Negative rates not subject to shock.	$r_t^{down}(m) = r_t(m) * \left(1 - s_m^{down}(\theta_m)\right) - b_m^{down}(\theta_m)$ Parameters calibrated on basis of "implicit floor" θ_m .	$r_t^{down}(m) = r_t(m) * \left(1 - s_m^{down}(\theta_m)\right) - b_m^{down}(\theta_m)$ Parameters calibrated on basis of "implicit floor" θ_m .
Floor	0%	-1.25% Calibrated on historic low of Swiss franc.	$- b_m^{down}(\theta_m)$ Increasing, term-dependent, representative of entire EEA market.
Phase-in mechanism	n.a.	5 years (for downward shocks only).	Lengthen the phase-in period and revise application mode to alleviate impact of change.

THE PROPOSALS FOR SOLVENCY II REVIEW: QUANTITATIVE IMPACT ASSESSMENTS

The impact on the European insurance industry

The proposals made by EIOPA in its final Opinion released on 17 December 2020 are based on two impact assessments done during the year, with reference dates 31 December 2019 (HIA[(1)]) and 30 June 2020 (CIR[(2)]).

Given that Solvency is essentially risk-based and market-consistent, the entire framework, as such, is profoundly dependent on changes in spreads and, more generally, on interest rate developments. Accordingly, a complete analysis of the changes proposed in the course of the review cannot do without careful evaluation of such factors as *i)* financial market conditions at the moment of the evaluation and *ii)* the characteristics of the insurance business in the relevant country.

The findings of the study published by EIOPA,[(3)] indicate that the entire package of proposals on the European insurance industry would come to a reduction of 13 points in the Solvency Ratio according to the HIA (from 247% to 234%) and 22 points according to the CIR (from 226% to 204%). The significantly stronger impact according to CIR is ascribable to the different market conditions under which the two assessments were performed.

The fall in swap rates (from 0.2% to -0.2% at the 10-year maturity) (Figure 1A) and the increase in bond spreads, especially corporate bonds (by about 40 basis points) (Figure 1B) resulted in a reduction in own funds[(4)] (owing, respectively, to an increase in technical provisions and a decline in the value of assets). This, together with the significant rise in the Solvency Capital Requirement owing mainly to the proposal to modify the capital charge for interest rate risk (IRR) – which is needed to take account of the new fact of negative rates – entailed a reduction of the Solvency Ratio, i.e. the ratio of own funds to SCR.

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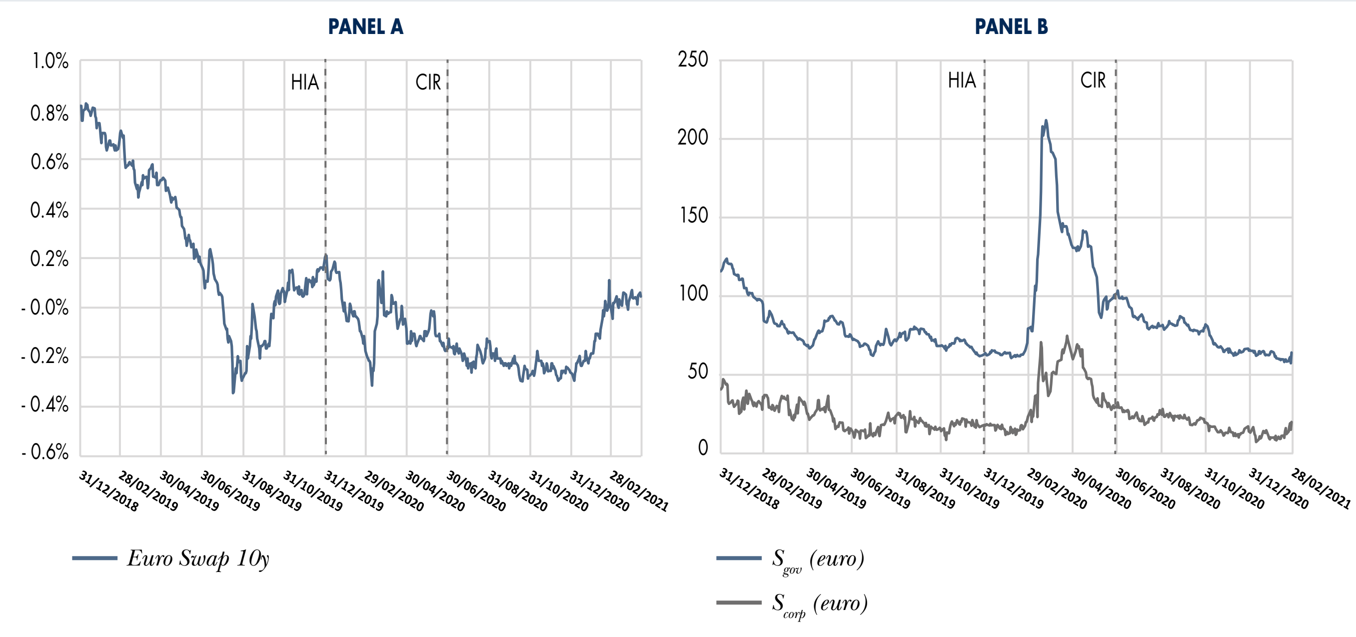
(1) Holistic Impact Assessment.
(2) Complementary Impact Request.
(3) Background document on the Opinion on the 2020 Review of Solvency II – Impact Assessment. p. 50.
(4) The excess of assets over liabilities.

Figure 1 – Swap rates (euro) at 10 years (A); bond spreads for European insurers (B)



Sources: Based on EIOPA and Refinitiv data. Daily data. S_{gov} (euro) and S_{corp} (euro) are, respectively, the government and corporate bond spreads, calculated for the representative EIOPA portfolio in euros.

Calculations based on EIOPA's results find an average overall impact on the European insurance industry of 48 points for the Solvency Ratio, of which 21 points are ascribed to adverse market changes, 12 to modifications in the interest rate risk sub-module, and another 10 points to the combined effect of the other modifications proposed. These findings confirm yet again the great sensitivity of the proposed measures to the particular market conditions on the date of the valuation.

The impact on the Italian insurance industry

The results of the exercise for a sample of Italian insurance undertakings,[5] with data collected in the course of the research project initiated by ANIA last year in connection with HIA and CIR, can be used to estimate the average impact of the proposed changes on the Italian insurance market. Overall, the estimates indicate an impact in line with the European average, but with some major differences due to the particular nature of the insurance business in Italy.

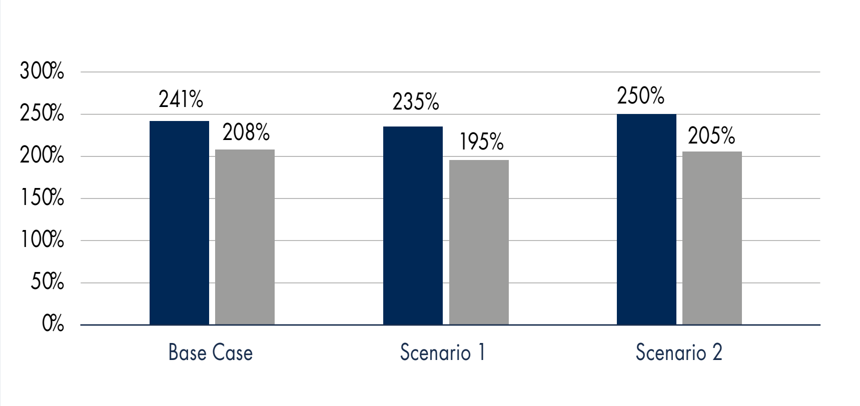
Figure 2 shows that the combined effect of the EIOPA proposals, together with the evolution of financial market conditions over the first six months of 2020, produced a fall of 46 percentage points in the Solvency Ratio for an average Italian insurer, from 241% (Base case, year-end 2019) to 195% (Scenario 1, 30 June 2020).

(5) Accounting for about 60% of the market in terms of technical provisions.

Figure 2
Impact of EIOPA proposals on the Italian insurance industry: Solvency Ratio

HIA (31/12/2019)

CIR (30/06/2020)



Source: ANIA. Aggregate data for a sample of Italian insurance undertakings participating both in HIA and in CIR. Base Case: current Solvency II rules; Scenario 1: implementation of the entire EIOPA package of proposals; Scenario 2: EIOPA package excluding proposed changes to IRR sub-module.

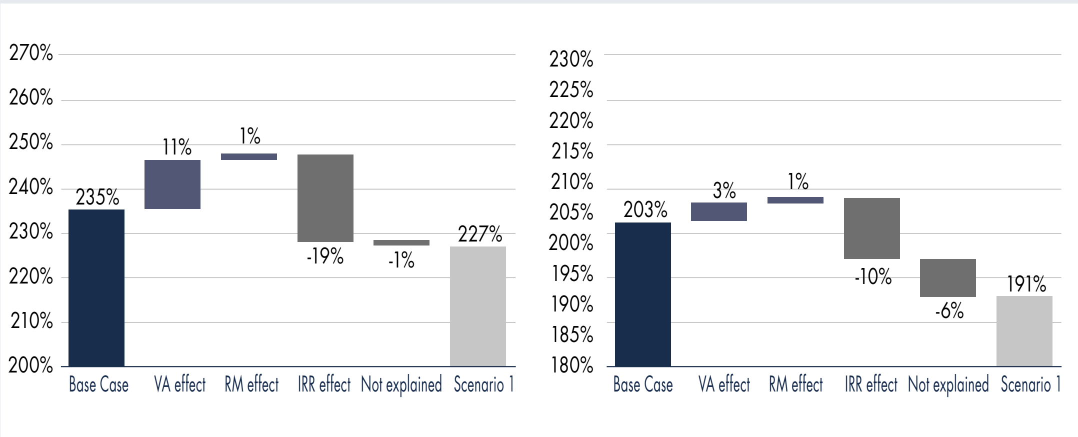
Specifically, the EIOPA proposals (Scenario 1) would lower the average Solvency Ratio by:

– 6 percentage points at the market conditions prevailing at the end of 2019 (from 241% to 235%), owing to an increase of 4.7% in the SCR and one of 1.9% in own funds;
– 13 percentage points at the market conditions prevailing at the end of June 2020 (from 208% to 195%), owing to an increase of 5.9% in the SCR and a decline of 0.5% in own funds.

Comparing Scenario 1 with Scenario 2 (all the proposals except those on IRR) we can derive an estimate of the impact of the proposals regarding interest rate risk: a reduction of 15 percentage points at 31 December 2019 (from 250% to 235%) and of 10 points at June 2020 (from 205% to 195%).

The contributions of the individual proposals to the overall change in the Solvency Ratio are shown in Figure 3.

Figure 3
Contribution of EIOPA's proposed measures to change in Solvency Ratio



Source: ANIA. Aggregate data based on sample of insurers participating both in HIA and in CIR

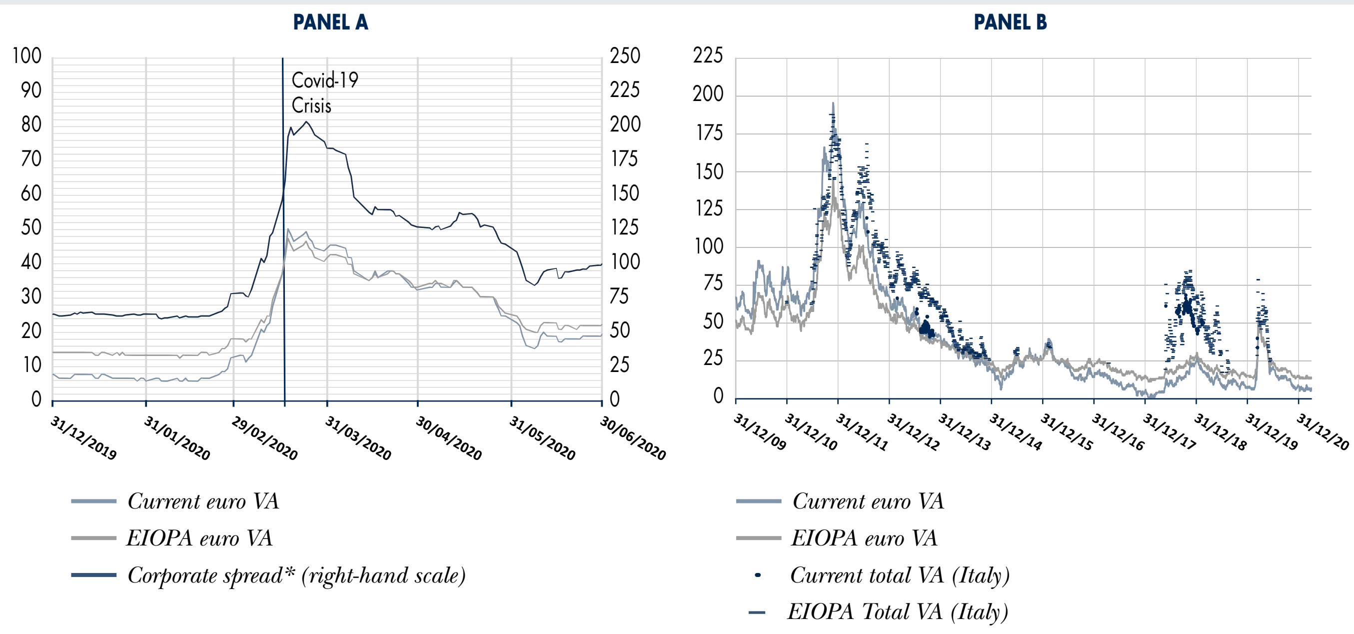
Volatility Adjustment and risk-correction

If on the one hand the VA makes a substantial positive contribution (+ 11 p.p.) in the HIA scenario, confirming the efficacy of some of EIOPA's proposed measures, the fact remains that this contribution is significantly reduced in the CIR scenario (just +3 p.p.), in conditions of greater market stress. The main cause for this reduced efficacy of VA is to be found in the introduction of certain procyclical elements, such as the proposed change to risk-correction.

