ITALIAN INSURANCE

2014 - 2015

Ania

Associazione Nazionale
fra le Imprese Assicuratrici

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EXECUTIVE SUMMARY

THE RESULTS FOR THE YEAR

Total premium income rose by 19.9% in 2014…

Italian insurance companies' direct and indirect premium income from domestic and foreign business, gross of cessions and retrocessions, recorded an overall increase of 19.9% (12.8% in 2013).

…+29.0% in life, -2.6% in non-life…

The expansion was the result of a rise of 29.0% in premiums in the life sector (following a gain of 21.3% in 2013) and a contraction of 2.6% in non-life insurance premiums after that of 3.8% in 2013.

…and technical account results of +€2.9 billion in life and +€3.8 billion in non-life insurance…

For life insurance, the overall technical account was positive by €2.9 billion, down from €3.3 billion; as a ratio to premium income, it therefore slipped last year from 3.9% to 2.6%. For non-life insuraqnce, the technical account result was positive by €3.8 billion, up from €3.5 billion, and its incidence on premium income thus rose from 11.2% to 12.1%.

…result of ordinary and extraordinary activities: €8.4 billion…

The result for ordinary activity, life and non-life, in 2014 was €7.4 billion, up from practically €7 billion the previous year. Extraordinary activity produced net income of €1 billion (€1.3 billion in 2013). Overall, profit for the year before tax thus amounted to €8.4 billion.

…operating profit: €6 billion…

After taxes totaling €2.4 billion, the industry showed an overall net profit of €6 billion in 2014: €3.5 billion for life insurance (compared with €3.1 billion in 2013) and €2.5 billion for the non-life sector (up from €2.1 billion).

…solvency margin: €46.7 billion, nearly 90% more than the minimum requirement

Insurance companies' solvency margin at the end of 2014 amounted to €46.7 billion, up 3.5% from a year earlier. Overall, the available margin was in excess of the minimum required by law by more than 90%. For the life sector, the available margin (€29.7 billion) was 1.60 times the minimum requirement of €18.6 billion, whereas this cover ratio was 1.73 in 2013. In non-life business the available margin of €16.9 billion came to 2.74 times the minimum requirement (€6.2 billion), up from a cover ratio of 2.59 in 2013.

This year's Report has a feature on:
…European comparison of insurance companies' tax burden

Again in 2014 Italy was among the European countries with the highest taxes on insurance premiums for motor liability, fire and natural forces, general liability and goods in transit, confirming a long-standing pattern.

FORECASTS FOR 2015

Premium income should rise again in 2015, by 8.8%, to €156 billion…

In 2015 total written premiums (life and non-life) of direct domestic business should come to about €156 billion (+8.8%), following the gains of 13.1% and 20.6% registered in 2013 and 2014. The rise should reflect the projected strong increases in life premiums (forecast growth of 12%), while non-life premium income is projected to decline again, by 1.9%.

The ratio of total premiums to GDP is thus projected to rise further, from 8.9% in 2014 to 9.6% in 2015.

…motor and marine liability premiums will decline by 6.5%, those of the other non-life branches should increase by 2.1%…

Total direct premiums of Italian insurance companies in the non-life sector are expected to decline for the fourth consecutive year in 2015, coming down 1.9% to €32.2 billion. The projected decrease is due exclusively to the motor and marine liability branches, as all the other non-life branches are expected to grow. Motor liability remains a highly competitive sector, and owing to the improvement in the overall technical results from 2012 through 2014 it is estimated that insurers will significantly reduce premiums on policy renewals. Thus we project that the sharp declines in written premiums of 7.0% in 2013 and 6.5% in 2014 will be followed by another of 6.5% this year. In the other non-life branches, owing to the positive signs for the economy, premium income should continue to increase (by 2.1%, following the gain of 0.9% in 2014). In particular, an increase of 3.0% in premiums for land vehicle insurance is projected, ending the downswing that lasted from 2008 through 2014 and produced a cumulative loss in premium income of over 27%. Already in 2014 the pace of the contraction in the sector's premium volume eased considerably (to a decline of 1.1%, compared with 8.6% in 2013), owing to an upturn in new car sales starting in January 2014; ACI calculates the twelve-month rate of growth in sales at no less than 13% in May 2015. Other non-life premiums are also expected to gain: general liability by 3.0%, accident and other property damage by 1.5%, fire and sickness by 1.0%.

In proportion to GDP, total non-life premium income is thus expected to remain broadly the same as in 2014 at 2.0%.

…life premium income will increase by 12%…

In life insurance, the surge in written premiums will continue, with a projected rise of 12% to €124 billion, following gains of 22% in 2013 and 30% in 2014.

…as a result of a change in product mix: Class I premiums are projected to decline by 17.5%, while Class III will gain 125%

This is the expected effect of a change in the policy mix. Sales of Class I policies are expected to flag (diminishing by 17.5% to total volume estimated at just over €68 billion), while sales of Class III policies are forecast to more than double (growth of 125%) to nearly €50 billion. The prolonged period of low interest rates, despite the essentially positive performance of the financial markets, has prompted a search for types of investment additional or alternative to the traditional forms of guaranteed yields – and not only in Italy. There is quickening interest in instruments with a higher risk-return profile, with greater diversification and dynamism of assets for positive financial results. So-called "multi-class" products are increasing in Italy, i.e. single life insurance policies that are produced by a combination of traditional segregated management (Class I) with a unit-linked investment fund (Class III).

The powerful growth in written premiums in the life insurance sector for 2015 is clearly foretold in the expansion registered through the end of April, with a volume of €44.4 billion as against €35.2 billion in the first four months of 2014 (up 25%). Most of the gain was scored by Class III products, for which new business increased by 134%. Sales of traditional insurance products, by contrast, practically stagnated (growth of just 0.1% in the first four months compared with a yearly increase of 40% in 2014).

Total life sector premium income should thus rise to 7.6% of GDP this year from 6.8% in 2014.

LIFE INSURANCE – DIRECT ITALIAN BUSINESS

Purchasing power held stable in 2014…

Italian households' nominal disposable income rose by 0.2% last year after gaining 0.3% in 2013. Given the 0.2% rise in the cost of living, purchasing power (real disposable income) was stable, after contracting by 0.9% in 2013. This was the first time since 2008 that households' real disposable income did not fall.

…and the saving rate slipped marginally…

The propensity to save – defined as the percentage ratio of savings, gross of amortizations and net of changes in pension fund reserves, to disposable income – came down slightly to 8.6% in 2014, following the previous year's jump from 7% to 8.9%.

…while the flow of financial investment increased…

In 2014 the net flow of financial investment by Italian households and non-profit institutions came to €31.7 billion, up from €28.7 billion in 2013, thanks to the sharp rise in gross portfolio inflows, from €20 billion to €28.9 billion) and the drastic decline in gross outflows, from €8.7 billion to €2.8 billion.

…net flows to investment funds and life insurance reserves grew…

Italian househololds continued their massive disinvestment in Italian government securities, disposing of €32.2 billion, compared with €23.2 billion in 2013, and in bank bonds, of which they made net disposals of €80.7 billion (€40.1 billion in 2013). Disposals of foreign bonds were practically halved, from €15.2 billion to €7.7 billion. Excluding other deposits (which swung from net inflows of €5.6 billion to outflows of €14.1 billion), all the other financial instruments registered positive net investment, in particular investment funds (with net inflows soaring from €27.8 billion to €56.5 billion) and life insurance reserves (from €18.6 billion to €46.4 billion).

…the stock of financial assets comes to nearly €4 trillion…

At the end of 2014 the stock of financial assets held by Italian households amounted to €3,934 billion. The largest portion of this financial wealth consists of liquid instruments, namely bank deposits (27.4%), followed by shares and other equity (22.0%) and insurance policies, pension funds and severance pay (20.4%), including life insurance reserves (13.2%); 9.7% is invested in investment funds.

…households' net wealth equals 8 times their disposable income

According to Bank of Italy calculations based on ISTAT data, households' net wealth was equal to about 7.9 times disposable income in 2014, practically unchanged from 2013, as the rise in the value of financial wealth offset the decline in real estate wealth. The ratio in Italy is still high by international standards.

Life premiums came to €110.5 billion in 2014…

Premiums from direct domestic business of the 59 insurance companies operating in the life sector totaled €110.5 billion, up 29.9%, after gaining 22.1% in 2013. Life premiums made up 77.1% of total life and non-life premiums, compared with 71.6% in 2013.

…and net cash flow was positive by €45.9 billion…

Net cash flow, defined as the difference between premiums and incurred claims, was positive by €45.9 billion in 2014, considerably better than the €18.3 billion recorded in the previous year. The increase in the mathematical provisions and sundry technical provisions amounted to approximately €60 billion, twice the €30 billion registered in 2013.

EXECUTIVE SUMMARY

…mathematical provisions rose by 13.6%…

Mathematical and technical provisions of €515 billion represented an increase of 13.6%, after rising by 7.0% in 2013. For the five years from 2010 through 2014, they expanded at an average annual rate of 5.8%.

…incurred claims declined by 3%…

Incurred claims, defined as the amounts paid plus the change in the amounts reserved in respect of claims net of recoveries, totaled €64.6 billion in 2014 (down about 3% from 2013), chiefly thanks to decreases of 6% in policy surrenders and 3.9% in payments of capital and annuities in respect of maturing policies.

…while operating expenses increased by 7.7%…

Operating expenses, which along with administration expenses also include acquisition costs, premium collection costs and costs relating to the organization and operation of the distribution network, amounted to €3.8 billion in 2014, 7.7% more than the previous year.

…investment income amounted to over €20 billion…

Investment income in 2014 came to €20.6 billion, but despite the 12% rise in this item's contribution to the profit-and-loss account, the overall technical account result diminished, though it was still amply positive at €2.3 billion. This was due to the change in the mathematical provisions, which nearly doubled as the natural consequence of the increase in insurers' undertakings vis-à-vis policyholders.

The result of reinsurance cessions and net indirect business was positive by €0.5 billion (€0.4 billion in 2013).

…and the overall technical account result was positive by €2.8 billion

The overall technical account result was positive by €2.8 million in 2014, compared with €3.3 billion the previous year. There was thus a decline both in the ratio to premiums (from 3.9% to 2.5% in 2013) and in the ratio to technical provisions (from 0.75% to 0.57%).

Supplementary retirement plans now cover more than 6.5 million members, a quarter of the labor force

COVIP data on enrolments in supplementary pension plans as of 31 December 2014 confirm the gradual growth registered in previous years. In 2014 the number of members topped 6.5 million, or just over a quarter of the labor force.

NON-LIFE INSURANCE – DIRECT ITALIAN BUSINESS

Non-life premiums came to €32.8 billion…

In 2014 non-life premium income amounted to €32.8 billion, down 2.7% from 2013. Its share of total premiums fell from 28.4% to 22.9%, in part because of the especially sharp rise in life sector premiums.

…the combined ratio was stable and the overall technical account result came to €3.6 billion

The combined ratio was practically unchanged at 90.1%, as the marginal rise in the expense ratio was offset by an improvement in the loss ratio. Although the contribution of the return on investment was also stable, the overall technical account result improved to €3.6 billion, thanks to a smaller negative balance on reinsurance than in 2013.

The Report describes developments in malpractice insurance

The Report presents a detailed analysis of the medical malpractice insurance cover of healthcare institutions and individual physicians. The number of claims registered in 2013 diminished somewhat (down 2.5% compared to 2012), in line with the trend that began in 2010, resulting in a decrease of 11% in the four-year period 2010-2013. Claims on institutions declined by 5.5%, but those on individual practitioners turned back up in 2013, with a rise of 2.4% after three years of reduction.

The chapter also has special sections on:

- ANIA's position on flood insurance for residential dwellings;
- trends in natural disasters in Italy, with a forecast of the insurance industry's exposure to flood and earthquake risk in 2015.

MOTOR LIABILITY INSURANCE

Written motor liability premiums declined by 6.5% and accrued premiums by 7.6%…

Motor liability premiums diminished by 6.5% in 2014, following the 7.0% drop registered the previous year. Accrued premiums fell by 7.6%. Meanwhile, the cost of claims also came down by 6.5%, less than the fall in accrued premiums. This was a factor in the moderate worsening of the combined ratio from 88.2% to 90.5%. In any case the positive contribution of the financial component (investment income), which was steady at its 2013 level, helped to keep the overall technical account positive, though less so than the previous year. The technical result for land vehicle insurance was again positive, but premium income declined for the seventh straight year, by 1.1%.

…and with the number of vehicles insured rising by 0.6%…

After four years of decline, by a cumulative 5.1% from 2010 through 2013, the number of vehicles insured rose from 38.3 to 38.5 million in 2014, up 0.6%. The number refers only to Italian insurance companies and units of non-EEA insurance companies. Counting all the other types of insurer doing business in Italy, the rise in the number of insured vehicles comes to 0.2%.

…the average premium fell by 7.0%, and by 6.5% in the first three months of 2015

After the overall increase in the average premium of 10.7% in 2010 and 2011 owing to the particularly negative results of this branch, in 2012 the premium held basically stable (up 0.7%), thanks to an improvement in the technical indicators (especially claims frequency), which helped bring the accounts back into balance. This effect was more marked in 2013 and especially 2014, and the average premium was accordingly lowered by 11.3% over the two years (-4.6% in 2013 and -7.0% in 2014). The downtrend, which ISTAT also confirms began in November 2012, continued throughout 2014. The new survey of actual policy premiums first conducted at the start of 2014 by IVASS confirms the reduction, indicating that for passenger cars alone the average motor liability premium in the fourth quarter of 2014 was down 7.8% from a year earlier. The sharp price cuts of the last two years brought the index for insurance coverage in 2014 back down to its 2009 level. The data for the first three months of 2015 show a further decline (-6.5% on an annual basis) at about the same rate as in 2014.

The number of claims edged downwards in 2014, hence claims frequency decreased by 3.2%…

The total number of claims incurred and reported during the accident year that have given or will give rise to compensation was 2.1 million in 2014, down 2.3%. Claims frequency, defined as the ratio between the number of claims and the number of vehicles exposed to the risk of claim-generating accident (measured on the basis of days of exposure during the year, converted into "vehicle-years"), was 5.48%, down from 5.65% in 2013. Including an estimate of claims incurred but not reported, claims frequency in 2014 would be 6.05%, down from 6.24%.

…owing to contingent factors…

To provide statistical data to help determine the extent to which the change in claims frequency depends on contingent or on or structural factors, the Report describes a multiple linear regression analysis designed to identify a statistical model that could express a functional correlation between different economic factors – such as households' economic situation, fuel consumption and the use of motorways (taken as independent variables) – and claims frequency (the dependent variable).

…and the lower frequency was combined with a slight reduction (0.6%) in the average cost of claims…

The incurred claims cost for the year, defined as the sum of the total cost paid and the total reserved for all claims incurred in the current accident year, amounted to €11.2 billion, with a 3.1% decrease compared to 2013. Given the change in the total number of claims (including those incurred but not yet reported), the average cost of claims was €4,798, a decline of 0.6% from €4,828 the previous year. Excluding claims incurred but not reported and insurers' contributions to the Road Accident Victims Guarantee Fund and other, residual items, the average cost of claims incurred in 2013 came to €4,532, down from €4,564 in 2013. That is, both claims frequency and average claims cost came down last year, by 3.2% and 0.6% respectively.

…incurred claims cost fell by 6.5%, thanks chiefly to sufficient reserves for claims incurred in previous years…

The incurred claims cost, which also includes any excess/shortfall of reserves for claims incurred in previous accident years, was equal to €10.8 billion, down 6.5% from €11.6 billion in 2013. This was due to the excess of reserves for previous years, amounting to €360 million. After the substantial contribution of €2.3 billion made by the industry in 2011 and 2012 to top these reserves up, the reserves were just sufficient, with practically no excess, in 2013.

…but the loss ratio worsened…

The decrease in claims costs was smaller than that in written premiums for the year, resulting in a worsening of the loss ratio, which edged up to 69.5% from 68.7% in 2013.

Operating expenses amounted to €3.2 billion, as in 2013; they consist in administration expenses relating to technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organization and management of the distribution network. Owing to the decline in premium income, the ratio to premiums rose from 19.5% to 21.0%. The rise essentially reflected an increase in acquisition costs from 4.2% to 5.2%. The ratio of commissions to written premiums was broadly stable.

…and the technical account result was again positive

The technical balance for direct business was positive by €1.4 billion. With profits from investments amounting to €652 million, the result of the technical account for direct business reflected a profit of €2.1 billion (€2.5 billion in 2013). Taking the slightly negative balance for reinsurance into account, the overall technical account result was positive by €2.1 billion (€2.4 billion in 2013).

The Report has special sections on:
…the state of advancement of a series of legislative implementation provisions…

This year's Report brings readers up to date on the advancement of provisions implementing certain laws and regulations bearing on motor liability insurance in the "Liberalizations" decree (the dematerialization of insurance stickers and risk attestations) and the "Growth bis" decree (contractual relations between insurance companies, agents and customers).

EXECUTIVE SUMMARY

…the incidence of number and cost of personal injuries in total damage compensation…

A special section of this year's Report offers an analysis of the cost of personal injuries, which account for over two-thirds of motor liability compensation, or some €7.5 billion in 2014. In detail, €2.5 billion consisted in payments for permanent disability of between 1% and 9% and €5.0 billion for more severe injury or death. The percentage of motor liability claims involving personal injury fell again last year, from 19.0% to an estimated 18.5%. To trace the trends in the various components of personal injury damages, their evolution from 2009 to 2014 was examined. The study found a continuing if diminished impact of Law 27/2012 (the "liberalizations decree"), which modified the conditions for compensation for mild personal injury. No comparable reduction is observed for serious or fatal injuries.

…the diffusion of claims at risk of fraud and the number of uninsured vehicles…

This year's Report gives the findings of an IVASS report for 2012 and 2013 on claims with risk of fraud. The national average of potentially fraudulent claims was 16.4% in 2013, up from 13.4% the previous year, but with significant regional variation. The province-level data drawn from the Highway Police, municipalities, and municipal police permitted an estimate of the number of uninsured vehicles at 3.9 million or 8.7% of all those on the roads.

…an account of the effects of direct indemnity after eight years…

As in years past, a specific part of the Report is given over to drawing a balance on the application of the direct indemnity system, which has now been in effect for eight years. Motor liability claims are now settled more quickly: the percentage settled in the year they were incurred has risen from 65.2% in 2006 to 71.1% in 2014. However, over the last three years there has essentially been no change.

…the calculation of the fixed compensation amounts and IVASS's new incentive/penalty system for CARD compensation…

A section of the Report is given over to the procedure for calculating the compensation amounts for the direct indemnity system for 2015. For geographical areas with a coefficient of 1, the CARD-CID amount is €3,150 for motorcycles and scooters, €1,820 for other vehicles. The chapter also describes IVASS's measure 18/2014, which flanks the fixed-amount compensation system with a new incentive-based mechanism using technical parameters, such as average claims cost, speed of settlement, and the evolution of average claims cost over time.

The Repolrt offers a special chapter on:

The Report details the series of initiatives undertaken by the ANIA Foundation for Road Safety and the ANIA-Consumers Forum.

…the initiatives undertaken by the ANIA Foundation for Road Safety…

ISTAT data on road accidents in Italy show that they numbered 181,227 in 2013 (down 3.7% for the year), resulting in 3,385 fatalities (down 9.8%) and 257,421 (down 3.5%). The decline in fatalities was the sharpest since the improvement recorded in 2009 (-10.3%). In 2012 the number of accidents had declined by 8.4%, deaths by 2.8% and injuries by 8.6%. The number of accident victims has decreased every year since 2002, and the overall reduction in fatalities between 2001 and 2013 came to 52.3%.

In the course of the current legislature, the Government and Parliament have announced their intention to draft a bill for the reform of the Highway Code, a measure strongly advocated by the ANIA Foundation for Road Safety. The Foundation has specified two main lines of action:

1. more widespread institution within cities of "30 km/h zones";
2. more investment in bike lanes, financed for instance by allocating a portion of traffic fine receipts, and more specific projects for their creation, also proposing a minimum of lanes proportional to the city's land area.

The ANIA Foundation has proposed a pilot project to test the reliability, effectiveness and behavioral impact of alcohol-lock devices against drunk driving.

…and the ANIA-Consumers Forum

The ANIA-Consumers Forum also dealt with numerous issues last year.

In 2014 the "Grand Prix for Applied Mathematics" – a competition developed by the Forum together with the Banking, Financial and Financial Sciences Faculty of the Università Cattolica del Sacro Cuore in Milan and reserved to students in the last two years of high school – saw the participation of more than 6,200 students from 70 schools.

The Insurance Association of China sees the educational activities of the ANIA-Consumers Forum as a model and has proposed to collaborate on projects of diffusion of insurance education and culture in China.

The Forum publishes a series of handbooks called "Insurance made plain" as guides for the general public. In simple, readily comprehensible language they discuss the insurance issues of most direct interest to consumers. The second volume in the series, "Know your insurer," written in 2014 and released early in 2015, covers the distribution of insurance products.

THE REGULATORY FRAMEWORK

The Report has pieces on:

…the delegated acts relating to Solvency II…

The delegated acts containing the detailed rules for Solvency II were published in the *Official Journal of the European Union*, No. L/12, 17 January 2015 (delegated Regulation EC 2015/35). They went into effect the day after publication. EIOPA issued two sets of guidelines for implementation.

…the outcome of the 2014 stress test…

EIOPA conducted a stress test on the European insurance industry in 2014. The results showed that the Italian system is adequately capitalized with a view to Solvency II.

…on the transposition of the Solvency II directive into Italian law…

Legislative Decree 74 of 12 May 2015, published in *Gazzetta Ufficiale* No. 136, 15 June 2015, transposes into Italian law Directive 2009/138/EC, known as the Solvency II Directive, as amended by Directive 2014/51/EU, the "Omnibus II" directive.

…on the activity of IVASS during the year…

The Report also describes developments in the Insurance Contracts project and IFRS 9.

The Report recounts the regulatory activities of the Italian insurancer supervisor IVASS in the course of 2014:

– IVASS Regulation 7 update
– market letter of 4 December – Reporting Solvency II: Preparatory phase. Instructions on transmission of data to IVASS
– market letter of 2 December – Dividend and executive compensation policies
– market letter of 4 November – Solvency II: undertaking-specific parameters
– IVASS measure 22 – Amendments and additions to Regulation 36.

…on the rise in the tax rate on financial income…

Decree Law 66 of 24 April 2014 (converted with amendments into Law 89/2014) raises the tax rate on financial income (interest and capital gains) from 20% to 26%.

…on the 2015 Stability Law

The Report describes the measures contained the the Stability Law (the budget) for 2015 that are relevant to the conduct of insurance business:

- provisions concerning the Regional Tax on Productive Activities
- changes to fiscal rules on supplementary pension plans
- changes to taxation of capital payments in case of death.

1

THE ITALIAN INSURANCE MARKET: KEY FIGURES 2014

THE ITALIAN INSURANCE MARKET: KEY FIGURES 2014

Insurance companies' net profit for 2014 was Euro 6 billion, up from the Euro 5.2 billion of the previous year. Consequently, the industry's ROE went up to 10.2%, from 9.7% in 2013. This upturn was chiefly the result of the non-technical account. In fact, the overall technical account result (life and non-life) decreased by approximately Euro 250 million. In particular, in spite of a positive net cash flow (premiums less costs) of almost Euro 46 billion and an increase in the return on investment, the technical account result for the life business slipped from Euro 3.3 billion to Euro 2.9 billion. The technical account result for the non-life sector, instead, improved, despite the decrease in written premiums, thanks to the sharper contraction in claims costs. In 2014 the number of Italian insurance companies operating in the domestic market diminished as a result of mergers and acquisitions. The number of offices of foreign companies operating in Italy remains stable.

OPERATING INSURANCE COMPANIES

Insurance companies operating in Italy numbered 226 at the end of 2014, compared with 232 a year earlier. They counted 125 companies with registered offices in Italy (132 a year earlier) and 101 branches of foreign insurance companies (100 in 2013), practically all (99) based in other EU countries. In addition, 999 insurance companies with registered offices in other EU or European Economic Area countries were operating in Italy at the end of 2014 under the freedom to provide services.

Number of companies by legal status

BUSINESS SECTOR	YEAR	DOMESTIC COMPANIES				FOREIGN BRANCHES		TOTAL
	Situation as at 31 December	Limited companies	Cooperatives	Mutual	Total	with head office in non-EU countries	with head office in EU countries	
Non-life	2013	66	–	2	68	2	58	128
	2014	63	–	2	65	2	57	124
Life	2013	49	–	–	49	–	20	69
	2014	47	–	–	47	–	22	69
Professional reinsurers	2013	–	–	–	–	–	7	7
	2014	–	–	–	–	–	7	7
Multi sector	2013	13	1	1	15	–	13	28
	2014	11	1	1	13	–	13	26
TOTAL	**2013**	**128**	**1**	**3**	**132**	**2**	**98**	**232**
	2014	**121**	**1**	**3**	**125**	**2**	**99**	**226**

At the end of 2014, as in 2013, 69 insurance companies (of which 22 representatives of foreign companies) engaged exclusively in life business and 124 (of which 59 foreign offices) exclusively in non-life business. A total of 26 (of which 13 foreign) did business in both the life and non-life sectors, accounting for more than 35% of total premium income. Seven undertakings, all of them branches of foreign companies, engaged only in reinsurance. At 31 December 2014 ANIA counted 167 member companies (of which 27 correspondent members).

The 125 insurers with registered offices in Italy comprised, by legal form, 121 limited share companies, three mutual companies and one cooperative society.

INCOME STATEMENT

Income statement
Euro million

	2007	2008	2009	2010	2011	2012	2013	2014
Technical account of non-life and life classes (*)								
Written premiums	96,765	89,157	115,199	123,546	108,420	103,139	117,374	142,009
Changes in reserves (-)	-9,495	-22,241	40,953	32,825	3,106	9,631	29,520	59,993
Investment income	10,835	-9,813	26,845	14,109	3,978	27,480	20,068	22,514
Other technical income	1,433	1,527	1,448	1,484	1,429	1,560	1,641	1,781
Incurred claims (-)	99,010	91,087	84,207	92,105	99,376	98,776	88,322	84,812
Operating expenses (-)	13,390	12,573	12,633	12,540	12,283	11,539	11,725	12,118
Other technical costs (-)	1,631	2,035	2,230	2,311	2,272	2,537	2,625	2,741
Balance	**4,497**	**-2,583**	**3,470**	**-642**	**-3,210**	**9,696**	**6,891**	**6,640**
Technical account non-life (*)								
Written premiums	35,211	34,328	33,791	32,954	34,052	32,763	31,618	31,046
Changes in premium reserves (-)	602	265	-21	496	462	-494	-623	-279
Investment income	2,131	829	2,439	1,095	640	1,660	1,262	1,347
Other technical income	365	423	472	440	451	469	429	392
Incurred claims (-)	24,634	25,403	26,865	25,106	25,199	23,480	21,323	20,162
Operating expenses (-)	8,646	8,462	8,465	8,141	8,322	8,018	8,041	8,235
Other technical costs (-)	1,000	1,085	1,165	1,121	1,054	1,124	1,021	910
Balance	**2,825**	**365**	**228**	**-375**	**106**	**2,765**	**3,546**	**3,757**
Technical account life (*)								
Written premiums	61,554	54,829	81,409	90,592	74,368	70,376	85,756	110,963
Changes in technical provisions (-)	-10,097	-22,506	40,974	32,329	2,644	10,125	30,143	60,272
Investment income	8,704	-10,642	24,406	13,014	3,338	25,820	18,806	21,167
Other technical income	1,068	1,104	976	1,044	978	1,091	1,212	1,389
Incurred claims (-)	74,376	65,684	57,342	66,999	74,177	75,296	66,999	64,650
Operating expenses (-)	4,744	4,111	4,169	4,399	3,961	3,521	3,684	3,883
Other technical costs (-)	631	950	1,064	1,190	1,218	1,413	1,604	1,831
Balance	**1,672**	**-2,948**	**3,242**	**-267**	**-3,316**	**6,931**	**3,344**	**2,883**
Non-technical account (*)								
Other non-life income	911	-416	939	201	-734	94	825	926
Other life income	980	462	1,177	839	265	1,626	1,444	1,918
Balance of other income and expenses	-957	-1,601	-1,244	-1,763	-1,551	-1,922	-2,182	-2,060
Balance of ordinary activities	**5,431**	**-4,138**	**4,342**	**-1,365**	**-5,230**	**9,494**	**6,978**	**7,424**
Balance of extraordinary activities	**1,476**	**751**	**840**	**614**	**478**	**-28**	**1,314**	**960**
Taxes (-)	1,558	-1,407	1,312	-48	-1,099	3,696	3,062	2,398
Result for the financial year	**5,349**	**-1,980**	**3,870**	**-703**	**-3,653**	**5,770**	**5,231**	**5,985**
*Profit/loss for the financial year, non-life sector***	*2,802*	*-167*	*63*	*-998*	*-1,016*	*641*	*2,125*	*2,483*
*Profit/loss for the financial year, life sector***	*2,490*	*-1,813*	*3,807*	*295*	*-2,637*	*5,129*	*3,105*	*3.501*
Return on Equity	12.5%	-4.7%	8.5%	-1.4%	-7.2%	11.5%	9.7%	10.2%
Return on Equity (non-life)**	14.6%	-0.9%	0.3%	-4.6%	-4.7%	3.0%	9.8%	10.4%
Return on Equity (life)**	10.6%	-7.8%	15.2%	1.1%	-8.8%	17.3%	9.7%	10.1%

(*) Net of cessions and back-cessions
(**) Excluding professional reinsurers

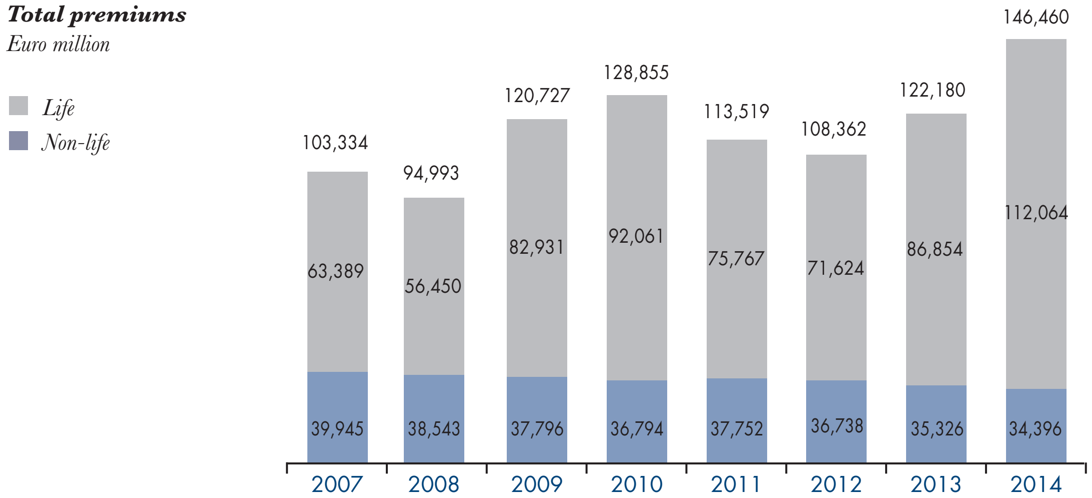
THE TECHNICAL ACCOUNT

Premiums

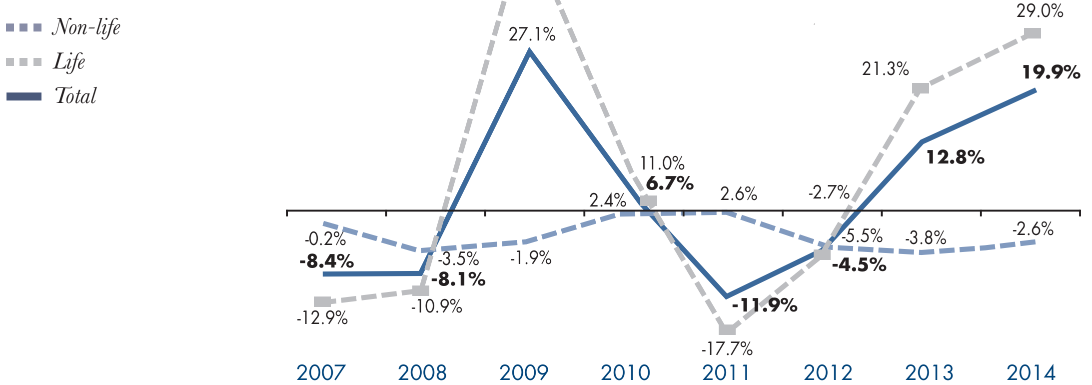
Premiums from domestic and foreign business, direct and indirect, gross of reinsurance, collected by the companies having their registered office in Italy and by the Italian branches of non-EU companies totaled €146,460 million in 2014, of which €34,396 million from non-life policies and €112,064 million from life policies. Overall, premiums increased again by 19.9% this year, following the 12.8% gain registered in 2013, after decreases of written insurance premiums of 11.9% in 2011 and and 4.5% in 2012. The increase was the result of a further rise of 29.0% in premiums in the life sector (after the increase of 21.3% in 2013), more than offsetting another contraction in non-life insurance premiums, of 2.6% after that of 3.8% in 2013.

As a result of these developments, in 2014 life premiums' share of total premium income increased from 71.1% to 76.5% (it was 66.1% in 2012).

Total premiums
Euro million



Nominal growth of life and non-life total premiums



Ania

In 2014, **premiums ceded in reinsurance** amounted to €4,451 million, of which €3,350 million from non-life classes and €1,101 million from life classes (in 2013 they totaled €4,806 million, €3,708 million and and €1,098 respectively). As a share of total gross premiumws, total ceded premiums slipped from 3.9% in 2013 to 3.0% in 2014.

This translates into **total premiums, net of cessions,** amounting to €142,009 million: of which €31,046 million from non-life and €110,963 million 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:

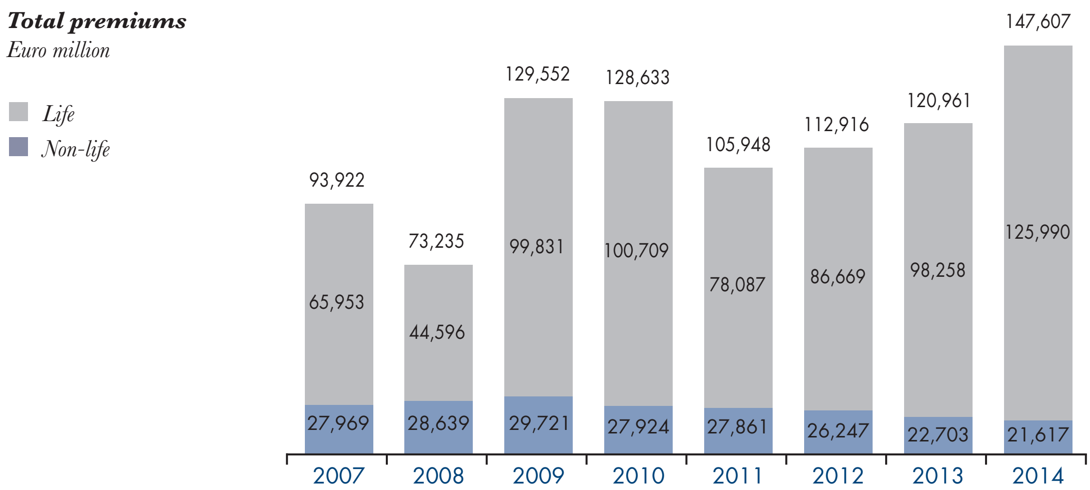
– incurred claims cost plus the change in the premium reserves for non-life classes;
– incurred claims cost plus the change in the mathematical provisions and other technical provisions for life classes.

Benefits and claims paid increased by 22.0% in 2014 to total €147,607 million: €21,617 million in non-life classes (down 4.8%) and €125,990 million in life classes (up 28.2%).

The share borne by reinsurance fell by 10.2% to a total of €2,801 million, of which €1,734 million referring to non-life policies and €1,067 million to life policies.

On a net basis, benefits and claims paid increased by 22.9% to €144.806 million: €19,883 million in non-life classes and €124,923 million in life classes.

Total premiums
Euro million

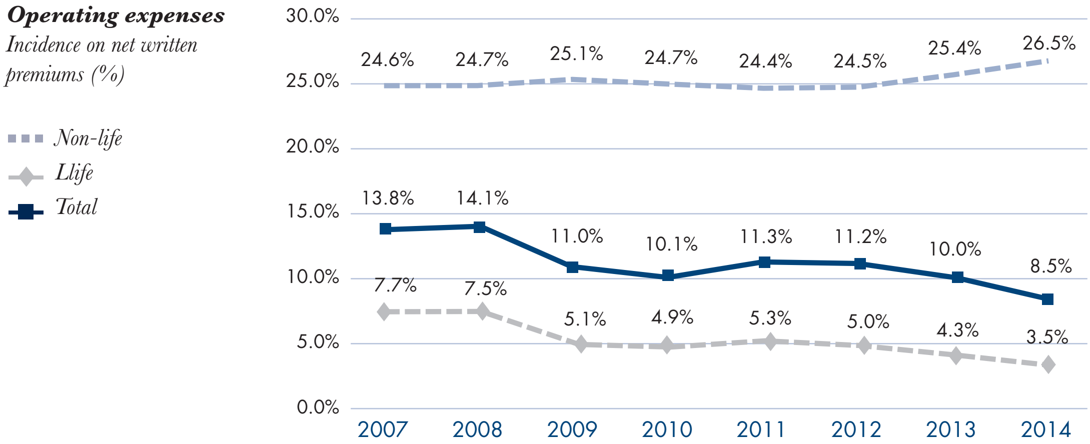


Operating expenses

Operating expenses relating to direct and indirect business, net of reinsurance cessions, which include costs for contract acquisition, premium collection and distribution, as well as network organizational and operating costs and the administration expenses relating to technical management of insurance business, totaled €12,118 million, up 3.4% compared to 2013. Given the larger increase in premiums, the ratio of total operating expenses to written premiums decreased to 8.5% from 10.0% the previous year.

The ratios for the life and non-life sectors separately recorded opposite trends, with a sharp increase in life business and a downturn in the non-life sector. In particular, for non-life business operating expenses in 2014 totaled €8,235 million (€8,041 million in 2013), and amounted to 26,5% of premiums (25.4% in 2013); for life business, they amounted to €3,883 million (€3,684 million in 2013) and 3.5% of premiums (down from 4.3% the previous year).

Operating expenses
Incidence on net written premiums (%)



Technical account result

The overall (non-life plus life) technical account result, net of reinsurance, was positive to the tune of €6,640 million, equal to 4.7% of direct and indirect premiums; the result had been higher in the two previous years, amounting to €6,891 million and €9,696 million and to 5.9% and 9.4% of premiums in 2013 and 2012 respectively. For non-life business the technical account result was positive by €3.8 billion (€3.5 billion in 2013) and its ratio to premiums rose to 12.1% (11.2% in 2013). In the life sector the result was positive by €2.9 billion (down from €3.3 billion); the ratio to premiums thus fell from 3.9% in 2013 to 2.6% in 2014.

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

	2007	2008	2009	2010	2011	2012	2013	2014
Non-life and Life	4.6%	-2.9%	3.0%	-0.5%	-3.0%	9.4%	5.9%	4.7%
Non-life	8.0%	1.1%	0.7%	-1.1%	0.3%	8.4%	11.2%	12.1%
Life	2.7%	-5.4%	4.0%	-0.3%	-4.5%	9.8%	3.9%	2.6%

RESULT ON INVESTMENT ACTIVITY

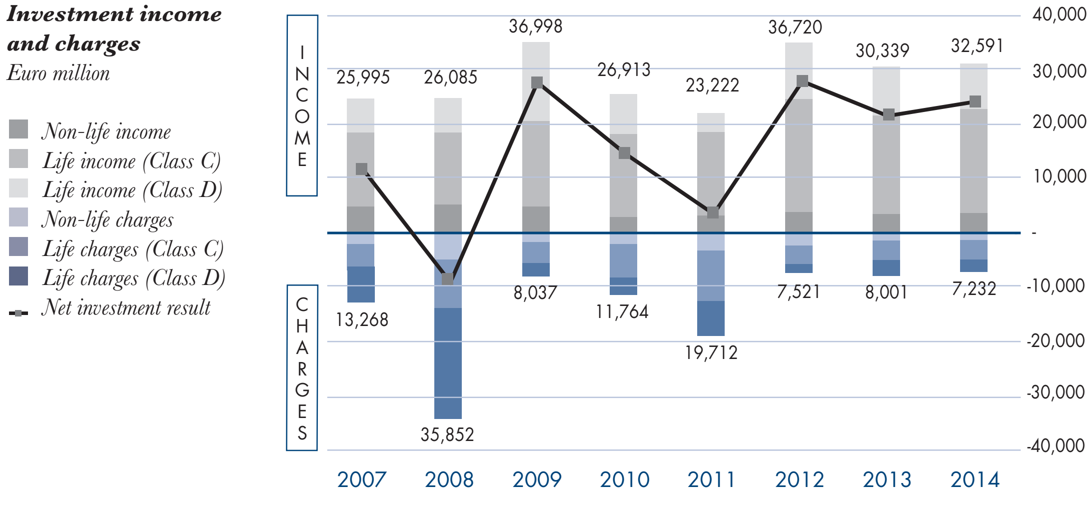
In 2014 **investment income** went from €30,339 million to €32,591 million, up by nearly 7.4%. In particular:

- non-life investment income rose by 6.3% to €3,822 million:
- Class C life investment income increased by 5.3% to €20,225 million;
- Class D life investment income grew by 13.3% to €8,544 million.

More in detail, as shown in the table below, the **ordinary gross investment income of life and non-life classes**, amounting to €32,591 million, is divided as follows:

- *income from shares and investment fund units*, amounting to €2,817 million (+47.5% compared with 2013): 8.6% 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 €8,544 million (+13.5%): 26.2% of the total;
- *income from land and buildings*, amounting to €195 million (-8.3% compared with 2013): 0.6% of the total;
- *revaluation gains and capital gains*, amounting to €3,747 million (-16.6%): 11.5% of the total;
- *income from securities, bonds and other investments*, amounting to €17,288 million (+6.9%): 53.0% of the total.

Investment income and charges
Euro million



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

	2007	2008	2009	2010	2011	2012	2013	2014
Shares	13.8%	13.3%	5.5%	6.4%	6.8%	4.5%	6.3%	8.6%
Land and buildings	0.9%	0.9%	0.6%	0.8%	1.0%	0.6%	0.7%	0.6%
Securities, bonds etc.	47.2%	47.9%	32.9%	48.8%	63.7%	43.2%	53.3%	53.0%
Revaluations and capital	13.5%	13.1%	19.4%	15.3%	12.3%	22.3%	14.8%	11.5%
Linked policies and pension funds	24.6%	24.7%	41.6%	28.6%	16.2%	29.4%	24.9%	26.2%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Net investment income also benefited from the 9.6% reduction in **investment charges**, which declined from €8,001 million in 2013 to €7,232 million in 2014, although with different trends in non-life and life business. In particular:

– in the non-life sector investment charges rose by around 3% to €1,549 million, with the sector recording a net investment profit of €2,273 million (against €2,087 million in 2013);
– in the Class C life sector, instead, investment charges decreased by 8% to €3,506 million, with net investment profit up to €16,719 million from €15,390 million in 2013;
– in the Class D life sector, investment charges slipped from €2,683 million to €2,177 million, helping produce a net investment profit of €6,367 million (up from €4,861 million in 2013).

The insurance industry's overall **net profit on investment** amounted to €25,359 million, compared with €22,338 million in 2013, of which: €22,514 million from the technical account, €2,845 million from the non-technical account.

Extraordinary income, gross of charges, amounted to €1,707 million (€2,199 million in 2013), set against corresponding charges of €747 million (€885 million in 2013).

THE RESULT FOR THE FINANCIAL YEAR

The **result of the ordinary activity** of the life and non-life sectors improved slightly from nearly €7,000 million in 2013 to €7,424 million in 2014. **Extraordinary income** came to €960 million (down from €1,314 million). Overall, **income for the year before tax** thus amounted to €8,384 million (8,293 in 2013).

After taxes totaling €2,398 million, the industry showed an **overall net profit of €5,985 million**: €2,483 million for the non-life sector and €3,501 million for the life sector (compared with €2,125 million and €3,105 million respectively in 2013).

With a profit of nearly €6 billion, the industry's Return on Equity increased to 10.2% in 2014, up from 9.7% the previous year.

Profit-and-loss account by sector (*)
Euro million

	2007	2008	2009	2010	2011	2012	2013	2014
Non-life								
Technical account result	2,702	365	228	-375	106	2,765	3,546	3,756
Net investment income	900	-416	939	201	-734	94	825	926
Intermediate operating result	3,602	-51	1,167	-174	-628	2,859	4,371	4,682
Other net income	-522	-688	-1,161	-1,185	-948	-1,295	-1,354	-1,482
Net extraordinary income	824	324	33	218	386	1	473	450
Income tax for year (-)	1,102	-248	-24	-143	-174	924	1,365	1,166
Profit/loss for the year	2,802	-167	63	-998	-1,016	641	2,125	2,483
Life								
Technical account result	1,672	-2,948	3,242	-266	-3,316	6,931	3,344	2,882
Net investment income	981	462	1,177	839	265	1,626	1,444	1,918
Intermediate operating result	2,653	-2,486	4,419	573	-3,051	8,557	4,788	4,800
Other net income	-395	-913	-83	-578	-603	-627	-828	-578
Net extraordinary income	650	427	807	396	93	-29	841	511
Income tax for year (-)	418	-1,160	1,336	96	-925	2,772	1,696	1,232
Profit/loss for the year	2,490	-1,813	3,807	295	-2,637	5,129	3,105	3,501

(*) Excluding professional reinsurers

Finally, ROE for the life and non-life sectors was very similar, 10.1% (9.7% in 2013) and 10.4% (9.8% in 2013) respectively.

More in detail, for non-life business the 2014 profit of €2,483 million derived from:

– an **intermediate operating result** (the sum of the technical result plus the net investment result pertaining to the non-technical account) of €4,682 million;
– a negative balance of €-1,482 million on **other income less other charges**;
– **net extraordinary income** of €450 million;
– **income taxes** amounting to €1,166 million.

For life business, the 2014 profit of €3,501 million came from:

– an **intermediate operating result** (the sum of the technical result plus the net investment result pertaining to the non-technical account) of €4,800 million;
– a negative balance of €-578 million on **other income less other charges**;
– **net extraordinary income** of €511 million;
– income **taxes** amounting to €1,232 million.

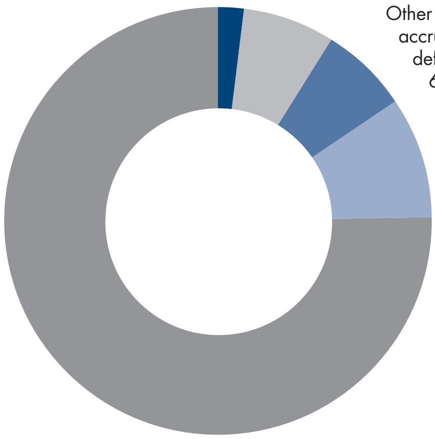
BALANCE SHEET

Balance sheet
Euro million

	2007	2008	2009	2010	2011	2012	2013	2014
LIABILITIES	537,180	505,362	560,780	586,815	585,665	603,706	641,230	703,088
CAPITAL AND RESERVES	46,042	40,932	51,803	50,260	48,252	54,299	63,906	64,424
Subscribed capital	*11,399*	*11,472*	*11,925*	*11,985*	*12,463*	*13,345*	*14,828*	*14,542*
Equity reserves	*29,370*	*31,440*	*36,351*	*38,977*	*39,441*	*35,365*	*43,907*	*43,896*
Profit for the financial year	*5,273*	*-1,980*	*3,527*	*-703*	*-3,653*	*5,589*	*5,171*	*5,985*
TECHNICAL PROVISIONS	448,052	419,947	461,762	492,151	494,448	504,067	530,905	591,615
Non-life classes	*70,726*	*68,194*	*68,701*	*65,859*	*66,697*	*66,838*	*64,764*	*63,252*
Life classes	*377,326*	*351,753*	*393,061*	*426,292*	*427,751*	*437,229*	*466,141*	*528,363*
OTHER LIABILITIES	42,465	43,820	46,436	43,703	42,238	44,601	45,739	46,365
Subordinated liabilities	*6,085*	*6,924*	*8,374*	*8,753*	*8,751*	*10,070*	*10,475*	*12,701*
Provisions for risks and charges	*2,133*	*2,117*	*1,711*	*1,771*	*1,613*	*1,847*	*2,295*	*2,249*
Deposits received from reinsurers	*13,109*	*12,660*	*12,398*	*11,999*	*11,279*	*10,692*	*9,927*	*9,177*
Debts and other liabilities	*21,139*	*22,119*	*23,954*	*21,180*	*20,594*	*21,992*	*23,042*	*22,239*
ACCRUALS AND DEFERRALS	621	663	779	701	728	739	680	684
ASSETS	537,180	505,362	560,780	586,815	585,665	603,706	641,230	703,088
AMOUNTS OWED BY SHAREHOLDERS	30	6	41	15	3	7	0	0
INTANGIBLE ASSETS	3,441	3,021	6,891	6,310	6,001	5,747	6,194	6,905
INVESTMENTS:	470,989	434,676	489,479	517,014	511,384	526,975	562,960	629,529
Land and buildings	*5,808*	*6,265*	*6,526*	*6,513*	*6,902*	*6,780*	*6,459*	*6,040*
Shares and other equity	*56,249*	*54,976*	*59,635*	*56,751*	*54,347*	*50,129*	*57,297*	*56,390*
Bonds and other fixed income securities	*239,081*	*226,866*	*273,755*	*306,898*	*316,029*	*335,627*	*363,826*	*410,251*
Loans and deposits	*32,529*	*29,590*	*32,351*	*34,708*	*35,195*	*36,918*	*38,565*	*48,093*
Investments for the benefit of life insurance policyholders and deriving from the management of pension funds	*137,322*	*116,980*	*117,211*	*112,144*	*98,911*	*97,521*	*96,814*	*108,754*
TECHNICAL PROVISIONS BORNE BY REINSURERS	20,658	19,411	19,283	18,737	17,546	17,768	16,533	15,032
AMOUNTS OWED BY DEBTORS	23,400	25,706	25,563	26,576	26,875	26,497	28,192	28,654
OTHER ASSETS	14,342	18,131	14,617	13,068	18,619	21,428	21,868	17,192
ACCRUALS AND DEFERRALS	4,321	4,411	4,907	5,093	5,238	5,284	5,483	5,777

Liabilities

Breakdown of liabilities (%) – 2014



Euro 703,088 million

In 2014, balance-sheet liabilities totaled €703,088 million, an increase of more than 9% compared with 2013.

In particular:

– *shareholders' equity* grew by 0.8% to €64,424 million; it is equal to 9.2% of total shareholders' funds and liabilities. For the other components, share capital decreased by 1.9% (down €14,542 million) while profit for the financial year increased;
– *technical provisions*, which represent the commitments undertaken vis-à-vis the insured, rose by 11.4% to €591,615 million; they made up 84.1% of the total. Life provisions (mathematical reserves) which accounted for 75.1% of the total, grew by 13.3%, while non-life provisions (for claims and unearned premiums) amounted to €63,252 million, down by over 2%;
– *other liabilities*, amounting to €46,365 million (6.7% of the total), were up 1.4% from a year earlier. Among the components, subordinated liabilities increased by 21.2%, while provisions for other risks and charges diminished by 2%, claims due to creditors and other liabilities by 3.5% and deposits received from reinsurers by 7.6%;
– accrued expenses and deferred income amounted to €684 million (0.1% of the total).

Assets

On the asset side the main items composing the total of €703,088 million are investments, the reinsurance share of technical provisions, debtors, other asset items, accrued income and prepayments.

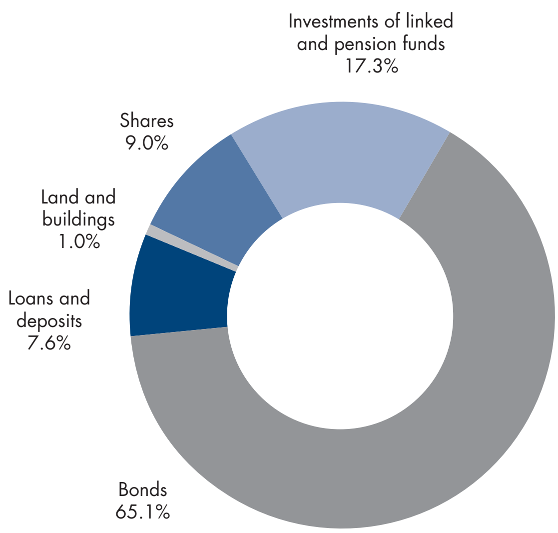
THE ITALIAN INSURANCE MARKET: KEY FIGURES 2014

Total technical provisions
Euro million

In particular:

– *investments* totaled €629,529 million, an increase of 11.8% from a year earlier, and made up nearly 90% of total assets. Investments grew in the non-life sector by 0.8% to €79,659 million and in the life sector by 13.6% to €549,870 million.

Breakdown of investments (%) – 2014



Euro 629,529 million

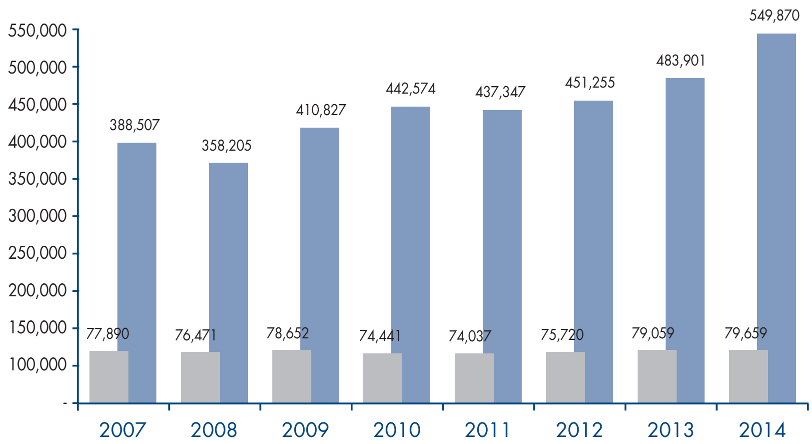
In detail, total investments were distributed as follows:

- debt securities and other fixed-income securities: €410,251 million, up 12.8% (65.1% of the total);
- investments pertaining to Class D: €108,754 million, up 12.3% (17.3% of the total);
- shares and investment fund units: €56,390 million, down 1.6% (9.0% of the total);
- loans and deposits: €48,093 million, up 24.7% (7.6% of the total);
- land and buildings: €6,040 million, down 6.5% (1.0% of the total);

– the *technical provisions borne by reinsurers* came to €15,032 million, down 9.1% from a year earlier, and made up 2.1% of total assets;

***Total Investments* ***
Euro million

Life
Non-life



** Excluding professional reinsurers*

– claims due from *debtors* came to €28,654 million, up 1.6% (4.1% of the total). They consist in receivables produced by direct insurance operations (€9,369 million), receivables arising from reinsurance operations (€1,338 million) and other receivables (€17,947 million);
– *claims on shareholders* (equal to zero), *other intangible assets* (€6,905 million of commissions and other expenses) and *other assets* (€17,192 million) amounted to €24,097 million, down 14.1% (3.4% of the total);
– *accrued income and prepaid expenses* were equal to €5,777 million, up 5.4% (0.8% of the total).

SOLVENCY MARGIN

Insurance companies with registered offices in Italy, excluding reinsurers, had a solvency margin of €46.7 billion for their total assets in the life and non-life sectors at the end of 2014, a growth of 3.5% from a year earlier. Despite the mild increase in absolute terms, the cover ratio (calculated as the ratio between the margin held and the minimum required according to law) has diminished: from 1.97 in 2013 to 1.89 in 2014. This is the resultant of contrasting trends in the non-life (positive) and life (negative) classes.

More in detail, in life business the margin held – determined on the basis of the mathematical reserves and capital at risk – was equal to €29.7 billion, 1.60 times the minimum requirement (18.6 billion); the ratio thus fell from the 1.73 recorded in 2013.

In non-life business the available solvency margin amounted to €16.9 billion at the end of 2015, while the minimum requirement, which is determined in relation to the amount of written premiums or to the average cost of claims of the last three years, whichever is greater, was €6.2 billion. The cover ratio was 2.74, up from the 2.59 of 2013.

Solvency margin 2007-2014
Euro million

	2007	2008	2009	2010	2011	2012	2013	2014
LIFE								
Solvency margin	22,722	19,699	26,578	27,362	26,825	31,624	28,635	29,734
Solvency margin required by law	11,890	11,587	13,444	14,668	15,400	15,980	16,583	18,562
Cover ratio	1,91	1,70	1,98	1,87	1,74	1,98	1,73	1,60
NON-LIFE								
Solvency margin	17,585	16,805	19,236	19,018	18,465	18,542	16,446	16,924
Solvency margin required by law	6,473	6,446	6,758	6,599	6,786	6,748	6,349	6,170
Cover ratio	2,72	2,61	2,85	2,88	2,72	2,75	2,59	2,74
TOTAL								
Solvency margin	40,307	36,504	45,814	46,380	45,291	50,166	45,081	46,658
Solvency margin required by law	18,363	18,033	20,202	21,267	22,186	22,728	22,932	24,732
Cover ratio	2.20	2.02	2.27	2.18	2.04	2.21	1.97	1.89

One undertaking was excluded from the analysis for an excessively high outlier value

Source: IVASS

INSURANCE UNDERTAKINGS AND THE NEW INVESTMENT INSTRUMENTS LINKED TO CREDIT RISK

Based on the outcomes of a survey by ANIA on investments used by insurance companies to cover their technical provisions, a focus study was elaborated concerning the instruments – both traditional and recently introduced ([1]) – exposed to credit risk.

Companies were asked to report:

i) The amount of investments covering the technical provisions (by asset class) as of 31 December 2014 and 31 March 2015;
ii) The amount, as of the same dates, of the instruments exposted to credit risk covering the reserves as detailed below:
   a) credit/debit funds
   b) minibonds
   c) mortgage backed securities (MBS)
   d) securitizations or minibond, MBS or third-party funds
   e) private placement ([2])
   f) direct funding
   g) monitoring and management arranged for investments in new categories and any proposals for revision of IVASS Regulation 36.

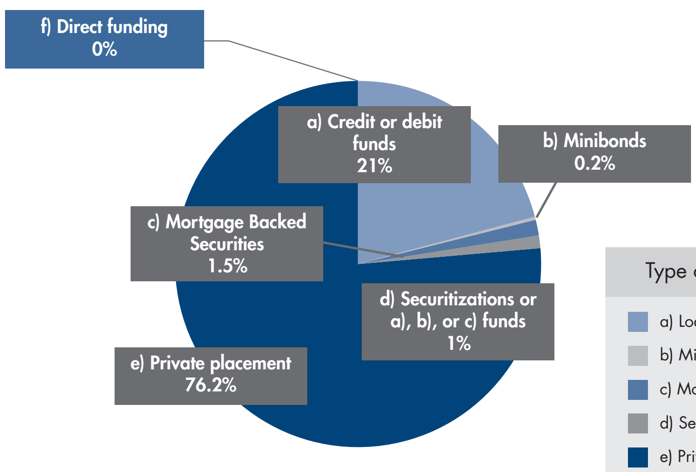
([1]) This refers in particular to the recent measures implemented by the Italian Government with the "Competitiveness" and "Destination Italy" decrees to support credit and which allow companies to cover their technical provisions by using also minibonds, commercial paper, securitizations, unsecured direct funding to persons other than natural persons and microbusinesses and by increasing investment limits on certain types of funds.
([2]) With reference to the definition by Borsa Italiana s.p.a.: "Transactions through which private and public issuers (Municipalities, Provinces, Regions and other public bodies) offer newly-issued financial instruments".

The respondents to the sample survey represent approximately 60% of the market (in terms of overall investment by all companies). The data indicate that 30% of the sample (in terms of number of undertakings) used instruments exposed to credit risk as active cover for their technical provisions but only a few started to make use of the new measures introduced. Furthermore, the use of the instruments is not evenly distributed among the sample companies and, on the contrary, is concentrated on a limited number.

As of 31 March 2015 the sample's share of investments exposed to credit risk amounted to nearly €20 billion, just above 6% of total covering assets. In addition, among the instruments falling within this category:

- Undertakings invested mainly in private placement (€14.7 billion of which €11.4 billion from Italian issuers) and debit/credit funds (€4.1 billion, mainly in foreign funds);
- Securitizations and minibonds are still little used (€484 million and €39 million respectively);
- None of the undertakings in the sample made use of direct funding (the new asset class added to the list of eligible instruments under IVASS Regulation 36).

Investments exposed to direct risk as of 31 March 2015
Euro million



Type of investment	Amounts
a) Loan or debit funds	4,057
b) Minibond	39
c) Mortgage Backed Securities	289
d) Securitizations or a), b), or c) funds	195
e) Private placement	14,682
f) Direct funding	0

Source: ANIA

The survey also found that 20% of companies make use of investment committees and internal procedures as a form of control to assess and monitor investments and approximately 18% resort to third-party assessment. None of the companies seems to operate through agreements with banks. Over 90% of undertakings in the sample consider a revision of Regulation 36 unnecessary (or do not comment).

THE CURRENT VALUE OF THE SECURITIES PORTFOLIO

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 began to conduct a sample survey using a methodology consistent with ISVAP Regulation 36/2011. The latest survey, which takes 30 April 2015 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 the Class C investments monitored on 30 April 2015, estimated on a sample of firms accounting for about 90% of the market in terms of investments, was €602 billion, compared with end-2014 figures of €568 billion for the sample companies (Table 1) and €521 billion for all insurance companies. The difference between the balance-sheet value in 2014 and the current value monitored is due to the fact that the balance-sheet 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 the Anti-Crisis Decree (Decree Law 185/2008 as amended), unrealized capital losses for securities not held on a durable basis.

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

<table>
<tr><th rowspan="3">Investments</th><th colspan="3">Current value of investment</th><th rowspan="3">% composition of investments 30 April 2015</th><th colspan="3">Current value of investment</th></tr>
<tr><th>Durable</th><th>Non-durable</th><th>Total</th><th colspan="3">Memo: total investments (durable and non-durable)</th></tr>
<tr><th colspan="3">30 April 2015</th><th>December 2012</th><th>December 2013</th><th>December 2014</th></tr>
<tr><td>Total non-life</td><td>50,844</td><td>39,183</td><td>90,027</td><td>15.0%</td><td>79,558</td><td>85,365</td><td>87,687</td></tr>
<tr><td>Total life</td><td>248,069</td><td>263,675</td><td>511,745</td><td>85.0%</td><td>351,589</td><td>392,084</td><td>480,767</td></tr>
<tr><td>Total overall</td><td>298,913</td><td>302,858</td><td>601,771</td><td>100.0%</td><td>431,147</td><td>477,450</td><td>568,454</td></tr>
</table>

<table>
<tr><th rowspan="3">Investments</th><th colspan="3">Balance of valuation gains/losses</th><th colspan="3">Balance of valuation gains/losses</th></tr>
<tr><th>Durable</th><th>Non-durable</th><th>Total</th><th colspan="3">Memo: total investments (durable and non-durable)</th></tr>
<tr><th colspan="3">30 April 2015</th><th>December 2012</th><th>December 2013</th><th>December 2014</th></tr>
<tr><td>Total non-life</td><td>4,994</td><td>2,848</td><td>7,842</td><td>4,479</td><td>4,528</td><td>6,980</td></tr>
<tr><td>Total life</td><td>39,173</td><td>25,298</td><td>64,472</td><td>11,697</td><td>16,264</td><td>52,315</td></tr>
<tr><td>Total overall (Life and non-life)</td><td>44,167</td><td>28,147</td><td>72,314</td><td>16,177</td><td>20,792</td><td>59,295</td></tr>
</table>

Of the Italian insurance industry's €602 billion of Class C investments at current value at end-April, €90 billion (15%) referred to non-life business and €512 billion (85%) to life business (Table 1). In the life and non-life sectors combined, investments held on both a durable and a non-durable basis are distributed evenly among the two categories (around €300 billion each). Overall, **the balance between unrealized capital gains and losses was positive by €72.3 billion** (compared with €59.3 billion at the end of 2014). The improvement came mainly from the fall in the yields on bonds in the portfolio, particularly Italian government securities. Both businesses contributed positively to the overall result: the non-life sector's positive balance amounted to €7.8 billion, the life sector's to €64.5 billion.

Table 2 – Life and Non-life classes – Total investments
Euro million

Investments	Current value of investment			% composition of investments 30 April 2015	Current value of investment Memo: total investments (durable and non-durable)		
	Durable	Non-durable	Total				
	30 April 2015				December 2012	December 2013	December 2014
C.I Land and buildings (A)	7,020	2	7,022	1.2%	8,598	7,952	7,109
C.II.1 Shares and other equity in affiliated undertakings	53,603	604	54,207	9.0%	45,019	55,447	52,999
C.II.2 Debt securities issued by affiliated undertakings	1,073	5,322	6,395	1.1%	6,276	5,711	6,108
Total C.II.1 and C.II.2 (B)	54,676	5,926	60,602	10.1%	51,295	61,158	59,106
C.III.1 Shares and other equity:	1,285	9,692	10,977	1.8%	9,649	9,058	9,450
C.III.2 Investment fund units	8,697	33,538	42,235	7.0%	23,424	26,953	37,544
C.III.3 Bonds and other fixed income securities	227,235	253,084	480,318	79.8%	338,058	372,185	454,850
– of which: listed and unlisted gov't securities	*180,975*	*170,263*	*351,238*	*58.4%*	*250,052*	*278,101*	*335,698*
C.III.5 Participation in investment pools	0	0	0	0.0%	0	0	0
C.III.7 Sundry financial investments	0	617	617	0.1%	124	144	394
Total C.III.1, 2, 3, 5, 7 (C)	237,216	296,931	534,147	88.8%	371,254	408,340	502,239
Overall total (A + B + C)	298,913	302,858	601,771	100.0%	431,147	477,450	568,454

Investments	Balance of valuation			Balance of valuation gains/losses Memo: total investments (durable and non-durable)		
	Durable	Non-durable	Total			
	30 April 2015			December 2012	December 2013	December 2014
C.I Land and buildings (A)	1,080	0	1,080	1,524	1,353	884
C.II.1 Shares and other equity in affiliated undertakings	3,501	123	3,624	1,080	2,708	3,392
C.II.2 Debt securities issued by affiliated undertakings	87	371	458	317	268	491
Total C.II.1 and C.II.2 (B)	3,588	494	4,082	1,396	2,976	3,883
C.III.1 Shares and other equity:	13	1,356	1,369	560	171	107
C.III.2 Investment fund units	350	2,449	2,799	534	793	1,166
C.III.3 Bonds and other fixed income securities	39,135	23,836	62,971	12,217	15,502	53,318
– of which: listed and unlisted gov't securities	*35,075*	*18,452*	*53,527*	*8,164*	*12,205*	*44,440*
C.III.5 Participation in investment pools	0	0	0	0	0	0
C.III.7 Sundry financial investments	0	12	12	-54	-4	-63
Total C.III.1, 2, 3, 5, 7 (C)	39,499	27,653	67,151	13,257	16,463	54,528
Overall total (A + B + C)	44,167	28,147	72,314	16,177	20,792	59,295

Life and non-life business

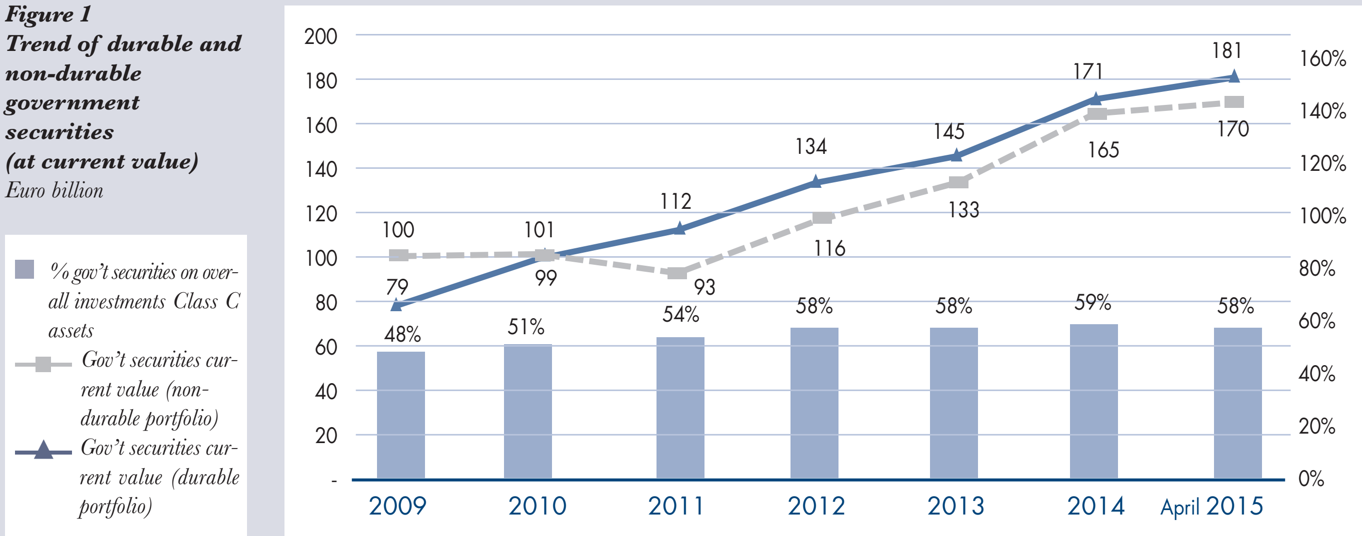
In the life insurance sector, debt securities and other fixed-income securities were the top investments, with a current value of €480 billion at the end of April 2015, up €25 billion from the end of 2014 (Table 2). Shares and other equity in affiliated undertakings came to €60.6 billion (9.0% of the total) and investment fund units to €42.2 billion (7.0%).

On 30 April 2015 the **balance between unrealized capital gains and losses was positive by some €72 billion** (it had been positive by €20.8 billion in 2013 and €59.3 billion in 2014). With the significant upturn in the financial markets already in the course of 2013 and continuing into the early months of 2015, the balance with respect to the end of 2014 improved for virtually all assets. In particular, for government securities the positive balance grew by more than €9 billion between the end of 2014 and the the end of April, from €44 billion to €53 billion. The change in the balance between unrealized gains and losses was even more pronounced between the end of 2012 and 30 April 2015, exceeding €45 billion.

It is worth looking more closely at investments in government securities (Figure 1), and in particular at those held on a durable basis, which grew from €79 billion (at current value) at end-2009 to €181 billion based on the latest survey in April this year. The amount invested has not shown any signs of downturn during the period examined. On the contrary, there has been an average increase by €15 billion yearly. Investments in government securities held on a durable basis went from €100 billion in 2009 to €170 billion at end-April 2015. Investment in this class too has grown steadily, except for the years 2010-2011 when it decreased by €7 billion.

The portion invested in government securities has continued to grow, from 48% of overall investments in 2009 to nearly 60% in the last two years (the same value was recorded at the end of April 2015).

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



2

THE ITALIAN INSURANCE INDUSTRY IN THE INTERNATIONAL SETTING

THE INTERNATIONAL SETTING

In 2013 world total premium income was $4,641 billion, with a real growth of 1.4%. The slower rate of improvement compared to 2012 (2.4%) is mainly due to the results of the life sector.

In Europe, whose volume accounts for 35% of the world total, premiums increased by 2.2%. In Asia, with a market share of 28%, over 11% in Japan alone, the increase was 2.4%. The most significant growth in terms of premiums was registered in Africa and Latin America, although their markets are still expanding and only represent 2% and 4% of the total respectively. Oceania represents another small share (2%) of the global insurance market, with a growing volume of premiums. Premium collection in North America, with nearly 30% of the global market, was down very marginally (-0.2%).

In 2013, life premiums increased by 0.7% (to $2,608 billion) compared to 2012 when the volume had grown by 2.3%.

This slow-down is chiefly the result of a standstill in the advanced countries and of a smaller expansion in the emerging countries than in previous years. More in detail, the improvement in Latin America (+12.2%) and Oceania (+9%) was offset by a decrease in the volume of premiums in North America (-6.9%) and with a virtually flat trend in Asia. In contrast to the rest of the advanced markets, in Western Europe the volume of premiums in 2013 grew by 4%, after the decrease in 2012.

Premium volume 2013
$ million

	LIFE	NON-LIFE	TOTAL	Share % Total
North America	585,193	799,407	1,384,600	29.83
Latin America	80,363	103,437	183,800	3.96
Europe	946,727	684,972	1,631,699	35.16
of which: West. Europe	*925,933*	*630,111*	*1,556,044*	*33.53*
of which: C&E Europe	*20,794*	*54,861*	*75,655*	*1.63*
Asia	898,413	380,366	1,278,779	27.55
of which: Japan	*422,733*	*108,773*	*531,506*	*11.45*
Africa	49,939	22,485	72,424	1.56
Oceania	47,455	42,182	89,637	1.93
TOTAL	2,608,090	2,032,849	4,640,939	100

Source: Swiss Re - SIGMA World insurance in 2013

Real Growth 2013
%

	LIFE	NON-LIFE	TOTAL
North America	-6.9	1.9	-0.2
Latin America	12.2	7.2	9.4
Europe	3.8	0.0	2.2
of which: West. Europe	*4.0*	*-0.3*	*2.2*
of which: C&E Europe	*-3.2*	*2.5*	*0.8*
Asia	1.0	6.0	2.4
of which: Japan	*1.4*	*2.0*	*1.5*
Africa	12.8	2.1	10.2
Oceania	9.0	5.1	7.1
TOTAL	0.7	2.3	1.4

Source: Swiss Re - SIGMA World insurance in 2013

Premium reserves in the non-life sector ($2,033 billion) grew by 2.3% in 2013 compared to 2012 when they grew by 2.7%.

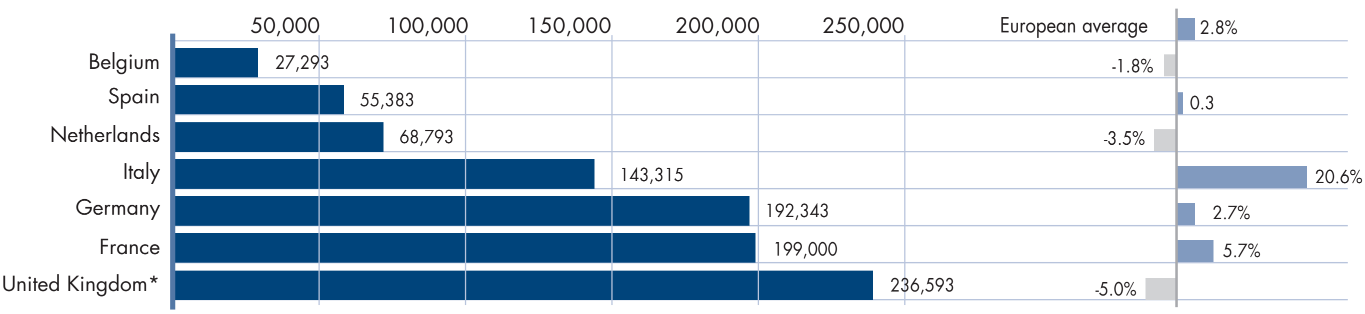
The advanced markets continued to grow, although at a lower rate than the year before: this is partly due to stagnation in Western Europe (-0.3%) and partly to slower growth in the Asian countries. In Oceania, the trend is still robust (+5.1%), while in North America the increase was very marginal compared to a year earlier (+1.9%) Overall, the non-life sector in the advanced markets has continued to grow in the years since the 2008 crisis, but more slowly than in the pre-crisis years. The only exception is Japan, with a post-crisis average growth that is higher than pre-crisis (especially in property insurance), mainly due to the effects of the earthquake and tsunami in 2011. With the exception of Eastern and Central Europe, non-life premiums in the emerging markets have continued to show strong growth, with the volume of non-life premiums growing by 7.2% and 2.1% in Latin America and Africa respectively.

Overall profitability in the two sectors has improved, despite persistently low interest rates. The life sector was positively affected by stock trends, while the non-life sector benefited from the implemented increase in premium rates. In the advanced countries, economic growth should accelerate as a consequence of the increase in foreign trade and of less restrictive fiscal policy. The emerging economies are expected to continue growing, although slowly due to stringent monetary policy.

THE IMPORTANCE OF INSURANCE IN THE MAIN EU NATIONAL MARKETS

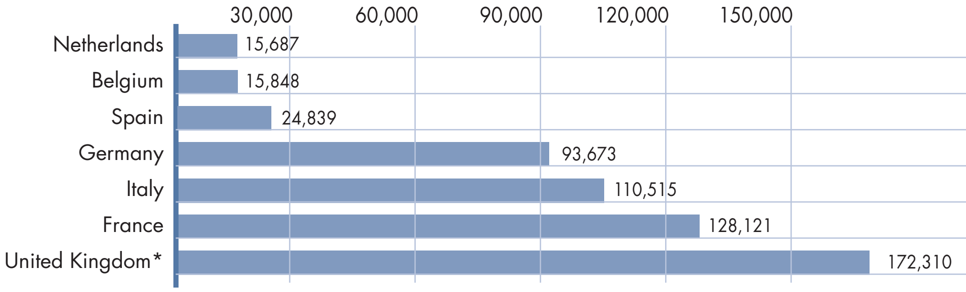
In 2014, premium reserves in the main EU countries (Belgium, France, Germany, Italy, the Netherlands, the United Kingdom and Spain) amounted to €923 billion, up 2.8% from 2013. The positive changes recorded in three countries contributed the most to the growth: Italy (+20.6%), France (+5.7%) and Germany (+2.7%). Pre-

Direct premiums in the main EU countries in 2014 – Total ***% change in direct premiums 2014/2013 – Total***
€ million

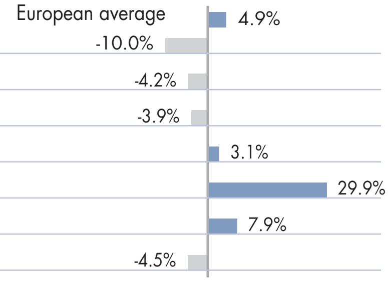


(*) 2013 and change 2013/2012
Source: Insurance Europe

Direct premiums in the main EU countries in 2014 – Life
€ million

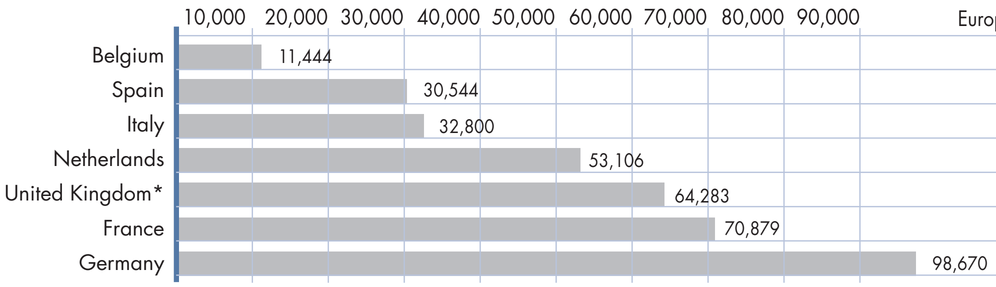


% change in direct premiums 2014/2013 – Life

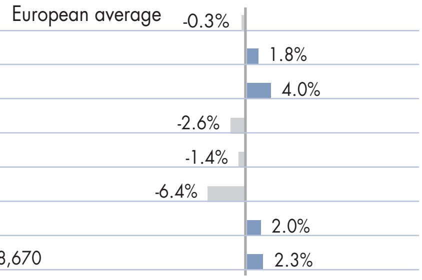


(*) 2013 and change 2013/2012
Source: Insurance Europe

Direct premiums in the main EU countries in 2014 – Non-life
€ million



% change in direct premiums 2014/2013 – Non-life



(*) 2013 and change 2013/2012
Source: Insurance Europe

miums collected in Belgium and in the United Kingdom were in decline (-1.8% and -5.0% respectively; for the UK the figures refer to 2013 and 2012, as data for 2014 are not yet available).

The positive result for total premium income is mainly the result of the uptrend in the life sector, which gained 4.9% in 2014 to €561 billion. Positive changes were recorded in: Italy (+29.9%), France (+7.9%) and Germany (+3.1%); a decline was recorded in: the Netherlands (-10.0%), the United Kingdom (-4.5% in 2013 with respect to 2012), Belgium (-4.2%) and Spain (-3.9%).

For the non-life sector 2014 was a year of stagnation, premiums slipping to €362 billion (-0.3%). Four countries contributed with positive changes: Spain (+4.0%), Germany (+2.3%), France (+2.0%) and Belgium (+1.8%). Negative changes were observed, instead, in the following countries: the United Kingdom (-6.4%, 2013/2012), Italy (-2.6%) and the Netherlands (-1.4%).

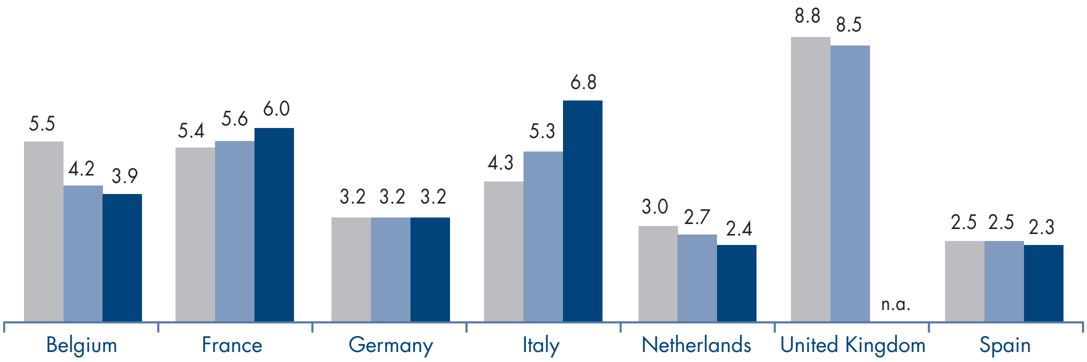
In the three years from 2012 through 2014 the ratio of the volume of premiums to GDP – the so-called insurance penetration index – performed differently in the life and non-life sectors. It is to be noted that the data for 2014 provided by Insurance Europe are still provisional and, in some cases, they are estimates made by national insurance associations.

In the life sector, in the observation period, the indicator showed different trends in the different countries under examination. More in detail, there was a steady decline in Belgium with values recorded of 5.5% in 2012, 4.2% in 2013 and 3.9% in 2014; and in the Netherlands (3.0% in 2012, 2.7% in 2013 and 2.4% in 2014); also in Spain the ratio, which had remained the same between 2012 and 2013 at 2.5%, came down to 2.3% in 2014. The same down trend was registered in the non-life sector for 2012 and 2013 in the United Kingdom, where the index went from 8.8% in 2012 to 8.5% in 2013 (nevertheless the highest value among all the countries examined).

France and Italy reported increases, going from 5.4% and 4.3% in 2012 to 6.0% and 6.8% in 2014 respectively.

Life premiums / GDP
(%)

2012
2013
2014



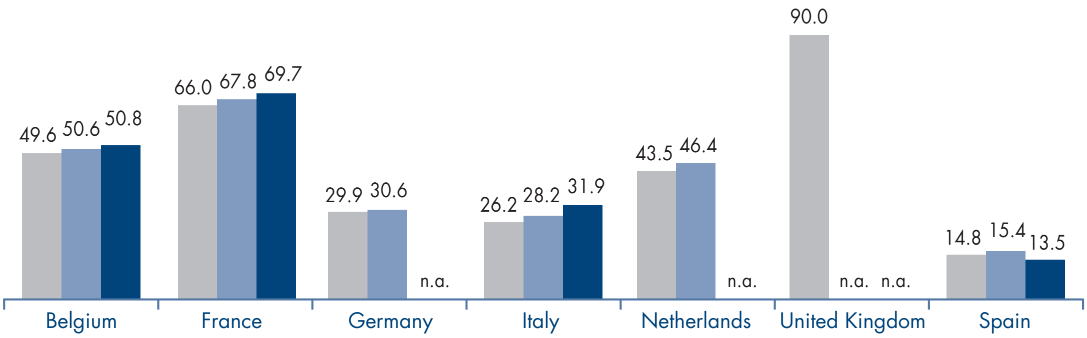
Source: Insurance Europe

As regards mathematical provisions, 2014 data for the United Kingdom (also 2013 data), Germany and the Netherlands are not yet available.

In Italy the ratio of mathematical provisions to GDP, indicative of the degree of maturity of the life insurance market, rose progressively from 26.2% in 2012 to 31.9% in 2014. This is still lower than in the other European countries, except Spain, where the ratio fell to 13.5% in 2014 from 15.4% a year earlier. Between 2012 and 2014 the ratio also rose in Germany (from 29.9% to 30.6% in 2013) and in the Netherlands (from 43.5% to 46.4% in 2013); in Belgium (from 49.6% in 2012 to 50.8% in 2014) and in France (from 66.0% in 2012 to 69.7% in 2014). The highest value was recorded, for this indicator as well, in the United Kingdom (90.0%), again for 2012.

Life mathematical provisions / GDP
(%)

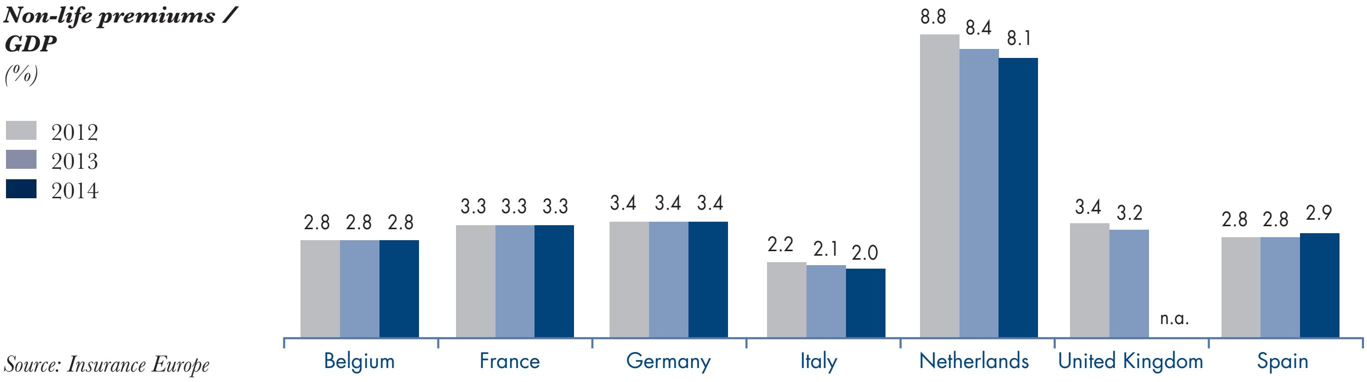
2012
2013
2014



Source: Insurance Europe

In the non-life sector, in 2014 Italy again had the lowest ratio of premiums to GDP. Over the past three years, the Italian index has come down from 2.2% in 2012 to 2.0% in 2014. A downturn was recorded also in the UK, where the ratio came down to 3.2% in 2013 from 3.4% a year earlier, while in Spain the ratio was 2.9% in 2014, after having remained constant at 2.8% in the two previous years. The indicators for the past three years in the other countries were essentially unchanged at: 3.4% (Germany), 3.3% (France) and 2.8% (Belgium). The Netherlands' high non-life insurance penetration index – the highest in Europe despite the slight decline over the three years in question, more than 6 percentage points above the Italian indicator in 2014 – reflects the positive effects in terms of premium collection of the privatization of the health system in 2006.