The Solvency II Delegated Acts, at present, provide that risk-correction be calculated as a percentage of the long-term yields on insurers' average government and corporate bond investments. Under the Solvency II directive, this should be correlated with the portion of the spread corresponding to unexpected credit risk, expected probability of default, and losses due to asset downgrades. EIOPA's proposed changes provide that the risk-correction be calculated on the basis of a percentage of the portfolio spread at the date of the calculation in cases where the spread is higher than the long-term average (see above, Table 1 in section "ANIA's position paper on the Solvency II Review"). In addition to clashing with the countercyclical purpose of the measure, this proposal would introduce additional artificial volatility in a framework already subject to excessive volatility owing to the use of end-month rather than point data.

A practical example of this behavior can be seen in the increase in European corporate bond spreads in the first few months of the covid-19 crisis (Figure 4A), and even more markedly in the crisis of 2011-2012, with sharp increases and high volatility both in spreads on Italian BTPs and in European corporate bond markets (Figure 4B). In these situations, the Solvency II rules as revised

Figure 4 – Current VA vs. EIOPA proposals: A) 2019-2020; B) 2009-2020

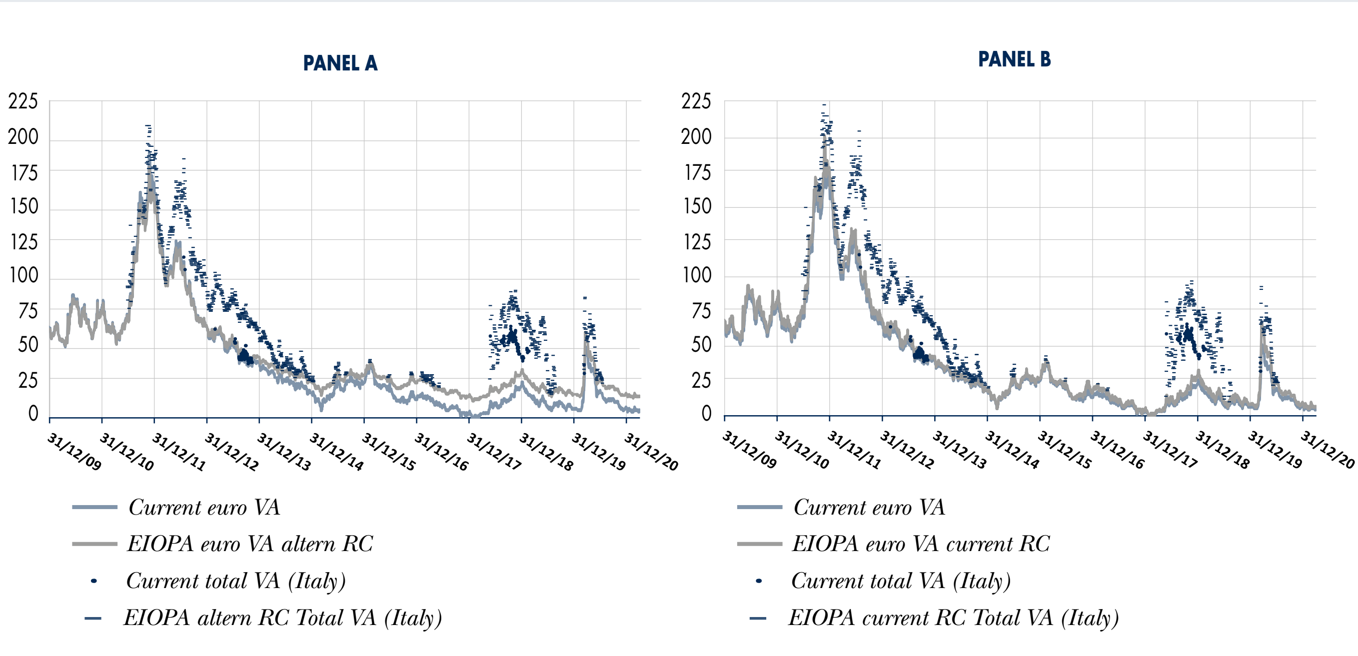


Sources: Based on EIOPA and Refinitiv data. Daily data.
*(*) Based on portfolio VA. Simulations posit AR4*AR5=70%.*
Solid lines represent VA for euro; points and dashed lines represent total VA in cases in which country component is activated for Italy.

according to the EIOPA proposals would have significantly reduced the Volatility Adjustment. In fact, insurance companies would actually have been penalized in terms of capital requirement by comparison with the rules now in effect.

This only confirms the objective questionability of a risk correction that moves linearly with respect to the credit spread. Retaining the current calculation method based on long-term statistics or, alternatively, making substantial changes to the coefficients proposed by the Authority (see above, Table 1 in section "ANIA's position paper on the Solvency II Review") – as ANIA has called for – would better reflect historical default rates and would produce a more stable VA, ensuring its capacity to continue to serve as an effective countercyclical instrument (Figure 5).

Figure 5 – VA for Italy: current rules vs. EIOPA proposal. A) "Alternative" risk-correction; B) Current risk correction



Sources: Based on EIOPA and Refinitiv data. Daily data.
Solid lines represent VA for euro; points and dashed lines represent total VA in cases in which country component is activated for Italy.
*Simulations posit AR4*AR5=70%.*

Daily simulations, finally, indicate that neither "alternative VA" nor "EIOPA VA with current risk correction" would diverge substantially from the new VA as proposed by EIOPA in terms of activation of the country component. For 2,851 daily observations (from 31/12/2009 to 31/03/2021), VA as proposed by EIOPA with the alternative risk correction would be activated 1,338 times, that as proposed by EIOPA but with current risk correction would activate 1,202 times, and the EIOPA proposal would activate 1,224 times (47% and 42% against 43%).

ANIA'S INITIATIVE ON SOLVENCY II BALANCE SHEETS

The Solvency II supervisory regime introduces the requirement, starting with the data at 31 December 2016, for an annual Solvency and Financial Condition Report (SFCR), which contains a mass of information on technical results, governance, the internal control system and capital management of insurance companies and insurance and reinsurance groups.

In 2016 ANIA undertook a two-year project to support insurers, at first, among other things, with an online Forum for drafting the initial SFCR and analysis of the qualitative information and quantitative data in the reports, so as to highlight elements of difference and best practices. In view of the importance of this initiative, ANIA SAFE decided to renew the project for the subsequent two years as well, covering the balance sheets for 2018 and 2019.

The analysis refers to the data at 31 December 2019 for a sample of 94 Italian insurance companies accounting for 99% of the national insurance market in terms of premiums, comprising both individual reports and those included in consolidated reports. In addition, the study covers the 17 Italian insurance groups and the 40 leading European groups.

By comparison with the first three years, the analysis at 31 December 2019 has now been further extended, both for solo insurers and for groups, in consideration of the information produced in response to the pandemic emergency, on the basis among other things of the interventions of the Italian supervisory authority. In fact, EIOPA considers the current situation produced by the pandemic to be a "major development," and the Authority has expressly cited the applicability of Article 54(1) of the Solvency II directive, hence the necessity to provide all relevant information on its impact.

In the light of the pandemic, in order to facilitate insurance undertakings in these difficult conditions, IVASS extended the deadlines for some Solvency II reporting requirements, in keeping with EIOPA's recommendations of 20 March 2020. As to the SFCR, an 8-week extension was granted for both solo and consolidated reports, except for some quantitative data for which only a 2-week extension was allowed.

This being the fourth year of ANIA's initiative, comparative analysis with the data at the end of 2016, 2017 and 2018 is possible. One trend that has emerged is insurers' increasing maturity as regards Solvency II disclosures. This is confirmed by the improvement in the depth, timeliness and consistency of the data in the Reports with respect to the regulators' expectations.

Quantitatively, in 2019 the Italian market saw an improvement in the solvency ratio, i.e. the ratio of eligible own funds to the solvency capital requirement (SCR), which rose by 9 percentage points to 231%. The average ratio in Italy is higher than in the UK (160%), the Netherlands (186%) and Belgium (202%) but slightly lower than in France and Spain. Among the main countries, Germany continues to rank first with a solvency ratio of 308%.

As for the risk modules that determine the overall requirement, the most significant continues to be market risk, whose weight in the Basic SCR was practically unchanged on the year at 79%. The benefit of diversification among modules decreased by 2 percentage points to 21%, and there was also a lesser effect of the adjustments for the loss-absorption capacity of technical provisions and deferred taxes, with a joint impact of 23% compared with 27% in 2018.

The number of insurers utilizing the volatility adjustment went up from 64 to 66, with a solvency ratio benefit averaging 9 percentage points, down sharply from 20 points in 2018. In addition to the VA, two insurers also applied, for the first time, the transitional measures on technical provisions, as IVASS provides.[1]

Total assets in the Market Value Balance Sheet topped €1 trillion for the first time (up from €909 billion at the end of 2018); financial investment accounted for over 75% of this (virtually unchanged on the year), and government securities alone amounted to some €400 billion, an increase of €40 billion.

Italian insurance groups too showed a rise in the market-wide solvency ratio to 225% at 31 December 2019, up from 207% a year earlier.

The main European insurance groups, in general, made greater use of the transitional measures and the matching adjustment, with variable impact on their solvency ratios.

EIOPA STRESS TEST 2021

On 7 May EIOPA began Stress Test 2021. The exercise posited a prolonged covid-19 scenario in a “lower for longer” interest rate environment. The aim is to assess the resilience of the European insurance industry in terms of capital and liquidity. The scenario, developed together with the ESRB, posits a possible evolution of the pandemic and its economic ramifications, with adverse effects worldwide and the continuation of economic contraction. The scenario translates into a series of specific market and insurance shocks, a sort of severe, but plausible, “double hit” for the insurance sector. Capital valuation is based on Solvency II, while the liquidity valuation is based on an estimate of the sustainability of the liquidity position.

The exercise is addressed to European insurance groups. The target sample, set in cooperation with national competent authorities, covers 75% of the EU market in terms of total Solvency II assets. The timeline calls for:

– transmission of results by 13 August;
– check of quality of results between mid-August and end-October;
– analysis of results and drafting of final report in November and December 2021.

[1] IVASS Clarification of 31 October 2018 on application of the provisions referred to in Article 344-*decies* of Legislative Decree 209 of 7 September 2009 on transitional measures on technical provisions.

The results of the analysis will be released in December with a report using aggregate data and the publication (with the prior consent of the participating insurers) of a subset of capital indicators. As in past editions of the stress test, ANIA has instituted a project for the collection, aggregation and analysis of the results addressed to participating members.

INTEGRATION OF SUSTAINABILITY CRITERIA INTO SOLVENCY II

On 21 October the European Commission's consultation on the Solvency II review closed. Among other issues, it had dealt with strengthening the principles of environmental sustainability within Solvency II and in particular the integration into the framework of emerging environmental risks, in keeping with the objectives of the European Green Deal.

At present, the Solvency II framework – aside from the inclusion of ESG factors in investment decisions under the "prudent person principle" – has no specific provisions on sustainability, in particular for Pillar I and capital requirements.

A first step towards extending the framework to issues of sustainability was taken in July 2018, when the Commission requested a technical opinion from EIOPA. This process was completed on 30 September 2019 with the latter's publication of its "Opinion on Sustainability within Solvency II," which recommended that insurers consider climate risks within a one-year horizon in their governance, risk management, and own risk and solvency assessment (ORSA), as these risks are not now adequately factored into the Solvency II capital requirements.

Drawing on this Opinion, the Commission then issued a draft Delegated Regulation (EU) 2015/35 (i.e. Solvency II Delegated Acts) for the integration of sustainability risks into the governance of insurance undertakings, while EIOPA elected to proceed with further work within the ORSA framework and on the standard formula.

Proposals for amendment to Delegated Regulation (EU) 2015/35 for integration of sustainability risks into the governance of insurance undertakings

On 21 April 2021 the Commission adopted a set of proposals (posted for consultation on 8 June 2020) containing a number of amendments to the Solvency II delegated acts and relating to the integration of sustainability risks into the governance of insurance and reinsurance undertakings. The proposals bear on the following:

- definition of "sustainability factors," "sustainability risks" and "sustainability preferences";
- integration of sustainability risks into risk management policies;

- identification and assessment of sustainability risks as tasks of insurance undertakings' risk management function;
- integration of sustainability risks into the assessment of uncertainty relating to estimates made in calculating technical provisions;
- information concerning consistency of compensation policies with integration of sustainability risks;
- inclusion of sustainability risks in implementation of the prudent person principle.

The Delegated Acts are now under scrutiny by the European Parliament and the Council for three months, which may be extended by another three months. At the end of this period the amendments become applicable once 12 months have elapsed from their publication in the *Official Journal of the European Union*, hence presumably by October 2022.

Opinion on supervision of the use of climate change risk scenarios in ORSA

On 5 October 2020 EIOPA posted for consultation its Draft Opinion on the supervision of the use of climate change risk scenarios in ORSA, with a view to enhancing convergence among the various national competent authorities and defining a consistent set of quantitative parameters that take account of the risk-based and proportionate approach. The final Opinion was released on 19 April 2021, reflecting the feedback from the consultation.

On the whole the Opinion confirms the importance, the necessity, of appropriate management of "physical risks," and "transition risks" in connection with climate change in the insurance industry as well, in order to guarantee solvency and profitability in the long term. The document contains:

- an analysis on the importance of promoting, within ORSA, a forward-looking assessment of the risks linked to climate change and a cost-benefit analysis of this approach;
- a section on possible risk scenarios, and methodologies for the analysis and measurement of the degree of "materiality";
- a definition of climate risk based on the distinction between physical and transition risks;
- proposals concerning expectations relating to supervisory reporting and disclosure requirements;
- call for opinions on the consistency of the expectations defined by EIOPA with the existing framework.

EIOPA discussion paper on potential inclusion of climate change in the NatCat Standard Formula

On 2 December 2020 EIOPA opened a consultation (closed on 26 February 2021) on the possibility of factoring the risks stemming from climate change into the Solvency II risk module on natural catastrophes. This paper too is a follow-up to EIOPA's Opinion on sustainability under Solvency II, which had highlighted the need to consider whether risks deriving from climate change could be more adequately considered within the NatCat submodule, and if so which risks.

EIOPA holds that in order to ensure the financial resilience of companies that insure against natural catastrophes, the solvency capital requirement for subscription of natural disaster policies must be such as to take due account of the changes under way. It accordingly suggests a set of methodological phases and process modifications, to factor climate change into the assessment of risk from natural catastrophes.

The final report is scheduled for release in summer 2021.

OTHER EIOPA CONSULTATIONS AND INITIATIVES

Consultation paper on risk mitigation techniques

On 29 September 2020 EIOPA launched a consultation on a Supervisory Statement on the use of risk mitigation techniques by insurance undertakings. The Statement is intended to promote supervisory convergence on the assessment of the use of risk-mitigation techniques under Solvency II. During the consultation period EIOPA also intended to assess potential "group issues" and "internal reinsurance".

The consultation was closed on 24 November 2020. Based on the feedback EIOPA will issue a final report on the consultation and then submit the definitive version of the Supervisory Statement to the Board of Supervisors for approval.

Consultation paper on Statement on supervisory practices and expectations in case of breach of SCR

On 25 November 2020 the Authority published a consultation paper on supervisory practices and expectations in case of breach of the Solvency Capital Requirement. The purpose is to promote supervisory convergence in the application of the supervisory ladder, in particular addressing the recovery plan required in case of breach of the SCR.

The consultation was closed on 17 February 2021. EIOPA will now develop an impact assessment and issue a Final Report for submission to the Board of Supervisors for approval.

Supervisory convergence plan, 2021

On 17 February EIOPA published the supervisory convergence plan for 2021. This year the Authority intends to complete the priorities communicated in the previous year's plan, while allowing for flexibility to continue monitoring and mitigating the impact from the covid-19 pandemic.

In the Solvency II framework, EIOPA will continue to work on common benchmarks for the supervision of internal models. The priorities for 2021 are a mix between the areas from 2020, where the need for further development was identified, and new areas of priorities identified, including application of the proportionality principle. The new priorities for 2021 also included the need for step-by-step measures for integrating the assessment and management of environmental, social and governance risks into prudential and conduct supervision.

Comparative study of underwriting risk in internal models

On 1 March 2021 EIOPA began a European-wide comparative study on the treatment of non-life underwriting risk in the internal models of insurance companies. The objective of the study is to analyze the relative positioning of non-life internal models and to provide a European perspective for their risk profile developments over the time horizon of five years.

The exercise covers internal model results from the Solvency II implementation in 2016 to the first annual submission in 2020, including the first covid-19 impact assessment of the industry. Data collection by the Authority ends on 15 September 2021.

Consultation and request for information on transition from IBOR to new reference rates

On 30 April 2021 EIOPA launched two projects relating to modification of the method for calculating the risk-free rate curve (RFR) in Solvency II, in light of the transition from Interbank Offered Rate (IBOR) swaps, currently used to plot the curve, to the new reference, namely Overnight Index Average rates (OIS).

The transition to the new reference rates is laid down in the new EU Benchmark Regulation (EU BMR 2016/1011), which went into effect as of 1 January 2018.

EIOPA released two papers:

– a consultation on the proposal for IBOR transitions, closing on 23 July 2021;
– a request for information from national supervisory authorities on the impact of IBOR transitions, closing on 25 June 2021.

In the consultation paper EIOPA presented a proposal for adjusting its risk-free rate (RFR) production to the new reality by adopting a common approach for all currencies on the transition to the new rates, based on the feedback received during a first phase of the consultation between February and April 2020.

The paper focuses on the impact of the Benchmark Regulation on the credit risk adjustment, the DLT assessment (depth, liquidity, transparency) of the curve, and the long-term average spreads used in determining fundamental spread (in the matching adjustment) and risk correction (in the volatility adjustment).

EIOPA plans to release the results of the request for information and the consultation (in anonymous, aggregate form) in September 2021.

IVASS ACTIONS AND CONSULTATIONS ON SOLVENCY II

Covid-19: Monitoring and special supervision

In March 2020, in view of the extraordinary conditions created by the covid-19 emergency, IVASS began special monitoring (weekly at first, then monthly) of balance-sheet data plus a survey (monthly, at the request of EIOPA) to track liquidity developments for a representative sample of insurers.

Both these monitoring campaigns – and ANIA's support to insurers in the form of recalculation and transmission of point values of the Volatility Adjustment and the risk-free rate curves – were extended. The monthly, nationwide survey of balance-sheet data was extended through the end of 2021 (in the absence of communication to the contrary on the part of IVASS), by reason of the protracted emergency and uncertainty over the possible repercussions on the economy and the main financial variables. EIOPA's request for monitoring, instead, was terminated on 30 September 2020, but then renewed in January 2021, at the request of the ESRB, for another six months, save a new request on the part of the Authority.

Market letter on Solvency II prudential reporting

On 15 December 2020 IVASS published its Letter to the Market, with clarification of the criteria to be used in annual Solvency II reporting (the Implementing Technical Standard reporting referred to in the Commission's Implementing Regulation (EU) 2015/2450, as amended) and on the use of the Legal Entity Identifier code (LEI). The clarification was necessitated by the anomalies and inconsistencies that IVASS found in the criteria followed by different undertakings for the reports transmitted in the course of the four years of application of Solvency II. In particular, Annex 1 refers to data on claims in non-life business, Annex 2 to data on reinsurance, Annex 3 to data on surrenders in life business and Annex 4 to the identification codes for life products, separately managed accounts and other funds to which life products' benefits are linked.

Moreover, in accordance with EIOPA guidelines and with the recent recommendations of the ESRB, IVASS required the systematic adoption of the LEI for the identification of the entities recorded in all prudential reporting.

These specifications take account of the proposals for amendments to the reporting recently made by EIOPA in the framework of Review 2020. IVASS requires undertakings to comply with these guidelines starting from the annual reporting relating to the year 2020, but does not require rectifications of the data already sent.

Recommendations on dividend distribution

On 29 December 2020 IVASS issued a press release setting out recommendations on the distribution of dividends and policies on variable remuneration. The release followed the modification, on 15 December, of ESRB Recommendation 7 of 27 May 2020 to national authorities in banking, finance and insurance, requesting the maintenance of extreme prudence in dividend policies, share buybacks and recognition of the variable components of remuneration, at least through September 2021. IVASS accordingly recommended that dividends, buybacks and variable pay components not exceed prudent limits and that the potential reduction in the volume or the quality of capital not lower own funds to levels inadequate to cope with risk exposure.

Insurers intending to take one of the actions cited, with reference to the financial years 2019 or 2020, were asked to contact IVASS in advance to ensure that the undertaking's intent is consistent with the objectives of the recommendation. IVASS added that observance of the recommendations would be strictly monitored.

Consultation on the draft Regulation on capital add-ons

On 24 March 2021 IVASS launched a consultation on its draft Regulation concerning capital add-ons (consultation paper 2/2021) – that is, measures that national authorities are empowered to enact, under EU regulations, to ensure that capital requirements adequately reflect the overall risk profile of insurance or reinsurance undertakings or their groups.

The draft regulation is intended to institute rules governing the operational and calculation standards for capital increases, dictating detailed provisions to supplement the European and national regulatory framework in implementation of Articles 47-*sexies* and 216-*septies* of the Italian Insurance Code. The consultation was closed on 23 April.

IVASS Regulation 47/2021 – Provisions on financial recovery and financing plans

IVASS Regulation 47 of 27 April 2021 institutes "Provisions in the matter of plans for financial recovery and financing pursuant to Title XVI (safeguarding, recovery, liquidation) of Legislative Decree 209/2005, the Private Insurance Code." The Regulation lays down detailed rules for the content of plans of financial recovery and financing, both solo and consolidated, implementing the provisions of the Insurance Code (CAP). It also governs the process of drafting and approval of such plans, considering that the CAP envisages – with the transposition of the Solvency II Directive – deadlines for the undertaking's presentation of plans for recovery and financing of respectively two months and one month after the finding of breach of the solvency capital requirement (SCR) for recovery plans or the minimum capital requirement (MCR) for financing. In indicating the data and information to include in a plan for recovery or a plan for financing, IVASS took a "principle-based" approach. That is, it did not specify schemas or predefined reports but only laid down minimum requisite content. Consistent with European rules, the CAP requires that the insurance undertaking, by means of the measures of the plan for recovery or financing, restore compliance with the SCR or MCR, respectively, within six or three months of the finding of breach.

The terms for the approval procedure concerning these plans are set in IVASS Regulation 7/2014, determining the terms and organizational units responsible for the administrative procedures, as amended by Regulation 47 for purposes of coordination with the primary legislation. Chapter I (General provisions) specifies sources of law, definitions and scope. Chapter II (Recovery plan and financing plan) consists in an initial provision defining the process of drafting and approval of recovery and financing plans and two sections governing, respectively, the content of solo plans (Section 1) and consolidated, group plans (Section 2). It also specifies the time at which the terms for presentation of the plans commence. The Regulation requires undertakings to convene the board of directors immediately to take note of the breach of the capital requirement. The terms for presentation of the plan to IVASS begin to elapse as of the date of that meeting. The new regulation further lays down that at the end of the meeting the board of directors shall inform IVASS that it has noted the breach. If instead the breach of the requirement is discovered by IVASS, the term for presentation of the plan begins on the date of the undertaking's receipt of notification from IVASS. Responsibility for the drawing up and approval of the plan lies respectively with the top management and the board of directors. The plan must be accompanied by a report signed by the officers responsible for the risk management function and the accounting function, to be transmitted to the control body together with the plan itself. Plans for recovery and financing shall be approved by IVASS within respectively 45 and 30 days from the regular presentation of the plan, under the principle of tacit consent. If the adoption of the measures set forth in the plan requires an extraordinary shareholders' meeting, then IVASS' approval is subject to the relevant motion of the meeting within the term laid down by the CAP for restoring compliance with the capital requirement. Section 1 (solo plans for recovery and financing) specifies the information and data that must be given in solo plans for recovery and financing and the undertaking's reporting obligations vis-à-vis IVASS in relation to execution of the plans. Section 2 (group plans for recovery and financing) specifies the additional information that group plans for recovery and financing must provide, as well as the reporting requirements on execution; it governs "centralized" plans for recovery and financing. In the latter case, in which more than one group member company is in breach of the capital requirements, the Regulation requires transmission to IVASS of a single plan drafted by the ultimate parent company, after approval by the boards of directors of the companies in breach. Chapter III (final provisions) adapts IVASS Regulation 7/2014 to the changed regulatory framework and provides for the Regulation's publication in the *Gazzetta Ufficiale*, in IVASS' bulletin and on its website; the Regulation goes into effect the day after such publication.

SOLO AND CONSOLIDATED ACCOUNTS

EXTENSION OF SUSPENSION OF CAPITAL LOSSES

A decree of the Ministry for Economy and Finance of 17 July 2020 extends to the 2020 financial year the temporary suspension of capital losses on securities not held to maturity as provided in Decree Law 119/2018, Article 20-*quater*(1).

Accordingly, IVASS issued Measure 108 of 27 January 2021, amending Regulation 43/2019, to extend to the 2020 financial year the possibility for companies not applying international accounting standards, in situations of exceptional financial market turmoil, to value securities not to be held to maturity at the cost entered in the latest approved balance sheet rather than at market price, thus suspending the capital losses on such securities and avoiding volatility due to changes in the spread. This possibility does not extend to permanent losses of value.

Consistent with previous measures, the insurers that exercise this option must set aside profits in an encumbered reserve and transmit additional data to IVASS; and they are subject to additional disclosure requirements and strengthened governance safeguards.

IFRS 17: EFRAG ENDORSEMENT ADVICE AND THE APPROVAL PROCESS

In May 2017 the International Accounting Standards Board (IASB) issued its new accounting standard on insurance contracts, IFRS 17, which will apply to the accounts drawn up in conformity with the IFRS accounting standards. In view of the numerous critiques of the standard received from stakeholders, starting in October 2018 the IASB began assessments with a view to possible amendments. In June 2020 the Board published a new, partially amended version of IFRS 17, with a postponement of its entry into force from 2021 to 2023. However, there was no change to the requirement for annual cohorts of contracts, even though the Board had recognized that this requirement, applied to certain types of contract, could entail unjustified costs. In fact, the insurance industry, both Italian and European, has always pointed out the inconsistency of this requirement with life insurance business featuring intergenerational mutuality, such as segregated funds in Italy.

The European endorsement process thus got under way, pursuant to Regulation EC 1606/2002, which lays down the standards with which international accounting standards must comply in order to qualify for application within the European Union, and namely the following: i) they are not contrary to the principle of truthful and correct representation as per the accounting directive; ii) they are conducive to the European public good and iii) they meet the criteria of understandability, relevance, reliability and comparability.

The endorsement process is conducted by the Commission with the assistance of two advisory bodies: the European Financial Reporting Advisory Group (EFRAG), which gives its opinion on all international accounting standards; and the Accounting Regulatory Committee (ARC), presided over by the European Commission and composed of representatives of the EU countries, which decides on the basis of the Commission's proposals whether or not to endorse an IFRS.

At the end of September 2020 EFRAG posted for consultation its draft Endorsement Advice to the Commission, highlighting the split among board members on the question of annual cohorts; this disagreement was confirmed in the final Advice in March 2021 as well. EFRAG deemed that apart from the requirement to apply annual cohorts to intergenerationally-mutualized and cash-flow-matched contracts, all the other requirements of IFRS 17, on balance, meet the requirements for endorsement. Seven members of the board held that this requirement met the endorsement requirements, while seven others did not consider it consistent with the endorsement criteria established by the IAS regulation and not conducive to the European public good, in that it complicates operations with no informational gain while fostering pro-cyclical effects; two members abstained on this point.

EFRAG's work concluded, the discussion moved on to the ARC, which will vote on the draft endorsement regulation proposed by the Commission. The

ARC's work is leaning towards a European solution to the question of annual cohorts based on EFRAG's evidence; this could take the form of an optional carve-out, i.e. optional application of the requirement for annual cohorts, laid down in paragraph 22 of IFRS 17, to contracts that are intergenerationally mutualized and cash-flow matched, like the segregated funds in Italy.

Once the ARC has reached a consensus and provided its advice, the draft regulation will be considered by the European Parliament and the Council, which will have three months, extendable to six, to object to its adoption.

IFRS 9: THE POST-IMPLEMENTATION REVIEW

In developing IFRS 9, the international accounting standard for the valuation of financial instruments, the IASB subdivided the project into three phases: classification and measurement, impairment, and hedge accounting. The Standard, published in July 2014, went into effect in the European Union as of 1 January 2018; for insurance undertakings there is provision for two alternative, optional approaches: temporary exemption (deferment of application until the entry into effect of IFRS 17, originally scheduled for 2021, now postponed to 2023) and the overlay approach (limiting the impact on the profit-and-loss account).