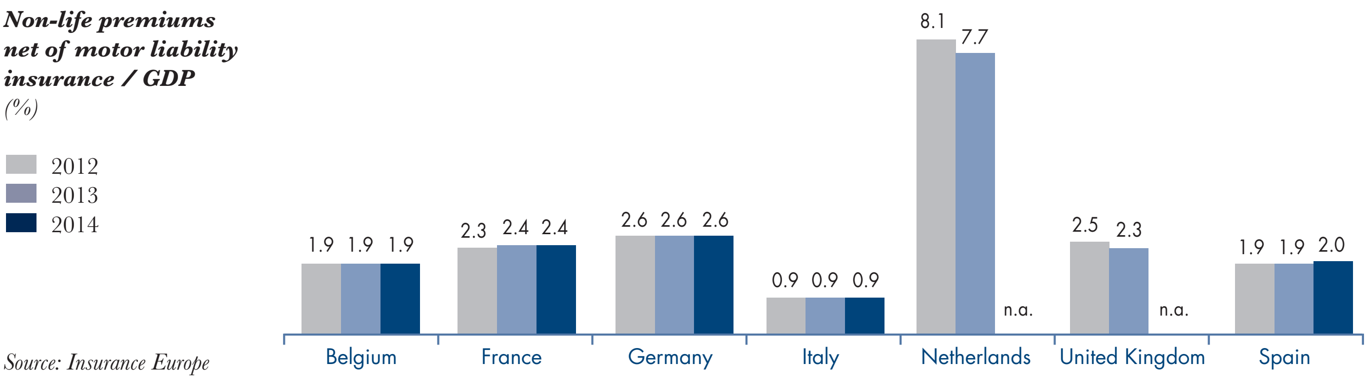
Non-life premiums / GDP
(%)



Source: Insurance Europe

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 2014 the ratio of these premiums to GDP was unchanged in Italy at 0.9%. In Belgium and Spain the ratio was double Italy's and in France it was somewhat more than twice as great. In Germany the indicator remained stable at 2.6% over the three-year observation period, while it decreased slightly in the United Kingdom (from 2.5% in 2012 to 2.3% in 2013) and in the Netherlands (from 8.1% in 2012 to 7.7% in 2013).

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



Source: Insurance Europe

THE TAXATION OF PREMIUMS IN THE EUROPEAN UNION

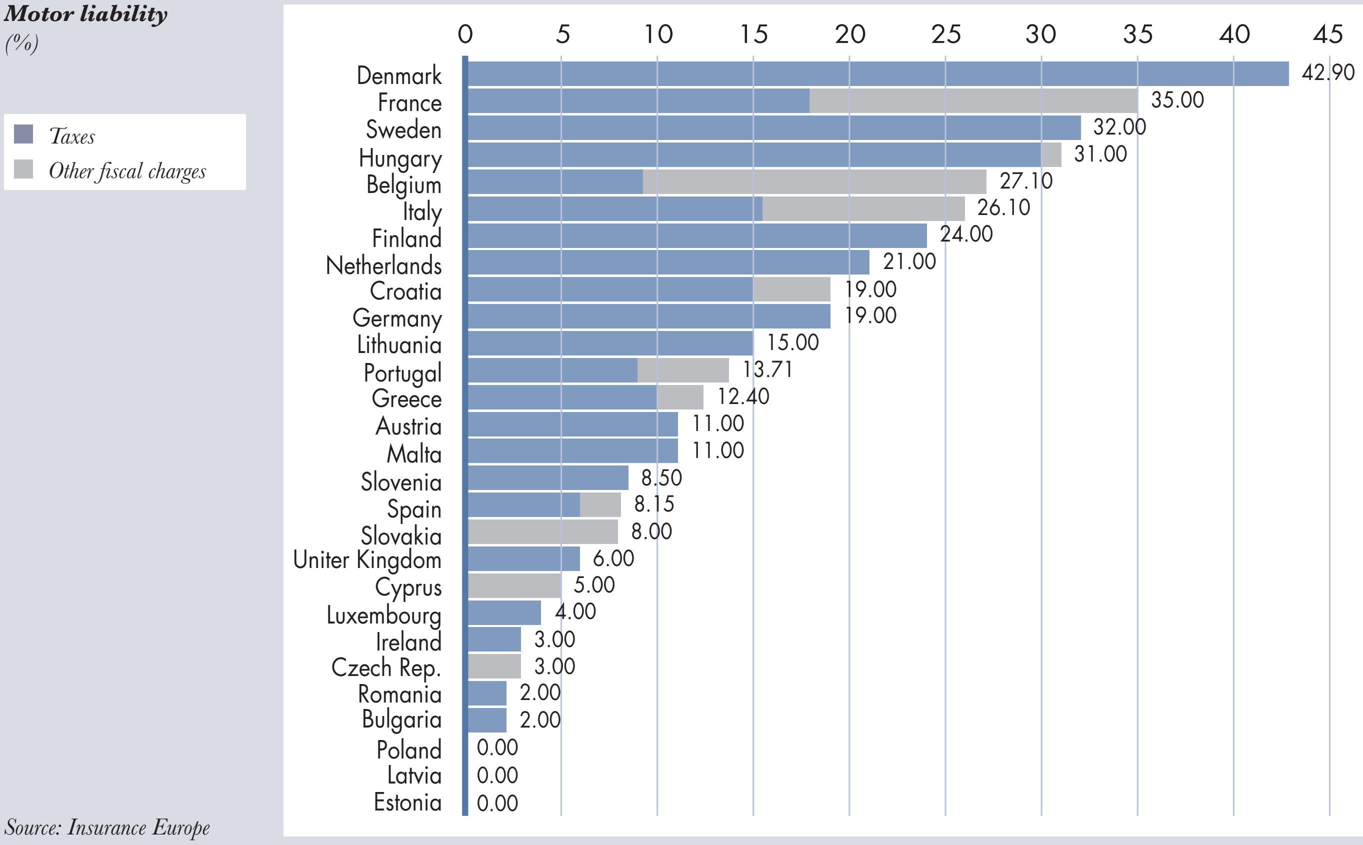
The tax burden on insurance premiums in Italy has long been among the highest in Europe, and 2014 confirms this unchanging pattern.

In the following discussion we supply details on the tax rates applied to insurance premiums in the EU member countries for motor liability, fire, general liability and goods in transit.

In the motor liability branch the tax burden on premiums is 15.60%. Adding tax-related charges equal to 10.5% brings the overall rate on motor liability insurance to 26.10% in Italy. The 15.60% value is the result of local increases decided in 2011 by Italian provinces, which have raised the tax rate from 12.50% to 16%. The latest data from the Fiscal Federalism Bureau of the Finance Department available at end-May 2015 show that, in fact, only four Italian provinces have kept the tax rate below the 12.50% basic rate; all the others have implemented rises bringing the tax rate to the highest value allowed (16%), with a few isolated exceptions.

The incidence of taxes and parafiscal charges on motor liability insurance in Europe averages 19%; Italy is still well above the average and the values applied in other important countries, such as the United Kingdom (6%), Spain (8.15%) and Austria (11%). In Germany and the Netherlands the tax rate is average or somewhat higher (19% and 21% respectively), while in France the overall charge on motor liability premiums tops 35%.

Motor liability
(%)

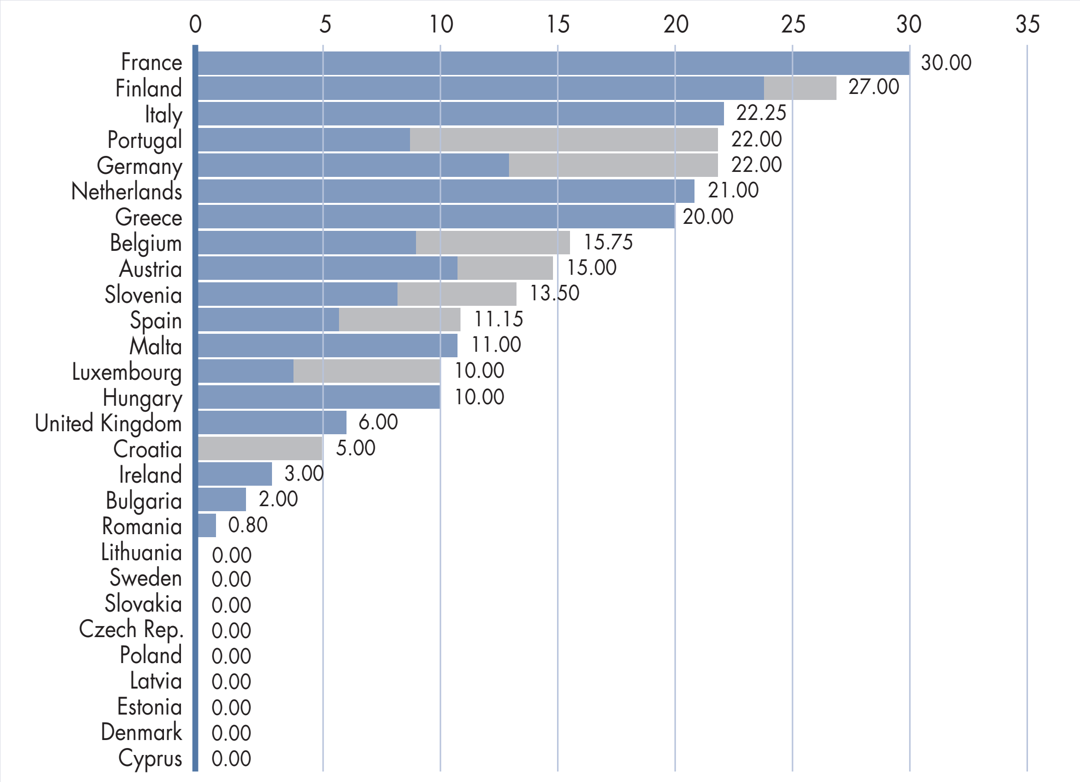


Source: Insurance Europe

The tax on fire insurance premiums in Italy (22.25%) is sharply higher than in the United Kingdom, Spain and Austria (6%, 11.15% and 15% respectively) but continues to be lower than in France (30%) and Finland (27%).

Fire
(%)

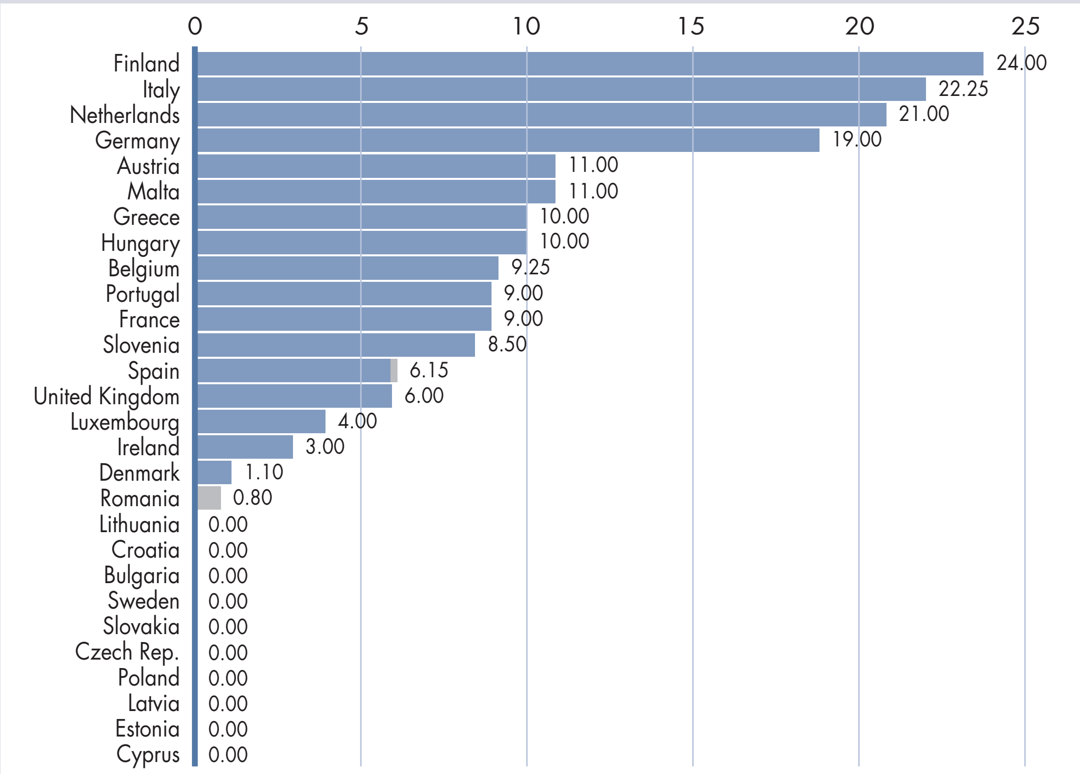
Taxes
Other fiscal charges



Source: Insurance Europe

General liability
(%)

Taxes
Other fiscal charges

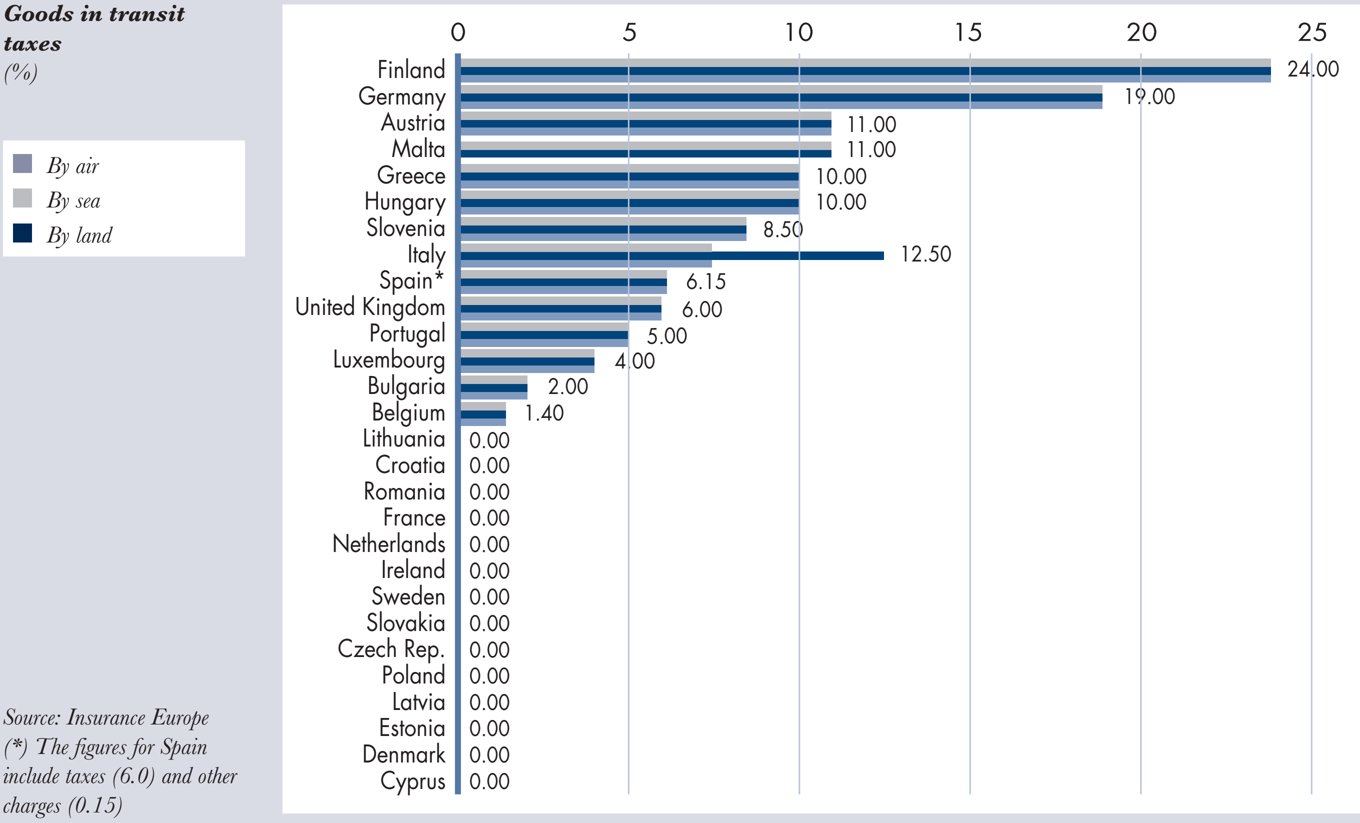


Source: Insurance Europe

Italy and Finland share the unenviable record of the most onerous tax burden in Europe for general third-party liability (22.25% and 24% respectively), with values regularly higher than in Germany (19%), France (9%), Spain (6.15%) and the United Kingdom (6%).

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 transported by land. The European countries with the highest tax rates remain Finland (24%), Germany (19%) and Austria (11%). The United Kingdom applies a 6% rate. In France and most of the other countries such premiums are either exempt or taxed at a very low rate.

Goods in transit taxes
(%)



Source: Insurance Europe
(*) The figures for Spain include taxes (6.0) and other charges (0.15)

3

LIFE INSURANCE

LIFE INSURANCE

Life insurance premiums increased by 30% in 2014 to over Euro 110 billion. The growth involved all life insurance classes, although at different levels. The increase in premiums, combined with a decrease in claims and benefits paid of 3%, generated a positive net cash flow for the year of nearly Euro 46 billion. Despite a 12% increase in financial technical income compared to 2013, the overall technical balance for the life business diminished marginally. This is due to a significant change in the mathematical provisions, which doubled compared to 2013, as a natural consequence of the increased commitments undertaken by the companies.

DOMESTIC BUSINESS

In 2014 **premiums from direct domestic business** of the 59 insurance companies operating in the life classes increased by 29.9% to €110,515 million (they had gone up by 22.1% in 2013 after decreasing in the two previous years: -5.5% in 2012 and -18.0% in 2011). Life premiums made up 77.1% of total life and non-life premiums, compared with 71.6% in 2013. The strong upward trend shown also at the beginning of 2015 is due in part to the attractiveness of the yields on traditional policies compared to the low interest rates offered by government securities and other financial instruments, in part to the products offered by insurance companies,

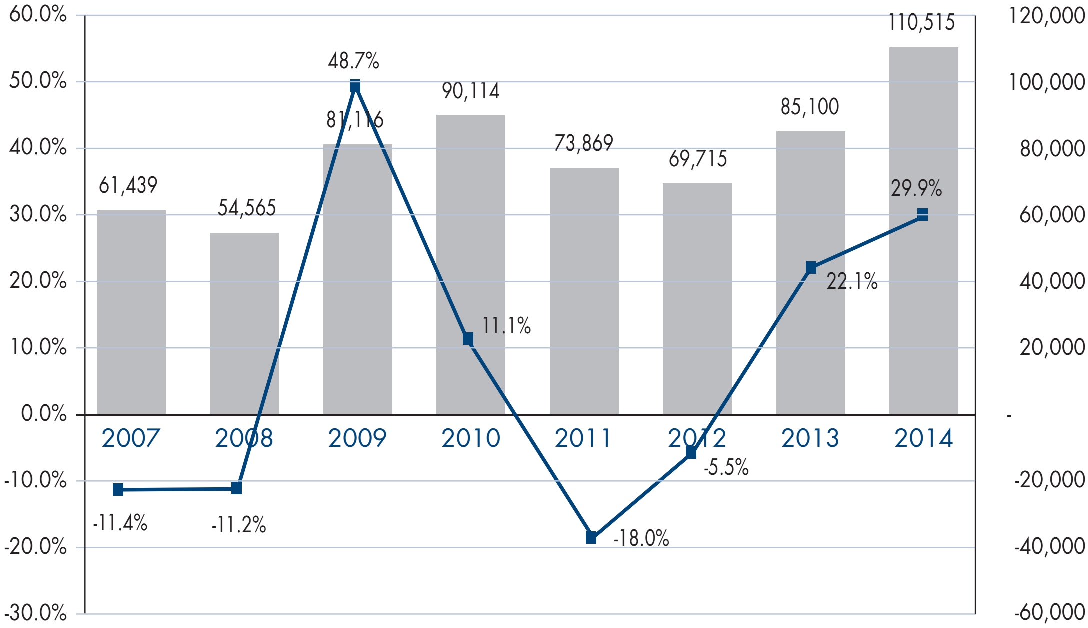
Life technical account
Euro million

	2007	2008	2009	2010	2011	2012	2013	2014
Gross written premiums	61,439	54,565	81,116	90,114	73,869	69,715	85,100	110,515
Incurred claims (-)	74,316	65,547	57,198	66,801	73,971	75,022	66,788	64,578
Changes in mathematical and technical provisions (-)	-10,245	-22,636	41,114	32,184	2,547	10,013	29,928	60,082
Balance of other technical items	468	104	19	-126	-177	-222	-325	-379
Operating expenses (-)	4,681	4,056	4,090	4,300	3,832	3,367	3,538	3,811
– commissions	2,812	2,478	2,559	2,696	2,205	1,788	1,982	2,206
– other acquisition costs	906	661	640	675	709	681	683	681
– other administration costs	962	918	891	929	918	898	874	924
Investment income	8,176	-11,030	23,996	12,617	3,019	25,382	18,409	20,590
Direct technical account result	**1,331**	**-3,328**	**2,730**	**-680**	**-3,639**	**6,473**	**2,929**	**2,255**
Reinsurance results and other items	292	320	442	366	268	388	369	519
Overall technical account result	**1,623**	**-3,008**	**3,172**	**-314**	**-3,371**	**6,861**	**3,298**	**2,774**
Net cash flow	**-12,877**	**-10,982**	**23,918**	**23,313**	**-102**	**-5,306**	**18,312**	**45,937**
Annual % changes in premiums	-11.4%	-11.2%	48.7%	11.1%	-18.0%	-5.5%	22.1%	29.9%
Expense ratio	7.6%	7.4%	5.0%	4.8%	5.2%	4.8%	4.2%	3.4%
– Commissions/Gross written premiums	4.6%	4.5%	3.2%	3.0%	3.0%	2.6%	2.3%	2.0%
– Other acquisition costs/Gross written premiums	1.5%	1.2%	0.8%	0.7%	1.0%	1.0%	0.8%	0.6%
– Other administration costs/Gross written premiums	1.6%	1.7%	1.1%	1.0%	1.2%	1.2%	1.0%	0.8%
Investment income/Technical provisions	2.2%	-3.2%	6.7%	3.2%	0.7%	6.1%	4.2%	4.3%
Technical account result/Gross written premiums	**2.2%**	**-6.1%**	**3.4%**	**-0.8%**	**-4.9%**	**9.3%**	**3.4%**	**2.0%**
Overall technical account result/Gross written premiums	**2.6%**	**-5.5%**	**3.9%**	**-0.3%**	**-4.6%**	**9.8%**	**3.9%**	**2.5%**
Overall technical account result/Technical provisions	**0.44%**	**-0.86%**	**0.89%**	**-0.08%**	**-0.82%**	**1.64%**	**0.75%**	**0.57%**

Indexes and changes (%) are calculated on data in thousands of euros which in 2014 provided a growing variety of products, aiming at diversified asset allocation as well. In fact, over the past year multi-class products have become more and more common, with premiums invested partly in segregated asset portfolios and partly in unit-linked funds.

Total direct premiums (Life)
Euro million

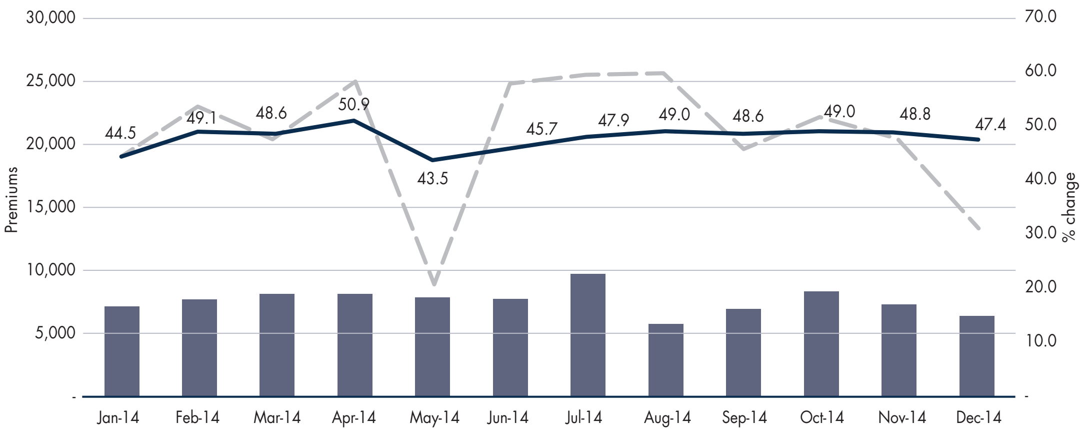
Premiums (right-hand scale)
Annual growth rate



The increase in life written premiums in 2014 can be attributed mainly to the trend of new business which exceeded €6 billion every month last year (hitting the record cash flow of nearly €10 billion in July). Over the year new life business was €91 billion, 47.4% more than 2013.

Life premiums from new business Year 2014
Euro million

Premiums
% change month/month
Cumulative % change

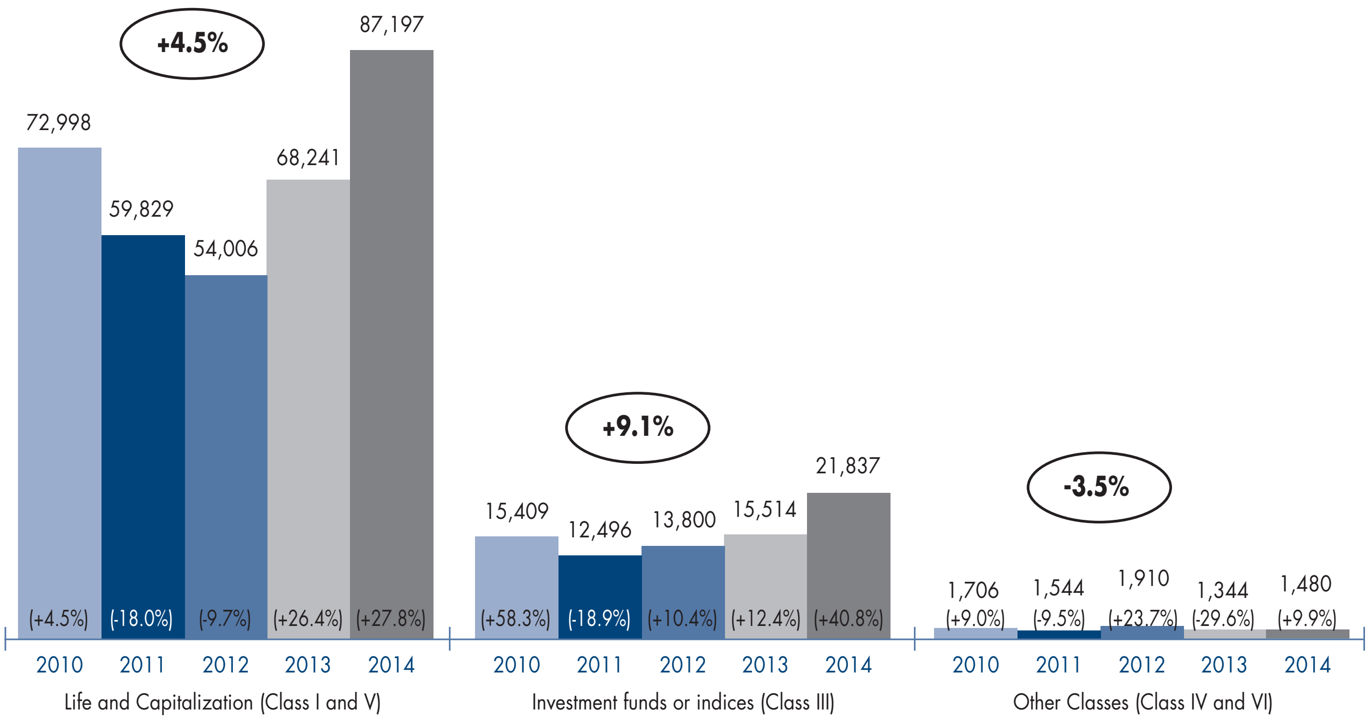


Looking at the insurance classes separately, in 2014 Class I (life insurance) and Class V (capitalization) written premiums totaled €87,197 million, up 27.8% (the increase had been by 26.4% a year earlier). Over the past 5 years, the average annual increase in the same classes was 4.5%.

The improvement in 2013 and 2014 was strongly driven by marketing through banks and post offices, which have expanded more than the market average (+58.4% and +35.8% respectively). In 2014 traditional policy premiums accounted for almost 80% of the entire life portfolio, 75% of which was Class I policies (+27.1% compared to 2013) and the remaining 4% was Class V policies (+40.8%).

Premiums from direct domestic business by insurance class
Euro million

x.x% % change five-year geometric mean
(x.x%) annual % change



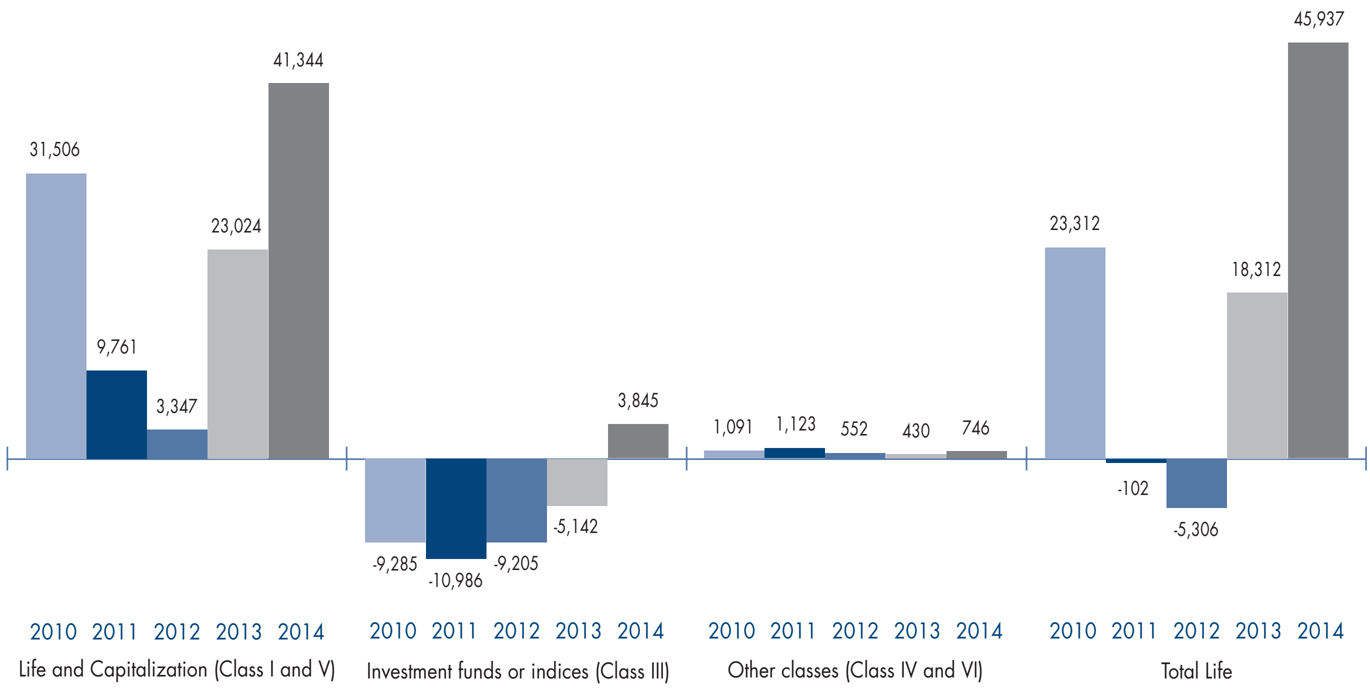
Class III premiums (investment or index funds) also grew substantially in 2014, amounting to €21,837 million, up 40.8% compared to a year earlier; these products accounted for 19% of the entire life portfolio. Over the past 5 years, the average annual increase was 9.1%. The increase in 2014 was mainly due to premiums written by financial salesmen, with a market share of nearly 50% and a 41.1% increase on 2013. Almost the entire remaining share of linked policies (46%) was distributed via bank and post office branches with a 43.0% increase in collected premiums.

Also growing in 2014 (+9.9%), were policies of other life classes (Class IV and VI), amounting to €1,480 million, 1.3% of the total life premium income. Despite such improvement for the last year, a five-year view shows that premiums for those classes have recorded a downturn of 3.5% annually on average. More specifically, of the total life premiums €67 million came from LTC and permanent health insurance policies (Class IV) with an increase of 28.9% compared to 2013 (45% of the portfolio having been distributed by brokers), while the remaining €1,413 million refer to pension funds (Class VI), 9.1% more than a year earlier (over 50% of the premium volume is distributed through direct sales).

Incurred claims, defined as the amounts paid plus the change in the amounts reserved in respect of claims net of recoveries, totaled €64,578 million in 2014 (down 3% from 2013) as a result of a decrease of 6.0% in amounts paid for claims and of a fall of 3.9% in expiring policies and in the disbursement of annuities.

Net cash flow, defined as the difference between premiums and incurred claims, was positive by €45,937 million; in 2013 net cash flow was €18,312 million, whereas in 2011 and 2012 it had been negative.

Net cash flow
Euro million

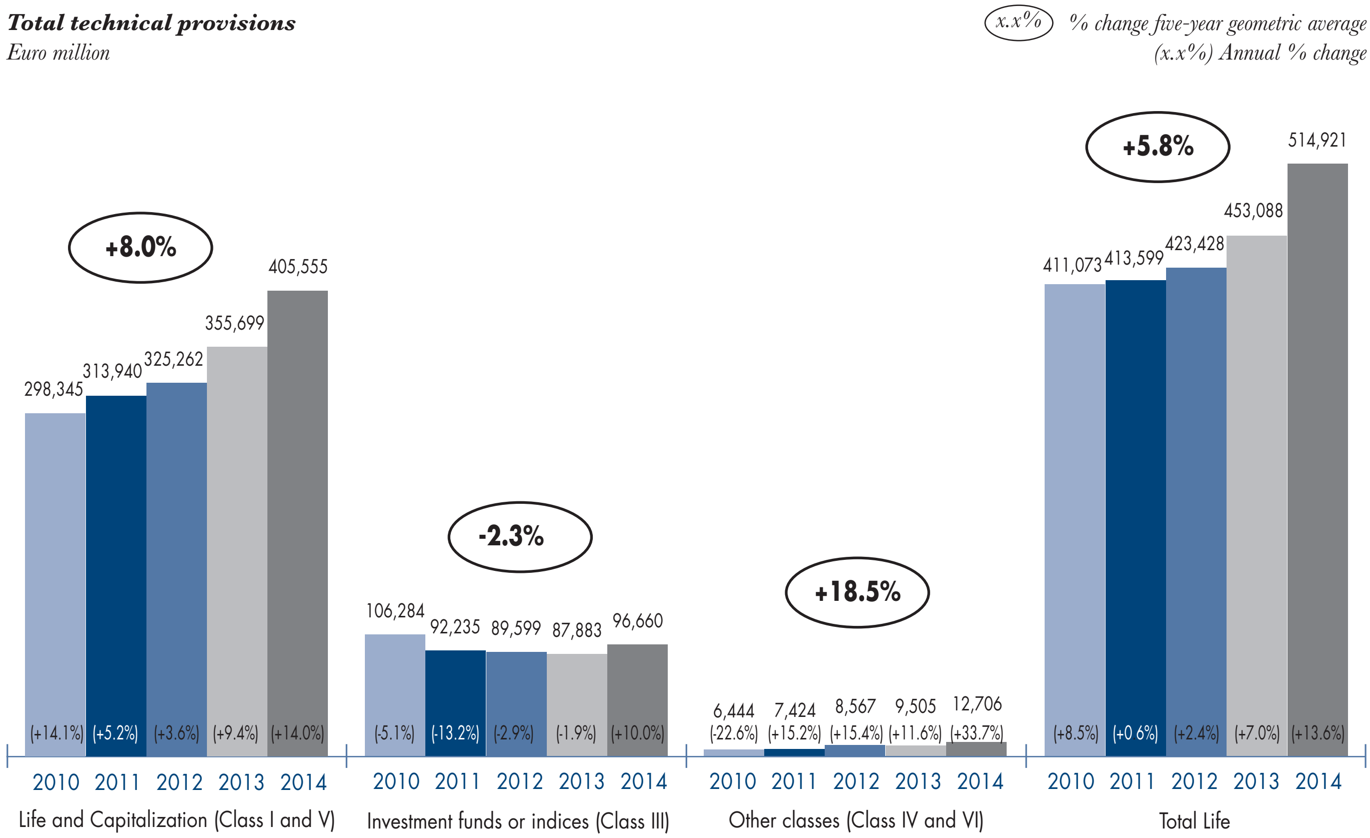


In particular, net cash flow of class I and V premiums amounted to €41,344 million (the highest in the five-year period analyzed), almost twice as much as in 2013 which in turn had registered a dramatic increase compared to 2012 when the net cash flow had been as low as €3,347 million. For the first time in six years the net cash flow for Class III premiums was positive at nearly €4,000 million (it was negative by about €5,000 million in 2013 after recording the historical low in 2011, negative by almost €11,000 million). Also growing, but with a lower volume, was the net cash flow for other life classes (IV and VI) which, amounting to €746 million, has improved compared to the two previous years, although it remains below the 2010 and 2011 levels when the net cash flow exceeded €1,000 million for each year.

The **change in the mathematical provisions** and other technical provisions in 2014 amounted to approximately €60 billion, compared with €30 billion a year earlier. **Total technical provisions**, amounting to €514,921 million, gaining 13.6%

(+7.0% in 2013) to produce average annual growth of 5.8% over the five-year period (2010-2014). More in detail, the amounts set aside in traditional classes amounted to €405,555 million, up 14% compared to 2013. These reserves account for 73.6% of total life reserves and have registered an average growth of 8.0% over the past five years. Technical reserves pertaining to linked policies totaled €96,660 million (almost 20% of total reserves), up 10.0% from 2013 but down 2.3% as a five-year average. Reserves set aside in 2014 for the remaining classes (IV and VI) increased by 33.7% to €12,706 million, confirming the steady growth which started in 2010 when those reserves were scarcely half the current amount.

Total technical provisions
Euro million

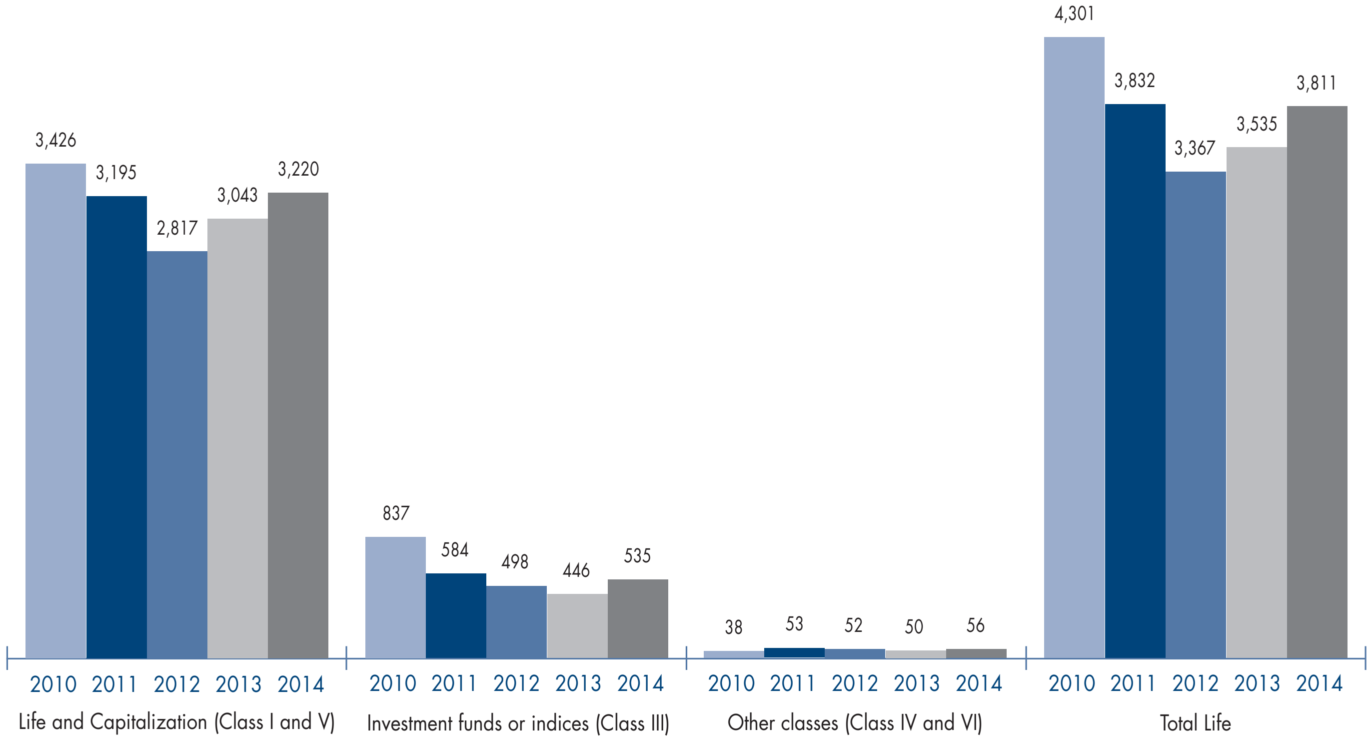


Operating expenses – that is, administrative expenses relating to technical management plus costs of contract acquisition, premium collection and the organization and management of the distribution network – amounted to €3,811 million (of which 84% from Classes I and V, 14% from Class III and 2% from other life classes), an increase of 7.7% from the previous year.

The result of investment income in 2014 was equal to €20,590 million, and even though its positive contribution to the overall technical account gained over 12% from 2013, the final **result of the technical account**, although still amply positive, diminished compared to 2013. This is due to a significant change in the mathematical provisions, which doubled compared to 2013, as a natural consequence of the increased commitments undertaken by the companies.

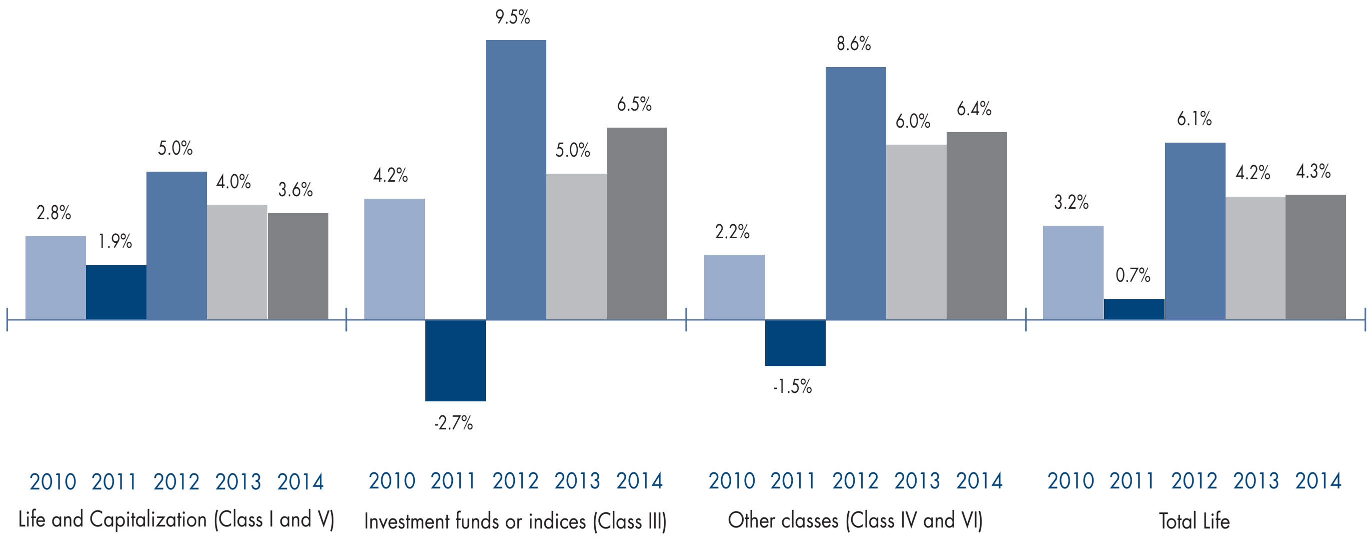
LIFE INSURANCE

Operating expenses
Euro million



More specifically, profits from investments calculated on the basis of the stock of mathematical provisions registered different developments in the various classes. In particular, the ratio of profits from investments to the reserves in traditional classes decreased from 4.0% in 2013 to 3.6% in 2014, whereas in other classes the indicator increased: from 5.0% to 6.5% in Class III (Investment or index funds) and from 6.0% to 6.4% in other life classes.