In October 2020 the IASB decided on a post-implementation review (PIR), dividing this into the same three phases used in drafting the Standard, hence beginning with the requirements for classification and measurement, including treatment of equity instruments via Fair Value through Other Comprehensive Income (FVOCI). As to the requirements for impairment and hedge accounting, the Board elected to consider beginning studies in the second half of 2021.

In the first half of 2021 the IASB sponsored a series of outreach events with stakeholders, designed to identify and assess the main questions for discussion, which will be the subject of a request for information to be released in October, with a consultation to close in January 2022. The Board will then consider the feedback from the consultation, together with the information acquired through other consultative activity and, on this basis, release an Exposure Draft with proposals for amendments to the Standard for public consultation.

As to the timeline, the Board has repeatedly noted that in the light of the experience with PIRs to date the review should take between 18 and 24 months. Once the modification is completed within the IASB, the European endorsement procedure can begin.

TREATMENT OF THE ECO/QUAKE BONUS

Decree Law 34/2020, issued in May 2020, allowed insurance undertakings to acquire ecobonus/quakebonus tax credits, in exchange for liquidity, directly from the beneficiaries (the persons effecting renovation of a dwelling) or from intermediaries (banks, et al.) to which individuals have already ceded the credit.

Article 119 of the Decree mandates that the credit must be divided into five, equal annual parts. This same timing, therefore, applies to the use of the corresponding tax credit acquired by any assignee.

Since the Decree, a number of inquiries have sought to ensure that these acquired tax credits are given proper accounting treatment. As to consolidated accounts, in January 2021 a joint paper by Bank of Italy, CONSOB and IVASS (No. 9)[2] was addressed to the three authorities' supervised entities, for the purpose of making sure that the accounting treatment of such acquired tax credits comply with the IAS/IFRS international accounting standards.

In March IVASS published a clarification[3] on the treatment of these credits for entry as assets covering technical provisions, inclusion among assets in calculating the yield on segregated funds, and their treatment in yearly financial statements. The Institute explained that the tax credits instituted by the decree laws can be entered as assets covering technical provisions when the investment portfolio as a whole complies with the standards of security, quality, liquidity and profitability and is consistent with the company's risk profile and liability duration as per IVASS Regulation 24/2016, Article 4 (2).Where tax credits are eligible to cover technical provisions and are remunerated, they can be included among the reference assets for calculating the yield on segregated funds, pursuant to ISVAP Regulation 38/2011, Article 9.

As to accounting treatment, it is specified that insurance companies not adopting the international accounting standards for their annual financial statements must enter:

- the tax credits under asset item E.III, "other debtors";
- the revenue and charges respectively in the profit-and-loss account items III.7 ("other income") and III.8 "Other charges").

As to the income, it is explained that it is to be distributed according to the effective interest rate calculated at the time of the initial entry of the tax credit as provided by OIC 15 (amortized cost). Analogous treatment is called for in determining the average yield on segregated funds. Following

(2) Coordinating talks between CONSOB, Bank of Italy and IVASS on application of IAS/IFRS: accounting treatment of tax credits acquired pursuant to "Cure Italy" and "Relaunch" decree-laws.
(3) "Chiaramento applicativo sul trattamento dei crediti d'imposta connessi con i. d.l. Cura Italia e Rilancio. riguardante il Regolamento ISVAP n. 22 del 4 aprile 2008. il Regolamento ISVAP no. 38 del 3 giugno 2011 e il Regolamento IVASS n. 24 del 6 giugno 2016."

the initial entry, the company must revise its estimates of future financial flows, with special reference to the capacity of its debtor position vis-à-vis the government and, if necessary, rectify the value of the tax credits.

Finally, IVASS stated that insurers must institute adequate policies and processes of governance and risk management, so as to place a ceiling on the acquisition of tax credits as a function of the current and forecast capacity of the company's debtor position vis-à-vis the Treasury, thus avoiding the acquisition of an amount of credits out of proportion to the volume of tax liabilities to be offset.

RULES ON VALUE ADDED TAX FOR ASSISTANCE AND LEGAL EXPENSE INSURANCE

In 2019 some regional offices of the Revenue Agency conducted a series of verifications at insurers exercising business in non-life class 17 ("legal expenses") and 19 ("assistance"). These were companies that lack an internal operations center and that therefore transfer, as reinsurance, a portion of the risk to a company authorized to do reinsurance business and also assign the latter to manage the relevant claims, under the procedures laid down in ISVAP Regulation 10/2008.

The Agency contested the failure to subject the reinsurers' re-debiting of the expenses incurred by its operations center to VAT, insofar as these represent remuneration for administrative services. The insurers doing business in these classes (and, as noted, lacking operations centers of their own) maintain, instead, that such re-debiting is a merely financial transfer, functional to the payment of the contractual benefits to the policyholders in the context of what is objectively an insurance relationship (and as such VAT-exempt).

The Revenue Agency nevertheless held that it would be impossible to apply differential VAT treatment according to the operational regime selected for the exercise of the business – in this case, the non-life class of assistance (or legal expenses) insurance – through a reinsurance agreement with another insurer with or without an operations center and simultaneous assignment to the latter of claims handling and settlement in lieu of assignment of the claims to a person not authorized to engage in insurance activity (as is in fact expressly allowed by ISVAP Regulation 10/2008).

In a series of encounters with the Revenue Agency ANIA pointed out that undertakings in this sector were simply applying the express provision (indeed, an obligatory requirement for authorization to engage in these classes of non-life insurance) of the relevant supervisory rules, namely the aforementioned Regulation 10/2008. Moreover, ANIA objected, the fact that in the framework of that Regulation the supervisory authority has expressly authorized insurance undertakings lacking an operations center to stipulate assistance policies, without prejudice to the need to transfer a portion (up to 90%) of the premiums to a reinsurance undertaking, can in no way be construed as having adverse consequences in terms of the contract's classification for purposes of VAT.

At ANIA's request, IVASS too was asked to express its views on the question, and in the course of a dialogue with the Revenue Agency the Institute exhaustively explained the peculiarities of the operational methods characterizing the exercise of assistance and legal expense insurance by companies lacking an operations center. ANIA repeated its disagreement with the auditors' opinion in both fiscal and legal terms, given that there is no question that these cases involve the exercise – in full compliance with the sector's regulations – of an insurance activity, which as such is VAT-exempt under both European and Italian law.

Following the conclusion of these encounters and in response to specific invitation, the Revenue Agency issued its own explanatory note (Resolution 63/E of 5 October 2020). However, this merely confirmed the judgment of VAT applicability to reinsurers re-debits to the assigning insurance company in relation to claims management and settlement in the assistance class. In the Agency's view, the applicability of VAT to the services of the reinsurer follows from the fact that there is no contractual relationship between the provider of the settlement service (in this case, a reinsurer with its own operations center) and the person whose risks are covered by the insurance, namely the policyholder; that is, the former is not liable vis-à-vis the policyholder in that it has no contractual obligations in the latter's regard.

The Agency's resolution refers expressly to reinsurance of claims in non-life class 18 (assistance); at the same time it recognizes objective uncertainty concerning the regime applicable to this class for VAT purposes. Consequently, it specifies the non-application of non-penal sanctions for infractions committed prior to the posting of the resolution on the Agency's website (hence, through 4 October 2020).

Exoneration from sanctions for previous infractions had been expressly called for by ANIA, which on the deprecable hypothesis that the Agency reaffirmed VAT applicability to re-debits had in any event asked for cancellation of the sanctions in view of the uncertain framework, its objective complexity, and the absence of preceding administrative clarifications.

DESIGN AND MARKET PRESENTATION OF ANIA'S TAX CONTROL FRAMEWORK PLATFORM

In 2019, responding to one of the insurance industry's increasingly strongly-felt needs, ANIA's tax department, in cooperation with ANIA SAFE, launched a project for the design of an IT platform for detection, assessment and management of fiscal risk. The availability of such a platform is one of the prerequisites for access to "cooperative compliance" with the tax administration. The cooperative compliance regime, introduced by Legislative Decree 128/2015, features advance determination of taxable income in a framework of constant dialogue between the largest undertakings and the Revenue Agency, together with the progressive reduction in tax checks and audits, ultimately with a view to reducing disputes.

The regime is open to taxpayers with turnover or revenues of at least €10 billion (now reduced to €5 billion by the ministerial decree of 30 March 2020) and also to taxpayers that applied for admission to the pilot project for the cooperative compliance regime initiated in 2013 and that have turnover or revenues of at least €1 billion and are equipped with an internal control system for fiscal risk management.

An essential element for application of cooperative compliance is the Tax Control Framework platform (TCF), based on a system of processes designed to guide undertakings in the crucial actions of detection, assessment and management of the fiscal risk implied in management choices (so-called compliance risk), as a function of a series of variables, including the impact of possible errors in applying tax rules governing balance-sheet items, the amount of sanctions, and the adequacy of the safeguards instituted by each firm in the management of compliance with individual taxes. In the course of 2020 the platform was finalized, with the initial participation of four insurance companies, joined by a fifth at the end of the year.

After actively cooperating with the supplier of the technical infrastructure in design and realization of the TCF platform, ANIA made a detailed presentation to the competent offices of the Revenue Agency.

Once the platform goes operational, it will be subject to constant maintenance and adaptation, by a task force formed and coordinated by the ANIA tax department and ANIA SAFE, bringing together the companies participating in the project with the provider of the platform's technological infrastructure and also, periodically, by a steering committee that will decide on changes or additions considered necessary in the course of the project.

At the end of 2020 ANIA, anticipating a shared need for the insurers that intend to take advantage of the cooperative compliance regime, began working together with the tax compliance platform provider on a special, supplementary tool for managing interpretation risk, i.e. the risk inherent in the interpretation of tax law and regulations, and specifically for non-recurrent transactions such as corporate restructuring or product launches. This initiative, which sparked the immediate interest of the companies admitted or pending admission to the special regime, will be the subject of a presentation to the Revenue Agency in the course of 2021.

PROPOSAL FOR A DIRECTIVE CONCERNING VAT ON FINANCIAL SERVICES

The European Commission has revived the proposal for revision of Directive 2006/112/EC to rationalize the system of value added tax as regards insurance and financial services. The present system has long been obsolete given the changes to business models over the years, dictated by innovations to the services provided and the processes of outsourcing of a series of services that are essential to the performance of core activities (notoriously "naturally" VAT-exempt, which penalizes undertakings in terms of limits to the tax credit for VAT paid on purchases upstream in the value chain).

An analogous project was brusquely suspended and then dropped by the Commission in 2016 (although it had been under way for a decade), owing to lack of technical and political agreement among the member states. However, in recent years the initiative has been repeatedly and strongly advocated by European representatives of the insurance, banking and asset management industries (principally Insurance Europe, ERF and EFAMA), with the backing also of national representative associations, including ANIA.

The revision is seen both by undertakings and by the Community authorities as no longer deferrable, given the significant rise in litigation originating in disputes over VAT between financial and insurance companies and their respective national tax administrations. These disputes frequently result in rulings by the European Court of Justice, with unpredictable outcomes that undermine taxpayers' reliance on long-established patterns of behavior and fuel a persistent state of regulatory uncertainty.

In 2019, therefore, the Commission assigned Oxford Research and *Economisti Associati* to perform a feasibility study through a survey of stakeholders, including business associations. The study was completed in 2020 and the final report delivered to the Commission's DG TAXUD in September.

To complete the impact assessment, in October 2020 the Commission called for an open consultation on the plan for modernization of the VAT Directive for the industries involved. ANIA immediately began working together with Insurance Europe to prepare a consensus response of the entire European insurance industry, while also taking part in the consultation independently and advocating for the priorities of our member companies with a view to such a major reform.

In this process, ANIA emphasized several essential points, already shared with the experts assigned by the Commission to perform the feasibility study. We repeated that the current state of uncertainty – fueled by Court of Justice sentences interpreting a Directive that is no longer adequate to govern the insurance business – is simply unsustainable, especially as regards the deadlock resulting from sentences of the chamber on VAT treatment of transactions of cost sharing groups with consortiums engaged in VAT-exempt activities (Case C 605/15, *Minister Finansów vs. Aviva* and Case C 326/15, *DNB*

Banks vs Valsts ienemumu dienests). In this halt to jurisprudence the Community court interpreted the Directive in extremely restrictive fashion, holding that the exemption allowed by the Community rule must be deemed restricted to transactions effected by consortiums operating in activities in the public interest, which do not include insurance.

The request we advanced in the course of the consultation calls for the express reaffirmation in the reference legislation of the principle that the services provided by cost sharing groups formed by entities in finance or insurance must benefit from the VAT exemption insofar as they are indispensable instruments for restoring balance to a system in which credits against VAT paid for the costs sustained in the exercise of core activities ("naturally" exempt) is limited or excluded.

One more important point that we raised is the need to modify the regulatory framework by introducing appropriate definitions of exempt insurance services and in particular of ancillary services that are instrumental to the exercise of insurance business. Essentially, the objective is to produce a regulatory classification of services that are essential and specific to insurance business, and as such legitimately tax-exempt (among these, special attention must go to claims handling and settlement), and that insurers often outsource in order to rationalize.

ANIA'S "INFRASTRUCTURE" FUND

For years now insurance companies have been diversifying their portfolios into assets alternative to bonds and equities. This follows from the need for sufficient yield in a low-interest-rate environment. Investment in alternative assets grew significantly in 2020, despite the market volatility consequent to the pandemic crisis. Within this alternative sector, infrastructural investments scored growth of over 28%, after more than doubling between 2017 and 2018. Although the amounts are still very small in proportion to the mass of assets managed, the growth trend is constant, fostered by a favorable regulatory context with the revision of Solvency II in 2018, which provided for lower capital charges against qualified infrastructural investments.

This is the backdrop to ANIA's systemic project for a Fund for Italian Infrastructures to bolster the productive economy with the participation of the country's leading insurance companies. Accordingly, in February 2020 the first closing of ANIA's Fund F2i, for €320 million, was announced. This is an alternative real estate investment fund, a reserved, closed-end fund investing in strategic sectors such as energy, motorways, ports, renewable energy, logistics, transport, health, airports and telecommunications. The investment target is €500 million, with a hard cap of €700 million. The Fund is managed by F2i, Italy's leading infrastructural investment fund management operator.