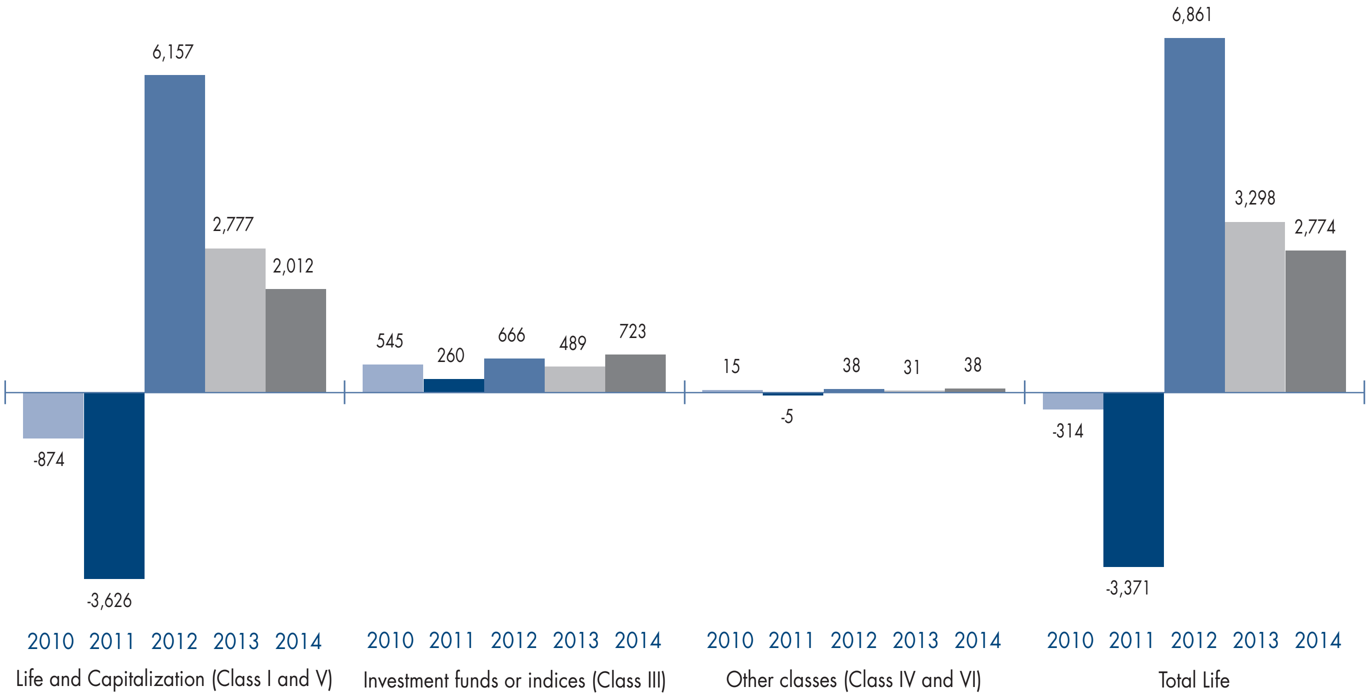
Profits from investments on mathematical provisions
%



The result of reinsurance cessions and net indirect business was positive by €519 million (€369 million in 2013).

The **overall technical account result** was positive by €2,774 million, whereas in 2013 it had been positive by €3,298 million. Hence, both its ratio to premiums and its ratio to technical provisions declined, respectively from 3.9% to 2.5% and from 0.75% to 0.57%: in particular, there was a contraction in traditional classes, from €2,777 million in 2013 to €2,012 million in 2014. The technical balance for Class III - Investment funds or indices amounted to €723 million (nearly 50% more than in 2013), thanks to the strong investment performance. Also slightly increasing was the balance for the remaining classes, which amounted to €38 million (€31 million in 2013).

Overall technical balance
Euro million



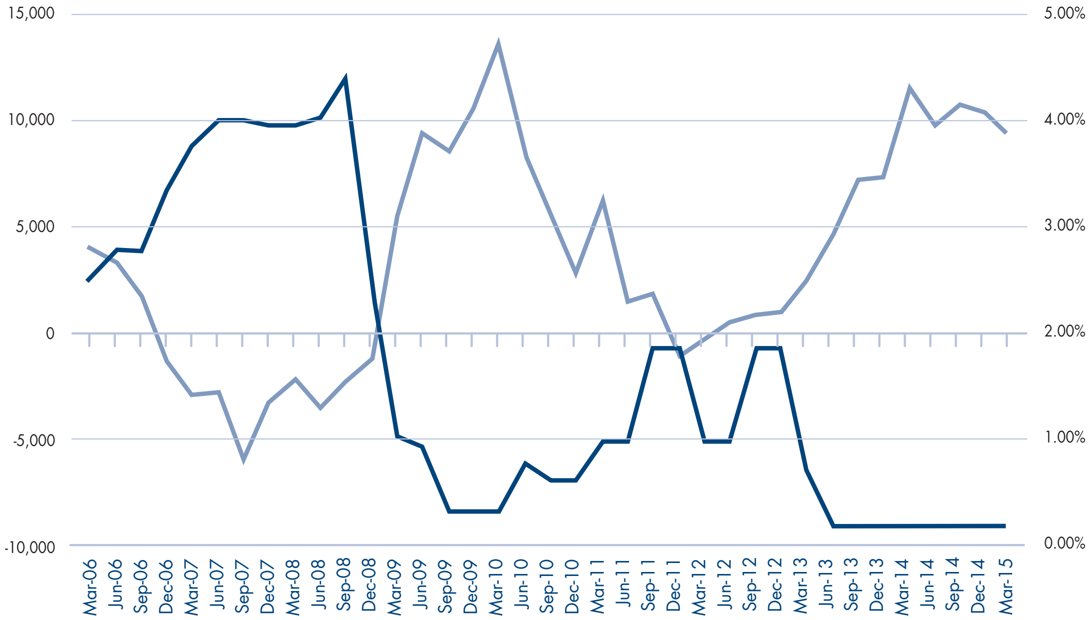
THE EVOLUTION OF NET PREMIUM INCOME IN THE LIFE SECTOR

From 2006 to the first quarter of 2015 the performance of net life premium income in each quarter – the difference between premiums and amounts paid for surrenders, policies maturing, claims and annuities – has fluctuated between positive and negative periods.

For profit-sharing life policies, which account for the bulk of life products in classes I and V, in the period examined we find a negative correlation between net premium income and the nominal rates on Italian government securities (Figure 1).

Partly because of the specific features of the separate asset portfolios to which these policies are normally linked, they become especially attractive for customers when government securities yields are low.

Figure 1
Net premium income of traditional policies in each quarter and yield on Italian Treasury bills (BOTs), 2006-Q1 2015

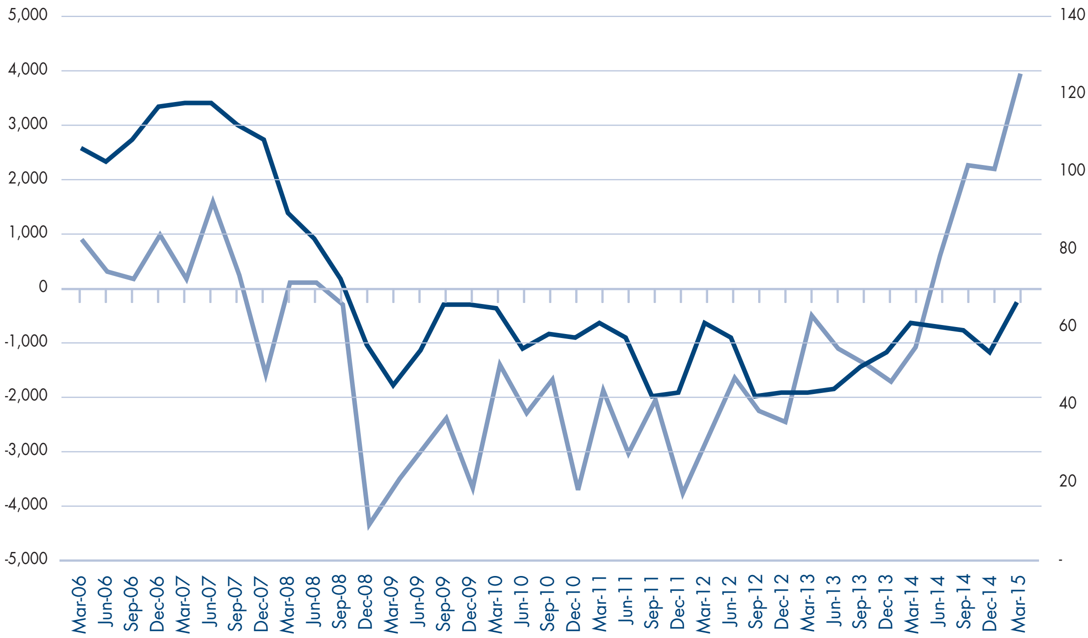


Net life premium income (Class I and V) - Euro million (left-hand scale)
Gross yield on 3-month BOTs (right-hand scale)

Source: ANIA, Thomson Reuters, Datastream

For linked policies, following the negative net premium income beginning in 2008, with a positive correlation with the performance of Italy's FTSE-MIB stock exchange index (Figure 2), the quarterly series of net premium income in the period examined has shown a reversal of trend over the latest quarters, with positive net cash flows gaining far more than the stock exchange.

Figure 2
Net premium income of linked policies in each quarter and index FTSE MIB 2006-Q1 2015



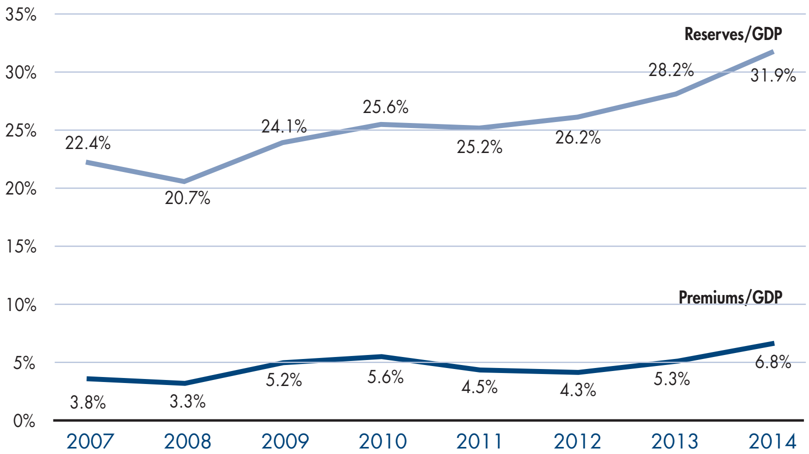
Net life premium income (Class III) - Euro million (left-hand scale)
Survey index base 1.1.2006 = 100 (right-hand scale)

Source: ANIA, Thomson Reuters, Datastream

LIFE INSURANCE AND GDP

The increase in life technical provisions recorded in 2014 (+13.6%, almost twice the increase in 2013 and the highest yearly amount in the 2007-2014 period) has produced a rise in the ratio of technical provisions to GDP of nearly 4 percentage points (from 28.2% in 2013 to 31.9% in 2014). The ratio of life premiums to GDP also rose, from 5.3% to 6.8% in 2014 (the highest ratio in the period under examination).

Premiums and reserves as a % of GDP



EVOLUTION OF THE SUPPLY OF LIFE PRODUCTS

Estimates of the share of resources invested with guaranteed savings

Using the insurance company data available and making a number of approximations and assumptions, we can estimate the share of resources invested on life premiums whose end-of-contract value is guaranteed by the insurance companies ([1]).

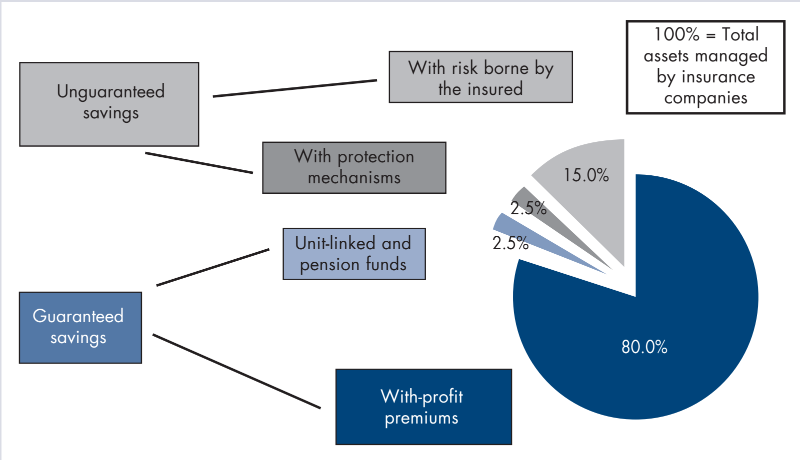
For 2014 the share is estimated at 82.5% of the provisions managed by insurance companies (Figure 1). In particular, profit-sharing policies account approximately for 80% of the total and Class III and Class VI products, featuring the insurer's guarantee, for an additional 2.5%.

([1]) The share of guaranteed life premiums comprises the provisions held by insurance companies for:

- Class I and Class V profit-sharing products, including with-profit products;
- unit-linked products, invested in internal funds or UCITS classified as "guaranteed";
- index-linked products featuring the insurance company's guarantee;
- guaranteed sub-funds of pension funds (Class VI).

Of the total amounts set aside, 2.5% was invested in products explicitly or implicitly featuring protection mechanisms based on financial instruments ("protected" unit-linked policies or index-linked products tied to financial portfolios that provide for at least the premium to be repaid to the policyholder at the contract's maturity). The remaining 15.0% was invested in unit-linked policies and pension funds in which the risk is borne by the insured.

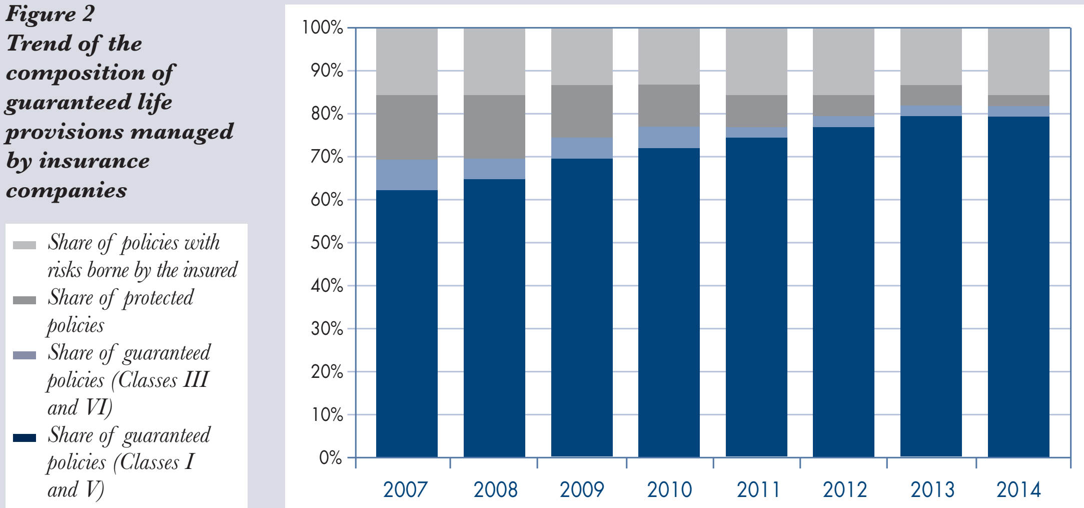
Figure 1
% composition of the guaranteed assets managed by insurance companies: estimates for 2014



Source: Based on IVASS and COVIP data

Over the years, the share of life premiums whose end-of-contract value is guaranteed by companies has progressively grown (from just over 60% in 2007 to 80% in 2014), thanks to the increase in sales of Class I and Class V policies, while the shares of "protected" or guaranteed Class III and Class VI products have diminished (Figure 2).

Figure 2
Trend of the composition of guaranteed life provisions managed by insurance companies



Source: Based on IVASS and COVIP data

The share of premiums in which the risks are borne entirely by the insured has remained stable during the observation period, fluctuating between 12.5% and 15.0%, the latter figure having been recorded also in 2014.

Asset allocation corresponding to life products

Using industry statistics and adopting some additional approximations and assumptions, we can also estimate the asset allocation of life products on the basis of balance-sheet data on assets covering reserves ([2]).

At the end of 2014 government securities made up about 60% of the assets covering the commitments deriving from life products (Table 1). Private-sector bonds were just over 27% and shares accounted for nearly 10% of the overall portfolio.

Table 1
Asset allocation of life products at the end of 2014
(%)

Macro-asset class	Asset allocation corresponding to life products			
	Total life market	Sub-total profit-sharing products	Sub-total Class III and VI	
			All Class III and VI products	of which *unit-linked*
Government securities	59.5%	68.3%	24.0%	23.5%
Bonds	27.1%	23.8%	38.7%	36.0%
Shares and other equity	9.4%	3.1%	32.7%	35.1%
Liquidity	2.3%	1.6%	4.6%	5.3%
Property and other	1.8%	3.1%	0.0%	0.1%
TOTAL	100.0%	100.0%	100.0%	100.0%

Source: Based on IVASS and COVIP data

For with-profit and profit-sharing products offering guaranteed minimum returns, the portion of government securities exceeded two-thirds, while that of bonds was less than one-fourth and shares accounted for a very low percentage.

For Class III and Class VI products, where the results of the investment are typically linked to the performance of the financial markets, we find an evident search for a higher combination of risk and return. Indeed, bonds made up just under 40% of the total portfolio, while investments in equity securities accounted for approximately one-third.

Examining the evolution of the asset allocation corresponding to all life products since 2002 (Figure 3), we find a stabilization in recent years of the shares of government securities and private-sector bonds, whereas the portions invested in these two asset classes were about the same in 2008 but then diverged until 2013.

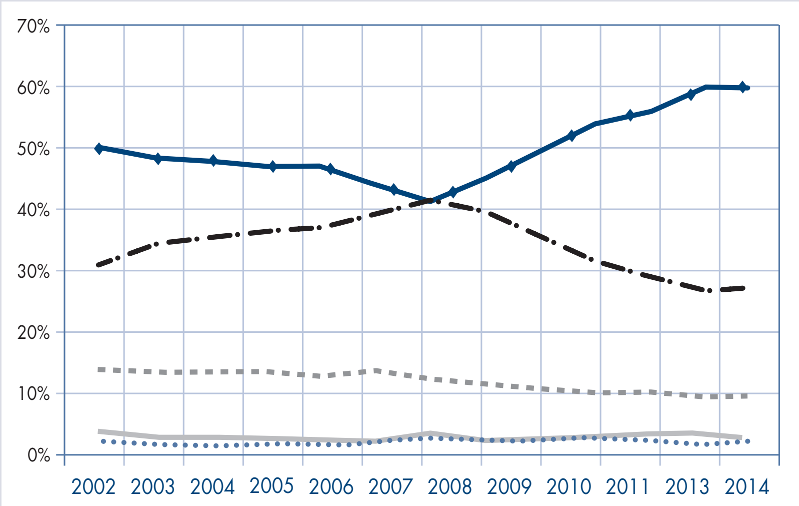
Over the same years there was a gradual fall in investment in equities (less than 10%), while the percentage invested in liquid assets, real estate and other assets remained low and roughly unchanged.

([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 in UCITS.

Figure 3
Evolution of asset allocation of life products
(%)

Government securities
Bonds
Shares
Liquidity
Property and other

Source: Based on IVASS and COVIP data



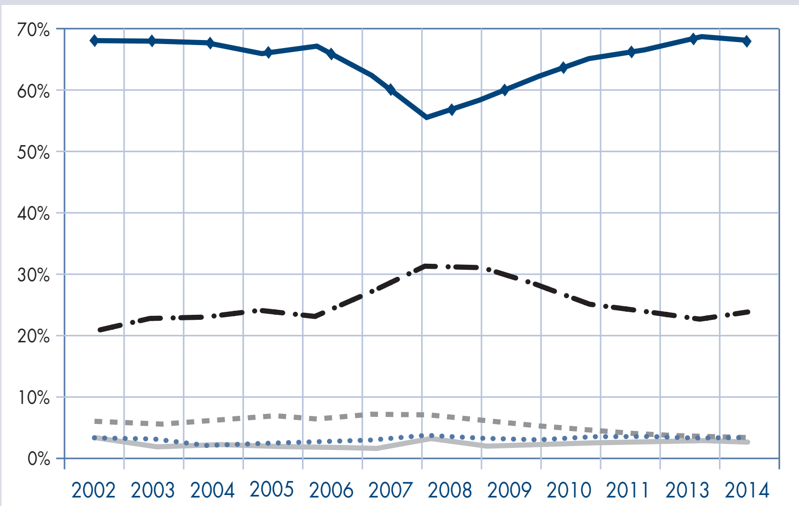
Restricting our discussion to profit-sharing life products with a return guaranteed by the company (Figure 4), we see a slight decrease of government securities in the composition of the financial portfolio over the past year, although they still represent the main investment product and are on a rising trend. The portion invested in private bonds – which after topping 30% in 2008-09, fell back to just above 20% – turned back up in 2014. By contrast, the portion invested in shares is more stable, fluctuating around 5%.

At all events, it should be borne in mind that for life products carrying a guaranteed minimum yield the actual yield for the policyholder is not a direct mark-to-market function of the corresponding asset allocation, owing both to the contractual guarantees and to the specific method of determining the return (valuation of assets at cost and impact of capital gains/losses only if realized), which significantly reduce the volatility of the results.

Figure 4
Evolution of asset allocation of profit-sharing life products
(%)

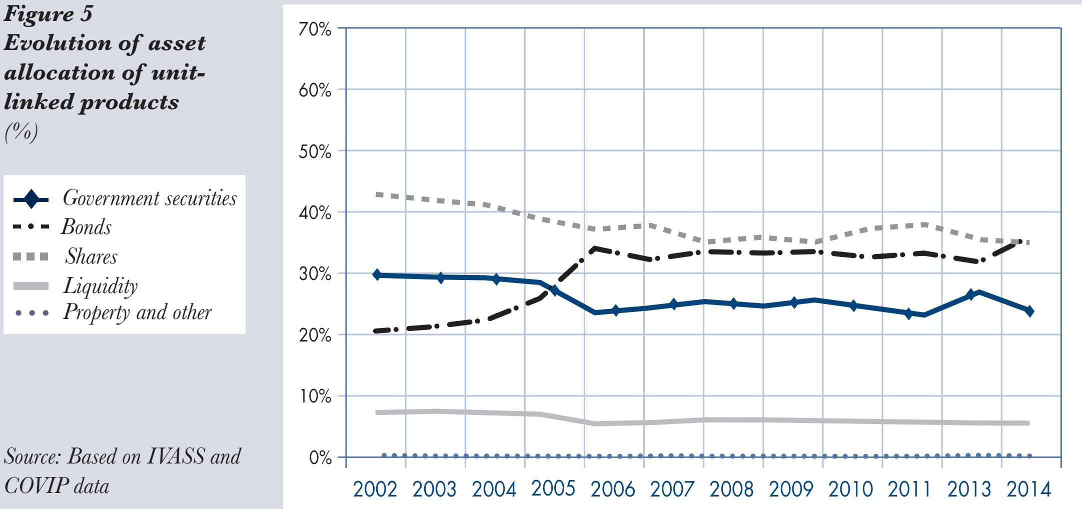
Government securities
Bonds
Shares
Liquidity
Property and other

Source: Based on IVASS and COVIP data



Lastly, equities were the single largest asset class in the allocation corresponding to unit-linked policies at the end of 2014. Nevertheless, counting government securities and private bonds, a larger portion was invested in fixed-income securities; since 2006 the percentage invested in bonds has consistently exceeded that invested in government securities (Figure 5).

Figure 5
Evolution of asset allocation of unit-linked products
(%)



Source: Based on IVASS and COVIP data

In 2014 shares made up just over 35% of the total investments, whereas they had exceeded 40% in the early 2000s; private-sector bonds have grown further, outweighing equity securities for the first time since 2000.

MULTI-CLASS LIFE PRODUCTS IN 2014

Despite an overall positive performance of financial markets, the prolonged low interest-rate environment has spurred a diversification of investment products, not only in Italy, in addition or as an alternative to traditional forms of guaranteed savings, both demand- and supply-side. Alternatively to the "safety" margins resulting from investment in fixed income securities, fixed-term deposits or insurance products with a return guaranteed by the company, there has been a growing interest in products with a higher risk/return profile with a view to achieving positive financial outcomes.

In France, for instance, a new type of fund has been introduced in the insurance industry which is linked to insurance products. These funds, known as «euro-croissance», include a significant share of asset allocation dedicated to fixed income and repayment of the invested capital at a fixed date, and a more dynamic remaining share aimed at achieving positive results in the medium-long term. This new generation of funds represents a "hybrid" solution, half-way between traditional assets and unit-linked products.

A similar item in Italy is represented by multi-class products, namely unit-linked life insurance policies which consist in the combination of traditional segregated assets (Class I) with a unit-linked investment fund (Class III).

Introduced on the market some years ago, they are now offered by a larger number of distributors. ANIA has asked insurance companies for data, in order to gather more detailed information on multi-class products and their performance at the end of 2014. The main results are reported here below.

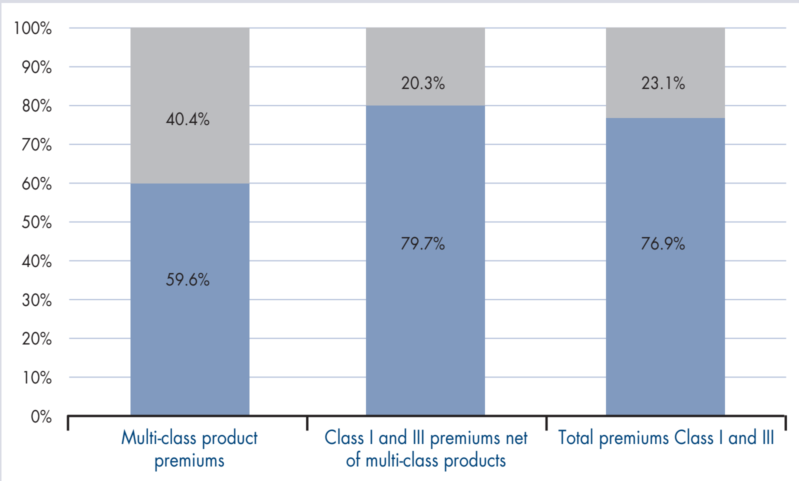
New multi-class life business in 2014

Multi-class products target mainly "retail" or "individual" customers with individual policies. In 2014, roughly 350 thousand new multi-class policies were purchased, for a volume of premiums of nearly €12 billion (just above 13% of €90 billion of total new life business).

Looking at the classes which compose multi-class products (between Class I and Class III), over 40% of the income comes from Class III products, with a higher percentage than that recorded for new business of classes I and III combined, where this component accounts for 23.1%. Restricting our analysis to products other than multi-class, the share invested in linked products scarcely exceeds 20% (Figure 1).

Figure 1
Breakdown of Class I and Class III income in multi-class and other products
(%)

Class I
Class III



In terms of distribution channels, the breakdown has shown similarities between multi-class products and the overall data. In particular, bank and post office branches collected roughly €8 billion, 66% of premiums (5 percentage points less than the share for total new business). By contrast, financial salesmen wrote 20% of premiums for multi-class products, compared to 15% in total new business. The share of multi-class products sold by insurance networks and other channels was the same as their share of overall life products distributed (nearly 14%).

The breakdown of total new business income shows that multi-class products accounted for 12% of all bank and post office sales, 14% of policies distributed through insurance networks and other channels and 17% of those sold by financial salesmen.

Moreover, multi-class policies also unveil a different allocation of investments by channel with Class I products being the main component in policies sold by insurance networks or bank and post office branches, whereas for financial salesmen Class III products account for over three quarters of the total new policies.

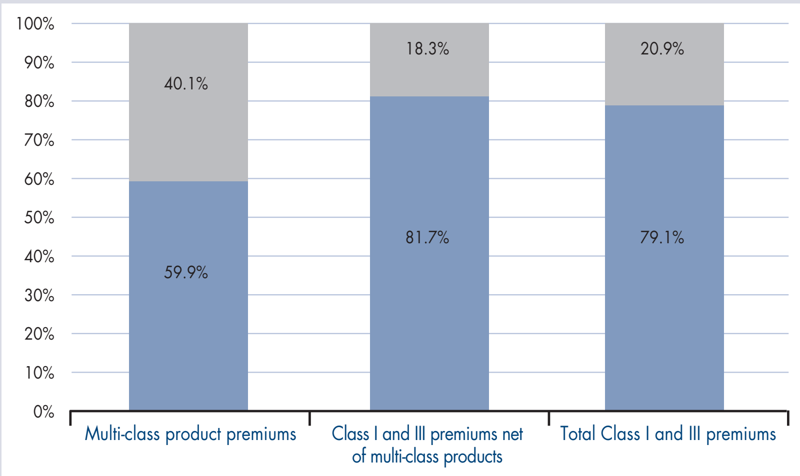
Cash-flow and technical provisions in multi-class policies in 2014

Overall premiums received in 2014, which include also yearly premiums other than the first year for multi-class policies with periodic premiums, amounted to €12.6 billion on 11.4% of all life business, 12.1% if we restrict the calculation only to Class I and Class III premiums.

By contrast with overall premiums, it appears that although Class I products were predominant in multi-class policies as well, the Class III component for these policies, which accounted for over 40%, exceeded the percentage of Class I and Class III premiums combined, where the latter was just over 20% (Figure 2).

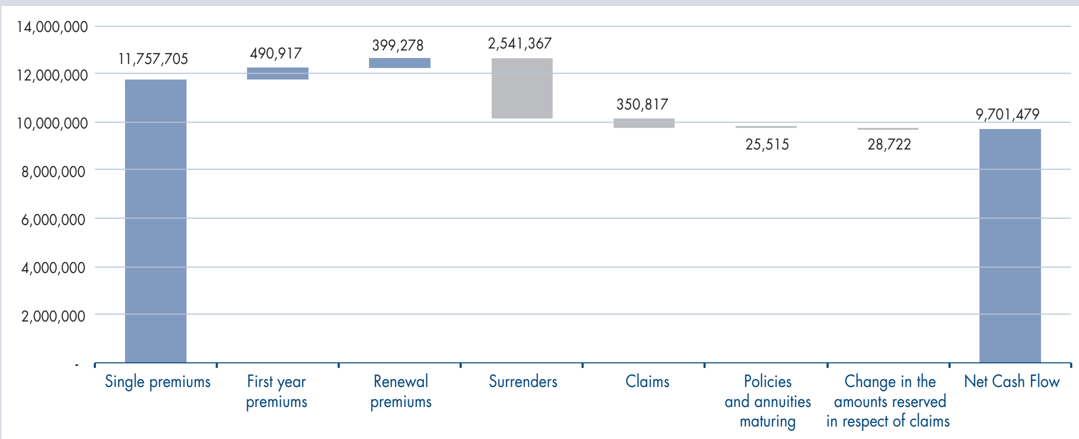
Figure 2
Breakdown of Class I and Class III income in multi-class and other products
(%)

Class I
Class III



Overall expenditures amounted to €2.9 billion, 86% of which for surrenders and other reimbursements. The balance between income (premiums) and expenditures (payments for surrenders, policies maturing, annuities and claims) was positive at €9.7 billion, accounting for 21.0% of the total net cash flow for the year's life business (€45.8 billion)(Figure 3).

Figure 3
Premiums and incurred claims costs (net cash flow) for multi-class products
€ thousands



The investment component for Class I products was positive by €5.5 billion, compared to €4.2 billion for Class III products (investment funds). It is worth noting that the balance for the Class III component in multi-class policies exceeds the overall balance for Class III income in 2014.

At the end of 2014, life technical provisions serving as a cover for multi-class contracts amounted to €29.2 billion, 5.6% of overall life provisions in the Italian market (nearly €520 billion).

Around 70% of multi-class provisions (€20.5 billion) refer to Class I products, while the remaining €8.7 billion are from Class III.

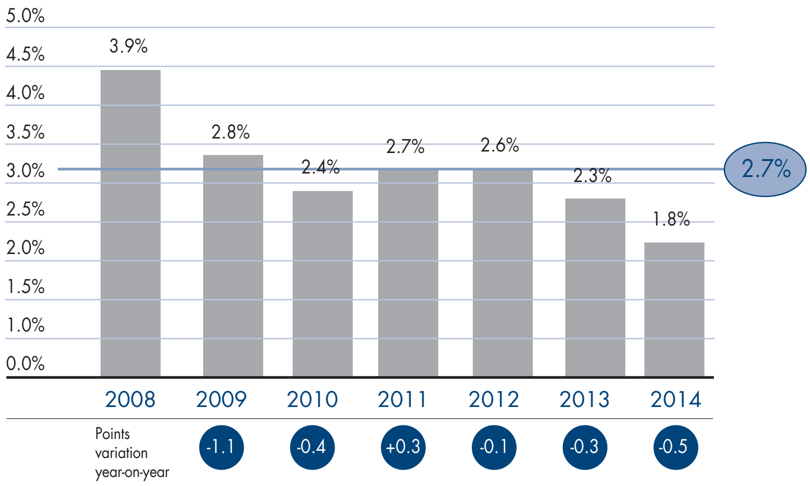
LIFE INSURANCE COMPANIES' EXPENDITURES PATTERN

In the financial statements, companies' expenditures are classified in two categories: expenditures for the distribution of insurance products, defined as items pertaining to acquisition and collection costs, and general and administration expenditures.

Acquisition costs

Acquisition costs consist mainly in commissions on new contracts owed to the distribution channels. It may be useful to also calculate their ratio to standardized premiums (i.e. SPE, single premium equivalent), which is equal to the sum of single premiums, for 100% of their value, and annual premiums multiplied by the average duration of contracts, here conventionally established at 10 years. This allows us to include subsequent as well as first payments and take into account the differences in the composition and commission structure between single and periodic premiums. The ratio of acquisition costs to standard premiums was 1.8% for this past year, down for the third consecutive year and less than the average value of 2.7% shown in the diagram for the observation period.

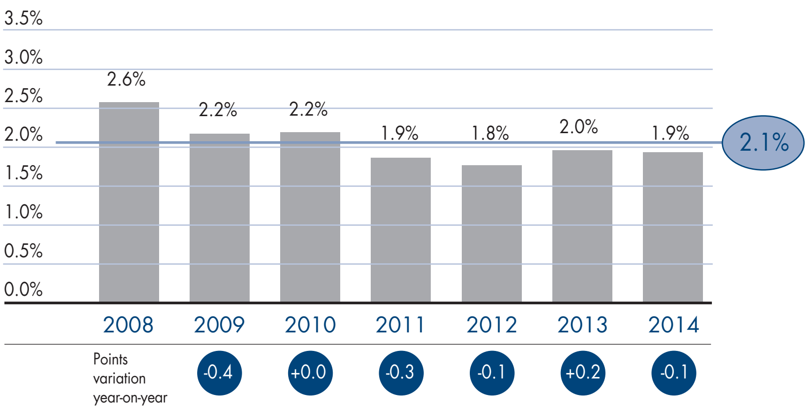
Acquisition costs/Single Premium Equivalent



Collection costs

Collection costs include mainly recurring commissions paid by insurance companies to dealers on the renewal premiums (excluding first year premiums) for policies with multi-year payment plans. Therefore, collection costs are calculated only based on expenses for years other than the first year or, in other words, net of new business. After a downward trend in the 2008-12 period, this indicator has shown signs of stability over the past few years, at 1.9% in 2014. The average value over the period was 2.1%.

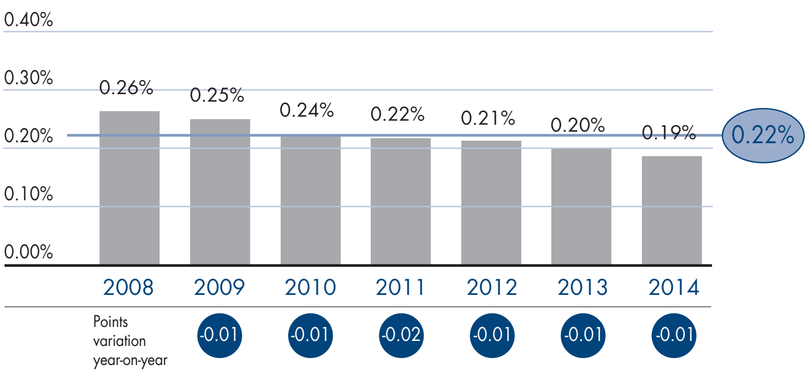
Acquisition costs/renewal premiums



General and administration costs

General and administration costs are calculated in relation to technical reserves, which serve as a proxy for the sums managed on behalf of the insured. This allows us to categorize insurance companies' expenditures for contract management and administration as covering commitments on those assets – standard practice in the asset management industry and in life insurance markets like Italy's with a prevailing component of saving contracts. The trend in this ratio, as is illustrated in the diagram below, is downward, with a five-year average of 22 basis points and 19 points for the last year.

General and administration costs/Technical provisions

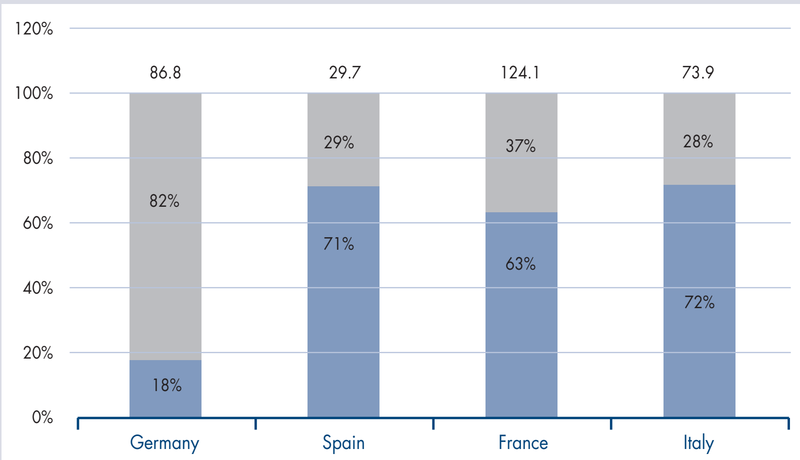


THE DEVELOPMENT OF BANCASSURANCE IN THE LIFE SECTOR

First introduced in Europe in the early 1980s, bancassurance is now the main distribution channel used by insurance companies to collect premiums for life products ([1]). However, the diffusion of bancassurance in the life business presents differences at European level, depending on the national markets and types of products. In some countries, such as France, Spain and Italy, the bancassurance model started to develop when insurance companies had a relatively low penetration rate in their markets for life products (such as savings), compared to a strong banking sector. As a consequence, in these countries premium collection through bank and post office branches immediately conquered a significant share of the market and is now a well-established presence (Figure 1). In other European countries – even of primary importance such as Germany and the UK – where traditional insurance distribution channels and brokers in the life business were already well-established, the phenomenon had a lower impact, with premiums distributed through bank and post office branches still a minority share compared to insurance agency networks for the former and brokers (independent financial salesmen) for the latter.

Figure 1
2012 Life income through bancassurance (*) and other channels (€ billion, %)

Other channels
Bancassurance

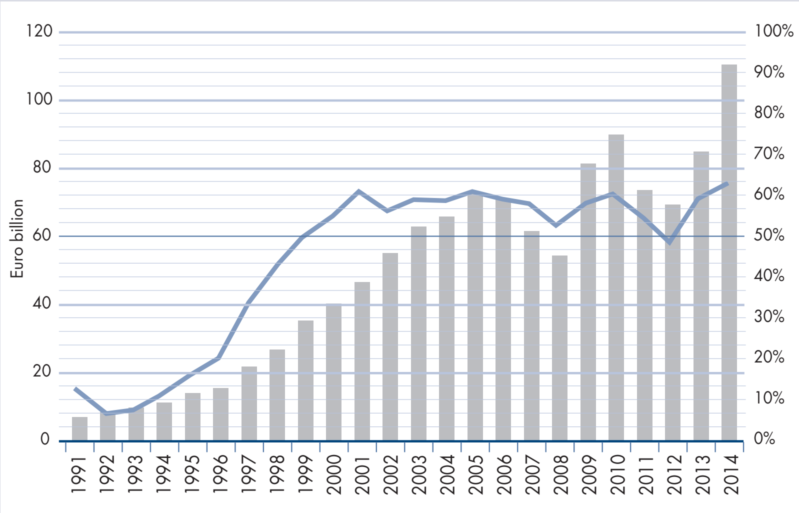


(*) The bancassurance channel includes premiums collected by financial salesmen. The share of bancassurance income for the UK is zero
Source: Based on Insurance Europe data

In Italy, the share of life premiums collected through bank and post office branches has come to be important within the last twenty years, going from around 10% in the early 1990s to over 50% since 2000 (Figure 2). The significant growth in life premiums registered over the past few years is closely connected to the development of bancassurance, despite the volume of premiums in life insurance having increased considerably also in other channels.

([1]) Source: Based on Insurance Europe data on life premiums in 2012.

Figure 2
Life premiums (€ billion, left-hand scale) and share distributed through bank and post office branches (%, right-hand scale)



The development of life bancassurance by type of distribution agreement

There are several models of bancassurance distribution agreements on the market, which differ in the duration of the agreement, the shareholding relations between the parties involved, the methods of payment of the distribution network, the insurance products involved, the exclusive or non-exclusive partnership, any existing collaborations to offer new products or fine-tune existing ones. Therefore, associating the different types partnership with the homogeneous classes might prove difficult. However, with a number of approximations, a first analysis of existing agreements was carried out, on the basis of which an attempt was made to classify those agreements into the following macro-types: mere trade agreement, joint venture and captive.

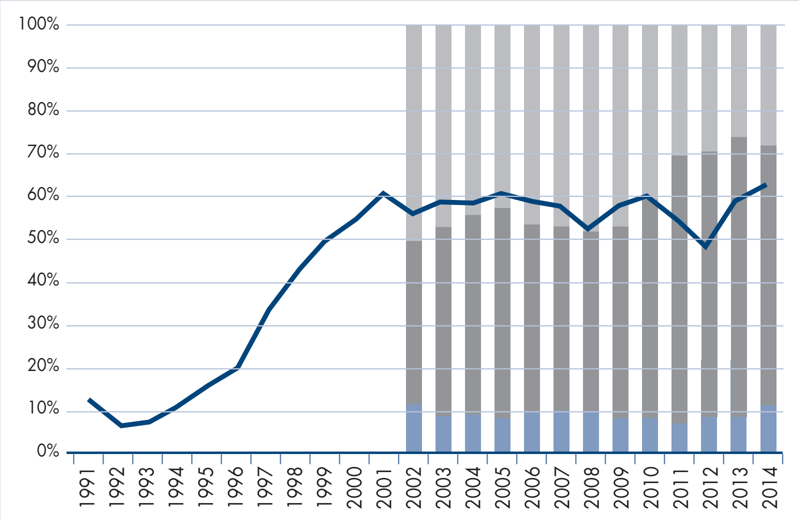
More in detail, for the purposes of this analysis a mere trade agreement is an agreement between the bank and the insurance company valid for a fixed number of years and under certain terms, with which the insurance company makes available to the bank intermediary – or to other intermediaries – one or more insurance products to be distributed. The agreement can envisage also others of collaboration for aspects other than network remuneration. Finally, the agreement can be implemented non-exclusively or without any collection targets, while including an equity investment by the bank in the insurance undertaking.

As for joint ventures, in bancassurance these are companies controlled jointly by an insurance company and a partner bank, where the controlling shareholder can be either one or the other. In theory, there can be joint ventures of insurance undertakings with multiple bank partners, and individual bank groups can form joint ventures with multiple insurance partners. With this type of agreement the insurance company is fundamentally a provider of capital in the joint venture and of technical-operative services.

The “captive” model consists in the total or partial control by the banking partner, for which the insurance company acts as “manufacturer” of insurance products distributed and as one of the business units of the group. This model is based on strong integration between distributor and producer and can involve forms of transfer pricing among different units within the group. As is shown in Figure 3, the absolute market leader has been the captive model in Italy, at least in the past few years, chosen not by the greatest number of operators but by some of the top bank and post office players in terms of market share. The captive model accounted for 38% of premium income from all bank and post office branches in 2002 (first year of the observation period); its share has grown over time, despite some fluctuation, up to 60% of the €69 billion of life premiums collected by bank and post office branches in 2014 (namely €41.6 billion).

Figure 3
Share of life premiums distributed via bank and post office branches (line graph), divided by type of distribution agreement (bar chart)

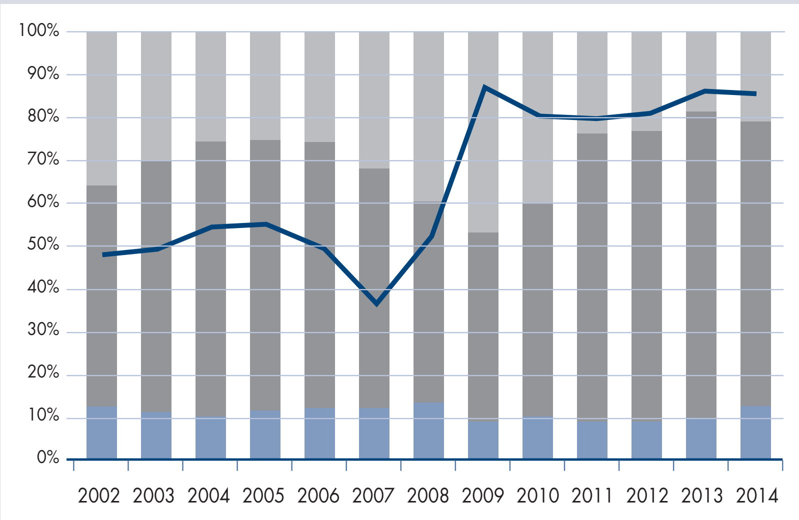
Joint venture
Captive
Distribution agreement
Bancassurance Share



The joint venture distribution model, which until a few years ago rivaled the captive model in market share, has come down to under 30% of premiums collected through bancassurance in 2014, equal to a volume of €19.7 billion. Mere trade agreements, although quite common in terms of absolute numbers in the insurance industry, have always accounted for a small share of the bancassurance market, fluctuating around 10% over the years, reaching its maximum impact in 2014 at 11.1% of premiums collected by bank and post office branches (amounting to a volume of €7.7 billion). Looking into the same time series, but restricting the analysis to the sum of Class I and V products, which are composed for the major part of profit-sharing life policies, the breakdown of premiums collection by type of agreement shows a strong prevalence of captive undertakings, whose share went from nearly half of premiums collected in the early 2000s to two thirds in 2014 (Figure 4).

Figure 4
Share of Class I and Class V premiums on total life premiums distributed via bank and post office branches (line graph), divided by type of distribution agreement (bar chart)

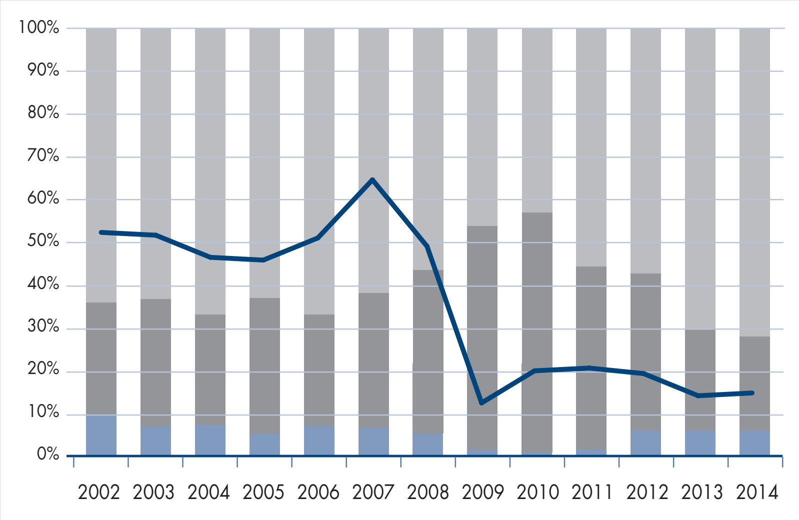
Joint venture
Captive
Distribution agreement
Share of Class I and Class V premiums



By contrast, for Class III products alone (Figure 5) the analysis indicates that, apart from some specific years (i.e. 2009 and 2010) characterized by the crisis of the financial markets in which savers have stayed away from products where the risk is borne by the underwriter, joint ventures have accounted for the majority of premiums over time; in 2014 this model reached its record high at over 70% of the income from linked products.

Figure 5
Share of Class III premiums on total life premiums distributed via bank and post office branches (line graph), divided by type of distribution agreement (bar chart)

Joint venture
Captive
Distribution agreement
Share of Class III premiums

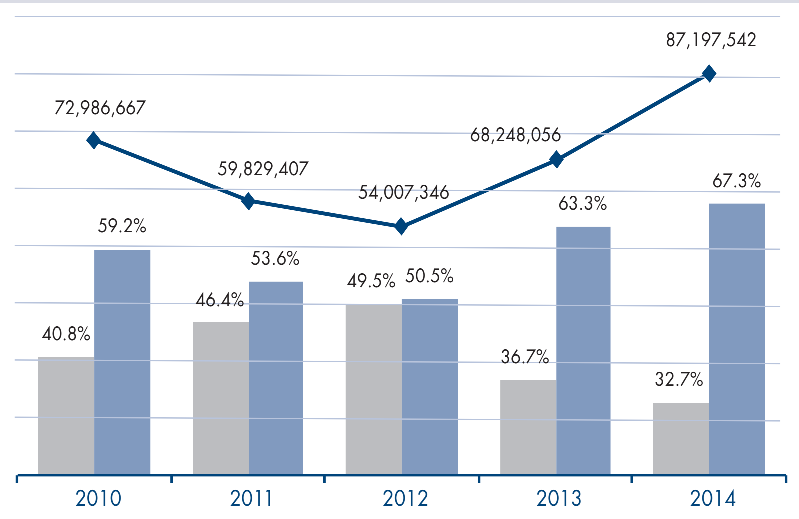


The recent evolution of life bancassurance

Focusing our analysis on the evolution of bancassurance over the past five years, we can observe, especially in the most recent years, that bank and post office branches have played an ever more important role as opposed to other distributors of traditional insurance products (Classes I and V) (Figure 6), exceeding two thirds of total premiums collected in 2014 for those products.

Figure 6
Evolution of Cass I and Class V life premiums in 2010-14 broken down into bank and post office branches and other channels
€ thousands

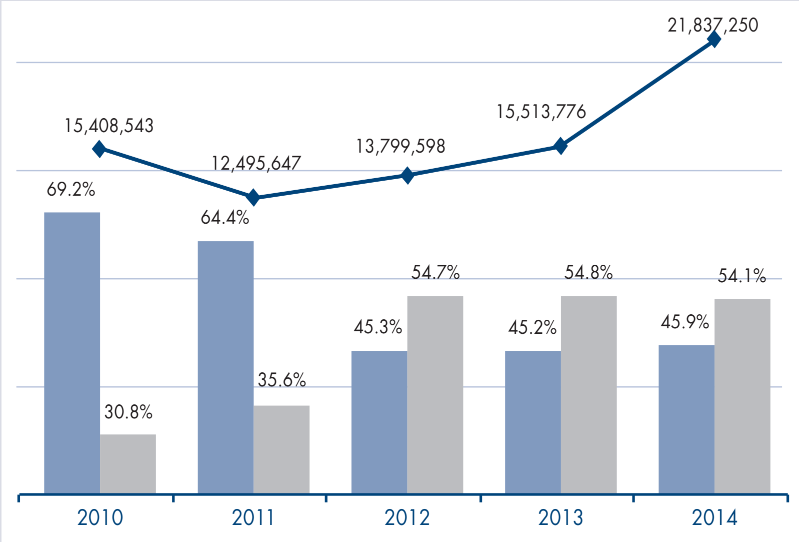
Bank and post office branches
Other
Class I and Class V premiums income



As for linked products, the share of premiums written by bank and post office branches, which was predominant at the beginning of the five-year period, has been less significant in the last few years (around 45%). By contrast, other distribution networks of Class III products have been growing, especially products sold by financial salesmen (Figure 7).

Figure 7
Evolution of Class III life premiums in 2010-14 broken down into bank and post office branches and other channels
€ thousand

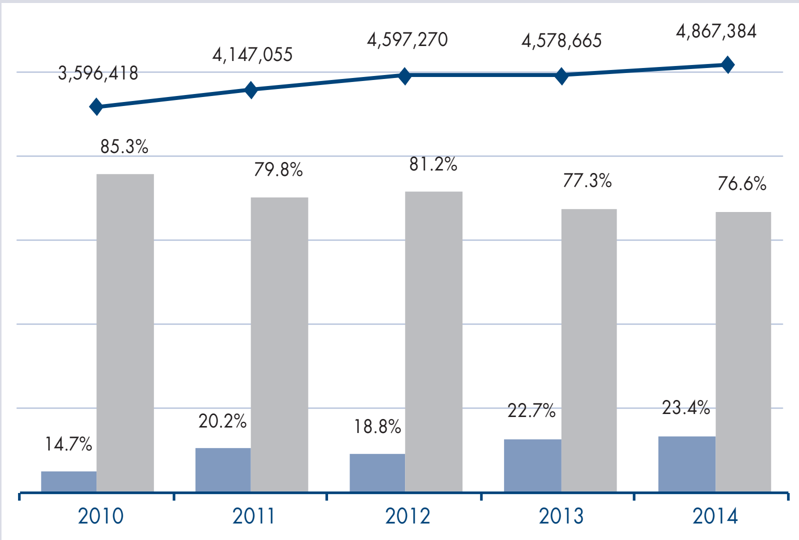
Bank and post office branches
Other
Class III premium income



Restricting the analysis to individual pension products (IRP and open pension funds), which account for a small percentage of total income, the share of premiums marketed through bank and post office branches, although gradually growing over the five-year observation period, is significantly lower than that of other channels, which account for more than three quarters of total income, mainly thanks to premiums distributed through agency networks (Figure 8).

Figure 8
Evolution of life premiums relating to IRPs and open-end pension funds in 2010-14 broken down into bank and post office branches and other channels
€ thousands

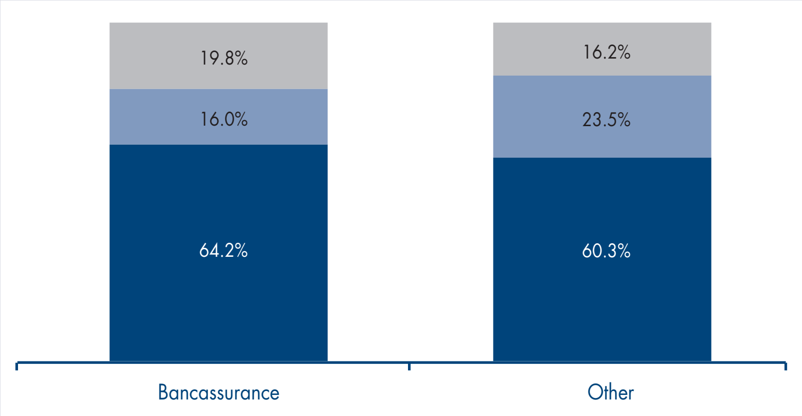
Bank and post office branches
Other
Premiums income from IRPs and open-end pension funds



For 2014 alone, the analysis of the degree of concentration in life business – restricted to undertakings classified based on premiums collected through bank and post office branches – shows that the top five companies in the industry account for 64.2% of total income; companies ranking from 6th to 10th account for 16% and the remaining companies for 19.8% (Figure 9). Excluding premiums collected through bank and post office branches from total life income, the degree of concentration diminishes: the share of the top five undertakings is just over 60% while that of companies from 6th to 10th place is 23.5%.

Figure 9
2014 Market share comparison of companies based on life premiums collected through bancassurance and other channels

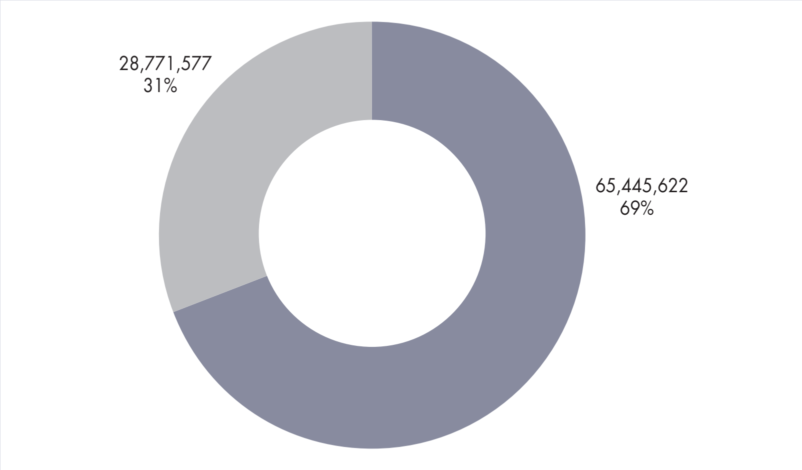
Top 5 Share
Top 6-10 Share
Others Share



Looking at new life business in 2014 (Figure 10), we see that products distributed through bank and post office branches accounted for €64.5 billion of new premiums collected for life classes, almost 70% of all new business (€94.2 billion).

Figure 10
New business for individual and group life policies in 2014 broken down into bank and post office branches and other channels
€ thousands

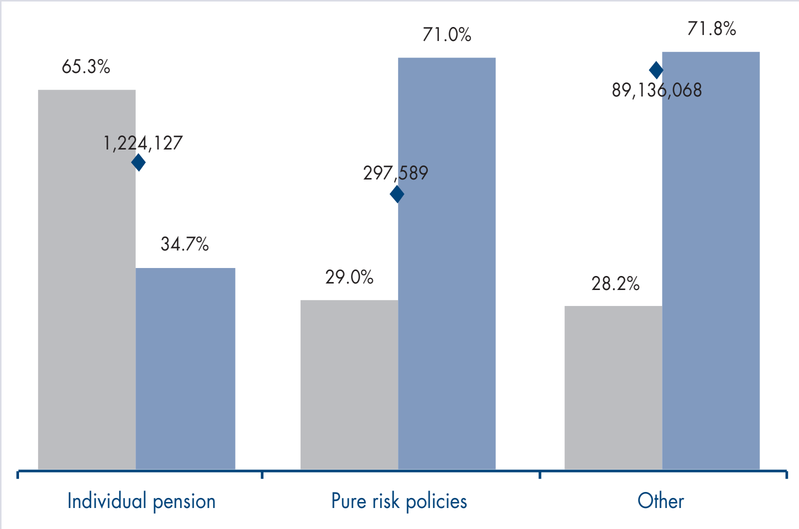
Bank and post office branches
Other



The very large role of bancassurance is observed for insurance investment products and pure risk policies, whereas – as mentioned earlier – it only accounts for a minority share in the distribution of individual pension products (Figure 11, where premium income is reported with a logarithmic scale).

Figure 11
New life business 2014 for individual products broken down into pure risk, pension and other products and into bank and post office branches and other channels
€ thousands

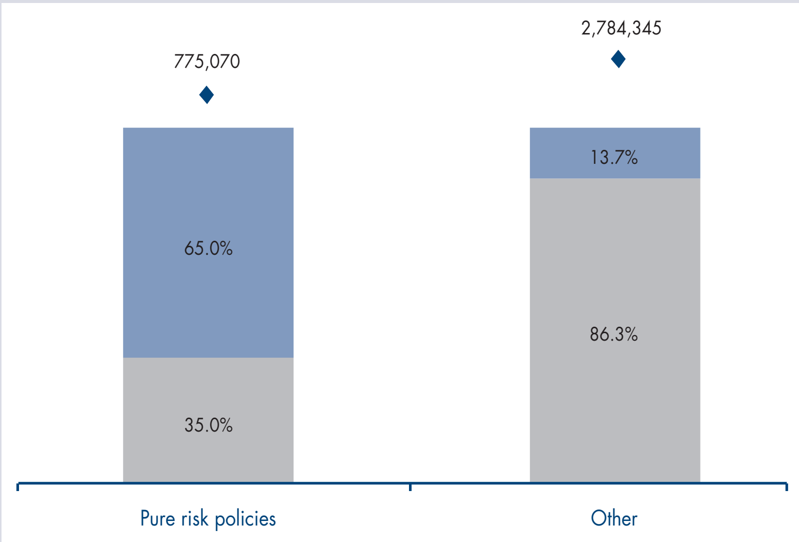
Bank and post office branches
Other
Premium income



With regard to corporate clients and group policies, the data highlight that distribution through bank and post office branches mainly involves pure risk products which account for nearly two thirds of total premiums. By contrast, for other products the levels are again significantly lower, with a share stable at 15% of the total (Figure 12).

Figure 12
New life business 2014 for group products broken down into pure risk and other products and into bank and post office branches and other channels

Bank and post office
Branches and other channels
Total

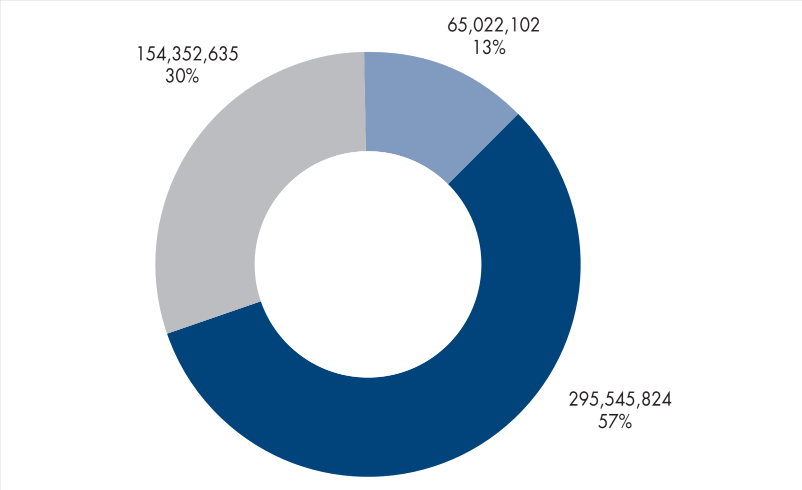


In terms of technical provisions, contracts sold via bank and post office branches are decidedly the major share, with almost €300 billion of the €500 billion of overall life business (Figure 13). Other agency networks, which constitute practically all the rest, account for 30% of total provisions, namely a little more than half the provisions for life policies distributed through bancassurance channels.

Relating administration expenses borne by insurance companies in 2014 to the reserves, to calculate the incidence of operational expenditures against an approximation of assets covering the reserves (standard practice in the asset management assets industry), it appears that the average value of the index is distributed in a diversified manner: bank and post office branches have the smallest share, financial salesmen a middling one, and traditional insurance channels the most, nearly as much as the other channels put together (Figure 14).

Figure 13
Mathematical and technical reserves 2014 by channel
€ thousands

Financial salesmen
Bank and post office branches
Other channels

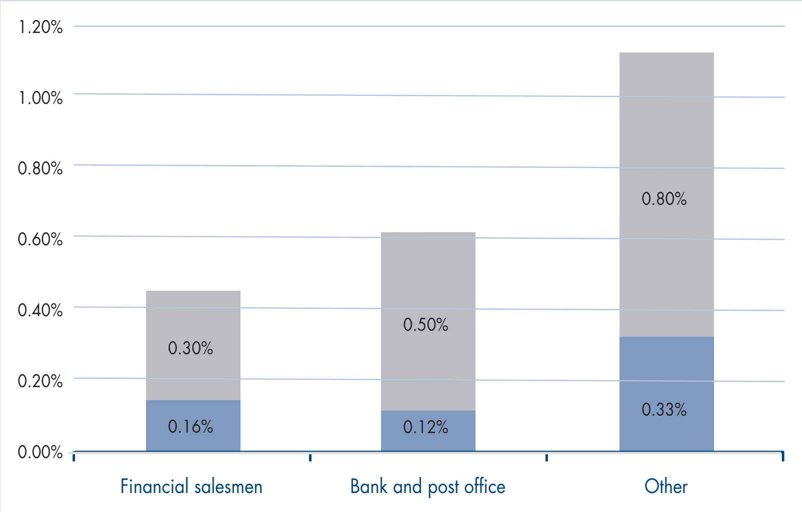


However, it should be noted that these data are of an accounting nature and can be influenced by the involvement of insurance companies with the different channels, as well as by the different organizational policies, type and quantity of products sold, investment policies and by the companies' accounting choices.

The ratio of distribution costs to reserves shows minimum values for the network of financial salesmen, intermediate values for bank and post office branches and, once again, the highest values for other channels of distribution, mainly consisting in traditional insurance channels.

Figure 14
Administration and distribution costs on mathematical reserves for 2014 broken down by channel

Administration costs/Reserves
Distribution costs/Reserves



As a ratio to administration and distribution costs, the volume of business through financial salesmen is smallest, bancassurance channels somewhat more, and the volumes for other channels far greater.

LIFE INSURANCE AND ITALIAN HOUSEHOLDS' SAVINGS

In 2014 the nominal growth of the disposable income of Italian households was 0.2% (+0.3% in 2013), whereas it remained the same in real terms (-0.9% in 2013), as the cost of living also rose by 0.2%; this is the first time since 2008 that real disposable income has not fallen (Table 1).

Table 1
Formation, distribution and uses of consumer households' disposable income
(% changes on previous year)

	2010	2011	2012	2013	2014
Gross operating result (a) (+)	2.3	4.2	-3.2	5.6	-2.6
Compensation of employees (+)	1.4	1.5	-1.1	-1.1	1.0
Self-employment income (b) (+)	0.4	0.6	-4.1	-0.5	-1.7
Property income (c) (+)	-16.8	10.0	-0.6	-7.9	-4.1
Net social benefits and other net transfers (d) (+)	2.6	1.7	2.2	2.2	3.3
Current taxes on income and wealth (-)	2.9	0.2	5.0	-0.7	0.9
Gross disposable income (e)	-0.1	2.5	-2.6	0.3	0.2
Final consumption expenditure (-)	2.7	2.9	-1.3	-1.8	0.5
Gross saving (f)	-22.5	-3.1	-16.4	27.2	-2.8
Purchasing power of the disposable income (g)	-1.5	-0.4	-5.2	-0.9	0.0
Propensity to save (h)	8.6	8.1	7.0	8.9	8.6

(a) Net proceeds from activities connected with production for self-consumption. They include the value of imputed rents (owner-occupied dwellings and ordinary maintenance). (b) Includes share of mixed income transferred by producer households, net property income and other profits distributed by corporations and quasi-corporations. (c) Net interests dividends, rentals of land and property income attributed to the insured in respect of the yields of insurance technical reserves. (d) Net social benefits and other net social transfers (insurance premiums and claims payments for non-life insurance, net transfers to/from general government, non-profit institutions serving households and rest of the world). (e) Primary income minus current taxes and net social contributions, plus net social benefits and net current transfers. (f) Gross disposable income minus final consumption expenditure, plus adjustment for change in net equity of households in pension funds. (g) Gross disposable income of producer households in real terms, calculated using the households' final consumption expenditure indicator. Chain-linked values, reference year 2010. (h) Gross saving on gross disposable income, plus adjustment for change in net equity of households in pension funds
Source: ISTAT, National Economic Accounts

Contributing positively to the formation of disposable income were the changes in compensation of employees (+1%; -1.1% in 2013) and in social benefits (+3.3%, +2.2%) which in 2014 include the tax cut for lower-income employees of up to €80 a month. By contrast, all other changes contributed negatively: gross operating income (-2.6%, +5.6% in 2013), self-employment income (-1.7%, -0.5%), property income (-4.1%, -7.9%) and current taxes (+0.9%, -0.7%).

In 2014 the propensity to save, defined as the ratio of gross saving (net of changes in pension fund reserves) to disposable income declined slightly (8.6%) after peaking at 8.9% a year earlier (it had been 7% in 2012).

Financial saving

In 2014 the net flow of financial investment by Italian households and non-profit institutions (for brevity, simply "households") came to €31.7 billion, up from €28.7 billion in 2013. The data is the result of the synthesis of the strong increase in gross flows of assets in households portfolios (€28.9 billion, from €20 billion in 2013) and of the dramatic reduction of new liabilities (from -€8.7 billion to -€2.8 billion) (Table 2).

Table 2 – Financial assets of Italian households

INSTRUMENTS	YEAR-END STOCKS (euro million) 2014	YEAR-END STOCKS/TOTAL ASSETS %		FLOWS (euro million)	
		2013	2014	2013	2014
ASSETS					
Bank deposits (*)	1,076,729	27.3	27.4	16,390	28,140
Italian	1,046,129	26.5	26.6	16,216	27,957
sight deposits	543,734	13.1	13.8	10,648	42,063
other deposits	502,395	13.5	12.8	5,568	-14,106
Foreign	30,600	0.8	0.8	174	183
Securities	526,149	16.6	13.4	-78,111	-123,965
Italian	417,358	13.6	10.6	-62,878	-116,269
of which: *government*	173,585	4.9	4.4	-23,165	-32,203
bank	237,498	8.5	6.0	-40,128	-80,659
Foreign	108,791	3.0	2.8	-15,233	-7,697
Investment funds	380,184	8.1	9.7	27,817	56,530
Italian	203,018	4.2	5.2	9,247	33,147
Foreign	177,166	3.8	4.5	18,570	23,383
Italian shares and participations	864,239	21.7	22.0	27,313	2,016
Italian	818,854	20.7	20.8	25,385	1,263
Foreign	45,385	1.1	1.2	1,927	753
Insurance, pension fund reserves and severance pay entitlements	803,845	19.2	20.4	22,407	53,341
of which: *reserves of the life sector*	518,867	11.9	13.2	18,625	46,399
Other assets	282,794	7.1	7.2	4,219	12,826
Total assets	**3,933,939**	**100.0**	**100.0**	**20,034**	**28,887**
LIABILITIES					
Short-term debts	58,795	6.4	6.4	-529	1,052
of which: *bank*	57,840	6.2	6.3	-230	1,498
Medium- and long-term debts	634,042	69.7	69.2	-9,894	-7,112
of which: *bank*	538,832	59.4	58.8	-7,235	-6,995
Other liabilities	222,911	23.9	24.3	1,715	3,252
Total liabilities	**915,747**	**100.0**	**100.0**	**-8,708**	**-2,808**
BALANCE	3,018,192			28,741	31,695

(*) Includes deposits of the Cassa Depositi e Prestiti
Source: Based on Banca d'Italia. Conti finanziari

Italian households continued to make further net disposals of Italian government securities (-€32.2 billion, -€23.2 in 2013) and bonds issued by banks in Italy (-€80.7 billion, -€40.1 billion in 2013); disposals of bonds of foreign issuers went down by 50% (-€7.7 billion, -€15.2 billion). With the exception of other deposits (-€14.1 billion, +€5.6 billion), all other instruments reported positive net flows, in particular: investment funds (+€56.5 billion, +€27.8 billion) and life insurance reserves (+€46.4 billion, +€18.6 billion).

At the end of 2014 the stock of financial assets held by Italian households amounted to €3,934 billion. Italians continue to have the highest share of financial wealth in liquid instruments in the form of bank deposits (27.4%), followed by investments in shares and other equity (22.0%) and in insurance, pension funds and provisions for employee severance pay (20.4%), which include life provisions (13.2%); the share invested in investment funds amounted to 9.7%.

By comparison with 2013, there were only second-order changes in the composition of the portfolio of Italian households.

In 2014 Italian households' total net wealth (defined as real wealth plus net financial wealth) was 7.9 times disposable income, virtually unchanged compared to the previous year, thanks to the increase in the value of financial wealth which compensated for the reduction of real estate value. By international standards, this proportion remains high (Table 3).

Table 3
Households' financial assets in relation to disposable income

	Financial assets		Net financial wealth		Real wealth	
	2013	2014	2013	2014	2013	2014
Italy	3.48	3.57	2.65	2.74	5.24	5.13
France	3.31	3.36	2.31	2.36	5.24	–
Germany	2.74	2.79	1.88	1.94	3.57	–
Spain	2.74	2.87	1.51	1.69	6.11	6.12
Euro area	3.22	3.30	2.13	2.23	–	–
United Kingdom	4.64	5.14	3.20	3.68	4.17	–
United States	5.19	5.24	4.09	4.15	1.82	1.85

Source: Based on Banca d'Italia data calculated on official information from national statistical institutes

SUPPLEMENTARY PENSION PLANS: ENROLLMENTS AND NEW REGULATIONS

Evolution of enrollments, contributions and resources destined to benefits

The COVIP data on the evolution of enrollments to supplementary pension plans at the end of the year confirm a slow-paced growth in the number of participants, as observed in the past few years. Overall, the number of enrolled exceeded 6.5 million, one-fourth of the labor force (Table 1).

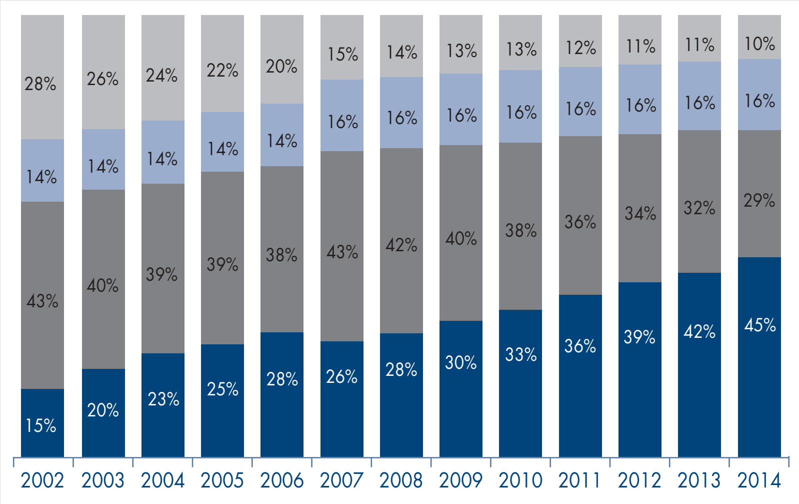
Table 1
Evolution of enrollments by pension plan

Pension plans	Number of participants 2013	Number of participants 2014	Change %
Occupational pension funds	1,925,404	1,920,848	-0.2%
Open funds	984,584	1,055,716	7.2%
Individual retirement plans	2,639,148	2,913,239	10.4%
Pre-existing funds	654,537	650,133	-0.7%
Total	**6,203,673**	**6,539,936**	**5.4%**
of whom: private-sector employees	4,355,970	4,527,509	3.9%
Share of labor force	24.4%	25.6%	1.2%

Source: Based on ISTAT and COVIP data

Enrollments to occupational pension funds have declined and those to open pension funds have increased, whereas IRPs have continued to show a more sustained development. Since 2002, individual pension plans have steadily gained market share and are now the form of retirement saving with the highest number of participants (Figure 1), although the number of enrolled persons who have stopped contributing is rising.

Figure 1
Time series on pension plans' participants



Source: Based on COVIP data

The contributions to the pension schemes also increased, compared to 2013 (Table 2). The flow exceeded €13 billion, with a positive change of 4.8%. In terms of individual types of pension fund, the increase in contributions was across the board: the highest growth was recorded by open pension funds, while occupational funds confirmed the greatest flow in absolute terms.

Table 2
Evolution of pension fund contributions
Euro million

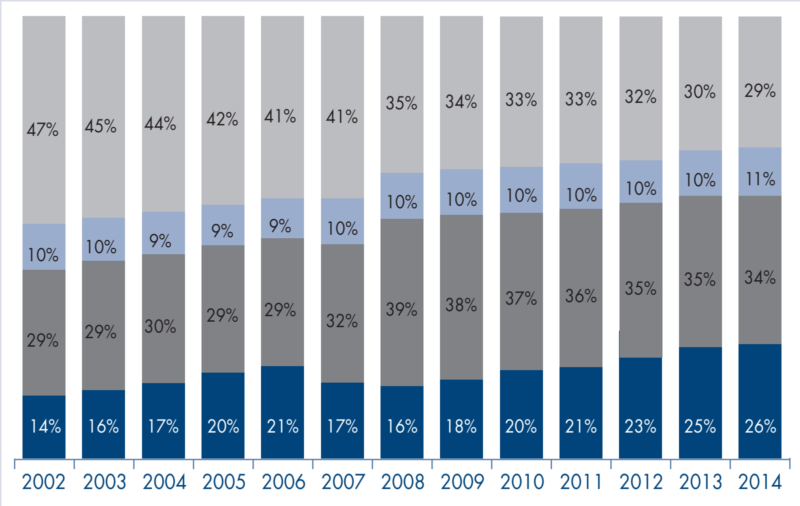
Pension plans	Contributions 2013	Contributions 2014	Change %
Occupational pension funds and Fondinps	4,316	4,406	2.1%
Open funds	1,296	1,428	10.2%
Individual retirement plans	3,108	3,377	8.7%
Pre-existing funds	3,694	3,797	2.8%
Total	**12,414**	**13,008**	**4.8%**

Source: Based on ISTAT and COVIP data

Since 2002, contributions paid in to occupational funds have grown steadily and have accounted for the largest share in overall cash flows for some years now (Figure 2). Contributions to IRPs have also been increasing, while those for open pension funds have remained broadly stable over the years.

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

Pre-existing funds
Open funds
Occupational funds
IRPs



Source: Based on COVIP data

The positive market trend which has characterized this past year and the inflow of new contributions net of bvenefit payments have led to an overall increase in the resources set aside of 12.4%. Those same resources thus amounted to 8.1% of nominal GDP and 4.3% of Italian households' net financial savings at the end of 2014 (Table 3).

Table 3
Resources set aside for benefits by type of supplementary pension
Euro million

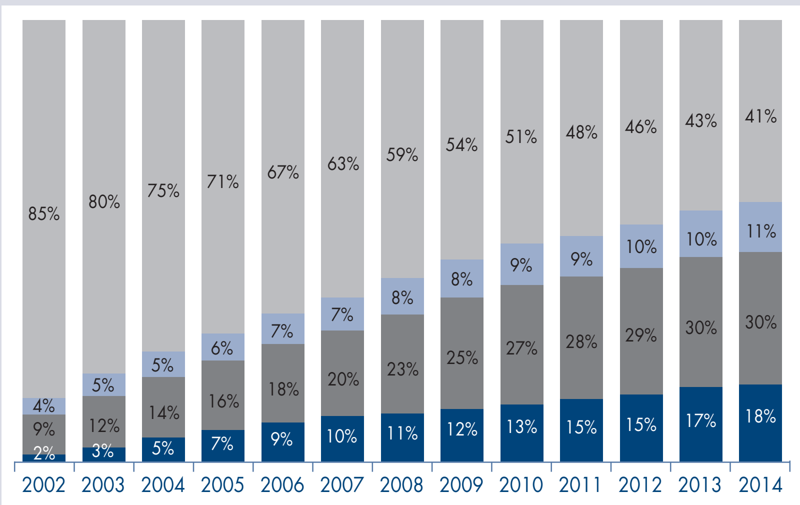
Pension plans	Resources managed 2013	Resources managed 2014	Change %
Occupational pension funds and Fondinps	34,564	39,709	14.9%
Open funds	11,990	13,980	16.6%
Individual retirement plans	19,513	23,219	19.0%
Pre-existing funds	50,398	54,033	7.2%
Total	**116,465**	**130,941**	**12.4%**
Share of GDP	7.2%	8.1%	0.9%
Share of households' financial savings	3.9%	4.3%	0.4%

Source: Based on COVIP, Ministry of the Economy and Finances and Banca d'Italia data

Pre-existing funds still account for the majority of the assets under management, even though the other types of supplementary pensions having steadily increased their share since 2002 (Figure 3).

Figure 3
Resources set aside for benefits by type of supplementary pension

Pre-existing funds
Open funds
Occupational funds
IRPs



Source: Based on COVIP data

Finally, the average return on supplementary pensions, although different depending on the various sub-funds, was on average higher than the revaluation of severance pay, which came to 1.3% for the year. More specifically, the average return on open pension funds in 2014 was 7.5%. Similarly, the average return was 7.3% for occupational pension funds, 6.8% for IRP unit-linked funds and 2.9% for IRP segregated asset portfolios.

New regulations

With Ministerial Decree 166 of 2 September 2014, the Ministry of Economy and Finance issued the regulation implementing the rules on investment criteria and restrictions for pension funds and conflicts of interest. The new provisions encourage an approach based more on risk identification, assessment and control rather than on specific quantitative restrictions for each investment class.

The new rules do not apply, in any case, to IRPs or pre-existing pension funds whose assets are managed through insurance contracts for life classes I, III and V. The derogations for pre-existing pension funds established by Ministerial Decree 62/2007 remain in force, which allow continued management of real estate investments, lending and borrowing, and direct guarantees for the repayment of capital.

The decree also governs management criteria, organizational structures and procedures according to which pension funds should operate, complying with the principles of sound and prudent management and pursuing the interests of members and beneficiaries. Furthermore, the legislation specifies permissible investments and transactions, as well as restrictions, establishing first of all that pension funds must invest “mainly” in financial instruments traded on regulated markets, including UCITS and bank deposits; investments in instruments not traded on those markets and in alternative UCITS must be prudent, properly motivated and not exceed 30% of overall resources.

The law also sets explicit concentration limits: the resources invested in financial instruments issued by a single entity, including via deriviatives, shall not exceed 5%; or 10% for those issued by a single group.

Investment in mutual funds (UCITS) in particular must be properly motivated and in keeping with the pension fund’s investment policy; it must not result in a concentration of exposure above the legal limits and must permit risk monitoring at no additional cost to pension fund members. In any case, investment in alternative UCITS cannot exceed 20% of the pension funds total assets or 25% of the UCITS’ net worth; investment in non-EU alternative funds not marketed in Italy is allowed only under bilateral agreements between Italy and the relevant country.

The limits on investment in financial instruments linked to commodities (5%) and on foreign exchange exposure (30%) are in line with the limits already indicated in the consultation scheme. The limits are in any case to apply, as a rule, to single segments.

The decree specifies that pension funds signing agreements with insurance companies or other entities authorized to grant financial guarantees can stipulate, in such agreements, the transfer of ownership of the assets and claims under management, in accordance with Article 6(9) of Legislative Decree 252/2005.

The decree requires pension fund boards to take all reasonable measures to detect and manage conflicts of interest, even when they involve persons outside the fund, to prevent them from damaging the interests of members and beneficiaries. The fund's policy on conflicts of interest must be set forth in a document to be transmitted promptly, also in case of modification, to COVIP and to the pension fund manager. The document serves to avoid or resolve situations that could threaten the objectivity of investment decisions owing to actual or potential conflicts of interest. If the measures are not sufficient to safeguard the interests of members and beneficiaries effectively, this circumstance must be taken under consideration by the board and communicated promptly to COVIP. Further, the functions of management, direction and control in pension funds are incompatible with analogous positions with the entity managing assets under an agreement, the fund depositary, or companies belonging to the same group as the management entity or depositary.

4

NON-LIFE INSURANCE

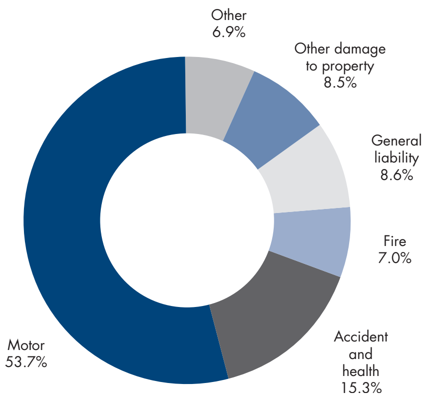
NON-LIFE INSURANCE

In 2014 non-life premium income amounted to Euro 32,800 million, down 2.7% from 2013. The sector's share of total premiums fell from 28.4% to 22.9%, in part because life sector premiums rose sharply. The combined ratio held approximately steady at 90.1%, as the slight increase in the expense ratio was offset by an improvement in the loss ratio. Although the contribution of investment income was stable, the overall technical account result improved to Euro 3.6 billion, thanks to the less severe impact of the negative balance on reinsurance.

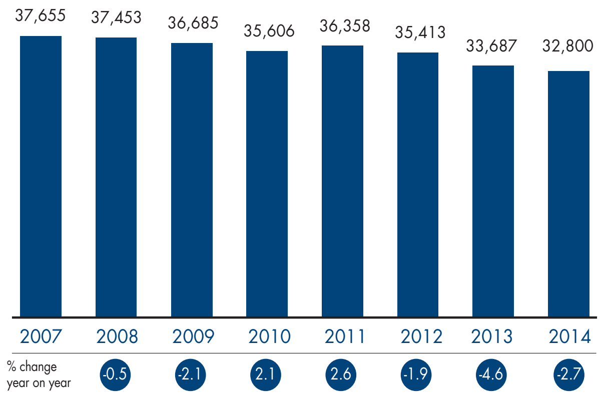
DOMESTIC BUSINESS

Premiums from direct domestic business for the 81 Italian and 2 non-EU insurance companies operating in non-life classes were equal to €32,800 million in 2014, down 2.7% (calculated in homogeneous terms). This drop was due essentially to the decrease of 5.8% in motor insurance business (motor third party liability insurance, third party liability insurance for watercraft, and land vehicle insurance), which accounts for 53.7% of overall non-life income; this was only partly offset by the 1.2% gain in other non-life premiums. Non-life premiums' share of total non-life and life premiums fell from 28.4% to 22.9%, as life premiums increased sharply.

Breakdown of main non-life classes 2014



Direct premiums and change (%)
Euro million



In homogeneous terms

Earned premiums for the year, i.e. written premiums net of the change in premium reserves and other balance items, came to €33,186 million, down 3.8% for the year.

The **incurred claims cost for the current accident year**, defined as the sum of the total paid and the total set aside for all claims incurred in the current accident year, amounted to €22,299 million, representing a decrease of 2.6% on 2013. Since the fall in claims costs was smaller than that in earned premiums, the ratio of claims to premiums worsened from 66.5% to 67.2%.

NON-LIFE INSURANCE

Non-life technical account
Euro million

	2007	2008	2009	2010	2011	2012	2013	2014
Gross written premiums	37,655	37,453	36,685	35,606	36,358	35,413	33,687	32,800
Changes in premium reserves and other items (-)	570	351	34	524	522	-473	-754	-386
Incurred claims (-):	26,079	27,538	28,973	26,601	26,462	25,793	22,400	21,195
– incurred claims cost for the current accident year (-)	26,597	27,917	28,873	26,255	25,328	24,813	22,891	22,299
– excess/shortfall for claims in previous years	518	379	-100	-345	-1,134	-981	491	1,105
Balance of other technical items	-653	-747	-716	-687	-591	-663	-605	-515
Operating expenses (-)	9,191	9,158	9,053	8,696	8,761	8,504	8,433	8,596
– commissions	6,011	6,008	5,898	5,724	5,776	5,509	5,361	5,347
– other acquisition costs	1,238	1,327	1,370	1,374	1,356	1,422	1,478	1,629
– other administration costs	1,942	1,823	1,785	1,598	1,629	1,573	1,594	1,620
Direct technical balance	**1,162**	**-341**	**-2,091**	**-902**	**22**	**926**	**3,004**	**2,880**
Investment income	1,924	774	2,368	1,038	604	1,607	1,202	1,278
Direct technical account result	**3,086**	**433**	**277**	**137**	**626**	**2,533**	**4,205**	**4,158**
Reinsurance results	-515	-142	-344	-577	-554	537	-772	-599
Overall technical account result	**2,571**	**291**	**-67**	**-441**	**72**	**3,070**	**3,434**	**3,559**
Annual % change in premiums	1.3%	-0.5%	-2.1%	2.1%	2.6%	-1.9%	-4.6%	-2.7%
Combined ratio	**94.7%**	**98.7%**	**103.7%**	**100.2%**	**97.9%**	**95.9%**	**90.1%**	**90.1%**
– Expense ratio	24.4%	24.5%	24.7%	24.4%	24.1%	24.0%	25.0%	26.2%
– Commissions/Gross written premiums	16.0%	16.0%	16.1%	16.1%	15.9%	15.6%	15.9%	16.3%
– Other acquisition costs/Gross written premiums	3.3%	3.5%	3.7%	3.9%	3.7%	4.0%	4.4%	5.0%
– Other administration costs/Gross written premiums	5.2%	4.9%	4.9%	4.5%	4.5%	4.4%	4.7%	4.9%
– Loss ratio:	70.3%	74.2%	79.1%	75.8%	73.8%	71.9%	65.0%	63.9%
– Loss ratio for the current accident year	71.7%	75.2%	78.8%	74.8%	70.7%	69.1%	66.5%	67.2%
– Excess/shortfall of claim reserves for previous years/ Earned premiums	1.4%	1.0%	-0.3%	-1.0%	-3.2%	-2.7%	1.4%	3.3%
Technical balance/Earned premiums	**3.1%**	**-0.9%**	**-5.7%**	**-2.6%**	**0.1%**	**2.6%**	**8.7%**	**8.7%**
Technical account result/Earned premiums	**8.3%**	**1.2%**	**0.8%**	**0.4%**	**1.7%**	**7.1%**	**12.2%**	**12.5%**
Overall technical account result/Earned premiums	**6.9%**	**0.8%**	**-0.2%**	**-1.3%**	**0.2%**	**8.6%**	**10.0%**	**10.7%**

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

The **incurred claims cost for the financial year**, which in addition to the incurred cost for the current year also includes the excess of provisions for claims incurred in previous accident years of €1,105 million (up from €500 million in 2013), amounted to €21,195 million, down 5.4% from €22,400 million. Thanks to this increase in the excess reserves for previous years, the ratio to earned premiums improved from 65.0% to 63.9%.