Two additional closings were made in 2020, in June and December, bring total fundraising at year's end to €410 million.

The Fund's purpose is primarily core and brownfield infrastructure investment in Italy and unlisted equity instruments with a target yield in line with the market. A minority portion of greenfield investment is also allowed for. Given the nature of core infrastructure, the risk-return profile is conservative for its category, in keeping with the financial objectives of the insurance industry and hence compliant with the Solvency II rules, which means low capital absorption for qualified infrastructure equity investments.

The Fund manager's ESG policy

The assets to invest in will be selected according to environmental, social and governance principles (ESG), via active screening and barring sectors deemed to be contrary to these principles. Sustainability is a strategic consideration for ANIA, and the invaluable internal competence developed by ANIA and its member companies in the field of ESG will help ensure observance of the highest standards of quality in investment selection. The ESG investment policy was instituted in November 2018, and at the end of 2020 the fund manager released its first aggregate report on investment sustainability for the year.

F2i's ESG commitment consists not only in investment choices but also in the involvement of the firms in the portfolio via a structured dialogue to engage them on environmental, social and governance issues. The fund manager's ESG strategy is directed and monitored by an ad hoc ESG Committee with responsibility for setting priorities and updating the ESG Plan, the first version of which was adopted in November 2018.

The first concrete action under the Plan consisted in F2i's endorsement of the United Nations Principles for Responsible Investment, the UN plan to promote the integration of ESG principles into traditional asset management and investment decisions. F2i then modified its own core procedures (product governance, investment, disinvestment and risk management) to incorporate the ESG principles in the product design stage and due diligence in investment analysis, with the intention of capitalizing on this contribution also in disinvestment actions.

The ESG commitment also takes the form of appeals to investee firms to apply sustainability criteria in operations and strategy. This in the belief that these criteria help to foster more effective corporate management, while aligning investors' yield objectives with the principles of sustainability.

Investments in the ANIA Fund

The period for investment of the Fund is four years. But already by the end of 2020 it had allocated over 40% of the fundraising target.

In April 2020 the Fund announced its first investment, acquiring a majority stake in Compagnia Ferroviaria Italiana S.p.A. (CFI), Italy's leading independent railway operator for freight transport. The transaction was closed in June. Founded in 2007, CFI runs about 170 trains weekly, linking the main production areas of the country, with some of the country's leading corporations as customers. It has about 230 employees. Over the years, CFI has specialized in services to the steel, automotive and agri-food industries, with the planning and realization of complete train transport (formation, verification, running and escorting trains with its own personnel and locomotives).

This investment goes to a sector that provides essential support to the national productive economy and contributes to the progressive decarbonization of freight transport in Italy, in keeping with the European targets of 30% of goods traffic by means other than road haulage by 2030 and 50% by 2050.

In October the Fund signed an agreement for the acquisition of a majority stake in the airports of Olbia and Alghero in Sardinia. The deal was closed in February 2021 via F2i Ligantia, now held by the ANIA Fund (45%) and Terzo Fondo F2i (34%), with smaller stakes in the hands of Fondazione di Sardegna (5%) and two companies managed by Blackrock Infrastructure, with 11% and 5%. Olbia is Sardinia's second-leading airport in terms of passengers and one of the main European hubs for general aviation (private jets). The operation will permit development of the Northern Sardinian airport pole. Partners include the Region of Sardinia, the Chambers of Commerce of Sassari and Nuoro, Fondazione di Sardegna, and Blackrock, an Italian and global leader in financial and infrastructural investment.

In December 2020 the ANIA Fund agreed to acquire, from Palladio Finanziaria, the Marter Neri group, which operates port terminals in Monfalcone and Livorno. Marter Neri, which began activity in 1969 under its founding families, holds concessions and authorizations in Monfalcone and Livorno. The purchase was finalized on 18 March 2021 via F2i Holding Portuale (FHP), a wholly owned subsidiary, through F2i Porti, of Terzo Fondo F2i (42%) and Fondo F2i-ANIA (58%). Marter Neri's activities will be integrated with those already performed with FHP in the four terminals of Carrara, Marghera and Chioggia, acquired in 2019. Its consolidation with FHP will make it the Italian leader in solid bulk terminals, active in the upper Adriatic and the Tyrrhenian, with over 7 million goods movements a year, 7 terminals operated, 200 cranes and freight movement machines, warehouses and interlink infrastructures.

The sector of solid bulk goods (steel products, grains, cellulose, fertilizers, special industrial modules and other goods that cannot be shipped in containers) is strategic for the Italian economy. Seventy percent of Italian imports and 50 percent of exports are by sea, for a yearly value of €160 billion. The logistics for these goods is crucial to the efficiency of the country's main industrial districts. Here the industrial plan, which may be expanded further in the coming months, also involves overland logistics via rail, an activity in which, as noted, the ANIA Fund has invested with the acquisition of CFI.

Following the acquisition of Marter Neri, the sales of the firms involved and operating in solid bulk goods are now estimated at €170 million, with staff of some 630.

Port logistics for solid bulk goods is strategic for the Italian economy, but it is managed on a fragmentary basis, and integration with overland logistics is lacking. In the past year we have seen considerable interest in Italian ports on the part of foreign operators and institutions, both European and global. The new geography of trade and the geophysical evolution of transportation, in fact, have assigned in an increasingly central role to Italian coasts. The ANIA Fund has responded to the changes with an Italian project to create a port operator integrated with rail transport. In addition, there is a self-evident positive fallout in terms of sustainability, both for jobs and for decarbonization, in keeping with the ESG selection criteria that are increasingly important in the investments of the Italian insurance industry.

SIMPLIFIED REMOTE STIPULATION OF INSURANCE, BANKING AND FINANCIAL CONTRACTS

Given the covid-19 emergency, Decree Law 34/2020 (the "*Rilancio*" decree), converted into Law 77/2020, lays down temporary provisions for the on-line stipulation of contracts ("Subscription and communication of financial and insurance contracts in simplified manner"). The measure temporarily institutes simplified ways of concluding insurance contracts at a distance, as well as contracts for investment services and participation in investment funds (UCITS), extending the measures already instituted for banking contracts by Decree Law 23/2020 (the "Liquidity Decree"), converted into Law 40/2020.

The rule applies to contractual relationships with all classes of customer but is designed principally for "retail" customers, or "consumers," providing legal certainty on relationships established during the emergency via the most commonly used communication instruments (and in particular, non-certified e-mail), conferring full probative value on them. This implies that the contracts stipulated from 19 May through 31 July 2021 (the new termination date for the emergency, decided by Council of Ministers resolution in April 2021) are fully valid and legally proven even where the consent is expressed via the customer's uncertified e-mail address or other eligible instrument, providing that such communications: are accompanied by copy of a valid identification document of the contracting party; refer to a contract that is identified in unmistakable fashion; are conserved together with the contract by procedures such as to guarantee their security, integrity, and non-modifiability.

The measure is of major importance, in that even if only on a temporary basis it introduces a simplified, innovative mechanism for forming and providing proof of contract, by ascribing to an electronic document transmitted via e-mail the same value as one bearing a digital/qualified electronic/advanced electronic signature. An analogous mechanism is established also for the additional documentation necessary for stipulation of contracts (specifically, the questionnaire required to judge the customer's needs and assess the appropriateness/adequacy of the product, according to the type of contract). The measure adds that the obligation to deliver a copy of the compulsory information documents to the customer can be discharged also by making available a copy of the contract and information documentation on a durable support. The distributor must in any case deliver a copy of the contract and the compulsory documentation at the first opportunity subsequent to the termination of the emergency. Most recently, it is specified that through 31 July 2021 customers may continue to use the same instrument used to consent to the contract also to exercise the rights specified by law or by the contract itself (e.g., right to suspension of motor liability policy, rescission, surrender).

URGENT MEASURES FOR SIMPLIFICATION AND DIGITAL INNOVATION – SELF-CERTIFICATION

Decree Law 76 of 16 July 2020 ("Urgent measures for simplification and digital innovation", the "Simplification" Decree), converted with amendments into Law 120 of 11 September 2020, lays down principles whereby substitute declarations for certificates and notarial acts can serve in lieu of the documentation that private parties require from counterparties (above all, customers) and, second, the data of general government bodies and concessionaries of public services must be made available to and usable by all public and private parties, to this end amending Presidential Decree 445/2000 ("Consolidated Law on legislative and regulatory provisions on administrative documentation") and Legislative Decree 82/2005 (the Digital Administration Code, *Codice dell'amministrazione digitale*, CAD).

Decree Law 77 of 31 May 2021, instituting the rules for governance of the National Plan for Recovery and Resilience and the initial measures to strengthen administrative structures and speed up and streamline procedures ("Simplification-*bis*") acted further in this sphere, with additional amendments to the Consolidated Law and the CAD.

The new provisions of the Simplification Decree mean on the one hand that private parties – including insurance undertakings – cannot refuse to accept declarations in substitution for certificates or notarial acts (so-called "self-certification") submitted by customers; and on the other that private parties are entitled to request from the competent government body, with the declarant's consent, written confirmation of what is declared, and that said administrative body is obliged to provide it. The changes made by the Simplification-*bis* decree are designed for effective interoperability among public databanks and increase the number of databases adhering to the National Digital Data Platform, enabling general government bodies to respond systematically to requests for verification of the content of self-certifications by private parties within the specific, stringent deadlines laid down by the measure. In addition, the Simplification Decree supersedes the system of "framework agreements" between general government bodies for accessibility and usability of data by all the relevant government bodies and private parties, extending the operability of the Data Platform.

The impact of these innovations will be substantial. They affect the operations of insurers in both the underwriting and the settlement phases and will certainly also have an impact on general government bodies, which are now obliged to respond to systematic requests for verification from private parties within the specific, stringent deadlines laid down by the measure.

The new regulations introduce a general principle, but one that does not appear to be applicable in the presence of the provisions of special legislation or regulations such as those against money laundering or terrorism financing, which require the identification of customers via acquisition of a copy of the customer's identity document, or the law on mandatory motor liability insurance (on this aspect, see Chapter 5 above).

Some special kinds of documentation, however, such as medical/health information in relation to life, sickness, accident and general liability insurance policies (medical files, medical certificates, forensic medical reports), and testamentary acts as well, apparently cannot be replaced by self-certification, insofar as these documents are issued by entities or parties not belonging to general government, and in whose regard insurers have no possibility of access and verification of the truthfulness of the declarations submitted by their counterparties (policyholders, beneficiaries, persons with valid claims in general). Similarly, the scope of these simplifying measures does not appear to extend to judicial acts that insurers may ask for in settling claims.

OUT-OF-COURT SETTLEMENT PROCEDURES: THE INSURANCE OMBUDSMAN

Legislative Decree 187/2020, enacting amendments and correctives to Legislative Decree 68 of 21 May 2018 transposing Directive 2016/97 EU (recasting the insurance distribution directive), abrogates Article 187-*ter* of the Private Insurance Code, Legislative Decree 209/2005, and replaces it with Article 187(1), relating to out-of-court dispute settlement systems. It institutes a new alternative dispute resolution system for "disputes with customers on benefits and insurance services deriving from all insurance contracts," a specific ombudsman or arbiter for the insurance industry ("Arbitro Assicurativo" – ASS).

The new formulation of paragraph 3 of Article 187(1) is intended to make clear the strictly alternative nature of the various out-of-court settlement systems for disputes that may arise between the insured, damaged parties, and insurers. The perimeter of eligible disputes is to be defined by a decree by the Minister for Economic Development in concert with the Minister of Justice on a proposal from IVASS, now pending, and on which ANIA has presented its own observations as part of the regulatory impact assessment. Recourse to the Insurance Arbiter – which is a necessary condition for any successive appeal to the courts – is an alternative to the procedures of mediation and assisted negotiation but does not preclude any other instrument of protection envisaged by the law. However, the provision neglects to include among the out-of-court systems for the insurance industry preventive technical consultation, which is a precondition for proceeding with disputes on medical and health malpractice.

Directive EU 2016/97 (recast of the IDD) also provides for a new type of sanction for failure on the part of insurance undertakings and other intermediaries to take part in the Insurance Arbiter, with fines of from €5,000 to €5,000,000.

The Insurance Arbiter is not yet operational, as the implementing measures are lacking, namely the interministerial decree mentioned above and the subsequent regulation to be issued by IVASS. Designation and appointment of the Arbitration Panel will follow. Once it is operational, the new body will flank the Banking and Financial Ombudsman (Arbitro Bancario e Finanziario, ABF) at the Bank of Italy and the Financial Dispute Arbiter (Arbitro per le Controversie Finanziarie, ACF) at the CONSOB, in addition to the other out-of-court settlement systems applicable to insurance.

IMPLEMENTATION OF GUIDELINES FOR CLEAR AND SIMPLE CONTRACTS

In October 2016 technical talks got under way towards “Clear and simple contracts,” with the participation of ANIA, the main consumer organizations and insurance brokers. The talks dealt with the issue of simplification of the language and the structure of insurance contracts. The talks concluded in early 2018 with a joint final paper setting out guidelines for drafting insurance contracts. These guidelines were then annexed to the letter to the market of 14 March 2018, in which IVASS asked insurers to proceed with the drafting and revision of contracts according to a specified calendar: for newly marketed insurance products, 1 January 2019; for the “principal” products already available, by the end of 2019. With a view to gauging the state of implementation of the guidelines, ANIA began a second market monitoring campaign with a questionnaire asking member companies to report, by prevalent class of business (separately for life and non-life) and by type of customer/contract: 1) the number of new products the company introduced in 2019 (and as such, compliant with the guidelines); 2) the number of already-marketed products deemed to be “principal” and, while still sold, subjected to contract revision as per the guidelines. Members were also asked to estimate the number of new or revised products as a percentage of all the company’s products and premium volume, broken down by insurance class. As previously, the industry showed great interest in this issue, responding to a very significant extent to the request for data. The data themselves essentially confirm the companies’ attention to the simplification of the language and structure of insurance contracts.