Operating expenses – that is, administration expenses relating to technical management plus costs of contract acquisition, premium collection and the organization and management of the distribution network – amounted to €8,596 million in 2014, an increase of 1.9% from the previous year. The incidence on direct premiums, at 26.2%, increased slightly, as did the ratio of commission expenses to premiums (from 15.9% to 16.3%) and that of other administration expenses (from 4.7% to 4.9%). The incidence of other acquisition costs also rose, from 4.4% in 2013 to 5.0% in 2014.

The **technical balance for direct business** was positive at €2,880 million, compared with €3,004 million in 2013.

Counting investment income, which came to €1,278 million (practically the same as in 2013), the **direct technical account result** was positive by €4,158 million, against €4,205 million in 2013. The ratio to premium income edged up from 12.2% to 12.5%.

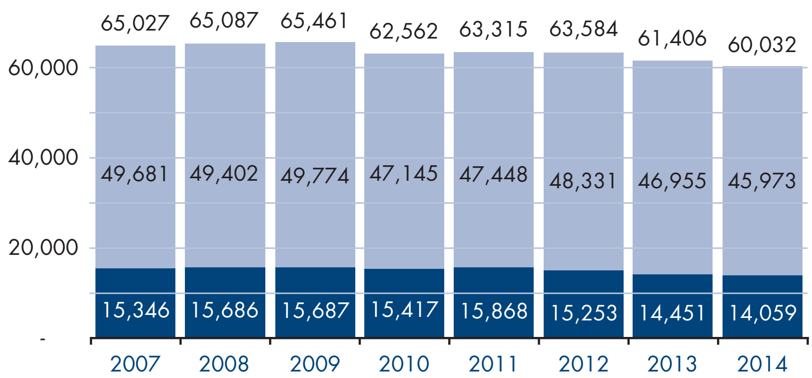
The result on reinsurance cessions and net indirect business was negative by €599 million in 2014, compared with a negative balance of €772 million in 2013.

This improvement contributed to a positive **overall technical account result** of €3,559 million (slightly up from a year earlier). The ratio to premium income in 2014 came to 10.7% (10.0% in 2013).

Direct technical reserves, net of amounts to be recovered from policyholders and third parties, amounted to €60,032 million at the end of 2014, of which €14,059 million consisted in premium reserves and €45,973 million in claims provisions for the current and previous accident years.

Premium reserves and claims reserves
Euro million

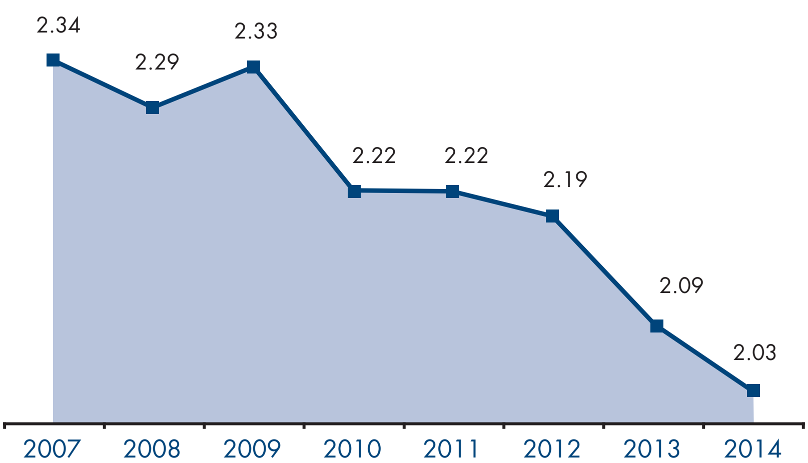
Claims reserves
Premium reserves



NON-LIFE INSURANCE AND GDP

Given last year's contraction in written non-life premiums, their ratio to GDP slipped from 2.09% to 2.03%.

Non-life premiums/GDP (%)



5

MOTOR INSURANCE

MOTOR INSURANCE

In 2014 motor insurance premiums registered a further decrease of 6.5%, following on that of 7.0% in 2013. The cost of claims also fell, but less sharply, by 3.1%, resulting in a worsening of the combined ratio from 88.2% to 90.5%. The positive contribution of the financial component in connection with returns on investment, which held stable at the same level as the previous year, helped produce a positive overall technical balance, though less than in 2013. The overall technical results for land vehicles remained positive, although for the seventh consecutive year premiums registered a decrease (-1.1%).

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 49 companies operating in this class, totaled €15,211 million in 2014, down 6.5% from 2013, following the larger drop of 7.0% in 2013 and that of 1.2% registered in 2012. Over the three years, that is, total premiums fell by nearly 15%. These premiums represented 46.4% of the total for non-life classes (48.3% in 2013). In addition, a significant share of premiums (more than 5.0% of the total, amounting to some €800 million) was collected by branch offices of foreign companies registered in EU countries operating under the freedom to provide services. The contraction in premium income for these insurers came to 15.8% in 2014, more than twice the decrease sustained by Italian companies. Overall, Italian, EU and non-EU insurers collected total premium income of €16,016 in 2014, a decline of 7.0% on the year. No information about the technical results is available for the non-Italian companies as they are subject to the home country supervisory authorities under the principle of home country control.

Earned premiums, i.e. total premiums net of the change in premium reserves and some other balance items, came to €15,559, down 7.6% with respect to 2013.

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 the current accident year, amounted to €11,176 million, down 3.1%. This is consistent with the 2.2% decrease in claims frequency in 2014, the reduction of 1.6% in average claims size, and the increase of 0.5% in the number of vehicles insured.

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 €10,816 million (€11,563 million in 2013) with a decline of 6.5%. This was due to the excess of reserves for previous years (€360 million), after the substantial contribution of €2.3 billion made by the industry in 2011-12 to top these reserves up and their near sufficiency (a shortfall of just €24 million) in 2013. Since the decrease in claims costs was not greater than that in premium income, the loss ratio worsened from 68.7% to 69.5%.

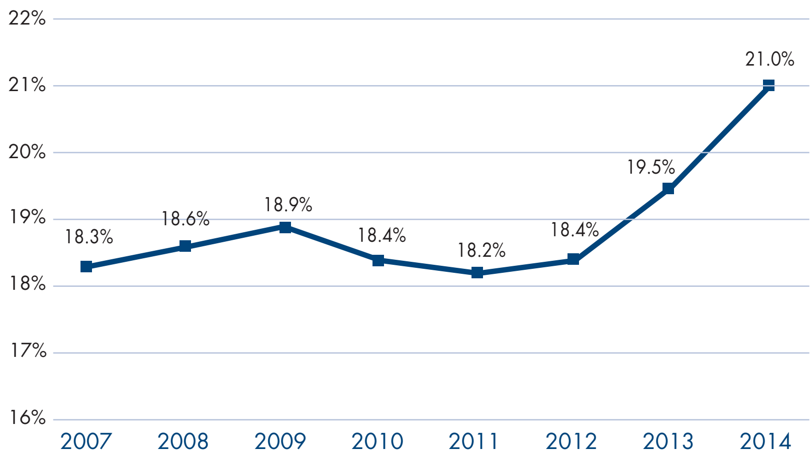
Motor and marine liability insurance
Euro million

	2007	2008	2009	2010	2011	2012	2013	2014
Gross written premiums	18,239	17,637	16,994	16,913	17,794	17,576	16,263	15,211
Changes in premium reserves and other items (-)	-10	-167	-5	306	299	-121	-572	-348
Incurred claims (-):	14,732	14,672	15,106	14,467	14,791	13,110	11,563	10,816
– incurred claims cost for the current accident year (-)	14,794	14,761	14,912	13,865	13,444	12,108	11,539	11,176
– excess/shortfall for claims in previous years	62	89	-194	-602	-1,347	-1,002	-24	360
Balance of other technical items	-226	-290	-267	-244	-203	-272	-248	-137
Operating expenses (-)	3,346	3,275	3,208	3,116	3,236	3,233	3,167	3,187
– commissions	1,936	1,882	1,808	1,787	1,868	1,840	1,732	1,634
– other acquisition costs	514	559	574	585	595	638	690	789
– other administration costs	896	834	826	745	773	755	746	765
Direct technical balance	**-55**	**-433**	**-1,583**	**-1,221**	**-735**	**1,084**	**1,857**	**1,418**
Investment income	963	344	1,217	496	272	799	613	652
Direct technical account result	**908**	**-89**	**-366**	**-725**	**-463**	**1,883**	**2,469**	**2,070**
Reinsurance results	49	-2	-15	-19	-19	1	-47	-1
Overall technical account result	**957**	**-91**	**-381**	**-744**	**-482**	**1,883**	**2,423**	**2,069**
Annual % changes in premiums	-1.0%	-3.3%	-3.6%	4.4%	5.2%	-1.2%	-7.0%	-6.5%
Combined ratio	**99.1%**	**101.0%**	**107.7%**	**105.5%**	**102.7%**	**92.5%**	**88.2%**	**90.5%**
– Expense ratio	18.3%	18.6%	18.9%	18.4%	18.2%	18.4%	19.5%	21.0%
– Commissions/Gross written premiums	10.6%	10.7%	10.6%	10.6%	10.5%	10.5%	10.6%	10.7%
– Other acquisition costs/Gross written premiums	2.8%	3.2%	3.4%	3.5%	3.3%	3.6%	4.2%	5.2%
– Other administration costs/Gross written premiums	4.9%	4.7%	4.9%	4.4%	4.3%	4.3%	4.6%	5.0%
– Loss ratio:	80.7%	82.4%	88.9%	87.1%	84.5%	74.1%	68.7%	69.5%
– Loss ratio for the current accident year	81.1%	82.9%	87.7%	83.5%	76.8%	68.4%	68.5%	71.8%
– Excess/shortfall of claims reserves for previous years/ Earned premiums	0.3%	0.5%	-1.1%	-3.6%	-7.7%	-5.7%	-0.1%	2.3%
Technical balance/Earned premiums	**-0.3%**	**-2.4%**	**-9.3%**	**-7.4%**	**-4.2%**	**6.1%**	**11.0%**	**9.1%**
Technical account result/Earned premiums	**5.0%**	**-0.5%**	**-2.2%**	**-4.4%**	**-2.6%**	**10.6%**	**14.7%**	**13.3%**
Overall technical account result/Earned premiums	**5.2%**	**-0.5%**	**-2.2%**	**-4.5%**	**-2.8%**	**10.6%**	**14.4%**	**13.3%**
Premiums to total non-life premiums ratio (%)	*48.4%*	*47.1%*	*46.3%*	*47.5%*	*48.9%*	*49.6%*	*48.3%*	*46.4%*
Premiums of EU branches	**207**	**212**	**200**	**917**	**960**	**954**	**956**	**805**
Annual % changes in premiums	43.9%	2.8%	-5.8%	-1.5%	4.8%	-0.6%	-11.8%	-15.8%
Premiums of EU and non-EU branches	**18,446**	**17,849**	**17,194**	**17,830**	**18,754**	**18,530**	**17,219**	**16,016**
Annual % changes in premiums	-0.6%	-3.2%	-3.4%	4.2%	5.2%	-1.2%	-7.3%	-7.0%

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

Operating expenses amounted to €3,187 million (€3,167 million in 2013) and include 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. Owing to the decline in premium income, the ratio of expenses to premiums rose from 19.5% in 2013 to 21.0% last year. The rise essentially reflected an increase in acquisition costs from 4.2% to 5.2% and in other administration costs from 4.6% to 5.0%. The ratio of commissions, which ordinarily represent a percentage of premiums, showed no change.

Operating expenses
(%) of premiums



The **technical balance for direct business** was positive at €1,418 million.

With profits from investments amounting to €652 million, the **result of the technical account for direct business** showed a profit of €2,070 million, down from 2,469 million in 2013.

Taking the balance for reinsurance into account (negative by €1 million), the **overall technical account result** was positive by €2,069 million (compared with €2,423 million in 2013).

The **technical reserves** of the motor and marine liability sector, net of recoverable sums, amounted to €28,04 million in 2014, with a 3% decrease compared with 2013. Among these, the premium reserve was about €5,000 million, while the claims reserve for current and previous accident years was about €23,000 million.

Technical reserves, motor and marine liability classes
Euro million

Premium reserves
Claims reserves

LAND VEHICLES INSURANCE OPERATIONS

The legally defined class of “land vehicles” comprises insurance against all forms of damage to or loss of land motor vehicles.

Premiums for direct domestic business for the 54 insurance companies operating in this class amounted to €2,387 million in 2014 (-1.1% compared with 2013), accounting for 7.3% of total non-life insurance premiums. The reduction was the seventh successive yearly decline, but this time it was much less substantial, thanks to the upturn in new vehicle registrations, which according to ACI increased by 5.5% in 2014 (after the steep falls of nearly 10% in 2013, 21.4% in 2012, 10.7% in 2011 and 11% in 2010).

Earned premiums, i.e. total premiums net of the change in premium reserves and some other balance items, came to €2,397, down 3.7% with respect to 2013.

Land vehicle insurance
Euro million

	2007	2008	2009	2010	2011	2012	2013	2014
Gross written premiums	3,284	3,208	3,132	2,950	2,891	2,648	2,413	2,387
Changes in premium reserves (-)	104	-13	-12	-17	-14	-72	-76	-10
Incurred claims (-):	1,579	1,933	2,131	1,857	1,812	1,630	1,654	1,459
– incurred claims cost for the current accident year (-)	1,666	1,990	2,157	1,891	1,884	1,701	1,695	1,513
– excess/shortfall for claims in previous years	87	57	27	34	72	71	41	53
Balance of other technical items	-39	-38	-34	-34	-31	-28	-21	-10
Operating expenses (-)	827	824	830	781	763	703	660	692
– commissions	569	559	562	530	521	477	447	460
– other acquisition costs	100	108	114	119	119	109	102	118
– other administration costs	158	157	154	131	123	117	111	115
Direct technical balance	**735**	**426**	**149**	**296**	**299**	**360**	**154**	**235**
Investment income	58	27	79	31	18	48	35	38
Direct technical account result	**793**	**453**	**228**	**327**	**317**	**408**	**189**	**274**
Reinsurance results	-27	-5	30	-20	-22	-18	1	-25
Overall technical account result	**766**	**448**	**258**	**307**	**295**	**390**	**191**	**249**
Annual % changes in premiums	2.5%	-2.3%	-2.4%	-1.3%	-2.0%	-8.4%	-8.6%	-1.1%
Combined ratio	**74.8%**	**85.7%**	**94.3%**	**89.0%**	**88.8%**	**86.4%**	**93.8%**	**89.9%**
– Expense ratio	25.2%	25.7%	26.5%	26.5%	26.4%	26.5%	27.4%	29.0%
– Commissions/Gross written premiums	17.3%	17.4%	17.9%	18.0%	18.0%	18.0%	18.5%	19.3%
– Other acquisition costs/Gross written premiums	3.1%	3.4%	3.6%	4.0%	4.1%	4.1%	4.2%	4.9%
– Other administration costs/Gross written premiums	4.8%	4.9%	4.9%	4.4%	4.3%	4.4%	4.6%	4.8%
– Loss ratio:	49.7%	60.0%	67.8%	62.6%	62.4%	59.9%	66.4%	60.9%
– Loss ratio for the current accident year	52.4%	61.8%	68.6%	63.7%	64.9%	62.5%	68.1%	63.1%
– Excess/shortfall of claims reserves for previous years/ Earned premiums	2.7%	1.8%	0.8%	1.2%	2.5%	2.6%	1.7%	2.2%
Technical balance/Earned premiums	**23.1%**	**13.2%**	**4.7%**	**10.0%**	**10.3%**	**13.2%**	**6.2%**	**9.8%**
Technical account result/Earned premiums	**24.9%**	**14.1%**	**7.3%**	**11.0%**	**10.9%**	**15.0%**	**7.6%**	**11.4%**
Overall technical account result/Earned premiums	**24.1%**	**13.9%**	**8.2%**	**10.4%**	**10.1%**	**14.3%**	**7.7%**	**10.4%**
Premiums to total life premiums ratio (%)	*8.7%*	*8.6%*	*8.5%*	*8.3%*	*8.0%*	*7.5%*	*7.2%*	*7.3%*

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

The **incurred claims cost for the current accident year**, defined as the sum of the total paid cost and the total reserved cost for all claims incurred in the current accident year, amounted to €1,513 million, with a decrease of 10.8% compared with 2013. Thanks to the decline in claims costs, the loss ratio for the year improved from 68.1% to 63.1%.

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 €1,459 million (€1,654 million in 2013). The loss ratio to earned premiums thus came down to 60.9%, a considerable improvement on the 66.4% recorded the previous year.

Operating expenses amounted to €692 million (€660 million in 2013) and include 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. The ratio to premium income in 2014 was 29.0% (27.4% in 2013). Precisely because of the fall in premium income, the expense ratio was the highest since 1998.

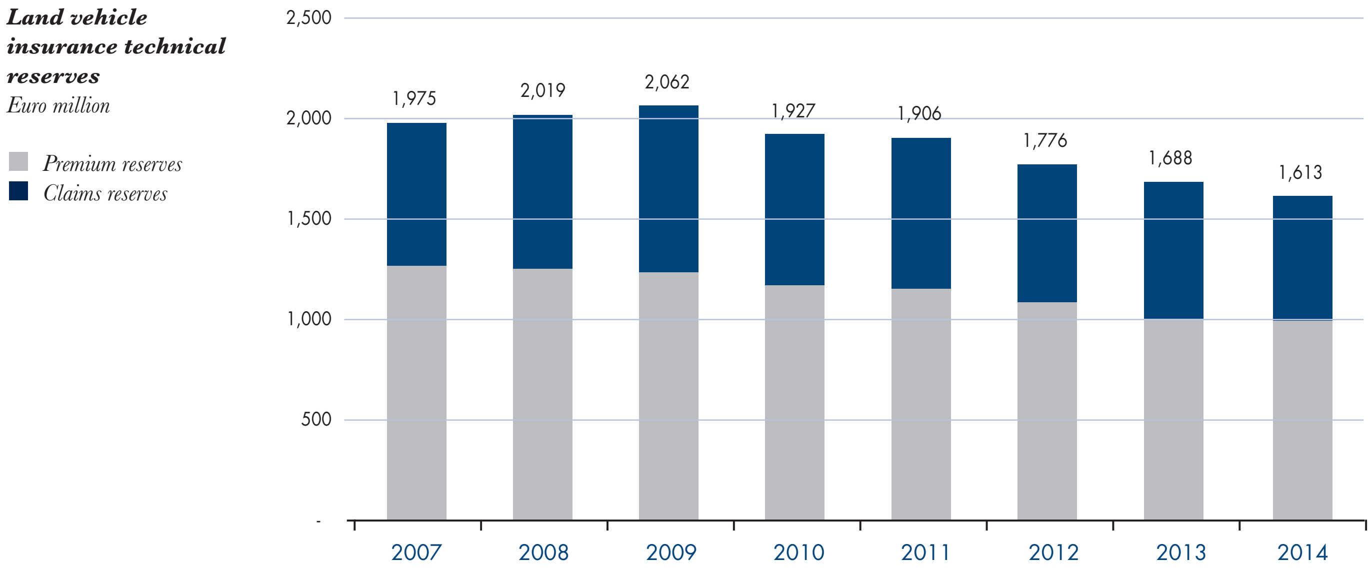
The **technical balance for direct business** was positive in 2014 by €235 million, up from €154 million.

Considering investment income, the **technical account result** was positive by €274 million (€189 million in 2013).

Taking the balance for reinsurance into account, the **overall technical account result** was positive by €249 million, up from €191 million in 2013, and the ratio to premiums rose from 7.7% to 10.4%.

Technical reserves for direct business, net of recoverable sums, amounted to €1,613 million in the land vehicles class in 2014, down 4.5%. Among these, the claims reserve amounted to about €620 million, while premium reserves for the current and previous accident years were about €1,000 million.

Land vehicle insurance technical reserves
Euro million



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 2014. We have compared them with the data for 2012 and 2013 (Table 1).

Table 1 – Thefts of passenger cars and SUVs in Italy, 2012-2014

Region	Car thefts**			Change %			% of vehicles in circulation*	‰ of car thefts		
	year 2014	year 2013	year 2012	2014/ 2013	2013/ 2012	2012/ 2011	2014	2014	2013	2012
PIEDMONT	5,914	6,189	6,466	-4.4%	-4.3%	-4.6%	7.6%	2.09	2.19	2.30
VALLE D'AOSTA	27	24	27	12.5%	-11.1%	22.7%	0.4%	0.18	0.18	0.18
LOMBARDY	14,299	16,180	16,099	-11.6%	0.5%	0.4%	15.9%	2.43	2.76	2.74
LIGURIA	795	840	1,051	-5.4%	-20.1%	-2.4%	2.2%	0.96	1.01	1.25
FRIULI VENEZIA GIULIA	404	310	393	30.3%	-21.1%	4.2%	2.1%	0.52	0.40	0.51
TRENTINO ALTO ADIGE	139	130	174	6.9%	-25.3%	-7.4%	2.2%	0.17	0.17	0.25
VENETO	2,009	1,962	1,994	2.4%	-1.6%	3.5%	8.1%	0.67	0.66	0.67
EMILIA ROMAGNA	3,031	3,022	3,099	0.3%	-2.5%	-3.9%	7.4%	1.10	1.10	1.13
NORTH	*26,618*	*28,657*	*29,303*	*-7.1%*	*-2.2%*	*-1.1%*	*45.9%*	*1.56*	*1.70*	*1.74*
TUSCANY	1,882	1,903	2,043	-1.1%	-6.9%	2.0%	6.4%	0.79	0.80	0.86
UMBRIA	451	542	517	-16.8%	4.8%	8.6%	1.7%	0.73	0.89	0.84
MARCHE	781	704	698	10.9%	0.9%	7.9%	2.7%	0.79	0.71	0.70
LAZIO	18,404	19,863	20,650	-7.3%	-3.8%	-1.4%	10.0%	4.96	5.31	5.44
CENTRE	*21,518*	*23,012*	*23,908*	*-6.5%*	*-3.7%*	*-0.7%*	*20.8%*	*2.80*	*2.98*	*3.07*
ABRUZZO	1,623	1,310	1,479	23.9%	-11.4%	11.9%	2.3%	1.92	1.55	1.74
MOLISE	305	328	324	-7.0%	1.2%	20.0%	0.5%	1.50	1.62	1.60
CAMPANIA	21,084	20,828	22,566	1.2%	-7.7%	6.8%	9.0%	6.32	6.23	6.68
CALABRIA	4,036	3,926	4,369	2.8%	-10.1%	24.4%	3.3%	3.32	3.24	3.61
PUGLIA	15,623	15,291	15,346	2.2%	-0.4%	-5.8%	6.1%	6.95	6.80	6.76
BASILICATA	338	256	350	32.0%	-26.9%	12.9%	1.0%	0.95	0.72	0.98
SOUTH	*43,010*	*41,939*	*44,434*	*2.6%*	*-5.6%*	*3.7%*	*22.1%*	*5.24*	*5.11*	*5.38*
SICILY	15,481	16,936	16,852	-8.6%	0.5%	4.0%	8.5%	4.92	5.40	5.36
SARDEGNA	1,486	1,611	1,772	-7.8%	-9.1%	-2.7%	2.7%	1.48	1.60	1.76
ISLANDS	*16,967*	*18,547*	*18,624*	*-8.5%*	*-0.4%*	*3.3%*	*11.2%*	*4.09*	*4.48*	*4.49*
TOTAL ITALY	108,113	112,155	116,269	-3.6%	-3.5%	1.5%	100.0%	2.92	3.04	3.14

*Source: * ACI - Number of vehicles at 31/12/2014*
*** Ministero dell'Interno - provisional data for 2014*

The number of vehicle thefts fell again last year, from 112,155 to 108,113, a decrease of 3.6%. Since 2012 the decline comes to 7.0%, or more than 8,000 thefts fewer. Except for 2012, when thefts rose by a marginal 1.5%, auto theft has fallen steadily in recent years. Another positive development last year was the increase in the number, and especially in the percentage, of stolen vehicles recovered by the law enforcement forces (Table 2). Where 41.7% of all stolen vehicles were recovered in 2013, in 2014 the percentage rose to 43.4%, or about 47,000 vehicles.

Table 2
Stolen vehicles recovered by the law enforcement forces

Region	Stolen vehicles recovered by the law enforcement forces			Percentage of recovered vehicles		
	2014	2013	2012	2014	2013	2012
PIEDMONT	3,569	3,436	3,608	60.3%	55.5%	55.8%
VALLE D'AOSTA	18	15	21	66.7%	62.5%	77.8%
LOMBARDY	6,685	6,709	6,912	46.8%	41.5%	42.9%
LIGURIA	663	717	821	83.4%	85.4%	78.1%
FRIULI VENEZIA GIULIA	273	233	239	67.6%	75.2%	60.8%
TRENTINO ALTO ADIGE	105	88	135	75.5%	67.7%	77.6%
VENETO	1,708	1,621	1,743	85.0%	82.6%	87.4%
EMILIA ROMAGNA	2,430	2,418	2,575	80.2%	80.0%	83.1%
NORTH	*15,451*	*15,237*	*16,054*	*58.0%*	*53.2%*	*54.8%*
TUSCANY	1,470	1,437	1,681	78.1%	75.5%	82.3%
UMBRIA	357	460	455	79.2%	84.9%	88.0%
MARCHE	536	491	512	68.6%	69.7%	73.4%
LAZIO	4,904	5,455	5,512	26.6%	27.5%	26.7%
CENTRE	*7,267*	*7,843*	*8,160*	*33.8%*	*34.1%*	*34.1%*
ABRUZZO	652	589	591	40.2%	45.0%	40.0%
MOLISE	74	76	86	24.3%	23.2%	26.5%
CAMPANIA	7,040	6,310	6,966	33.4%	30.3%	30.9%
CALABRIA	2,167	1,942	2,207	53.7%	49.5%	50.5%
PUGLIA	6,972	6,915	7,120	44.6%	45.2%	46.4%
BASILICATA	113	70	87	33.4%	27.3%	24.9%
SOUTH	*17,038*	*15,902*	*17,057*	*39.6%*	*37.9%*	*38.4%*
SICILY	6,419	6,962	7,411	41.5%	41.1%	44.0%
SARDEGNA	745	841	890	50.1%	52.2%	50.2%
ISLANDS	*7,164*	*7,803*	*8,301*	*42.2%*	*42.1%*	*44.6%*
TOTAL ITALY	46,920	46,785	49,572	43.4%	41.7%	42.6%

Source: Ministero dell'Interno - provisional data for 2014

Using ACI's preliminary data on the provincial distribution of cars in circulation in 2014 as a base, we can make an approximate calculation of the theft rates. In 2014, 2.92 vehicles per thousand were stolen, down from 3.14 in 2012 and 3.04 in 2013.

In regional terms, the South was the only part of Italy where car thefts increased in 2014 (+2.6%). Except for Molise, where thefts decreased by 7.0%, all the other southern regions recorded increases. The largest jumps were in Basilicata (32.0%) and Abruzzo (23.9%); Calabria, Puglia and Campania saw more moderate increases of 2.8%, 2.2% and 1.2% respectively. In any case, the regions with the highest theft rates were again, in 2014, Puglia at 6.95‰ and Campania at 6.32‰, both slightly higher than in 2013.

By contrast, in the North the number of thefts diminished by 7.1%. By region, the sharpest fall was in Lombardy, with an 11.6% decrease by comparison with 2013, followed by Liguria (down 5.4%), and Piedmont (down 4.4%). The other northern regions all showed increases. Friuli Venezia Giulia, Valle d'Aosta and Trentino Alto Adige recorded rises of between 7% and 30%, but these are also the regions where the incidence of theft is lowest. There was a small increase in car thefts in Veneto also, while in Emilia Romagna the number held practically constant. It is worth noting that nearly half of all Italian cars are in the North (45.9% in 2014).

In the regions of the Centre the number of car thefts came down by 6.5%. Except for Marche, the sole central region where this crime was on the increase (up 10.9%), there was a decrease across the board. In Umbria the number of cars stolen fell by 16.8%, in Lazio by 7.3% and in Tuscany by just 1.1%. In the regions of the Centre the incidence of theft to cars on the road is less than 1.00 per mille, if we exclude Lazio, where it stood at 4.96 per mille, down from 5.31 in 2013.

The island regions registered the sharpest decline in auto theft in all of Italy (down 8.5%), with substantial decreases both in Sicily (8.6%) and in Sardinia (7.8%). In Sardinia, the reduction follows that of 2013, bringing the total decline in two years to over 16%.

THE AVERAGE COST OF CLAIMS AND CLAIMS FREQUENCY

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

Number of claims. The total number of 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 2014 but that will be reported in future years. By this count, the number of claims lodged with Italian or non-EU insurance companies totaled 2,111,835 in 2014, down 2.3% from 2,161,808 in 2013.

Claims frequency (excluding IBNR, panel A table 1). Claims frequency as shown in Panel A of Table 1 is defined as the ratio between the number of claims incurred and reported during the accident year that have given or will give rise to compensation and 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 fell from 5.65% in 2013 to **5.48% in 2014**, marking a decline to the lowest figure on record. However, the 2.9% decrease recorded last year was smaller than that of 2013 (-3.8%) and far smaller than in the previous two years (-10.1% in 2012 and -11.3% in 2011). This trend is consistent with greater use of passenger cars as a result of the second consecutive year of falling fuel prices (petrol down 2.1%, diesel fuel 3.0% and GPL 4.5%). Further confirmation comes from fuel consumption, which halted the decrease under way for years and steadied at the same level as in 2013 after declining by 2.6% in 2013 and nearly 10% in 2012. And after four years of decline, the number of vehicles insured increased by 0.6% last year, from 38.3 to 38.5 million. The number refers only to Italian insurance companies and units of non-EEA insurance companies. Counting all the other types of insurer doing business in Italy, the rise in the number of insured vehicles comes to 0.2%.

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

	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%	1,835	-2.6%	16,416	2.7%	4,532	-0.7%	6.05%	4,798

** ANIA estimates based on advance information on 2014 financial statements*
*** Source: ISVAP/IVASS; for 2014, data from reporting forms*

In order to gather statistical data to help determine the extent to which the change in claims frequency depends on cyclical or structural factors, ANIA has run a multiple linear regression analysis of the phenomenon. Specifically, we designed a statistical model that can express a functional correlation between different economic factors – such as households' economic situation, fuel consumption and the use of motorways (taken as independent variables) – and claims frequency as dependent variable.

The input data were claims frequency quarterly reports for the past seven years (from the 1st quarter of 2008 to the 1st quarter of 2015); the observation period was begun in 2008, because this coincides with the start of the economic recession, to study its effects on claims frequency in the motor liability insurance sector. The factors analyzed, as independent variables, for each quarter were:

- <u>fuel consumption</u> calculated in tons of gasoline and diesel fuel used in each quarter based on data from the *Unione Petrolifera Italiana* (Italian Oil Association); the hypothesis being that due to the recession fuel consumption – and consequently the use of motor vehicles – had dropped, explaining the decline in claims frequency;
- <u>fuel price</u> in euro (calculated as the weighted average of the price of gasoline and diesel fuel) based on the energy statistics elaborated by the Ministry for Economic Development; the hypothesis being that higher fuel prices (as in 2011-2012 with pronounced increases and, to a lesser extent, in 2013) result in less use of private transportation, helping to explain the decline in claims frequency for the observation period;

- total vehicle/kilometers of motorway use, in millions, drawn from the statistics of the motorway trade association, Associazione Italiana Società Concessionarie Autostrade e Trafori (AISCAT); the hypothesis being that the greater use of motorways during the summer months (at the expense of urban driving, with its higher accident rate) produces a seasonal decline in claims in the third quarter of each year;
- GDP (in absolute terms), as an indicator of households' general economic situation.

We analyzed a number of models. The best fit (with a multiple correlation coefficient of 0.94; Figure 1) was that utilizing three variables (fuel price, fuel consumption, motorway use), which are linked to general economic conditions and the situation of households. In all the models analyzed, GDP was less significant statistically, insofar as its effects are "explained" by fuel consumption and above all fuel prices. For this reason, GDP was excluded from the final regression model.

Figure 1
Regression model results

Linear regression model

Regression statistic

R multiple	0.94
R squared	0.88
R squared corrected	0.87
Standard error	0.42
Observations	28

	Coefficients	*Standard Error*	*T Stat*	*Significance*
Intercept	-1.7036	2.2555	-0.76	0.46
Fuel price	-0.9822	0.6021	-1.63	0.12
Fuel consumption	0.0015	0.0002	6.34	0.00
Motorway traffic	-0.1263	0.0432	-2.92	0.01

The results produced by this model show that:

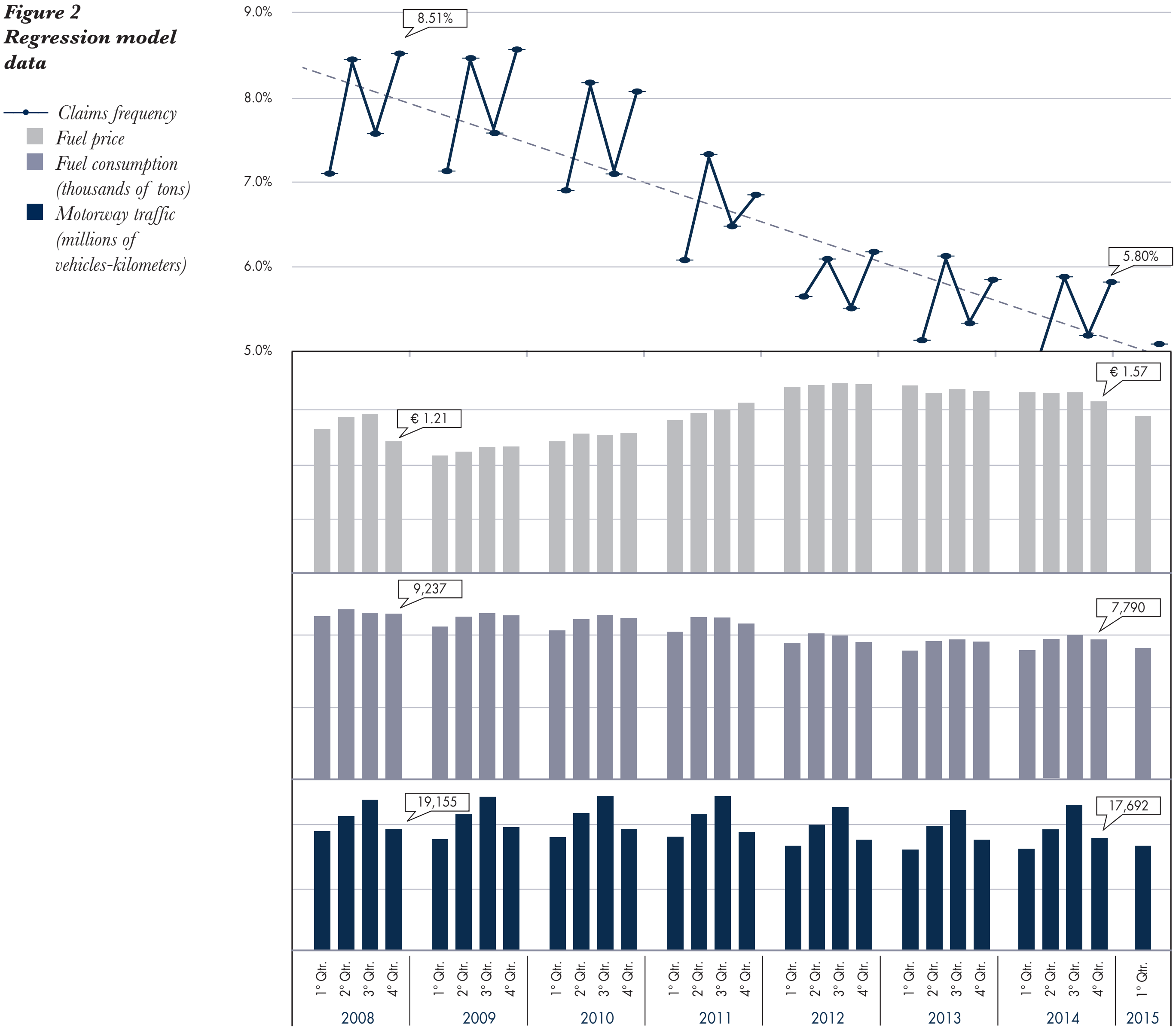
- all other factors equal, a 20 eurocent increase in the price of fuel produces a 0.26-percentage-point reduction in claims frequency;
- a 350,000-ton ([1]) drop in fuel consumption produces a 0.5-percentage-point decline in claims frequency;
- an increase of 5% in vehicle/kilometers of motorway use reduces claims frequency by 0.12 percentage points. The effect of this factor depends on the fact that the average frequency of accidents on the motorways is lower than in city driving. So an increase in motorway mileage implies a decline in urban driving mileage, and thus an overall reduction in motor liability claims frequency.

Quarterly data (Figure 2) show that, overall, claims frequency came down by more than 2.7 percentage points between the fourth quarter of 2008 and the fourth quarter of 2014 (from 8.51% to 5.80%). Given that in the same period total fuel consumption declined by nearly 1.5 million tons, this factor alone would account for 2.10 points of the claims frequency decline; and as fuel prices rose by 35 eurocents a liter, this

([1]) Given that average motor vehicle fuel consumption for the last available quarter (January-March 2015) was 7.3 million tons, a reduction of 350,000 tons is equivalent to a drop of nearly 5%.

would explain another 0.36 points of the overall decline. Meanwhile motorway traffic declined by 7.6%, which would increase claims frequency by 0.18 points; presumably as a result of the recession motorists may have opted more often for non-toll roads, where the accident rate is higher.

Figure 2
Regression model data



Further, comparing the values for statistical tests used to gauge the goodness of the fit for the three variables, we find that the causal variable with the greatest impact on claims frequency is fuel consumption.

The data for the first quarter of 2015 show a significant fall in fuel prices by comparison with the same quarter in 2014 (in just a year, the price of gasoline and diesel fuel fell by €0.22 a liter). This presumably helped to produce the increase of 100,000 tons in fuel consumption registered for the quarter, which despite the slight increase in motorway use should result, according to our model, in a rise in claims frequency. This is confirmed by preliminary data for a sample of insurers: in fact, claims frequency was about 1 percent higher in March 2015 than in the first quarter of 2014. That is, after five years of decline it would appear that this positive trend has been inverted, and there seems to be little scope indeed for any further improvement in this technical indicator.

Average cost of claims (excluding IBNR, panel A table 1). 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 incurred but non-reported claims (IBNR reserves), contributions to the Road Accident Victims Guarantee Fund and other residual items. These items have been excluded from the 2014 data in order to allow uniform comparison with the data for previous years, derived from IVASS analyses using this methodology. Based on these calculations, the average claim cost in **2014** was **€4,532**, down 0.7% from €4,564 in 2013. Specifically, the **average cost of claims involving only material damage** fell by 2.6%, from €1,883 to **€1,835**, while that of **claims involving personal injury** (including the material damage component) rose by 2.7% from €15,986 to **€16,416**. This rise may be explained by the decrease in small claims thanks to the institution of compulsory clinical or instrumental verification of minor permanent injury (the other claims, on average, are larger). As a consequence, the share of claims involving personal injury is estimated to have come down from 19.0% in 2013 to 18.5% last year.

Number of claims and average cost (including IBNR, panel B table 1). The total number of claims, including the IBNR estimate, came to 2,329,350 in 2014, down by 2.5%, as claims frequency dropped by 3.2 percent, from 6.24% in 2013 to 6.05%. 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 edged down by 0.6% to €4,798.

The 3.2 percent drop in claims frequency was thus accompanied by a 0.6% decline in average cost. Consequently, given the contemporaneous increase of 0.6% in number of vehicles insured, the total cost of claims for the year (item 18 of Supervisory Form 17) came down by 3.1%.

A breakdown of claims frequency by province (Figure 3, left-hand map) revealed Naples to be the province with the highest rate in 2014 (10.02%), with a frequency 60 percent higher than the national average of 6.05%).

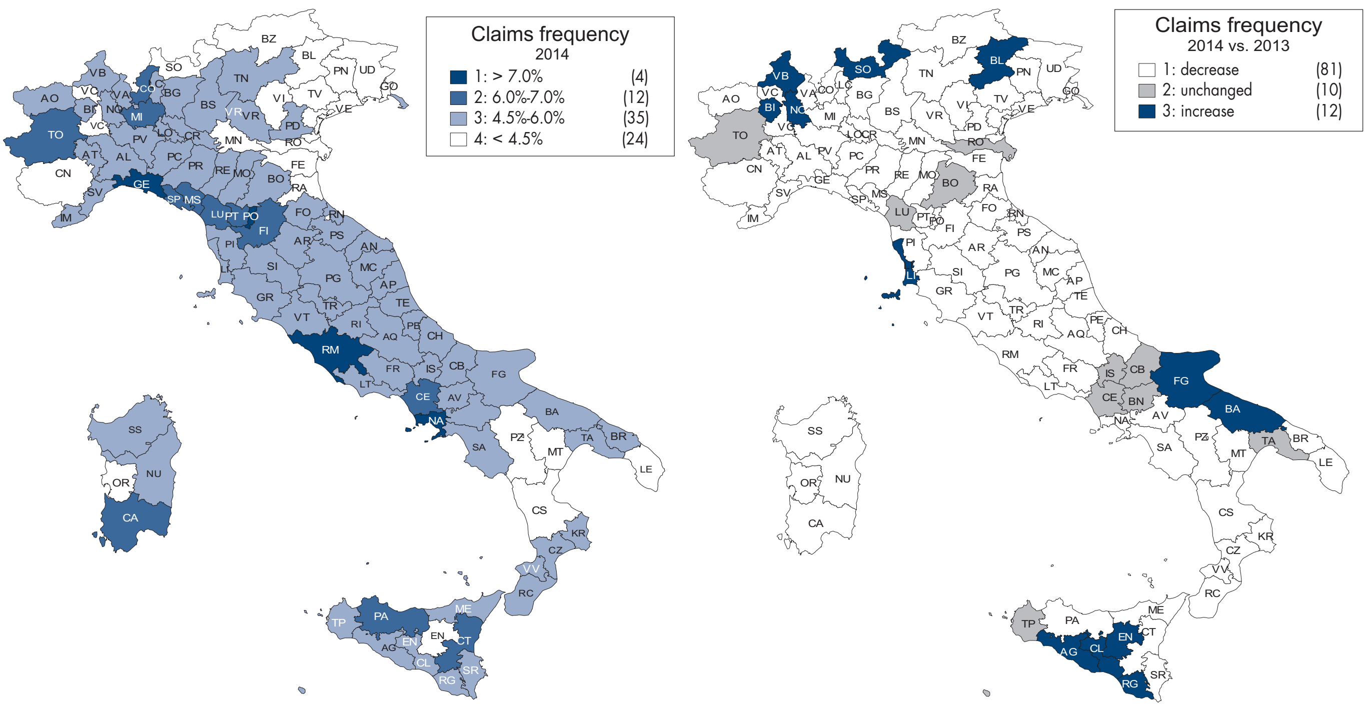
Claims frequency was higher than the national average also in some Tuscan provinces such as Prato (8.52%), Florence (6.93%) and Pistoia (6.60%). On a more general note, most of Italy's largest cities (Genoa, Rome, Turin, Palermo and Milan), regardless of the geographical area, show higher-than-average claims frequency, owing of course to greater exposure to the risk of accidents due to heavier traffic flows.

Once again, the lowest claims frequency was recorded in the North-Eastern provinces, with Rovigo recording the national low (3.61%). Claims frequency was especially low, below 4.0%, also in other provinces of the Veneto region, Trentino

Alto Adige and Friuli Venezia Giulia. Lower-than-average levels were reported also in some provinces of the South, such as Foggia (4.67%), Brindisi (4.66%), Agrigento (4.57%), Catanzaro (4.52%), Cosenza (4.48%), Lecce (4.58%), Enna (4.36%), Potenza (4.24%), and Oristano (4.07%).

Claims frequency diminished in most provinces, in all parts of the country. The province that showed the greatest improvement by comparison with 2014 was Rieti, with a decrease of 6.6 percent, followed by Catanzaro (down 6.3 percent), Rome, Reggio Calabria, Grosseto, Udine and Oristano (with falls of around 6.1 percent). Only a few provinces registered a modest increase: Verbania and Enna (around 3 percent), as well as Sondrio, Novara and Caltanisetta (with rises averaging 2.4 percent).

Figure 3 – Claims frequency by province, 2014, and change in risks covered, 2013-2014



COMPENSATION FOR PERSONAL INJURY

The total damages paid (for both property damage and personal injury) came to €11.2 billion in 2014 ([1]). Of this, more than two thirds (**€7.5 billion**) was in relation to **personal injury** (including the property-damage component of mixed claims).

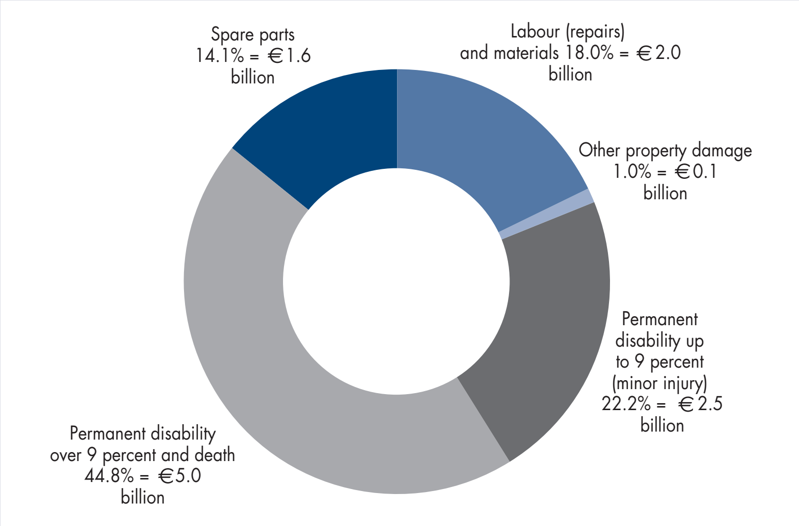
As regards personal injury compensation specifically, two facts stand out (Figure 1):

([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) of accidents occurring in 2014. The total cost of claims for the year, including any excess or shortfall of reserves against claims from previous years, was €10.8 billion.

– compensation for mild injury involving permanent disability of 1 to 9 percent amounted to €2.5 billion (22.2% of the total claims cost);
– serious injuries involving more than 9 percent permanent disability or death generated outlays of €5.0 billion (44.8% of total claims cost).

Figure 1
Distribution of total cost of liability compensation, 2014

- *Compensation for property damage (€3.7 billion, 33% of total claims cost)*
- *Compensation for personal injury (€7.5 billion, 67% of total claims cost). Includes the property component of mixed claims*



The percentage of all motor liability claims involving personal injury edged downward from 19.0% to 18.5% in 2014 (Table 1). After rising both in 2009 (to 21.8%) and 2010 (to a peak of 22.7%), this share had registered a first, modest downturn in 2011, to 22.4%, and more significant declines in 2012 and 2013. As is explained further on, the main cause for the improvement was the reduction in the number of minor injuries, especially those involving less than 3 percent disability.

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

	2009	2010	2011	2012	2013	2014
Total claims frequency	7.77%	7.36%	6.53%	5.87%	5.65%	5.48%
% claims with only property damage	*78.2%*	*77.3%*	*77.6%*	*79.9%*	*81.0%*	*81.5%*
Frequency of claims with only property damage	6.07%	5.70%	5.07%	4.69%	4.57%	4.47%
% claims involving personal injury	*21.8%*	*22.7%*	*22.4%*	*20.1%*	*19.0%*	*18.5%*
Frequency of claims involving personal injury	1.70%	1.67%	1.46%	1.18%	1.07%	1.01%
Frequency of claims with up to 9 percent permanent disability	1.627%	1.602%	1.401%	1.121%	1.016%	0.961%
1% permanent disability	0.708%	0.689%	0.617%	0.506%	0.477%	0.427%
2% permanent disability	0.563%	0.552%	0.469%	0.294%	0.243%	0.233%
3% permanent disability	0.186%	0.190%	0.163%	0.137%	0.128%	0.115%
4% permanent disability	0.077%	0.078%	0.069%	0.071%	0.065%	0.071%
5% permanent disability	0.042%	0.040%	0.036%	0.043%	0.042%	0.041%
6% permanent disability	0.021%	0.021%	0.019%	0.027%	0.025%	0.028%
7% permanent disability	0.014%	0.013%	0.012%	0.019%	0.017%	0.019%
8% permanent disability	0.010%	0.010%	0.010%	0.014%	0.012%	0.015%
9% permanent disability	0.007%	0.007%	0.007%	0.010%	0.007%	0.011%
Frequency of claims with over 9 percent permanent disability	0.070%	0.067%	0.062%	0.059%	0.057%	0.053%

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

To analyze the trends of the different components of personal injury claims, we have examined their evolution over time, with an assessment of the impact on the overall price requirements of the motor liability sector.

Minor injury – permanent disability of 1-9%. The effect of Decree Law 1/2012 (the "liberalization" decree) persisted last year, though more moderately than in 2013. The Decree introduced provisions against speculative claims for very mild injuries, principally "whiplash" injuries, changing the eligibility requirements for compensation. The sharpest reductions in mild injuries (calculated as claims for permanent injury of 1% to 9% as a percentage of total risks insured) came in 2012 and 2013 (from 1.4% in 2011 to 1.02% in 2013, down 27%). In 2014 the new compensation policy was already in place, so the 5.4% reduction in these claims (to 0.96%), in addition to reflecting the general decline in claims frequency (down 3%), may have been due to the increase in insurers' investigations for fraud, as IVASS data indicate. Further confirmation comes from the trend in the average cost of mild injury claims, which fell from 2011 through 2013 but was practically constant in 2014.

Death and permanent disability of more than 9%. No comparable diminution was observed for more serious injuries (resulting in death or permanent disability of more than 9%), which are not subject to the new rules. From 2009 through 2014, claims frequency for these injuries has come down significantly (by 24%), but actually by less than the overall claims frequency (down 29%), and in any case much less sharply than claims for mild injuries (41%).

Turning to the cost of these more serious injury claims (including damages for deaths), the average claim cost has risen constantly over the years: from €155,000 in 2009 to nearly €200,000 in 2013 and €210,000 in 2014 (Table 2). This constitutes an increase of 35% over the period, completely offsetting the benefits of the reduction in claims frequency for this type of injury.

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

	2009	2010	2011	2012	2013	2014
Total average claim cost	3,903	4,057	4,345	4,495	4,564	4,532
% of claims with only property damage	*34.5%*	*32.0%*	*31.7%*	*33.3%*	*33.3%*	*33.0%*
Average cost of claims with only property damage	1,725	1,716	1,803	1,899	1,883	1,835
% incidence of personal injury claims (value)	*65.5%*	*68.0%*	*68.3%*	*66.7%*	*66.7%*	*67.0%*
Average cost of claims with personal injury	11,694	12,052	13,155	14,804	15,986	16,416
of which:						
Average cost of claims with personal injury up to 9 pct, permanent disability	6,037	6,022	6,135	5,951	5,756	5,744
Average cost of claims with personal injury over 9 pct, permanent disability	155,487	166,750	179,891	191,379	198,050	209,491

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

The geography of physical injury. Though the situation has improved, the proportion of claims involving personal injury in Italy is still among the highest in Europe, and in some provinces (Taranto, for one) it is as high as 35%. Figure 2 and Table 3 show that in 2013 (the year of the most recent available data at province level) the provinces of the South are far out of line with the national average of 18.5%; the highest proportions are found in the regions of Puglia, Calabria, and parts of Campania.

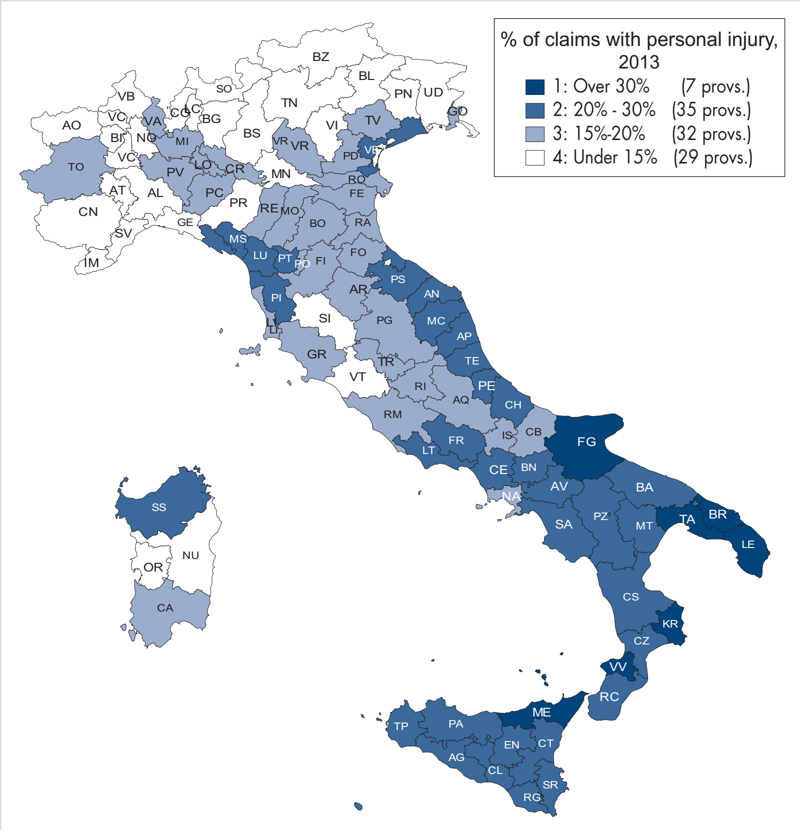
Table 3 – Incidence of claims with personal injury, by province, 2011-2013 (°) *(percent)*

Province	2013	2012	2011	Change 2013/2012
(1)	(2)	(3)	(4)	(5)
TARANTO	34.7%	34.3%	39.3%	1.3%
CROTONE	34.4%	34.4%	35.2%	0.2%
BRINDISI	33.7%	33.6%	39.3%	0.4%
LECCE	31.8%	32.6%	37.4%	-2.6%
VIBO VALENTIA	31.3%	35.3%	37.2%	-11.1%
FOGGIA	30.7%	32.7%	38.4%	-6.2%
MESSINA	30.2%	29.5%	30.8%	2.2%
CATANZARO	29.8%	32.1%	34.8%	-7.1%
AVELLINO	29.8%	29.1%	32.8%	2.3%
BARLETTA-ANDRIA-TRANI	29.6%	27.9%	32.7%	6.1%
BARI	29.2%	29.4%	33.5%	-0.6%
LATINA	29.1%	32.4%	35.7%	-10.2%
SALERNO	28.6%	29.9%	32.6%	-4.1%
REGGIO CALABRIA	28.1%	29.8%	30.5%	-5.8%
PESCARA	27.6%	28.4%	32.2%	-3.1%
CATANIA	27.1%	27.6%	30.5%	-1.6%
CHIETI	25.9%	27.3%	31.7%	-5.0%
COSENZA	25.6%	27.5%	29.7%	-7.0%
RIMINI	25.4%	26.2%	31.1%	-2.9%
CALTANISSETTA	25.3%	26.8%	29.9%	-5.6%
MASSA-CARRARA	24.9%	26.4%	29.0%	-5.6%
FROSINONE	23.8%	25.6%	28.1%	-7.0%
CASERTA	23.8%	26.3%	31.0%	-9.7%
TERAMO	23.4%	23.4%	26.0%	0.1%
PALERMO	22.3%	21.0%	21.2%	6.0%
BENEVENTO	22.3%	22.3%	26.1%	-0.3%
RAGUSA	22.2%	21.8%	27.2%	1.8%
ASCOLI PICENO	22.2%	21.4%	24.2%	3.5%
MATERA	21.9%	22.1%	25.0%	-1.2%
AGRIGENTO	21.9%	23.7%	27.1%	-7.7%
ANCONA	21.7%	22.5%	25.4%	-3.6%
SIRACUSA	21.5%	22.9%	25.2%	-6.0%
MACERATA	21.5%	22.0%	25.3%	-2.0%
PISA	21.5%	23.4%	27.1%	-8.1%
TRAPANI	21.4%	21.6%	22.9%	-0.7%
PESARO-URBINO	21.3%	21.1%	25.2%	1.2%
FERMO	21.3%	20.4%	23.7%	4.3%
LUCCA	21.2%	23.1%	25.1%	-8.0%
VENICE	21.1%	21.7%	23.7%	-2.8%
ENNA	20.9%	21.5%	28.4%	-2.5%
LA SPEZIA	20.7%	21.6%	21.8%	-4.3%
PISTOIA	20.5%	22.9%	27.5%	-10.5%
POTENZA	20.2%	21.3%	25.1%	-5.1%
SASSARI	20.1%	21.1%	25.4%	-4.9%
TERNI	19.8%	21.0%	23.7%	-5.8%
NAPLES	19.5%	19.9%	22.0%	-2.1%
BOLOGNA	19.0%	18.6%	22.2%	2.3%
RAVENNA	18.8%	20.4%	23.0%	-7.7%
ISERNIA	18.7%	18.7%	21.6%	-0.2%
L'AQUILA	18.7%	18.9%	22.3%	-1.3%
PERUGIA	18.5%	19.5%	22.1%	-4.8%
RIETI	18.4%	19.5%	20.1%	-5.4%
PADUA	18.4%	19.2%	22.0%	-4.3%
ROVIGO	18.2%	19.0%	21.6%	-3.9%
AREZZO	18.0%	19.0%	20.2%	-5.1%
CAMPOBASSO	17.7%	18.0%	19.8%	-1.7%

Province	2013	2012	2011	Change 2013/2012
(1)	(2)	(3)	(4)	(5)
ROME	17.6%	17.8%	19.1%	-1.0%
TREVISO	17.5%	18.4%	20.5%	-4.9%
FORLÌ-CESENA	17.4%	17.9%	21.8%	-3.2%
LIVORNO	17.0%	17.3%	18.5%	-2.0%
LODI	17.0%	17.9%	19.2%	-5.3%
GORIZIA	16.9%	16.7%	19.7%	1.3%
REGGIO EMILIA	16.3%	17.0%	19.7%	-4.6%
PRATO	15.9%	17.0%	22.8%	-6.1%
PAVIA	15.9%	16.4%	17.9%	-3.1%
FERRARA	15.9%	18.9%	21.7%	-16.0%
MONZA-BRIANZA	15.8%	16.8%	17.9%	-6.0%
TURIN	15.8%	16.7%	19.3%	-5.7%
FLORENCE	15.8%	16.5%	19.3%	-4.3%
MODENA	15.7%	15.4%	17.9%	1.5%
VARESE	15.6%	15.9%	18.3%	-1.9%
GROSSETO	15.6%	14.3%	16.1%	8.8%
VERONA	15.6%	17.1%	18.4%	-9.2%
OGLIASTRA	15.4%	19.4%	20.6%	-20.6%
OLBIA-TEMPIO	15.4%	15.4%	18.3%	-0.2%
MILAN	15.4%	16.0%	17.6%	-4.2%
CREMONA	15.3%	16.1%	17.1%	-5.3%
PIACENZA	15.2%	17.4%	18.9%	-12.6%
CAGLIARI	15.1%	15.7%	18.5%	-3.4%
PARMA	14.6%	15.4%	16.5%	-4.8%
TRIESTE	14.5%	16.1%	16.5%	-10.2%
CARBONIA-IGLESIAS	14.4%	15.9%	19.6%	-9.4%
IMPERIA	14.4%	15.0%	15.7%	-4.0%
SAVONA	14.3%	15.1%	15.0%	-5.3%
PORDENONE	14.2%	14.2%	16.3%	0.6%
VICENZA	14.2%	15.5%	17.0%	-8.2%
VITERBO	14.2%	14.3%	16.2%	-0.7%
MANTUA	14.2%	15.1%	16.1%	-6.1%
COMO	14.0%	14.9%	16.7%	-5.8%
UDINE	14.0%	13.7%	15.5%	1.9%
SIENA	14.0%	15.0%	16.6%	-6.6%
NOVARA	13.9%	14.5%	15.4%	-3.9%
BERGAMO	13.8%	14.1%	15.6%	-2.3%
MEDIO CAMPIDANO	13.2%	17.5%	21.1%	-24.1%
ORISTANO	13.1%	13.4%	17.3%	-2.6%
LECCO	12.9%	13.7%	15.0%	-5.9%
ALESSANDRIA	12.9%	13.4%	14.2%	-4.2%
VERCELLI	12.4%	12.8%	13.3%	-2.8%
SONDRIO	12.4%	13.0%	13.1%	-4.9%
GENOA	12.3%	12.6%	12.9%	-2.0%
BRESCIA	12.2%	12.6%	13.9%	-3.4%
CUNEO	11.9%	12.7%	13.4%	-6.1%
NUORO	11.5%	12.4%	14.2%	-7.6%
ASTI	11.1%	12.2%	13.7%	-9.2%
BELLUNO	10.8%	11.6%	12.8%	-7.4%
AOSTA	10.6%	11.1%	12.9%	-3.9%
TRENTO	10.6%	10.7%	12.9%	-0.9%
VERBANIA	10.3%	12.1%	12.4%	-15.4%
BOLZANO	10.0%	10.6%	11.2%	-5.5%
BIELLA	9.7%	9.6%	11.0%	0.8%
TOTAL	18.5%	19.2%	21.7%	-3.6%

(°) The provincial incidence of personal injury claims is drawn from ANIA's annual statistics; this accounts for the slight difference in the total for 2013 (18.5%) from the IVASS data (19.0%), which lack the provincial breakdown

Figure 2
Proportion of claims involving personal injury, by province, 2013



GEOGRAPHICAL DISTRIBUTION OF MOTOR INSURANCE FRAUD: NON-INSURANCE

All enterprises authorized to do motor liability insurance business in Italy must submit a yearly report to IVASS with a geographical breakdown of fraud and an account of actions taken to counter it (IVASS Regulation 44/2012).

The report consists of three sections. The second, in particular, gives numerical data on claims lodged during the reference year, broken down by province and type of damage claimed, with an indication of the claims likely to involve the risk of fraud, those subjected to further investigation (specifying the number of investigations on which no action is taken), and those in which the insurer has lodged a civil or criminal complaint.

Let us recall that for our purposes fraud risk is defined as the risk of economic loss due to customer conduct 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 results relating to activities in 2012 and 2013 have been published, so analysis of the extent and impact of this type of crime is now possible (Table 1).

Table 1 – Motor liability insurance fraud in Italy by region, 2012-2013

REGION	Number of claims (*)		Claims at fraud risk/ total claims		Claims with further inquiry/ claims with fraud risk		of which: claims subject of further inquiry but settled with no further action		of which: claims against which civil or penal complaints were lodged	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
EMILIA ROMAGNA	224,164	209,116	9.5%	13.3%	4.7%	5.8%	15.4%	13.2%	2.0%	2.1%
FRIULI-VENEZIA GIULIA	52,029	45,069	8.7%	12.7%	3.6%	4.1%	23.6%	12.4%	2.4%	6.4%
LIGURIA	101,627	94,878	10.0%	13.4%	5.1%	6.1%	15.6%	11.7%	1.3%	1.6%
LOMBARDY	522,167	501,776	7.5%	11.1%	3.2%	4.4%	15.8%	14.9%	2.8%	2.3%
PIEDMONT	240,862	224,863	17.5%	11.8%	10.4%	5.2%	11.8%	13.5%	1.0%	3.3%
TRENTINO ALTO ADIGE	48,591	51,231	9.8%	12.7%	2.7%	3.1%	13.5%	10.3%	0.9%	1.4%
VALLE D'AOSTA	8,023	11,032	6.4%	8.3%	3.6%	2.5%	15.6%	9.8%	2.8%	5.4%
VENETO	207,135	198,959	7.1%	9.7%	3.0%	3.6%	16.9%	13.7%	2.4%	2.9%
NORTH	1,404,598	1,336,924	9.8%	11.6%	4.8%	4.7%	14.5%	13.7%	1.8%	2.6%
LAZIO	403,334	380,654	14.0%	16.1%	7.0%	8.2%	14.6%	13.4%	1.9%	2.6%
MARCHE	72,036	69,030	10.9%	14.7%	5.4%	6.3%	15.8%	11.4%	0.8%	2.4%
TUSCANY	216,918	206,456	9.4%	12.9%	5.1%	6.1%	12.8%	11.1%	2.3%	3.2%
UMBRIA	44,389	44,462	10.2%	15.3%	5.4%	8.0%	12.5%	9.9%	0.9%	2.6%
CENTRE	736,677	700,602	12.1%	15.0%	6.2%	7.4%	14.2%	12.4%	1.9%	2.7%
ABRUZZO	62,882	57,988	12.8%	16.9%	6.4%	7.7%	14.4%	11.8%	3.1%	3.2%
BASILICATA	19,988	19,340	18.2%	21.2%	12.5%	11.6%	15.2%	10.8%	1.5%	2.6%
CALABRIA	62,205	57,190	18.4%	23.9%	13.1%	14.9%	15.1%	10.5%	2.5%	4.6%
CAMPANIA	265,644	228,520	29.2%	39.4%	19.1%	23.9%	14.0%	12.5%	3.4%	4.4%
MOLISE	14,905	13,298	14.6%	21.0%	9.8%	11.4%	18.4%	14.3%	2.6%	4.9%
PUGLIA	136,409	127,139	20.3%	23.9%	14.9%	15.8%	14.4%	11.5%	2.4%	1.4%
SOUTH	562,033	503,475	23.3%	29.9%	15.5%	18.1%	14.3%	12.1%	3.0%	3.7%
SARDINIA	76,314	69,740	9.9%	13.1%	5.8%	6.6%	12.7%	13.4%	1.7%	2.3%
SICILY	218,942	193,652	16.6%	20.6%	12.6%	12.8%	16.3%	10.2%	1.9%	2.0%
ISLANDS	295,256	263,392	14.9%	18.6%	10.8%	11.2%	15.8%	10.7%	1.8%	2.0%
TOTAL ITALY	2,998,564	2,804,393	13.4%	16.4%	7.7%	8.4%	14.6%	12.4%	2.3%	3.0%

(*) "Claims incurred" excludes those involving liability of the vehicle and includes all class 10 claims (land vehicles) for which the insurer, during the year, has received an accident report or claim for damages pursuant to Articles 148 and 149 of Legislative Decree 209/2005. Claims are those reported by all insurance companies operating in the motor liability sector in Italy (Italian, EU, and non-EU)

The relevant claims are those lodged with insurance companies in 2013, which numbered 2.8 million, down from nearly 3 million in 2012. Table 1 shows that the reduction in number of claims was most significant in the South and the Island regions (nearly 10% fewer claims). However, these regions account for only a third of all claims. To calculate composite indicators for comparison of the different geographical areas, the number of claims that insurers have identified as likely to be fraudulent and the number of those subjected to further investigation are given as percentages of total claims lodged during the year.

The average share of claims exposed to risk of fraud in 2013 was 16.4% nationwide, up from 13.4% in 2012, but this conceals substantial regional differences.

The lowest rate of fraud risk in 2013 was again registered in the North (11.6%, up from 9.8% in 2012). However, the share of claims subjected to further investigation was only 4.7%, broadly unchanged from 2012. Ultimately 13.7% of the claims subjected to further investigation were settled with no further action taken (14.5% in 2012);

in 2.6% of the cases, the insurer lodged a civil or criminal complaint, up from 1.8%. The region with the lowest incidence of fraud risk was Veneto (9.7%, up from 7.1% the previous year); the Valle d'Aosta has not been included in this analysis, owing to the great volatility of the data as a consequence of the very small number of claims. Those with the highest risk were Liguria and Emilia Romagna (around 13.4%, over 3 points higher than in 2012). A remarkable reduction was recorded in Piedmont, from 17.5% to 11.8%. The regions showing the highest percentages of civil and penal complaints were Friuli Venezia Giulia (6.4%) and Piedmont (3.3%); the most "virtuous" was Trentino Alto Adige (1.4%).

Fraud risk in central Italy was found in 15.0% of all claims in 2013, up from 12.1%. Insurers conducted more than the ordinary inquiry in respect of 7.4% of total claims (up from 6.2%), settling 12.4% of these without further action (14.2% in 2012) and lodging a civil or penal complaint in 2.7% (1.9% in 2012). The highest incidence of suspect cases was in the Lazio region (16.1%), which was also the region where settlement without further action was most common (13.4% of the cases). The region with the lowest exposure to fraud risk, was Tuscany (12.9%), but it was also the region showing the highest rate of criminal or civil complaints (3.2%).

The highest incidence of fraud risk in 2013 was found once again in the South: nearly 30 percent of all claims were suspect, up sharply from 23.3% in 2012. Additional inquiry was made in over 60% of these cases (or 18.1% of all claims); of these, 12.1% were settled without further action. Insurance companies lodged civil or penal complaints in 3.7% of the claims (3.0% in 2012). By region, the percentage of complaints was highest in Campania and Calabria, where it reached 4.5%, and lowest in Puglia (1.4%); Molise was excluded owing to the great volatility of the data consequent to the small number of claims.

The incidence of claims with risk of fraud was higher than the national average in the island regions as well, at 18.6%. Sicily in particular showed higher-than-average percentages both for suspect claims (20.6%) and for further inquiry (12.6%), with claims lodged in 2.0% of the cases. In Sardinia all the values were lower than the national average.

Table 2 – Estimate of uninsured vehicles, 2014 *(millions)*

Region	Total insured vehicles	Estimate uninsured vehicles	*Memo: Est. uninsured vehicles*		Total vehicles on road	Percentage uninsured vehicles	*Memo: Percentage uninsured vehicles*	
	2014	2014	*2013*	*2012*	2014	2014	*2013*	*2012*
North	20.7	1.4	*1.2*	*1.0*	22.0	6.2%	*5.3%*	*4.6%*
Centre	9.6	0.9	*0.8*	*0.7*	10.5	8.5%	*8.1%*	*6.4%*
South	10.5	1.6	*1.5*	*1.5*	12.1	13.5%	*13.1%*	*11.9%*
TOTAL ITALY	40.8	3.9	*3.5*	*3.1*	44.7	8.7%	*8.0%*	*7.0%*

Source: ANIA, based on Highway Police

Motor insurance fraud is strictly correlated, geographically, with the circulation of uninsured vehicles. Province-level data gathered by the Highway Police, municipalities and municipal police have been matched against the insured vehicles in the ANIA database to produce a statistical inference of the total number of uninsured vehicles on the roads (Table 2).

Generally speaking, the data demonstrate an alarming upward trend in the number of illegally circulating uninsured vehicles. Specifically, the analysis found that 3.9 million vehicles, or 8.7% of all those on the roads, had no insurance coverage in 2014, up from an estimated 3.5 million in 2013 and 3.1 million in 2012. In the provinces of the South, the figure was above 13.5% on average (13.1% in 2013 and 11.9% in 2012). In the Centre the average was 8.5% (8.1% in 2013 and 6.4% in 2012), and in the North 6.2% (up from 5.3% in 2013 and 4.6% in 2012).

The dematerialization of motor vehicle insurance stickers will be completed by 18 October 2015. Checks of compliance with the compulsory insurance requirement will be made automatically (through video reading of the license plates of vehicles on the roads) or by law enforcement officers through immediate consultation of the computer file of all insured vehicles. This system will help reduce fraud by preventing motorists from evading the insurance obligation by resort to counterfeit stickers.

MOTOR INSURANCE PRICE DEVELOPMENTS IN ITALY AND EUROPE

The change in the average motor liability premium

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

Table 1 shows the average Italian price for insurance of a vehicle and its component factors between 1994 (the year insurance prices were liberalized) and 2014. The results for the last five years (2010-14) can be summarized as follows:

- the average price for motor liability insurance rose by a total of 10.7% in 2010 and 2011, owing to the particularly negative results of this insurance class; in 2012 the average premium held practically stable (an increase of just 0.7%), as the im-

([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 motorist's actual merit class, so that if in the reporting year he is 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 listed prices, so that if a motorist gets a discount in the reporting year that he didn't have the year before, the deflator finds a reduction (or smaller increase) in price.

provement in the technical indicators (claims frequency in particular) helped bring the branch's accounts back into balance;

– in 2013, and especially in 2014, this effect was considerably more evident; in fact, in the last two years the average motor liability premium fell by 11.3% (4.6% in 2013 and 7.0% in 2014). That is, the premium decrease that began in November 2012, as Istat's data also attest, continued last year. The price reduction in 2014 is also confirmed by the survey of actual motor liability insurance prices begun by IVASS at the start of 2014, which found that at the end of the fourth quarter of 2014 the average premium for passenger car insurance was 7.8% lower than in the year-earlier period. Note that as a result of the sharp price reductions in the two years the average liability insurance price index has come back down to its 2009 level (Table 1, column 3).

Table 1 – Motor liability insurance premiums, 1994-2014

YEAR	1. Premiums (Source: IVASS) (1)			2. No. vehicles in circulation (2)		3. Average price of coverage per vehicle		MEMO: 4. ISTAT motor liability index		MEMO: 5. ISTAT consumer price index	
	Mn. euro	Index	Annual % change (3)	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	184.8	-6.5	128.2	0.6	144.2	-7.0	318.7	-2.7	158.1	0.2

(1) Premiums only of Italian companies and units of companies with registered offices in non-EEA countries, since the data on number of vehicles insured by units of companies located within EEA countries are not available

(2) Through 2008, based on ACI data. Starting with 2009, the number is calculated on the basis of the change in the 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 put the number of insured vehicle/years in 2014 at 38.5 million, up from 38.3 million in 2013. The number refers only to Italian insurance companies and units of non-EEA insurance companies. Counting all the other types of insurer doing business in Italy, the rise in the number of insured vehicles comes to 0.2%

(3) The percentage change in premiums in 2010 and in 2013 is calculated in uniform terms

As Table 2 shows, Italy registered the sharpest price decline in all of Europe (except Greece) in 2014. In a number of major countries premiums increased, sometimes significantly (by 6.0% in Ireland, 2.1% in the United Kingdom, 1.9% in Austria and 1.7% in Germany).

Accordingly, the gap between Italian prices and those in the other main countries narrowed. The Boston Consulting Group study conducted 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 over the last two years the gap has diminished to €177 and has shrunk further in the early months of 2015. The decline in premiums in Italy is the consequence of the protracted recession (which has curbed car use and thus reduced claim frequency) and of sharper competition between insurers, which has enabled consumers to switch to more economical coverage. A positive contribution has also come from the stiffening of standards for compensation for minor personal injury, which by decreasing insurers' cost component in connection with micro-injuries allowed substantial price cuts starting in 2013.

Table 2
Change in transport equipment insurance price index (%)

	AVERAGE FOR YEAR					TOTAL	12-MONTH CHANGE
	2010	2011	2012	2013	2014	2010-2014	May 2015-2014
Italy	7.2%	5.4%	4.4%	-0.2%	-2.7%	14.6%	-2.2%
Austria	2.8%	2.7%	2.5%	2.5%	1.9%	13.0%	0.8%
Belgium	0.3%	0.4%	1.3%	1.2%	1.3%	4.5%	1.3%
Denmark	4.0%	1.4%	1.6%	-17.4%	12.3%	-0.5%	1.8%
Finland	4.0%	3.0%	3.2%	4.0%	3.9%	19.4%	5.8%
France	6.6%	1.0%	2.1%	-1.5%	-0.2%	8.1%	1.8%
Germany	4.2%	1.5%	-2.7%	4.1%	1.7%	8.8%	-2.2%
Greece	13.2%	8.1%	1.4%	-7.7%	-8.9%	4.3%	-8.5%
Ireland	1.4%	5.0%	3.6%	-7.5%	6.0%	8.2%	15.4%
Luxembourg	-2.6%	2.6%	6.6%	0.8%	1.8%	9.3%	-0.2%
Norway	4.2%	4.3%	3.4%	2.3%	1.1%	16.1%	0.2%
Netherlands	0.1%	3.5%	2.1%	12.1%	0.2%	18.8%	3.7%
United Kingdom	30.8%	23.3%	0.7%	-1.6%	2.1%	63.1%	0.2%
Spain	1.8%	2.8%	0.5%	-0.3%	0.7%	5.7%	1.4%
Sweden	2.0%	-1.2%	1.0%	0.4%	1.2%	3.4%	1.8%
EU 27	6.0%	5.2%	1.4%	0.5%	0.5%	14.3%	-0.4%

Source: Eurostat

In parallel with the foregoing breakdown of the change in average premiums derived from insurance company accounts, starting in 2013 ANIA has also utilized a quarterly monitoring program (covering 85% of the market in terms of premium income) to estimate the actual price paid for an initial or renewed motor liability insurance policy. The survey excludes fleet policies. For comparability, only annual policies expiring in the reference month are considered; temporary policies are consequently excluded. The premiums are calculated net of taxes and National Health Service contributions (Table 3).

Taking the average of the four surveys done in 2014, we can estimate the premium paid during the year and compare it with 2013. On **average in 2014**, net of taxes the cost of motor liability coverage came to **€411**, **down 5.9%** from €437 in 2013 (and €456 in 2012). It should be noted that the survey covers only policies that are renewed within the insurers' portfolio, for which the previous year's premiums are known. This excludes all new contracts during the year, some of which involve consumers who have changed insurer in order to get a cheaper policy and who accordingly enjoy a larger price cut, on average, than those who stay with their insurer. This is why the average premium decrease of 5.9% found by this survey is smaller than the 7.0% reduction recorded for all policyholders as calculated on the basis of total premium income (Table 1).

Table 3
Actual motor liability premiums: ANIA monitoring

Month	Average (pre-tax) premium (euros)	12-month % change
March 2012	449	*n.a.*
June 2012	435	*n.a.*
September 2012	448	*n.a.*
December 2012	496	*n.a.*
AVERAGE 2012 – All policies	456	*n.a.*
March 2013	437	*-2.6*
June 2013	420	*-3.4*
September 2013	428	*-4.4*
December 2013	463	*-6.5*
AVERAGE 2013 – All policies	437	*-4.2*
March 2014	409	*-6.6*
June 2014	400	*-4.8*
September 2014	401	*-6.2*
December 2014	434	*-6.3*
AVERAGE 2014 – All policies	411	*-5.9*
March 2015 – All policies	382	-6.5
of which:		
private passenger cars	389	-6.3
private motorcycles	242	-3.7
private motorscooters	153	-3.8

The latest data, for March 2015, indicate that the average price of motor liability insurance, net of taxes, came **down by a further 6.5%** between **March 2014 and March 2015** to €382, or €27 less than in March 2014 (€409), €55 (12.6%) less than in March 2013, and €67 (14.9%) less than in March 2012.

In detail, premiums on cars fell by 6.3% in the year to March 2015, those on motorcycles and scooters by 3.7% and 3.8% respectively.

To estimate the overall impact on the amount actually spent by policyholders, one must also take account of the taxation of liability premiums. In addition to the National Health Service contribution (10.5%), there is a tax set independently, since 2011, by the provinces, which may increase it above the base rate of 12.5% up to a maximum of 16%. The average effective rate in March 2014 was 15.5%, and by March 2015 it was 15.6%, with an additional cost to policyholders. Factoring in these tax and parafiscal costs, the average actual premium cost comes to €482 in March 2015, down 6.4% from €515 a year earlier and 12.5% less than the €550 recorded in March 2013.

Istat's motor liability index

Changes in the cost of insurance coverage can also be derived from the price index constructed by the national statistical institute, Istat, which surveys the premiums for some typical policyholder profiles monthly throughout Italy. In doing so, however, one must consider that Istat's values can be likened chiefly to insurers' "list prices" and do not correspond to the actual prices paid for new or renewed motor liability policies; rather, they represent the maximum reference price for each type of risk coverage. Accordingly, variations in them are not a reliable indicator of the change in actual spending by consumers. List prices, that is, may be misleading in that:

1) They ignore the bonus for drivers who do not cause accidents (more than 95 percent of the total, since only those who have primary or equal responsibility for accidents are ineligible for the bonus).
2) They take no account of discounts, caps on which are barred by Law 248/2006, known as the Bersani decree.
3) They do not consider the growing number of motorists who change insurer every year to get a better price.
4) They do not take account of the second Bersani decree's provision for the "household" bonus-malus clause.

Even taking all this into account, Istat's motor liability price index shows a decline for the second consecutive year in 2014, amounting to 2.7%, and a further decline of 2.2% to May 2015. The difference with respect to ANIA's survey is explained by insurance companies' more frequent use of discounts from list prices, thanks to the improved performance of the liability sector.

Table 4 compares Istat's list price index with the actual cost of liability insurance, from financial statements, over the past nine years; it also gives the Istat data for May 2015. Between 2006 and 2009 the gap between the change in the Istat index and that in the average premium cost widened steadily, reaching between 6 and 7 percentage points, since by construction the Istat index cannot reflect the impact of the new bonus-malus rules, which accentuated the natural tendency for policyholders to move into the better merit classes, or of the upward trend in discounts. In 2010 and 2011, by contrast, the gap narrowed, essentially because the scope for discounts offered by insurance agents was limited by reason of the deterioration in the insurers' technical accounts. It began to widen again in 2012, thanks to better conditions, which permitted a reduction in the premiums actually paid by policyholders.

Table 4
Motor liability insurance prices

Year	Istat price (% change) (a)	ANIA price (% change) (b)	Difference (% points) (b-a)
2006	2.3	-0.8	-3.1
2007	1.5	-2.7	-4.2
2008	2.4	-3.6	-6.0
2009	2.9	-3.9	-6.8
2010	7.2	4.7	-2.5
2011	5.4	5.8	0.4
2012	4.4	0.7	-3.7
2013	-0.2	-4.6	-4.4
2014	-2.7	-7.0(*)	-4.3
may 2015 (**)	-2.2		

(*) Estimated
(**) Twelve-month change

DIRECT INDEMNITY: THE TECHNICAL INDICATORS

The direct indemnity system is now eight years old, enough time for a reasonably extensive analysis of its impact on damage compensation and the main technical indicators (claims frequency, average cost of claims and speed of settlement) for the main vehicle types (cars, trucks, motorcycles/scooters) (1).

Direct indemnity has had a positive impact on the speed of settlement by insurers. The percentage of claims settled within the year they were incurred has risen constantly: from 65.2% in 2006 to 71.1% in 2014, although there was no improvement in the last year and settlement time remained practically unchanged. Claims frequency, which rose from 2007 through 2009, turned back downwards from 2010 to 2014. Not counting claims reported late, claims frequency in 2014 was 5.48% (down from 5.59% in 2013), more than a quarter lower than in 2006. The pattern for the average cost of claims was exactly the opposite: after three years of reduction, it turned upwards in 2010 and continued to rise thereafter, reaching €4,564 in 2013 before turning back down to €4,532 in 2014, an improvement of 0.7% on the year (Table 1).

Table 1
Technical indicators, motor liability insurance

Year	Claims frequency	Average cost of claims (€)	Speed of settlement (**)
2006 (*)	7.47%	4,100	65.2%
2007	7.61%	3,967	67.6%
2008	7.73%	3,913	69.7%
2009	7.77%	3,903	69.0%
2010	7.36%	4,057	70.5%
2011	6.53%	4,345	70.8%
2012	5.87%	4,495	71.0%
2013	5.65%	4,564	71.3%
2014	5.48%	4,532	71.1%

(*) Counts only accidents for which the insured motorist is liable. In 2007, with the introduction of direct indemnity, the claims considered are those "handled", i.e. the total of CARD plus non-CARD claims
(**) Percentage of claims settled in the year incurred

(1) Proper analysis of trends must take account of a series of important factors that could distort the comparison:

- Starting 1 January 2008, albeit on a voluntary basis, "natural" direct indemnity claims (i.e. accidents involving two motorists insured by the same company) could be entered into the CARD system.
- Starting in 2009 it became obligatory for insurers to handle eligible "natural" claims through the CARD system.

The technical indicators have also been affected by the differing procedures for determining the fixed compensation amounts. In 2008 and 2009 there were separate amounts for property damage and for minor personal injury. In 2010 the single compensation amount covering both property damage and minor personal injury was instituted, but calculated separately for motorcycles/scooters and other vehicles. The method for determining the fixed compensation amount for passengers has not changed over time. Finally, the turnover in scooters – the progressive renewal of those in circulation – has affected the number of claims and their average amount according to procedure (only scooters with the new type of license plate can be handled by the direct indemnity method, even if since 13 February 2012 all scooters, including those in circulation prior to July 2006, are required to have the new, fixed plate).

Direct indemnity: the data

Claims frequency. In 2014, the frequency of claims that could be handled through the CARD direct indemnity convention was 5.48% for all vehicles, down from 5.59% in 2013, 5.87% in 2012, 6.53% in 2011, 7.36% in 2010, and an average of 7.7% over the previous four years. Thus the frequency of accidents diminished by 1.9 percent last year, the fifth consecutive improvement since the increases recorded in 2007-09 (Table 1). Even so, last year's reduction was more moderate than that registered in 2013 and especially in 2012 and 2011, of 4.8, 10.1 and 11.3 percent respectively (Table 2).

Table 2 – Claims frequency by type of vehicle and settlement procedure

	All vehicles	Private passenger cars	Motorcycles/scooters			Trucks		
			Total	Private motorcycles	Private scooters	Total	< 3.5 tons	> 3.5 tons
Claims handled (%)								
2008	7.73%	8.47%	4.47%	5.28%	3.17%	8.74%	7.81%	12.64%
2009	7.77%	8.59%	4.56%	5.36%	3.12%	8.14%	7.42%	11.28%
2010	7.36%	8.18%	4.10%	4.73%	2.87%	7.76%	7.10%	10.74%
2011	6.53%	7.21%	3.85%	4.38%	2.71%	7.04%	6.43%	9.80%
2012	5.87%	6.48%	3.35%	3.74%	2.43%	6.50%	5.90%	9.25%
2013	5.65%	6.15%	3.08%	3.40%	2.28%	6.20%	5.63%	8.86%
2014	5.48%	6.05%	3.02%	3.30%	2.23%	5.86%	5.33%	8.21%
CARD claims (%)								
2008	5.66%	6.60%	2.87%	4.05%	0.96%	4.69%	4.71%	4.61%
2009	6.17%	7.19%	3.28%	4.37%	1.32%	5.16%	5.21%	4.97%
2010	5.95%	6.92%	3.05%	3.87%	1.46%	5.09%	5.12%	4.95%
2011	5.21%	6.02%	2.90%	3.53%	1.57%	4.51%	4.54%	4.38%
2012	4.67%	5.46%	2.68%	3.04%	1.83%	4.16%	4.17%	4.15%
2013	4.43%	5.16%	2.49%	2.75%	1.82%	3.95%	3.95%	3.93%
2014	4.38%	5.11%	2.48%	2.72%	1.80%	3.76%	3.75%	3.72%
Non-CARD claims (%)								
2008	2.13%	1.85%	1.69%	1.24%	2.42%	4.32%	3.26%	8.74%
2009	1.64%	1.42%	1.34%	1.03%	1.91%	3.09%	2.29%	6.64%
2010	1.47%	1.32%	1.10%	0.92%	1.48%	2.77%	2.05%	6.02%
2011	1.38%	1.24%	1.01%	0.91%	1.22%	2.67%	1.99%	5.75%
2012	1.23%	1.08%	0.73%	0.76%	0.64%	2.39%	1.78%	5.18%
2013	1.17%	1.06%	0.66%	0.72%	0.51%	2.32%	1.73%	5.03%
2014	1.15%	1.00%	0.60%	0.64%	0.47%	2.16%	1.63%	4.57%

There are several reasons for the slowdown in the decline in claims frequency. One contributing factor may have been increased vehicle use, deriving from the further decline in fuel prices last year (gasoline coming down by 2.1%, diesel fuel by 3.0% and GPL by 4.5%). This is confirmed by fuel consumption as well, which stopped falling in 2014 to hold constant, following declines of nearly 10% in 2012 and 2.6% in 2013.