The non-life insurers responding to the questionnaire indicated that contracts for 282 new and 940 existing products were being drafted in accordance with the guidelines. The breakdown between new and revised contracts by type of customer reveals the preponderance of compliant products – either new (45.4%) or revised (70.9%) – for individuals and households. In fact, these are presumably the kinds of customer likely to have the greatest difficulty in understanding insurance contracts, hence those who benefit the most from the new drafting norms. For the same reason, the next-most common customer type is small and medium-sized enterprises. An interesting case is that of group and fleet policies, where there are more new than revised products. The more widespread innovative activity concerning these policies probably stems from the “renewal” of expiring multi-year contracts.

By individual non-life classes, the most intense innovation was found in sickness insurance (47% new products), followed by miscellaneous financial loss (11%). Revision of principal product contracts according to the guidelines, instead, was quite uniform over the classes accident insurance (15.5%), financial loss (15.4%), and motor liability (13.8%). The overall incidence of compliant contracts (new or revised) on total non-life policies in being and their premium volume was around a third (32% for number of policies, 31% for premiums). The pace of adaptation to the new standards depends heavily on the presence of products no longer being marketed by the company. In any case, compliance rates are higher, and substantial, as regards products for individuals and households and for SMEs, as well as group policies. The distribution of these indicators by insurance class indicates markedly greater progress in implementation of the guidelines for motor liability policies, about two thirds of which are now compliant both in terms of number of policies and in terms of premium income; this class is followed by land vehicle, accident, sickness, fire, and general liability insurance.

The participating life and mixed insurers reported guideline compliance for 234 new and 510 existing products described as “principal.” In the life sector the special attention paid to individual and household policyholders was confirmed, especially as regards existing products, about 8 out of 10 of which had revised contracts.

By class of business, the highest percentages of new or revised contracts are found in traditional with-profits policies (Class I), followed at a certain remove by unit-linked policies (Class III). Activity in the remaining classes was relatively insignificant, reflecting their limited importance, in terms of premiums, in Italian insurers’ portfolios.

The aggregate incidence of compliant contracts (new and revised) on total existing products and premiums was about half (52% of policies and 49% of premium volume). Here again, the speed of adaptation to the new norms depended heavily on the presence of a number of products that insurers were no longer putting on offer, as well as the inherently multi-year nature of life policies. By customer type, the data confirm that individual policy contracts are more compliant than group contracts.

Breaking the absolute incidence down by insurance class, products in Classes I and III are very clearly prevalent, with compliance rates of around two thirds. This is no surprise, as these are the main classes of Italian life insurance business.

IVASS REGULATION 46, 17 NOVEMBER 2020: TRANSPARENCY OF SHAREHOLDER ENGAGEMENT POLICY AND EQUITY INVESTMENT STRATEGY

IVASS has issued a Regulation on the transparency of the policy on shareholder engagement and elements of equity investment strategy of insurance and reinsurance undertakings, pursuant to the Private Insurance Code as amended by Legislative Decree 49 of 10 May 2019.

In the report accompanying the Regulation, IVASS recalls that it is issued in implementation of Legislative Decree 49, which transposed Directive EU 2017/828 into Italian law. This Directive amends the first Shareholder Rights Directive (Directive 2007/36/EC, or SHRD1) on the exercise of certain shareholder rights in listed firms and encouraging long-term shareholder engagement.

The new Directive (SHRD2) introduces transparency requirements to encourage long-term engagement of institutional investors (including insurance undertakings engaged in life insurance and pension funds with at least 100 members that are entered in the register kept by COVIP) and asset managers that invest in European listed companies; it is also intended to guarantee adequate information in the contractual relationship between said investors and asset managers.

Under the Insurance Code, Italian insurance and reinsurance undertakings (including branches in Italy of undertakings with legal head office in a third country) authorized to engage in life insurance and reinsurance, with special regard to investments in limited companies traded on regulated markets in Italy or another EU member state, must comply with the Consolidated Law on Finance as regards transparency of institutional investors. The Code charges IVASS with laying down the consequent implementing rules pursuant to the Consolidated Law, and in particular issuing a Regulation governing the terms and procedures for publishing the following information:

- the undertaking's engagement policy, modes of implementation, and any necessary additional information;
- the elements of the undertaking's equity investment strategy and agreements with asset management companies (i.e. those asset managers, SICAVs and SICAFs that directly manage their own portfolios and persons authorized in Italy to provide portfolio management services), and any necessary additional information.

Insurers must make publicly available, free of charge, on their websites the information on their engagement policies, which may also be published via other readily accessible online media or dedicated platforms. The publication of the engagement policy and any change to it must be made within fifteen days of its adoption and remain publicly available for at least three years after the date of validity specified therein.

The information on the mode of implementation of the engagement policy in each year must be published by 28 February of the following year and remain publicly available for a period of at least three years, and information on any decision not to adopt the policy (in whole or in part) must be published by the same terms and procedures.

Insurance undertakings that use asset managers, in order to implement their engagement policy as regards the exercise of shareholder voting rights, shall specify where the asset manager has made publicly available the information concerning the vote. The insurers must make publicly available, free of charge, on their websites the information concerning the procedures whereby they guarantee that the main elements of their equity investment strategy are consistent with the profile and duration of their liabilities, in particular in the long term, and how they contribute to their medium-long-term asset yield. Insurers that invest through asset managers must make publicly available, free of charge, on their websites the information concerning asset management agreements.

As the report accompanying the Regulation specifies, the foregoing information must be structured to take account, among other things, of the investment policy and strategy and must be updated at least yearly and on the occasion of any major changes.

The information may also be made available by means of other readily accessible online media or dedicated platforms. Insurance undertakings must include the foregoing information in their Solvency and Financial Condition Report, except for "local" undertakings, which are exempt from the SFCR requirement.

At the initial implementation of the Regulation, insurers published the information on their engagement policies or the decision not to adopt such a policy, in whole or in part, as well as their equity investment strategy and agreements with asset managers by 28 February 2021. By a resolution of 2 December 2020 issuing a "Regulation on transparency in engagement policy and the elements of the equity investment strategy of pension funds," the pension fund supervisor COVIP adopted comparable rules for pension funds qualifying as institutional investors (that is, for pension funds with at least 100 members entered in the register kept by COVIP and that are either newly constituted or pre-existing occupational pension funds with legal personality).

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THE EUROPEAN UNION AND COVID-19

BREXIT

After months of negotiation that ended in close proximity to the final deadline, 24 December 2020, the European Union and the United Kingdom reached a new Trade and Cooperation Agreement (TCA) that defines their post-Brexit economic relations. The agreement is complementary to the Separation Agreement signed in January 2020, which establishes the financial terms and the conditions applying to residents and to Northern Ireland.

The TCA was definitively approved by the European Parliament on 27 April and became effective on 1 May 2021.

Financial services are not included in the agreement, except marginally, as is the case of other trade agreements. The two parties jointly agreed to structure their regulatory cooperation based on an ad hoc non-binding memorandum.

Both parties agreed to exert “maximum effort” to support the international standards on regulation and supervision, to combat money laundering and terrorist financing, and to counter tax evasion and avoidance. At the same time, the United Kingdom is firm in repudiating the European rules in certain fields, including prudential requirements for insurers.

With regard, in particular, to the insurance industry, the agreement explicitly references the Insurance Core Principles (ICP) of the International Association of Insurance Supervisors (IAIS).

The EU-UK Memorandum of Understanding on financial services, whose text was finalized in March, envisages close coordination, “while guaranteeing each party autonomous decision-making powers on the regulation of financial markets.” The text specifies that this framework does not establish any rights or obligations under international or national law, and that it does not bind the EU to grant equivalence to the United Kingdom.

At the same time, the European Commission and the British Government cooperate within the framework of the “Joint UK-EU Financial Regulatory Forum”, which serves as a platform for regulatory cooperation.

In particular, the Forum aims to:

a. Take stock of the respective regulatory developments. The Forum is empowered to discuss any issues regarding regulation, supervision, or resolution in the financial sector, including:

    - the promotion of prompt implementation at national level of the International Financial Regulatory Standards;
    - the sharing of information on new regulations being adopted, to the extent that such information is available and sharable with the authorities of a third country;
    - informal consultations concerning the decisions to adopt, suspend or withdraw equivalence for either party;

- the sharing of economic and risk analyses based on data, to the extent that such analyses are carried out and may be shared with the authorities of a third country.

It should be noted that the Forum is intended to build a dialogue and not to adopt any decisions or grant British companies access to the EU market. Equivalence decisions remain an issue on which either party has full autonomy.

b. Ensure transparency. The European Commission and the British Government release a joint declaration after every Forum meeting to lend visibility to its achievements and have the authority to organize meetings with stakeholders.

As for the protection of personal data, the TCA envisaged a six-month grace period during which personal data could continue to be transferred from EEA countries to the United Kingdom. During this period, the European Commission approved adequacy decisions for the transfer of personal data to the United Kingdom, acknowledging that the British legislation ensures an essentially equivalent level of protection to that guaranteed by the GDPR. The adequacy decisions shall be effective for an initial period of four years, during which the personal data may continue to flow freely from the EU to the UK without any additional guarantees being necessary. After four years, the adequacy assessment may be renewed if the level of protection ensured by UK legislation is still deemed adequate. However, for the first time in an EU data transfer agreement, the adequacy decision shall be automatically revoked unless it is renewed by the expiry date of the decision currently in force.

NEXT GENERATION EU, THE EUROPEAN RESPONSE TO THE CORONAVIRUS EMERGENCY

The covid-19 pandemic took the European Union by surprise. Not only was the EU, like the rest of the world, unequipped to face the disease in terms of healthcare system, at the beginning of 2020 it struggled to quantify the extent, duration, and impact of the epidemic on the society and economies of its Member States.

Only when it became apparent that the situation was extraordinarily dramatic and that the pandemic hit the whole Union indiscriminately did the EU and its members rapidly agree that they needed to join forces to tackle the health crisis while exerting an extraordinary effort to contain its consequences by resorting also to unprecedented solidarity measures.

Alongside some important initial decisions to coordinate healthcare policies against the pandemic, including the vaccination strategy coordinated, with its ups and downs, by the European Commission, and to support the economies of the Member States by suspending the Stability Pact, implementing the SURE programme to provide extraordinary aid to national welfare systems, and the ECB's launch of a Pandemic Emergency Purchase Programme, a group of Member States, including Italy, sponsored the idea of a new instrument of solidarity, namely common debt instruments issued to support the economies that bore the brunt of the pandemic and avoid excessive fragmentation of the European Single Market.

The idea was taken up by the European Commission, thanks among others to Economic Commissioner Paolo Gentiloni who, on Wednesday, May 27, 2020, proposed the incorporation into the multiannual financial framework for 2021-2027 of a Recovery Plan – called Next Generation EU – allocating €750 billion for grants and loans.

At the end of intensive discussion among Member States, some of which initially showed reluctance with regard to the means and scope of the funding, a first political agreement was reached within the European Council on Tuesday, July 21, 2020, with the earmarking of €750 billion between loans (€360 billion) and grants (€390 billion).

After further negotiation with the European Parliament, the new instrument was definitively approved on Monday, December 21, 2020, bringing the 2021-2027 EU long-term budget to €1,800 billion.

The increase in own resources to actually launch the programme and allow the EU to issue debt instruments must now be ratified by all 27 Member States.

In fact, Next Generation EU will find the necessary financial resources by temporarily raising the own resources ceiling to 2% of the GDP of the Union, thus allowing the European Commission to procure the necessary loans on the financial markets thanks to its strong credit rating. The supplementary funding will be earmarked for European programmes and their reimbursement will be spread through future EU budgets over an extended period of time, starting not earlier than 2028 and ending not later than 2058. The programme also envisages a series of new own resources, based on the Emissions Trading System, a cross-border carbon duty on the activity of large enterprises, as well as the new tax on the digital economy.

The main component of the Next Generation EU is the Recovery and Resilience Facility, which will provide funding to the reforms and investments made by the Member States to mitigate the social and economic impact of the pandemic and make EU economies more sustainable, resilient and better equipped to tackle the green and digital transitions.

This facility will support Member States to take action in respect of competitiveness, productivity, environmental sustainability, education, healthcare, employment, and social and economic cohesion.

It will also ensure that the investments and reforms are targeted to foster the creation of jobs and sustainable growth to build a more resilient Union.

The facility amounts to €312.5 billion in grants and €360 billion in loans, for a total of €672.5 billion, more than 80% of the entire Next Generation EU Programme (the remainder of the funds is earmarked for sector-specific or international programmes).

Ecological transition is at the core of the Recovery and Resilience Facility. Pursuant to the Regulation, 37% of the resources are to be allocated to this objective, with a special focus on biodiversity, in line with the goals of the European Green Deal. Another pillar is the digital transition, to which 20% of the resources shall be devoted.

To access the funds, Member States must draft national recovery and resilience plans defining their reforms and investment programmes for the next four years, up to 2024. The plans must define the reforms and investments designed to face the challenges identified within the European Semester, with special reference to green and digital transition, and illustrate how those interventions will reinforce the potential growth, resilience and cohesion of that Member State. The grants and loans will be awarded in installments, conditionally upon the attainment of the intermediate and final objectives set by the Member States in their national plans for actions and investments until 2026.

Italy is the main recipient of the Next Generation EU Programme, with allocations totaling €205 billion in loans and grants, of which 13% (or €25 billion), will be available by the end of the summer 2021.

The disbursement of so considerable an amount – together with the exceptional support provided by the ECB and the derogation on budgetary constraints – constitutes an opportunity that must be seized, exerting the greatest coordination effort and tangible actions in terms of planning. These are unprecedented measures, concretely reviving the true spirit of European integration. The National Recovery and Resilience Plan (NRRP) identifies the systemic reforms necessary to change the way in which the Italian public administration and institutions operate and to thoroughly revise some of the regulatory mechanisms. This is especially significant because it might make possible a real turnabout and a transformation of the country. More than the individual projects, it is the very idea of society and of the relationship between its different components and the environment that must be rethought. The inalienable principle of solidarity inherent in modern democracy must be coupled with fiscal and contractual arrangements that enable the economy to progress at a velocity adequate to the needs of internal development and global competition. After providing the necessary support to households and businesses in the first stage of the Programme, the challenge is to prevent the economy from being turned into a multiplier of unproductive welfare subsidies.

The Italian insurance industry is intensely interested in Next Generation EU because of the extraordinary impact that its measures will have on the economic and social fabric of the nation. In this regard, we intend to guarantee our full support to the Government's efforts in implementing the NRRP, recognizing that resources should be concentrated on functional spending for the objectives specified, avoiding the usual shopping-list effect.

In particular, since more than a third of all the resources will be earmarked for actions that foster the European Green Deal, Italy should seize this opportunity to tackle hydrogeological instability across the country, securing the territory (also in light of the high seismic risk) with a view to strengthening resilience to climate change, to which Italy is one of the most vulnerable countries. Italy should take advantage of the programme to finally equip itself with an insurance instrument against natural catastrophes akin to those that exist in almost all the other European countries.

The energy efficiency of public and private buildings is another field where insurance companies could encourage their customers to contribute to the effort with appropriate policies to reward virtuous behavior.

Finally, the insurance industry can play a vital role in helping to raise the additional funds necessary to complete the scope of Next Generation EU; the industry is a prime institutional investor, collecting an enormous volume of savings and guaranteeing, in large part, full reimbursement at least of the capital invested.

COVID-19: EIOPA, IAIS, ESRB AND EUROPEAN COMMISSION MEASURES ON INSURANCE

During the health emergency engendered by the covid-19 pandemic, the international and European supervisory authorities and the European Commission itself took action to mitigate the impact on the insurance industry with measures designed to ensure service continuity, capital preservation and the solvency of undertakings.

EIOPA granted deferrals of the Solvency II reporting requirements for insurers; recommended a temporary suspension of dividends and the variable component of executive compensation; encouraged companies to provide clear and timely information on contractual rights and to grant consumers a certain flexibility with regard to the performance of their contractual obligations; approved extensions and deferments of the deadlines for public consultations and transmission of data; and provided additional clarification of the application of product oversight and governance requirements (POG) to ensure fairness and consistency of treatment for consumers throughout the entire lifecycle of the product.

The International Association of Insurance Supervisors (IAIS) adjusted the timeline of its work program to provide operational support to supervisors, undertakings and other stakeholders during the emergency; it fostered the exchange of information among its members, highlighting the importance of effective protection of policyholders and welcoming all initiatives to serve their needs (reduction of premiums and authorization of instalment plans, voluntary coverage extension, effective claims handling, etc.), while criticizing proposals for mandatory retroactive coverage of damages due to the pandemic even when they were specifically excluded from the contracts in force.

After approving two sets of actions to mitigate the impact of covid-19, including a new liquidity risk monitoring framework for the insurance industry to facilitate more informed and timely assessments of the financial stability implications arising from those risks, in December 2020 the European Systemic Risk Board (ESRB) published a recommendation amending its previous decision on restrictions to dividend distribution during the pandemic.

The Board acknowledged the progress made by authorities and institutions in facing the effects of the pandemic and recognized the importance of dividend distribution for raising capital, which contributes to the long-term sustainability of institutions and financial markets, but recommended caution and prudence in their distribution so as not to jeopardize the stability of the financial system.

In particular, the Board advised the competent authorities – for insurance, EIOPA at European level and IVASS for Italy – to set prudential thresholds and start a dialogue with insurance companies before they decided on dividend distribution, share buy-backs and payment of variable compensation. To determine the thresholds, the competent authorities will need to take into account, among other elements, the specificity of the insurance sector.

Last summer – after several meetings with the representatives of financial services – the European Commission identified and published a set of best practices.

These best practices focus on consumer protection through greater flexibility in the performance of contractual obligations, promptness in the appraisal and settlement of claims, clarity in the provision of information, ongoing assessment of the product's consistency with the needs of the target market, adjustment of premiums taking into account the entire coverage period, and special protection for savings products, avoiding any discouragement of requests for early repayment or proposals for changes in the allocation of funds.

Further, the European Commission formed an inter-service group to explore solutions that can improve insurance coverage against the damages of future pandemics. The group will present a report with possible recommendations by April 2021.

EUROPEAN STRATEGY ON DIGITAL FINANCE

Within the framework of the ultimate goal of completing the digital transformation of Europe by 2030, remedying vulnerabilities and dependencies, and boosting investments, and based on the 2018 FinTech action plan and on three broad public consultations, on 24 September 2020 the European Commission presented a new digital finance package, including digital finance and retail payment strategies and legislative proposals on crypto-assets and digital resilience.

The set of legislative proposals on digital finance supports the EU's ambition for a recovery that bridges the digital and technological divide separating Europe from China and the United States and restores the EU's technological sovereignty. It also aims to foster European financial competitiveness and innovation, laying the groundwork to set the sectors' standards at a global level, offering consumers more choice and opportunities in the field of financial services and modern payment systems, while ensuring financial stability.

The Commission aims to create a more digital-friendly European space for financial data where financial service providers – banks, insurance companies, or hi-tech financial firms – can compete on a level playing field where, for the first time, digital currencies are regulated, rules and controls on stablecoins are reinforced and blockchain experimentation is subject to authorization. The strategy adheres to the "same activity, same risks, same regulation" principle and aims to ensure a level playing field among financial service providers by promoting responsible innovation in the EU financial sector, especially in highly innovative digital startups, whilst mitigating the potential threats to investor protection and the risks of money laundering and cybercrime.

The Commission's proposal points out the need to tackle the present fragmentation of infrastructure and legislation. Thus, the Commission calls on Member States to initiate a reflection culminating, by 2024, in the implementation of a "sound legal framework enabling the use of interoperable digital identity solutions" that will allow fast and easy access of new customers to financial services, eliminating the risk of money laundering.

The Digital Finance Strategy sets out four main priorities:

1. Removing regulatory fragmentation in the Digital Single Market, enabling consumers to access cross-border services and helping startups to develop and scale up their activity.

2. Adapting the EU regulatory framework to facilitate digital innovation in the interest of consumers and market efficiency. To this end, innovative solutions based on Distributed Ledger Technology (DLT), including blockchains, or on Artificial Intelligence have the potential to improve financial services for consumers and businesses and should therefore be used responsibly and in accordance with the values of the European Union.

3. Creating a European financial data space to promote data-driven innovation within the context of Open Finance. With a view to designing services with a broader European vision of the open asset sharing economy, the developments started with the Payment Systems Directive (PSD2) to move towards Open Banking will be further consolidated and extended, without prejudice to data protection and competition regulations.

4. Addressing the challenges and risks associated with the digital transformation. Financial services migrate to digital environments with fragmented ecosystems, comprising digital service providers that often operate under the current derogation regime envisaged by the sector-specific regulation. Digital finance may therefore make it more challenging to safeguard financial stability, consumer protection, market integrity, fair competition and security, shifting regulators' attention to the new risks to address and mitigate.

The digital finance package contains a Communication, which constitutes its framework, and a set of legislative proposals to regulate crypto-assets and digital operational resilience.

More specifically:

a. Proposal for a Regulation on "Markets in Crypto-assets" to protect investors from inherent risks and ensure legal clarity and certainty for crypto-asset issuers and providers. This proposal aims to unleash innovation, while safeguarding financial stability and protecting investors against risks. The new rules will allow operators authorized in one Member State to offer their services across the EU (passporting system). Safeguards include capital requirements, custody of assets, a mandatory complaint procedure available to investors, and rights of the investor against the issuer. Issuers of significant asset-backed crypto-assets (so-called "stablecoins") will be subject to more stringent requirements (e.g., in terms of capital, investor rights and supervision).

b. Proposal for a Regulation to create a pilot regime for market infrastructures that wish to trade and settle transactions in financial instruments in crypto-asset form. The proposal aims, in particular, to test the application of DLTs to market infrastructures, providing legal certainty and operational flexibility for the trading, post-trading, issuing and circulation of crypto-assets. The pilot regime represents a so-called "sandbox" approach – or controlled experimental environment – which allows temporary derogations from existing rules so that regulators can gain experience on the use of distributed ledger technology in market infrastructures, while ensuring that they can deal with risks to investor protection, market integrity and financial stability.

c. Proposal for a Regulation on digital operational resilience (the Digital Operations Resilience Act - DORA). The proposal aims to harmonize and streamline existing rules for the management of ICTs (information and communication technologies) and ensure that all participants in the financial system have the necessary safeguards in place to mitigate cyber-attacks and other risks. The proposed legislation will require all firms to ensure that they can withstand all types of ICT-related disruptions and threats; it will also introduce an oversight framework for ICT providers, such as cloud computing service providers, to monitor their digital risk. The intent is to bar the way to cyber-attacks and enhance oversight of outsourced services.

d. Proposal for a Directive amending directives 2006/43, 2009/65, 2009/138, 2011/61, 2013/36, 2014/65, 2015/2366, and 2016/2341 to remove the constraints on the use of DLT-based infrastructures.

This set of legislative proposals is now before the Parliament and Council for final approval.

With regard to the European strategy on digital finance, the insurance industry stressed the importance of ensuring a regulatory framework of financial services that promotes innovation and digital technology, is technology-neutral and sufficiently future-proof to adapt to the digital era. The industry also highlighted the need to respect the "same activity, same risks, same regulation" principle, and support a playing field that is actually leveled for all market operators.

To this end, it will be essential to maintain equal conditions among European insurers and BigTech players, especially in terms of access to data and potential data monopolies. This entails not only guaranteeing that new players are subject to the same regulations, but also ensuring that the ability to compete of "traditional" insurers is not unduly constrained by the requirements set by existing regulations and supervision in the European financial sector. The crucial issue is guaranteeing that customers enjoy the same level of protection, regardless of whether they are served by traditional providers or new operators like small startups or global BigTech corporations. Moreover, the legislator will need to review the scope of the current regulation to adapt it to digital evolution, without automatically trying to introduce new regulation.

SUSTAINABILITY

European Strategy on Climate Change

Climate change and environmental deterioration are an increasingly serious threat to Europe and the world. In order to overcome these challenges, the European Union decided to turn climate problems and environmental challenges into opportunities with the adoption in 2019 – at the beginning of the new institutional cycle – of the European Green Deal, a growth strategy to transform the Union into a modern and resource-efficient economy that is climate-neutral by 2050.

Within the framework of the Green Deal, a key component of the EU's plan to implement the 2030 Agenda and the UN Sustainable Development Goals is a new and more ambitious climate change adaptation strategy to safeguard, preserve, and improve the natural capital of the EU and protect the health and well-being of citizens from environmental risks and their consequences.

Despite the mitigation efforts deployed, this is a crucial aspect since climate change is already occurring: the hottest decade ever recorded on our planet has just ended, the hottest-year record having been broken eight times. The frequency and severity of climate and extreme weather events is increasing.

This is why on 4 March 2020 the European Commission proposed a European law on climate, which is currently being discussed in the European Parliament and Council, laying the foundations for more ambitious and coherent adaptation policies, integrating the global objectives of adaptation and fight against climate change into EU law, as respectively set out in the Paris Agreement and in the 17 UN Sustainable Development Goals. With this proposal, the EU and its Member States undertake to make constant progress to increase their adaptation capacity, build up resilience and reduce vulnerability to climate change.

On 24 February 2021, following a public consultation that took place between May and August 2020, the Commission presented a new EU adaptation strategy that outlines the way forward to be ready for the unavoidable impacts of climate change and catastrophic events.

Building on the previous strategy, laid out in 2013, the new proposals aim to shift the attention from understanding the problem to designing solutions and planning their implementation, in light of the increase in catastrophic events.

According to the Commission, in fact, economic losses due to a higher frequency of such events are on the rise and exceeding €12 billion per year at European level, whereas estimates show that exposing the EU's economy to global warming of 3 degrees Celsius would result in annual losses amounting to €170 billion.

Thus, the Commission suggests working towards a more climate-resilient society with three priority action lines:

a. improving our knowledge of their impact and of adaptation solutions;

b. intensifying adaptation planning and climate risk assessment;

c. stepping up adaptation actions and reinforcing resilience to climate change all around the globe.

Furthermore, adaptation actions must be informed by robust data and risk assessment tools that are available to all. To achieve this, the strategy proposes actions that push the frontiers of knowledge on adaptation so that more and better data on climate-related risks and losses can be gathered and made universally available.

Climate-ADAPT, the European platform for adaptation knowledge, will be enhanced and broadened, and it will join forces with the Health Observatory to better monitor, analyze and prevent the effects of climate change on health.

Finally, climate change has an impact at all levels of society and across all sectors of the economy, so adaptation actions must be systemic. Thus, the European Commission intends to actively mainstream climate resilience considerations in all relevant policy fields and support the further development and implementation of adaptation strategies and plans with three cross-cutting priorities: integrating adaptation into macro-fiscal policy, nature-based solutions for adaptation, and local adaptation action.

Among the various action lines suggested, one of the most significant is closing the climate protection gap on the side of the costs of natural catastrophes not covered by insurance. The Commission notes that today at European level such coverage ranges between 5% and 35% of total damages, whereas the insurance industry has calculated that every additional percentage point of coverage could lower overall costs paid out of general taxation by 22%.

For this reason, the European Commission advocates fully integrating the issue into the strategy to fight climate change, promoting to the widest extent possible national insurance schemes against natural catastrophes, and scaling up the monitoring and coordination efforts already in course at EU level. To this end the commission announced its intention to start an extensive dialogue with the stakeholders, beginning with insurance undertakings.

THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE PROPOSAL (CSRD) AND EFRAG'S WORK FOR SUSTAINABILITY STANDARDS

On 21 April 2021, the European Commission published a financial sustainability package that includes the proposal for a Corporate Sustainability Reporting Directive (CSRD) to amend the scope and current requirements envisaged by Directive 2014/95/EC (Non-Financial Reporting Directive – NFRD).

With the CSRD, the Commission reaffirms its intention to create a set of rules so that, over time, sustainability information will have the same status as financial information. In fact, the Directive proposal aims to ensure that companies publish reliable and comparable information on sustainability to meet the needs of investors and other stakeholders, so as to guarantee consistency of sustainability information within the financial system. In particular, companies will have to report on sustainability-related issues, such as climate change, their activities and their impact on human rights.

The objective is alignment with other EU initiatives on sustainable finance, in particular the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation to reduce complexity and the potential for the duplication of reporting requirements.

The main differences with the existing Directive include the significant extension of the scope of the requirements to include all companies listed on EU regulated markets (except micro-enterprises) and all large companies. The Commission estimates that this would increase the number of companies subject to the requirements from the 11,000 covered by the NFRD to around 50,000. Large companies[(1)] are defined as companies that, at the reporting date, meet at least two of the following criteria:

- Average number of employees during the financial year: 250 or more;
- Net sales and services revenues: €40 million;
- Balance sheet total: €20 million.

The requirements will apply three years later to listed SMEs than other companies.

Another important aspect concerns the double materiality principle, which the Directive proposal develops further, building on the content of the NFRD. The proposal specifies that companies should provide the information necessary to understand their impact on sustainability and how this in turn affects the performance, results, and situation of the company.

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(1) The definition of enterprise sizes is aligned to that provided by Article 3 of the Accounting Directive (2013/34/EU).

In light of the current lack of specific auditing standards, the Commission proposes a limited assurance requirement on sustainability reporting which, based on the Directive proposal, could be entrusted to independent auditors.

With regard to the presentation of the sustainability information, the CSRD proposal suggests including it in the companies' management report, eliminating the possibility of providing such information in a separate report, as was the case under the NFRD.

The European Parliament and Council are currently conducting inter-institutional negotiations to elaborate the final text of the legislation based on the Commission's draft. Once an agreement has been reached, the Commission will evaluate a first series of sustainability reporting standards which are being prepared by EFRAG.

The work started by EFRAG, following a mandate given by the European Commission in June 2020, to introduce EU standards for non-financial information is at an advanced stage.

Specifically, EFRAG's work has been carried out by the European Lab Steering Group, which established a dedicated Task Force (Project Task Force – Non-Financial Reporting Standards - PTF-NFRS), headed by Patrick de Cambourg, President of the *Autorité des Normes Comptables* (ANC). A second mandate was given ad personam to the Chair of the EFRAG Board, Jean Paul Gauzès, to examine any changes to EFRAG governance and funding subsequent to the work on the new sustainability reporting standards.

On 8 March 2021, two reports were published:

- "Proposal for a relevant and dynamic EU Sustainability Reporting Standard–setting";
- "Report on the ad personam mandate on potential need for changes to the governance and funding of EFRAG".

The two reports fall within the framework of the European Green Deal and are key to guaranteeing consistency of the reporting rules with the core of the EU Agenda on sustainable finance, the review of the NFRD, the new Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation, as well as with any future sustainable corporate governance requirements.

The first Report contains 54 proposals by the Task Force, including a road map for the development of a complete series of sustainability reporting standards, also referred to in the CSRD Directive proposal, which can help reach the goals set by the European Union and, in particular, lay the foundations for future European reporting standards.

The second Report comprises a number of proposals to reform the governance and funding of EFRAG so as to ensure that the future EU sustainability reporting standards are developed through an inclusive and rigorous process.

DISCLOSURE REGULATION (SFDR)

In November 2019, EU Regulation 2019/2088, also known as the Sustainable Finance Disclosure Regulation (SFDR), was adopted.

The Regulation introduces new sustainability disclosure requirements for environmental, social, and governance matters (the so-called ESG factors), for financial market participants and financial advisers which, in the insurance sector, comprises insurance companies offering insurance-based investment products and insurance companies or intermediaries providing advice on IBIPs.

The disclosure obligations apply at both entity and product level in relation to two areas: the sustainability risk – that is, an environmental, social or governance event or condition that could cause a negative material impact on the value of the investment – and the impact risk – that is, the risk that investment choices could have a negative impact on sustainability.

The Regulation went into force on 10 March 2021.

With a view to specifying the technical/operational methods of implementation, the Regulation envisaged the preparation and subsequent adoption of regulatory technical standards (RTS), acting on a proposal from the European Supervision Authorities (EBA, EIOPA, and ESMA), by 30 December 2020. However, the ESAs' work on RTS continued past the deadline and the ESA Joint Committee was able, only at the beginning of February, to send to the European Commission the report on draft RTS specifying the content, methodologies and presentation of disclosures pursuant to the Regulation to be approved and subsequently adopted by the European Commission.

The main proposals were related to:

– information on the negative impact that a company's investment decisions can have on sustainability factors, in the form of a statement to be published on their websites;
– pre-contractual and periodic product disclosures, to be annexed to sectoral documentation through mandatory templates and published on the authorities' websites.

Finally, the three ESAs proposed 1 January 2022 as the RTS implementation date. Work is currently ongoing at the European Commission to formally adopt the RTS.

However, the European Commission did not deem the entry into force of the Regulation to be conditional on the adoption of the RTS, thereby stating that the obligations should be complied with within the reference periods set by the Regulation, even if solely in a high level and principle-based manner, until detailed technical specifications are defined by the RTS.

On February 25, the ESAs published a high-level Supervisory Statement encouraging the use of draft RTS as a reference for the sake of applying the provisions of the SFDR, pending the definitive standards; similar recommendations were issued by IVASS, with its Press Release of March 5, and by CONSOB, with its Warning Notice of March 4.

Subsequently, the European Supervisory Authorities scheduled a discussion on draft RTS pursuant to Articles 8(4), 9(6), and 11(5) of the Regulation, regarding disclosures for financial products investing in assets with environmental characteristics, as defined in Regulation 2020/852 (Taxonomy Regulation), which supplement the draft RTS already provided. In this case too, adoption is ongoing at the European Commission.

In parallel, at national level, the European Delegation Law 2019-2020 was published in the *Gazzetta Ufficiale* on 23 April 2021. The Delegation Law envisages overall delegation criteria to harmonize the Italian legislation with the provisions of the Disclosure Regulation. Such criteria will be adopted with one or more legislative decrees within 18 months from the entry into force of the law. Thus, the entry into force of the Regulation will be followed by an adaptation of the primary, and possibly secondary, national legislation.

THE TAXONOMY REGULATION

A central pillar for all these actions on sustainability is the elaboration of a taxonomy of eco-sustainable activities. This was the purpose of the adoption, in June 2020, of Regulation EU 2020/852 (the Taxonomy Regulation), which lays down the general criteria for defining an activity as environmentally sustainable, in order to incentivize green investments and prevent "greenwashing," and so contributing to attainment of the objective of EU climate neutrality by 2050.

To this end the text of the Regulation sets six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

The Regulation provides for classifying an economic activity as environmentally "sustainable" if it contributes to at least one of these six objectives without damaging any of the others, under the "do no significant harm" principle.

The Taxonomy Regulation goes into effect as of 1 January 2022 for the first two objectives (climate-change mitigation and adaptation) and as of 1 January 2023 for the other four.

The Regulation envisages two types of economic activity that make a significant contribution to the six objectives:

- activities that make a significant contribution to a given objective;

- enabling activities, which through the provision of products or services to other activities, allow a significant contribution to a given objective.

The Regulation provided that delegated acts were to be adopted by 31 December 2020 on the first two objectives (climate change mitigation and adaptation). Those relating to the other four objectives are to be adopted by 31 December 2021.

As part of the package of measures for financial sustainability, on 21 April 2021 the Commission published the Delegated Act laying down the technical screening criteria for defining economic activities which contribute significantly to climate change mitigation and adaptation without doing significant harm. The Act has been officially adopted and submitted to the European Parliament and the Council for final approval.

The Delegated Act cites non-life insurance underwriting as one of the potentially enabling activities vis-à-vis climate change adaptation, but not mitigation, on the condition that it meets the criteria laid down in section 10 of Annex II, which defines lines of business and sets out five technical screening criteria.

Specifically, the underwriting of climate-related perils is deemed to be enabling if:

- it covers climate-related perils in certain lines of business;
- it complies with the technical screening criteria as regards leadership in pricing and modelling of climate risks, product design, innovative insurance coverage solutions, data sharing and high levels of service in post-disaster situations;
- it does no significant harm to the objective of climate change mitigation.

The Taxonomy Regulation bears directly on non-financial reporting, in which undertakings must disclose whether and to what extent their activities are aligned with the taxonomy. Article 8 requires firms subject to the non-financial reporting requirements to include in their non-financial statement or consolidated non-financial statement information on how and to what extent their activities are associated with economic activities that qualify as environmentally sustainable.

In this context, in May the European Commission, after getting the technical advice of the ESAs on what methodologies and performance indicators to use, opened a public consultation on a proposal for a regulation pursuant to Article 8 on the question of mandatory disclosure of the Key Performance Indicators of sustainability of insurance and reinsurance undertakings as regards application of the Non-Financial Reporting Directive. On 6 July the Commission adopted the Delegated Regulation, for transmission to the European Parliament and the Council, which will have four months, extendable to six, to examine it.

For insurance companies, the regulation provides for two KPIs to gauge the alignment of their activities with the taxonomy: namely, the portion of their investments that are sustainable and the portion of underwriting that is sustainable.

Since October 2020 the European Platform for Sustainable Finance, constituted pursuant to the Taxonomy Regulation, has been operational. The Platform consists of a group of experts to provide technical advice to the European Commission on the completion of the work on the delegated acts (also on the remaining environmental objectives), on the review of the Regulation and the extension of the taxonomy to additional areas, such as social issues and activities that do significant harm to the environmental objectives.

SUSTAINABLE CORPORATE GOVERNANCE

The European Green Deal of December 2019 affirms that “Sustainability should be further embedded into the corporate governance framework, as many companies still focus too much on short-term financial performance compared to their long-term development and sustainability aspects.”

The Commission’s “Action Plan: Financing Sustainable Growth” of March 2018 had already envisaged specific action to “foster … sustainable corporate governance and attenuate … short-termism in capital markets.” Through analytical and consultative work with relevant stakeholders the Commission intended to “assess the possible need to require corporate boards to develop and disclose a sustainability strategy, including appropriate due diligence throughout the supply chain, and measurable sustainability targets” as well as the “possible need to clarify the rules according to which directors are expected to act in the company’s long-term interest.”

The consultation and analysis comprised two studies sponsored by the Commission which spotlighted the shortcomings of the market and called for action by the European Union. In particular, the two studies investigated companies’ internal due diligence procedures for coping with adverse impacts throughout the supply chain and the requirements for directors and sustainable corporate governance.

The Commission then announced, for 2021, an initiative for “sustainable corporate governance” with the aim of embedding sustainability in corporate governance practices, for better alignment of the long-term interests of undertakings, their shareholders, management, other stakeholders and the broader society; to improve the long-term performance of undertakings by adopting sustainable operational models and reducing negative externalities; to create a level playing field that identifies the measures necessary to detect, assess and mitigate negative externalities along the value chain.

As part of its preparatory work, the Commission released an initial impact assessment, offering preliminary indications on the possible introduction of a set of duties for companies and their directors, and in particular:

- due diligence duty: companies could be required to adopt measures to mitigate the negative impact of their activities on sustainability issues, including climate change, human rights and the environment, by identifying, preventing and mitigating the risks throughout the value chain;
- duty of care: directors could be required to take account of the interests of all stakeholders relevant to the firm's long-term sustainability as part of their due diligence duty, in order to pursue the corporate interest;
- enforcement: the establishment of the above-mentioned duties could be accompanied by adequate enforcement mechanisms;
- other instruments: the impact assessment opens the way to considering the possible introduction of additional governance mechanisms, such as provisions on directors' remuneration.

It remains to be seen the extent to which the initiative will result in binding legislative obligations or in complementary, non-legislative measures.

The Commission will present its proposal for the initiative on Sustainable Corporate Governance in 2021.

Also relating to the issue of sustainable corporate governance, on 10 March 2021 the European Parliament passed a resolution with recommendations to the Commission for the drafting of a directive on due diligence and corporate responsibility in the matters of human rights, the environment and good governance.

THE MOTOR INSURANCE DIRECTIVE

In late June 2021 the trialogue between Commission, Parliament and Council reached agreement on revision of the Motor Insurance Directive (MID). Once published in the *Official Journal of the European Union*, the amended Directive must be transposed into national law by the Member States within 24 months.

ANIA participated, through the European insurers federation Insurance Europe, in the activities in connection with the trialogue, underscoring the aspects of most direct interest to the Italian insurance market.

The key points of the agreement concern:

1. scope;
2. claims history statements;
3. insolvency.

1. Scope of the Directive

The European legislation applies to vehicles with certain characteristics.

Definition of "vehicle": Any mechanically powered vehicle for land travel, but not on rails, with:

– designed maximum speed of over 25 km/h, or
– maximum net weight greater than 25 kg and designed maximum speed of over 14 km/h.

Light electric vehicles

Light electric vehicles are not subject to compulsory motor liability insurance, but in order to encourage their use, in the light to the smaller risk that they constitute to third parties, Member States have the option of including them.

Use of vehicles subject to compulsory insurance

- Any use of a vehicle consistent with its function as means of transport at the moment of the accident, regardless of the characteristics of the vehicle and of the type of area where the vehicle is used and of whether it is stopped or moving.
- Exemption for motor sports practiced in reserved, set-off areas, on condition that alternative insurance for third parties is provided.
- Vehicles withdrawn from circulation temporarily or permanently but covered by guarantee funds.
- Exemption for vehicles used exclusively in areas with access limited by law but covered by guarantee funds.
- Member States may allow derogations for vehicles not authorized to drive on public roadways but that are covered by guarantee funds (unless a Member State elects a derogation also on this requirement, and exclusively for the limited-access area).

2. Claims History Statement (risk attestation)

The amended Directive introduces the requirement for uniform claims history statements (risk attestations) in all motor liability policies, and not only for cross-border coverage.

The statement must include:

– the identity of the insurance undertaking or entity issuing the statement;
– the identity of the contracting policyholder, including contract information;
– the insured vehicle and its identification number;
– the starting and end dates of the insurance coverage;
– the number of accidents for which the policyholder has been ascertained to be liable, with the date of each accident;
– additional information prescribed by the regulations in effect in the various Member States.

3. Insolvency of insurance undertaking's

The new text establishes the obligation of Member States to guarantee that road accident victims are compensated even the case of the insurer's insolvency, at least up to the minimum insurance obligation.

Accident victims must be able to apply to the Member State where they are normally resident and receive a response within a reasonable amount of time.

The compensation body that makes the initial compensation payment has the right to apply for reimbursement from its counterpart in the home Member State of the insolvent insurance undertaking.

The compensation bodies are called on to reach an agreement on the reimbursement procedures.

In any case, in the absence of such agreement – which in our view will be complicated and hard to attain – within 18 months of the entry into effect of the MID the Commission will adopt a delegated act.

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