The sharpest improvement in claims frequency last year was registered by trucks (a reduction of 5.6 percent), and especially those larger than 3.5 tons (7.4 percent). Next came motorcycles, with a decline of 2.8 percent, scooters (2.3 percent) and passenger cars (1.7 percent).

Average claims cost. After the first three years, when direct indemnity had a beneficial impact on the average cost of claims (reducing it by 5% between 2006 and 2009), the trend was reversed in 2010, and the rise accelerated in 2011 and continued, while moderating, in 2012 and 2013 (7.1% in 2011, 3.5% in 2012, 1.5% in 2013). However, the indicator improved marginally in 2014, edging down by 0.7 percent (Table 3). The main factor was the average cost of CARD claims, which fell by 2.6% last year, partly offsetting the 4.6% rise in non-CARD claims cost. However, in comparing the average cost of CARD and non-CARD claims, one must bear in mind that variations may be affected by the differing incidence of the different compensation procedures over the years.

Table 3
Average claim cost by type of settlement procedure
(€)

Procedure/year	All claims	% change
Claims handled		
2008	3,913	
2009	3,903	-0.3%
2010	4,057	3.9%
2011	4,345	7.1%
2012	4,495	3.5%
2013	4,564	1.5%
2014	4,532	-0.7%
CARD claims		
2008	2,563	
2009	2,555	-0.3%
2010	2,667	4.4%
2011	2,750	3.1%
2012	2,648	-3.7%
2013	2,668	0.7%
2014	2,597	-2.6%
Non-CARD claims		
2008	7,407	
2009	8,847	19.4%
2010	9,488	7.2%
2011	10,160	7.1%
2012	11,066	8.9%
2013	11,344	2.5%
2014	11,865	4.6%

Speed of settlement. The claims settled definitively within the first year constituted 71.1% of all claims incurred in 2014, down slightly from 71.3% in 2013 (Table 4). The worsening was due to a slowdown in the settlement of non-CARD claims. Overall, for CARD claims the indicator was practically unchanged at 77.4%, while for non-CARD claims it slipped from 47.5% to 46.4%. The difference depends on the fact that the non-CARD claims comprise not only multiple-vehicle accidents but also all claims for severe personal injury (permanent disability of the non-liable driver of more than 9%, injury to bystanders and passengers of the liable vehicle), which generally take considerably longer to settle. Motorcycles and scooters together showed a pick-up in CARD settlement speed (with a corresponding slowdown for non-CARD claims), owing to the increase in the proportion of CARD claims for these vehicles. For claims involving trucks, by contrast, settlement speed diminished for CARD and non-CARD claims alike, even though the share of CARD claims increased. For passenger cars, settlement speed has been essentially stable for the last three years, with an average of 72.6% of claims settled in the year incurred.

Table 4 – Settlement speed: claims settled in year incurred (%)

	All vehicles	Private passenger cars	Motorcycles/scooters			Trucks		
			Total	Private motorcycles	Private scooters	Total	< 3.5 tons	> 3.5 tons
Claims handled								
2008	69.7	71.1	57.4	54.4	65.6	68.5	70.1	64.3
2009	69.0	70.3	54.5	52.2	61.9	68.0	68.9	65.2
2010	70.4	71.8	55.1	52.8	62.5	69.5	70.5	66.2
2011	70.8	72.3	54.2	52.5	60.0	69.5	70.6	66.2
2012	71.0	72.5	53.0	52.2	55.6	69.6	70.8	66.2
2013	71.3	72.8	52.5	51.6	55.5	69.6	70.9	65.7
2014	71.1	72.6	52.8	52.2	55.3	68.3	69.6	64.5
CARD claims								
2008	75.6	77.3	58.9	59.3	56.1	74.5	76.4	66.1
2009	74.8	76.2	57.3	57.4	56.8	74.6	76.1	67.5
2010	76.1	77.6	58.3	57.9	60.2	76.0	77.5	69.1
2011	77.3	78.8	58.4	58.2	59.3	77.1	78.6	70.2
2012	77.1	78.7	57.6	57.5	58.1	76.9	78.5	69.4
2013	77.5	79.1	57.7	57.2	59.7	77.2	78.9	69.3
2014	77.4	79.0	58.5	57.9	60.9	75.9	77.8	67.5
Non-CARD claims								
2008	53.3	48.8	54.4	37.2	68.6	61.3	60.5	62.5
2009	46.6	40.4	46.1	28.6	62.8	55.2	51.3	61.2
2010	46.5	40.7	44.7	29.1	63.6	56.4	52.3	62.6
2011	47.5	42.4	42.1	29.9	61.3	57.4	53.6	63.6
2012	47.7	43.1	34.6	30.1	47.3	57.4	53.6	63.3
2013	47.5	43.5	31.2	28.7	39.8	56.9	53.3	62.5
2014	46.4	42.5	29.2	27.7	34.8	56.0	52.3	62.0

Incidence of direct indemnity claims. Nearly 80% of all claims in 2014 involved damage eligible for handling by the CARD direct indemnity system; those resulting in at least one type of ineligible damage (non-CARD claims) accounted for 21% (Table 5). The incidence of CARD claims was up from 79.3% in 2013. Since 2009 the percentage for all vehicle types has been more or less constant at around 79.5%, with the sole exception of a peak of 80.7% in 2010. In the system's first two years of operation (2007-08), the share was under 73%.

Despite the large percentage of claims handled via direct indemnity, the CARD system does not cover even 50% of total claims costs. The difference reflects the exclusion from the system of most accidents involving serious personal injury, those for which settlements are obviously largest.

The incidence of the direct indemnity procedure differs according to vehicle type. For cars and motorcycles/scooters, which make up nearly 85% of all insured vehicles, the proportion of claims handled via the direct indemnity procedure is between 81% and

85%, and last year it increased for both: passenger cars gained over half a point, from 84.0% to 84.6%, and motorcycles/scooters more than a point, from 81.0% to 82.1%. For scooters in particular, the share of CARD claims jumped from 58.6% in 2011 to 80.9% in 2014, owing to the entry into force on 13 February 2012 of the requirement to mount the new type of license plate even for scooters in circulation since before 2006, formerly exempt; those with the old, movable type of plate do not come within the direct indemnity system.

For trucks too – which account for over 7% of insured vehicles – the proportion of accidents covered by the CARD convention rose to 64.1% last year, but the percentage is considerably higher for trucks smaller than 3.5 tons (70.4%) and much lower (45.3%) for those above that threshold).

Table 5 – Percentage of CARD claims (*)

Settlement procedure/year	All vehicles	Private passenger cars	Motorcycles/scooters			Trucks		
			Total	Private motorcycles	Private scooters	Total	< 3.5 tons	> 3.5 tons
% of insured vehicles	100.0	72.5	10.8	7.9	2.9	7.2	5.9	1.3
CARD claims (%)								
2008	73.1	80.7	66.4	79.4	31.3	55.6	62.4	37.8
2009	79.5	84.9	73.1	82.9	43.0	64.5	71.3	44.7
2010	80.7	85.0	74.9	82.3	51.0	65.9	72.5	46.4
2011	79.7	84.5	76.5	81.7	58.6	64.9	71.4	45.3
2012	79.3	84.0	80.0	81.2	75.6	63.9	70.4	44.6
2013	79.3	84.0	81.0	81.3	80.0	63.9	70.4	44.4
2014	79.9	84.6	82.1	82.5	80.9	64.1	70.4	45.3
Non-CARD claims (%)								
2008	27.5	19.9	34.4	21.4	69.5	44.9	38.0	62.8
2009	21.2	15.6	27.8	18.1	57.8	36.0	29.2	55.6
2010	20.0	15.7	26.2	18.9	49.7	34.5	28.0	54.1
2011	21.1	16.2	24.7	19.6	42.4	35.7	29.2	55.3
2012	21.5	16.9	21.7	20.5	26.1	36.8	30.4	56.2
2013	21.6	17.1	20.9	20.7	21.8	37.1	30.5	56.6
2014	21.0	16.6	19.8	19.5	21.0	36.8	30.5	55.7

(*) Based on quarterly motor liability statistics. A given claim may include both CARD and non-CARD components and so be counted in both categories, so that the sum of the two percentages for a sector can be greater than 100%

DIRECT INDEMNITY – IVASS MEASURE 18/2014 AND THE CALCULATION OF THE CARD SINGLE COMPENSATION AMOUNT FOR 2015

In implementing Article 29 of Decree Law 1/2012, converted into Law 27/2012, IVASS issued measure 18 of 5 August 2014, laying down new standards for calculating the settlement costs and any deductibles, which serve to determine compensation between insurance companies under the direct indemnity procedure.

In addition to the current single compensation amounts, the measure institutes a system of incentives/penalties based on three parameters that generate an algorithm for computing the annual adjustment, after the fact:

1) the average cost of claims incurred
2) the speed of settlement of claims incurred
3) the evolution of the average cost of claims incurred (i.e., the change from year to year).

The parameters for the model developed by IVASS are intended to favour insurers whose behaviour is deemed virtuous and to discourage any speculative conduct to the detriment both of policyholders and of the insurers that must pay compensation for CARD indemnities on their account.

When the processing is completed, the accounting result of incentives and penalties between the insurance companies taking part in the direct indemnity procedure will always be a zero sum.

For the CARD-CTT procedure, the changeover from the single compensation amount to a system of reimbursement based on the actual indemnities paid stands confirmed; for 2015 these indemnities are not subject to any deductible, either in euro amount or in percentage. Within the CARD convention, a monitoring system is being developed to guarantee, on behalf of the company insuring the liable driver, that the valuation of damages by the other party's insurer corresponds to the parameters laid down by law.

As regards accounting settlement within the CARD-CID system, however, the IVASS measure does not provide for a procedure enabling insurers to access the data on the amounts actually paid by the companies that handle claims on their account. The continued blockage of these data makes it impossible to overcome some problems with the present system, precluding any verification on the part of the liable insurer of the action by the other party's insurer in settling the claim. Among other things, this has an adverse impact on action to detect fraudulent claims.

Determination of the single compensation amount

For 2015 the average cost of claims (the single compensation amount for payments between insurance companies) is calculated on the basis of the current rules (the decree of the Ministry for Economic Development of 11 December 2009), taking account of Article 29 of Decree Law 1/2012 and the implementing provisions in IVASS's measure 18 of 5 August 2014.

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, unlike past years reimbursement is now on the basis of

the actual settlement, which may involve a deductible of either an amount in euros or a percentage.

The study to determine the single compensation amount was based only on CONSAP's statistics, which refer to settlements of claims admitted to the clearing house between 1 February 2007 and 30 November 2014, even though only settlements from 1 January 2009 on indicate vehicle type. The data analysis confirms that the average definitive settlements furnished by the clearing house are sufficiently representative of the generation costs needed to determine the compensation amount.

Calculation of the CARD-CID amount

The examination of average definitive settlements has found a declining trend – for the macrosector of "motorcycles/scooters", for the various claim durations, and for all claim generations – both for damage to vehicles and property transported and for injury to drivers. For the latter, the study confirms the difference between 2011 and subsequent years, due essentially to the entry into force of Law 27/2012 with its stricter, objective standards for valuing mild personal injuries. For the macrosector of "vehicles other than motorcycles/scooters", the time series shows a limited increase in the average cost of property damage, while injury to the driver shows the same downtrend as for motorcycles/scooters, again owing to Law 27/2012.

As a result, the reference values for 2015 were based on the average settlement cost of claims incurred from 1 January 2009 to 31 October 2014 and projected to December 2014. The method for calculating the ultimate cost of claims was the "chain ladder," based on coefficients of average cost increases according to claim duration. Specifically, the base for the projections was the weighted average of claims of the 2012 and 2013 generations, which are those that most closely reflect the various patterns of cost change in recent years.

The amounts so derived were then inflated for one additional year (given that they are to apply to 2015) based on the inflation forecast of 0.6% set in the 2014 Economic and Financial Document Update.

The base value for **average cost of property damage** is:

- €1,419 for "motorcycles/scooters"
- €1,574 for the broader class of "other vehicles".

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

- €4,367 for "motorcycles/scooters"
- €2,303 for the broader class of "other vehicles".

Determination of geographical adjustments

CONSAP statistics on settlements of claims incurred from 1 January 2009 to 31 October 2014 were also used to identify three macro-areas. Determination of the geographical indices was by the following methodology. Based on average settlement cost, provinces were divided into three groups (geographical "areas") depending on deviation from the national average. The first area comprises all provinces with costs more than 10% higher than the average; the second, those with a deviation of less than 10% either above or below the average; and the third, those with costs more than 10% below the average. 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).

Table 1 – Determination of average cost of property damage claims by geographical area
(€)

	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 30/06/2015	1,419	1,419	1,419	1,574	1,574	1,574
Adjustment coefficient by area	*1.29*	*1.00*	*0.82*	*1.20*	*1.00*	*0.84*
Average cost of claims by macro-area	1,830	1,419	1,164	1,889	1,574	1,322

MEMO:

	2008	2009	2010*	2011*	2012*	2013*	2014*	2015*
Average cost of damage to vehicle and property transported ( )	1,415	1,450	1,520	1,565	1,613	1,598	1,651	1,556
Change (%)	*-0.1%*	*2.5%*	*4.8%*	*3.0%*	*3.1%*	*-0.9%*	*3.3%*	*-5.7%*

(*) Average cost for all sectors

For "motorcycles/scooters", provinces with fewer than 500 claims were excluded, given the high volatility of costs there. These provinces were then all classed in the central group. For motorcycles and scooters, the assignment of the provinces among the three groups for 2015 was exactly the same as in 2014, while for "other vehicles" the changes were very modest.

The single CARD-CID compensation amount, divided into the two vehicle classes, was 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 CARD-CID claims involving the various types of damage, by vehicle type.

CARD-CTT claims

For the CARD-CTT procedure, the IVASS measure calls for reimbursement based on actual outlays. Moreover, considering the positive effects of the provisions of Law 27/2012 on very mild injuries, it was deemed that no deductible is needed for such claims in 2015.

Table 2 – Determination of single CARD-CID compensation amount by geographical area
(euros)

	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	1,830	1,419	1,164	99.3%	1,889	1,574	1,322	99.9%
Average cost of personal injury to driver with permanent disability of less than 9%	4,367	4,367	4,367	39.9%	2,303	2,303	2,303	10.6%
Average cost of claims by macro-area	3,560	3,152	2,898		2,131	1,816	1,565	
SINGLE CARD-CID AMOUNT (*)	**3,558**	**3,150**	**2,896**		**2,135**	**1,820**	**1,568**	

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

IMPLEMENTATION OF THE LIBERALIZATION DECREE: DEMATERIALIZATION OF INSURANCE STICKERS AND RISK ATTESTATION

Insurance stickers: dematerialization

The dematerialization of the insurance stickers affixed to vehicles' windshields must be achieved by 18 October 2015 through links to public and private databases, as provided by the "liberalizations" decree (Article 31 of Decree Law 1/2012, converted into Law 27/2012) and its implementing regulation (Ministerial Decree 110/2013), which prescribes a series of specific actions to be taken by the motor vehicles bureau (Motorizzazione Civile e dei Trasporti in Concessione, MCTC), ANIA, and insurance companies.

When the new system is fully phased in, the checking of a vehicle's insurance coverage by means of paper windshield stickers will be replaced by reading of license plate numbers, either directly by law enforcement officers on the roads or through surveillance cameras adapted and authorized for this purpose. Verification of insurance status will rely on consultation of the motor vehicles bureau's database, which stores the policies on all insured vehicles, supplied free of charge by insurers themselves via the ANIA database (designated "SITA," for Sistema Integrato Targhe Assicurate, integrated insured license plate system).

The first two phases in the implementation process laid down by the law have been completed. ANIA has effected the mass transmission of data and activated the successive updates of motor liability coverage in the motor vehicles bureau archive, and the MCTC has activated – within the motorists' portal on the Transport Ministry website – the procedure for accessing verification of a vehicle's insurance status.

A third phase preliminary to dematerialization was concluded on 18 April 2015. From that date onward insurers must transmit liability policy data to the MCTC online, from the moment the premium is paid and coverage becomes operational, as a rule by midnight of the day of payment (Article 1901 of the Civil Code) or in advance in the case of special needs of policyholders (e.g., in order to take delivery of a newly acquired car from the dealer).

The process of eliminating the paper stickers will be completed once the MCTC has authorized and activated the video cameras for ascertainment of violations of the motor liability insurance requirement (by amendment of Article 201 of the Highway Code). The new system goes into effect by 18 October 2015.

Dematerialization is a crucial project that will impact not only on information and communication services but on the overall organization of insurance companies. It will require them to speed up all their corporate processes, from policy acquisition by the insurers themselves or their agents (in person or by telephone) to registration and validation of premium payments and the transmission of coverage data from the company's database to the ANIA SITA database for forwarding to the MCTC.

Risk attestation: dematerialized by IVASS Regulation 9/2015

Following the standard public consultation, on 19 May 2015 the insurance supervisor IVASS issued Regulation 9/2015 laying down the rules for the compulsory database of risk attestations, the dematerialization of the paper attestation and its replacement by the data on file in the database, as provided by Article 134 of the Insurance Code (as amended by Article 32 of the "liberalizations" decree). The initial application of the new rules will affect risk attestations in connection with policies expiring from 1 July onward, which is to say for the attestations to be provided to policyholders in the month of June 2015.

The public consultation on the new regulation, which abrogates ISVAP Regulation 4/2006, was preceded by a series of meetings with representatives of ANIA and insurance companies, in the framework of technical talks convened by IVASS to gather observations and suggestions. IVASS considered the organizational and technical impact of the new rules in terms of designing new procedures and adapting technical structures.

IVASS accepted a good number of the proposals that emerged from the talks, especially the idea of carrying out the dematerialization in two phases. The first phase, implemented by the Regulation, should supplement the content of the risk attestation – which at present is "static" in that it is compiled and updated just once a year to account for accidents up to the expiration of the previous year's policy. The principal change during this first phase is the elimination of the paper attestation of risk status (merit class), replaced for purposes of stipulating a new liability policy by the information in the risk attestation database used by IVASS. In this regard, IVASS has decided to utilize ANIA's database of risk attestations, taking the option envisaged by Article 134 of the Insurance Code of using public or private databases, if already in being, under a special convention.

At the same time, however, to help policyholders who are less familiar with computer technology, IVASS has ruled that the insured may ask their insurance company to supply a paper copy of the electronic risk attestation from the database, specifying that the copy is for purely informational purposes: that is, only the electronic attestation is legally effective in determining the motorist's risk status (merit class).

The second phase of dematerialization will require proper analysis to determine the feasibility, under current regulations, of the transition from "static" risk attestation (a snapshot of the current situation) to "dynamic" attestation, i.e. constant updating by the system, adding any claims incurred or sometimes deleting claims (e.g. following redemptions) in the course of the year, so as to produce a more effective tool against evasion of the insurance obligation, more closely in line with the EU's directives on motor vehicles.

The principal changes instituted by Regulation 9/2015 involve:

- the content of the risk attestation, which must now indicate the type of damages paid, specifying whether the claim was only for property damage, only for personal injury, or for both (mixed claims) and must also specify the vehicle owner or other person receiving the attestation (persons leasing, with right of usufruct, or purchasing under lease/purchase);
- the obligation on insurers to include in the risk attestation database the data given in the attestations;
- the obligation to deliver the attestation to policyholders in electronic form, replacing the present paper attestation delivered to their domicile;
- direct acquisition of the attestation by insurers from the attestation database when they are stipulating new contracts;
- the powers of IVASS in the field of controls and ascertainment of non-compliance; the insurance supervisor is required to issue measures specifying the procedures for inserting data and accessing the database and implementing sanctions for non-compliance in providing data as called for by Article 317 of the Insurance Code.

These measures are now in the publication phase.

As to the requirement to provide the attestation in electronic form, the insurance company must make the electronic file available in downloadable format within a dedicated area of its website, by the following procedures and terms:

a) If the policyholder is the vehicle owner or other person entitled to the attestation (persons leasing, with right of usufruct, or purchasing under lease/purchase), the requirement takes effect for all new motor liability policies starting 1 July 2015, which is to say for attestations to be delivered in the month of June.
b) If the policyholder is not the vehicle owner or other person entitled, the requirement takes effect as of 31 October 2015, i.e. in relation to motor liability policies expiring starting 1 December, for attestations to deliver in the month of November. This extended deadline was instituted at ANIA's request in the course of the technical talks with IVASS in order to enable insurers to provide for website access for persons entitled other than the contracting party. In fact, this is a completely new requirement.

In addition, insurance companies are required to prepare and publicize means of delivery of the attestation alternative to the website (such as email or social networks).

Finally, to facilitate the transition to dematerialized attestations, the Regulation includes a transitional provision (Article 13.2 and 13.4) allowing motor liability insurers, on a once-only basis, to transmit informational letters to their policyholders concerning the dematerialization (referred to in Article 12.1 and 12.2) and also to transmit data to the risk attestation database even after the 30-day term for advance notice laid down in Article 5, but only for the first compulsory data transmission. In other words, for this initial application insurance companies may transmit the risk attestations for policies expiring from 1 July 2015 even after the deadline of 1 June.

The industry is convinced that once it is fully phased in the dematerialization – in compensation for the substantial organizational and operational costs imposed by electronic management of risk attestations – will have a significant effect in helping to counter fraud in the stipulation of new policies as well producing benefits for all those involved thanks to the reduction of paper forms and the related mailing costs, to the simplification of filing procedures, attestation delivery (the cost of which has until now been charged to the contracting party), and the policy acquisition process, not to mention speedier communications with policyholders.

MEASURES IMPLEMENTING THE "GROWTH BIS" DECREE

IVASS Regulation 8/2013 ("Simplification"): Aspects relevant to motor liability insurance

IVASS, by Regulation 8 of 3 March 2015, has implemented Article 22.15-bis of Decree Law 179/2012 (the "Growth-bis" decree), converted into Law 221/2012. The regulation lays down measures for simplification of the procedures and obligations in contractual relations between insurance companies, intermediaries and customers. The measure is quite broad in scope; the portion concerning the simplification of contractual relations is accordingly described in detail in the chapter of this report on insurance distribution in general.

Here, instead, we comment on aspects of specific relevance to motor liability insurance, involving significant amendments that the insurance supervisor has made to the draft regulation offered for public consultation last year (Regulation 3/2014). The changes improve the initial draft, accepting a number of proposals made by ANIA in the course of the consultation, and in particular:

a) elimination of the "summary information sheet" specifying the characteristics of the insurance contract, which in the original text was to be added to the information sheet required by ISVAP Regulations 34/2010 and 35/2010. As the industry observed, this additional obligation, rather than simplify the already burdensome precontractual information requirements, complicated it further with no real benefit to consumers;
b) use of technological instruments as proof of compliance with the regulatory obligations, with the objective of simplification via technological innovation. For instance, Article 7 ("Consent to electronic transmission of documents") allows insurers to demonstrate policyholders' consent to such procedures also via email or voice recordings;
c) elimination of all previous references to ISVAP Regulation 35/2010 and its amendments, which had given rise to a series of contradictions with more recent rules concerning the website area reserved to contracting parties instituted by IVASS measure 78/2013.

The Integrated Antifraud Database

Article 21 of Decree Law 179/2012, converted with amendments into Law 221/2012, enacting "Additional urgent measures for growth", assigns IVASS the role of preventing motor vehicle insurance fraud. In order to perform this function, IVASS will use an Integrated Antifraud Database (Archivio Integrato Antifrode, AIA), linked with a series of public and private databases specified by decree of the Ministry for Economic Development and the Ministry for Infrastructure and Transport. The IVASS regulation, now being reviewed by the Council of State, will also lay down the time frame, procedures and terms for connection to the database.

At first, access will be allowed only to insurance companies; subsequently it will be extended to law enforcement bodies, the courts and the general government bodies specified by the law and engaged in action against insurance fraud. Although the database's entry into operation depends on the entry into force of the ministerial decree, which is slated for issue in the summer of 2015, AIA's basic design is already at an advanced stage of completion. The central core of data will be IVASS's claims database, supplemented as needed by a series of other public and private databases envisaged by the decree:

– the insurance coverage database of the motor vehicles bureau (MCTC)
– the black box database (ANIA)
– the register of insurance adjusters (CONSAP)
– the national motor vehicle registry (MCTC)
– the driver's license database (MCTC)
– the Public Motor Vehicles Registry (PRA).

In a second phase, the integrated antifraud database will be connected with other databases as well, which could include the following:

– central injury archive
– claims lodged with Ufficio Centrale Italiano
– claims lodged with the Road Accident Victims Guarantee Fund
– database of vehicle and document thefts and loss (Interior Ministry)
– risk attestation database (ATRC)
– tax database
– national database of residents.

Further, the system will evolve using tactical and strategic analytical models based on such statistical tools as data mining and network analysis.

The mass, compulsory consultation of the AIA for every motor liability claim (hence CARD claims) will be effected using the data channels that are now used to access IVASS's claims database. The claims data transmitted to the integrated antifraud database will be processed according to the results acquired through the linked-in databases. Based on the findings of the consultation, every claim reported to the database will be given a score indicating its degree of anomaly. If the score is low or nil, the results will be given only to the insurance company that interrogated the database, with no additional information. But if the score is medium or high, the insurer will also be informed of the scores for the vehicle and the persons involved, as well as the codes of the specific indicators of anomaly that produced the high score and the names of the other insurers that are handling claims relating to the same license plate or tax numbers. These insurance companies will be alerted in turn by a special information flow.

After every database update that produces a significant change in the data updated, all the related indicators are recalculated. In additional to the mass consultation of the antifraud database, lastly, there will also be interrogations on request, accessible using the claims data or targeted interrogations with reference to the vehicle license plate or the tax number of the person subjected to verification.

THE "COMPETITION" BILL

Provisions concerning motor liability insurance

At its meeting on 20 February 2015 the Council of Ministers approved the text of the draft "annual bill for markets and competition" (the "competition bill"), which is to be enacted annually pursuant to Law 99/2009, Article 47, which until now has not been applied. The parliamentary process for the bill (A.C. 3012) got under way in April; it has been assigned jointly to the Finance and Productive Activities committees of the Chamber of Deputies.

The bill includes a number of measures on the insurance market, most of them bearing on the motor liability branch. There are also measures on pension portability, with changes designed to produce a more open and competitive market for supplementary retirement provisions, and on the extended validity of motor liability, professional liability insurance and credit protection policies.

As to motor liability, the bill contains measures designed to stimulate additional competition, to curb claims costs and to combat fraud, with the objective of containing premium costs and bringing policy prices down towards the levels found in the other main European countries. Some are structural, and if Parliament retains them in the final conversion into law they will strengthen the present downward trend in motor liability insurance prices, which have been falling for over two years.

The most important new provision consists in the rules governing compensation for severe personal injury (Article 7), which substantially reformulate Articles 138 and 139 of the Insurance Code; the draft would resolve the longstanding problem of unifying the two subcategories of personal damages – physical and moral – in a single category of economic damage.

The other motor liability provisions are drawn largely from a report released by the Antitrust Authority in 2014 and earlier reports, as well as from the proposals made by the *rapporteurs* to the Finance Committee of the Chamber of Deputies on Article 8 of the "Destination Italy" decree (the article was removed in the final version of the law). The main provisions relevant to motor liability can be summarized as follows:

1. confirmation of the obligation on insurers to price all motor liability risks and to accept all prospective insurees, with the additional provision for use of the industry's databases to check the truth of the information supplied by the contracting party concerning the risk to be insured (Article 2);
2. a comparative information requirement, through IVASS's "single motor liability price estimator", on the premiums proposed by insurance agents, to be based on the "basic liability contract" (Article 3);
3. the obligation on insurance companies to offer premium discounts that are significant (though no minimum discount is specified) in the presence of one or more specific contractual terms – if proposed by the insurer – which the insuree is free to accept or reject (Article 3);
4. mandatory measures on bonus-malus clauses, in particular the "family" merit rating and the possibility of attenuating the policyholder's downgrade in case of accident in exchange for accepting, in the renewed policy, a clause providing for the mounting of the "black box" (Articles 4 and 5);

5. measures to reduce fraud, bearing on the identification of accident witnesses and suspension of the settlement procedure where certain parameters of fraud risk obtain (Articles 6 and 9);
6. reformulation of Articles 138 and 139 of the Insurance Code, essentially unifying the categories of non-economic damages due to personal injury. The new rules supplement the tables for the economic valuation of non-economic damages by allowing for the court to personalize compensation to the victim, including both physical damages and moral damages. For purposes of personalization, ceilings on the percentage of increase are set. There is also provision for the elimination of the possibility of visual examination of mild personal injury, which can now be verified only by instrument (Article 7);
7. measures on black boxes, for purposes of evidence in court and to permit portability of the device where the policyholder changes insurer (Article 8);
8. measures for "transparency in settlement procedures", which in essence govern the terms and effects of the transfer of the claim to compensation and the damaged party's refusal to accept compensation in kind, i.e. repair by an authorized workshop (Article 10);
9. alignment of accessory coverage to the main motor liability coverage for purposes of the annual duration of the contract (Article 11);
10. measures for coordination with Decree Laws 1/2012 and 179/2012 on: a)the transmission to IVASS of data on claims handled, including those handled by insurance companies operating in Italy under the freedom to provide services and those within the competence of the Road Accident Victims Guarantee Fund; b) rationalization of the system of sanctions for erroneous or late entry of data into the system databases; c) increase in the compulsory minimum coverage ceilings for buses (Article 13).

Below, we comment briefly on these provisions.

One set of measures aim to further increase precontractual information to insurees for purposes of comparability of the companies' best offers, so as to increase consumer mobility and so further stimulate competition (Article 3). One of the main provisions to be introduced is the rule requiring insurers to offer significant discounts where the policyholder agrees to one or more of the following contract terms:

– prior inspection of the vehicle to determine its actual existence and the presence of any already existing damage;
– installation of a black box or equivalent device to verify the true dynamics of accidents, and mounting of an alcohol-lock device;
– acceptance of a ban on transfer of credit claims;
– acceptance of specific compensation in kind, i.e. repair of the vehicle at a body shop that has a convention with the insurer;
– acceptance, where compensation in kind cannot be applied, of a valuation of the damages based on parameters established by insurers' conventions with body shops of their choice and advance indication of the shop assigned to effect the repair.

Giving insurance companies the option of proposing specific contract clauses linked to discounts, whose amount is left to market mechanisms, is a new approach rooted in a fiduciary relationship between insuree and insurer. Such a relationship is intended on the one hand to curb speculative actions and on the other to increase the range of market supply in favor of consumers. Moreover, allowing insurance companies to have the vehicle repaired at a body shop under convention and the ban on transfers of credit claims without the insurer's prior consent are sensible ways of containing compensation costs for property damage and avoiding the widespread phenomenon of excessively high repair costs. In this regard, the bill is extremely clear in establishing the consumer's absolute freedom to accept or reject such clauses, valuing concretely and specifically whether the discount offered for acceptance is "significant".

A second group of measures act directly to reinforce the fight against fraudulent conduct, in order to reduce even more substantially the claims costs produced by insurance speculation and fraud. Fraud continues to be anomalously high in Italy, especially in some parts of the country. The antifraud measures include:

- the recognition as evidence in civil court of the data recorded by black boxes or equivalent devices that can certify the exact location and dynamics of accidents;
- the identification of witnesses at the moment the claim is filed; however, this provision should not be limited to claims involving property damage only but should be extended to claims involving injury. It is in the latter, in fact, that fraud and speculation are most common.

For more effective anti-fraud action, what is more, additional measures are needed, such as modification of the time limits for submitting the request for compensation, which are now too long (two years) and are exploited to alter evidence and prevent verification by the insurance company. It would be appropriate, while still retaining the maximum two-year term for the right to make the claim, for that right to lapse, save in demonstrated cases of *force majeure*, if the claim is not lodged within 90 days.

Further, pending the operability of IVASS's integrated antifraud database, the bill could introduce the premises for more effective anti-fraud action, such as:

- derogation from the obligation to provide liability coverage where the truthfulness of some contractual information cannot be demonstrated;
- identification of witnesses at the site of the accident;
- a longer period available to insurance companies for settlement of claims where fraud is suspected.

A third group of measures is especially significant. These are the measures for the comprehensive determination of the extent of non-economic damages. In this regard, there are quite substantial differences between the valuation parameters applied in Italy and in other European countries. The bill, in enacting into law a specific indication from the Court of Cassation, classes physical damage and moral damage under the broader category of non-economic damage and resolves, once and for all, the long-standing problem of unifying the two subcategories of physical injury. Thus Italy too will have a system that avoids the risk of duplication of non-economic damages as a consequence of new categories produced by court rulings. In any case, the new rules will not restrict the discretional powers of the courts, as judges can still personalize the valuation of damage by up to 20 percent for mild injuries and 40 percent for severe injuries.

Of crucial importance to limiting the cost of claims, finally, is the bill's provision for the adoption, within 120 days of the law's entry into force, of a decree instituting a single table on compensation for severe personal injuries. This is a long-awaited measure that is likely to have an immediate effect in lowering motor liability premiums. Considering that the process of consultation and ministerial approval of the table has practically been completed, the insurance industry can hope it will be adopted within the time frame laid down in the bill.

However, the bill contains no provisions concerning "thanatological" damages, i.e. general standards for the valuation of damages for death and consistent identification of the beneficiaries. It is worth recalling that in Italy awards for this type of compensation are nearly four times higher than the European average and ten times higher than in Germany.

If Parliament elected to fill this gap, it could produce a significant further alignment of motor liability prices in Italy with those in the other main European countries, which remain lower. As for the non-economic damages in regard to kinship, in fact, there is an evident need for certainty and for the economic sustainability of the system of compensation in case of death. The incompleteness of the rules on the amount of death damages, in fact, prevents the institution of uniform economic values for settlement of the entire non-economic portion, with significant adverse impact on the certainty of law and rights for the damaged parties, the sustainability of the compensation system, and the price of motor liability insurance coverage.

The economic loss to the close relatives of the victim who had been maintaining them, in terms of lost present and future income, forms part of the estimate of economic damage. For the correct determination of the non-economic damage to the survivors, the logic whereby larger compensation is equivalent to lesser suffering is unacceptable. Turning pain into a commodity in this manner is unreasonable, in that the repair of non-economic damage has to represent a degree of concern and attention to the relatives of the deceased but must not be transformed, as now happens, into an occasion from which the survivors can profit.

For that matter, these are the considerations underlying the norms in place in other countries, which range from the outright denial of moral damages (in Germany) to highly detailed regulatory valuations, with amounts that vary according to the makeup of the family, the age of the survivors, and the presence or absence of a spouse or minor children of the deceased (Spain) ([1]), to very low amounts in consideration of the fact that the award is not conceived of as compensation (at most €25,000 for each close relative in France and no more than £12,000 in the United Kingdom).

In Italy, the economic damages from harm to kinship relations are determined by the courts on the basis of tables laying down minimum and maximum amounts depending on degree of kinship. These tables not only unreasonably extend the range of eligible beneficiaries (in extreme cases allowing even relatives beyond the third degree, such as cousins) but also provide for very large awards, which in the case of close relatives provide for ceilings as high as €350,000 for each survivor. Moreover, recent jurisprudence (Court of Cassation, Section III, sentence no. 13537 of 13 June 2013) can only further widen the gap between Italy and the other main European countries in the field of death damages.

This level of protection for the relatives of deceased persons is hard to sustain economically and is one of the main causes of the high cost of motor liability claims in Italy; the total amount on this head comes to about €2 billion a year, not counting the economic damage component. Accordingly, Parliament should supplement the rules laid down by the Insurance Code on non-economic damages (Articles 138 and 139) with provisions to guarantee a level

([1]) As examples, the Spanish law applies the following values to the family:

a) victim with spouse: to a spouse younger than 65, €89,000; to each minor child, €36,000; to each adult child, from €7,000 to €14,600 depending on age and cohabitation with the deceased;
b) victim with no spouse but with minor children: to a single child, €132,000; to each child of several, €36,600; to each adult child where there are also minors, €14,600;
c) victim without spouse and with adult children: for each child, €22,000 to €95,000 depending on age.

of compensation for survivors that is adequate and sustainable, while restricting the range of eligible beneficiaries in order to take into account the naturally intense pain and suffering of the persons closest to the deceased.

Of course, this legislation must retain some degree of discretion for judges to examine all the concrete circumstances that need to be taken into consideration for equitable settlement of non-economic damages due for harm to kinship relations.

All in all, the “Competition” bill is to be welcomed, in that it contains measures that will be effective in stabilizing motor liability insurance prices. But improvements are needed above all with regard to the integration of death damages with non-economic damages.

6

OTHER NON-LIFE INSURANCE CLASSES

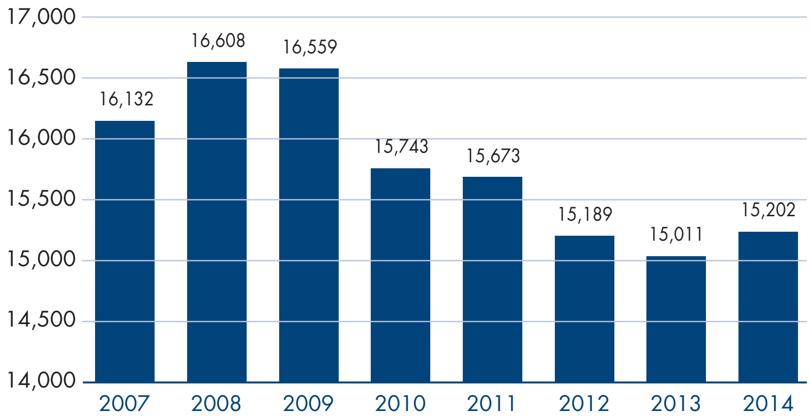
OTHER NON-LIFE INSURANCE CLASSES

Written premium income of non-life business other than motor vehicle insurance increased by 1.2% last year. The combined ratio improved by nearly 2 percentage points, coming down to 89.6%, thanks to a 3% decrease in the cost of claims. Despite the negative result of the reinsurance balance, the contribution of investment profits lifted the overall profit to Euro 1.2 billion.

NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR INSURANCE

Premiums from direct domestic business in non-life classes other than motor insurance (i.e. excluding land vehicles and motor and marine vehicle third party liability) totaled €15,202 million, up by 1.2% for a homogeneous set of companies. Premiums increased for policies on miscellaneous financial loss (+12.2%), assistance (+8.4%), railroad rolling stock (+6.6%), legal expenses (+5.6%), aircraft liability (+4.8%), other property damage (+4.3%). suretyship (+1.2%), accident (+0.6%) and fire (+0.5%). They decreased in the other classes of business: general liability (-0.6%), health (-0.8%), ships (-4.2%), goods in transit (-9.8%), credit (-17.7%), and aircraft (-19.9%). Non-motor insurance premiums' share of total non-life premiums increased from 44.6% in 2013 to 46.3% in 2014.

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*

Accrued premiums, i.e. written premiums less the change in premium reserves and some other balance items, came to €15,230 million, up 0.8% from 2013.

The **incurred claims cost for the current accident year**, defined as the amounts paid and reserved, totaled €9,610 million, practically the same as in 2013.

OTHER NON-LIFE INSURANCE CLASSES

Given the modest increase in written premium income, the loss ratio for the current accident year improved, falling from 63.9% to 63.1%.

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 €8,919 million, 2.9% less than in 2013. The loss ratio to earned premiums thus fell from 60.7% to 58.6%. The business segments most responsible for the improvement of the loss ratio and with the highest share of premiums were general liability, whose loss ratio came down from 83.9% to 67.4%, and sickness (from 71.1% to 67.8%). The segments where the ratio worsened and with the highest share of premiums were accident insurance (from 42.6% to 43.8%), fire and natural forces (47.8% to 54.2%), and other damage to property (67.7% to 69.7%).

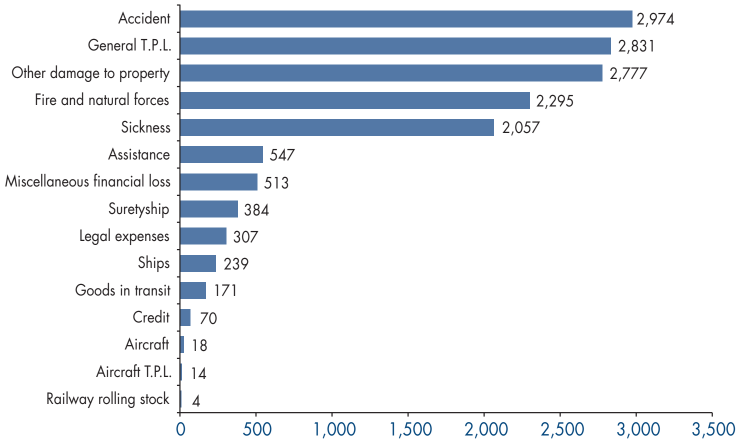
Non-life insurance classes other than motor insurance (excluding land vehicles insurance and motor and maritime liability)
Euro million

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Gross written premiums	16,132	16,608	16,559	15,743	15,673	15,189	15,011	15,202
Changes in premium reserves (-)	476	531	51	235	237	-280	-105	-28
Incurred claims (-):	9,768	10,933	11,736	10,276	9,859	11,054	9,183	8,919
– incurred claims cost for the current accident year (-)	10,137	11,166	11,804	10,499	10,000	11,004	9,657	9,610
– excess/shortfall of reserves for those claims	369	233	68	223	141	-50	474	691
Balance of other technical items	-388	-419	-414	-408	-357	-363	-335	-368
Operating expenses (-)	5,018	5,059	5,015	4,799	4,762	4,568	4,605	4,717
– commissions	3,506	3,567	3,528	3,407	3,387	3,192	3,182	3,254
– other acquisition costs	624	660	682	670	642	675	686	723
– other administration costs	888	832	805	722	733	701	737	740
Direct technical balance	**482**	**-334**	**-657**	**24**	**458**	**-517**	**993**	**1,227**
Investment income	903	403	1,072	510	314	760	554	588
Direct technical account result	**1,385**	**69**	**415**	**534**	**772**	**243**	**1,546**	**1,815**
Reinsurance results	-537	-135	-359	-539	-513	554	-726	-573
Overall technical account result	**848**	**-66**	**56**	**-5**	**259**	**796**	**820**	**1,241**
Annual % changes in premiums	3.7%	3.0%	-0.3%	0.4%	0.6%	-1.5%	-1.1%	1.2%
Combined ratio	**93.5%**	**98.5%**	**101.4%**	**96.7%**	**94.2%**	**101.5%**	**91.4%**	**89.6%**
– Expense ratio	31.1%	30.5%	30.3%	30.5%	30.4%	30.1%	30.7%	31.0%
– Commissions/Gross written premiums	21.7%	21.5%	21.3%	21.6%	21.6%	21.0%	21.2%	21.4%
– Other acquisition costs/Gross written premiums	3.9%	4.0%	4.1%	4.3%	4.1%	4.4%	4.6%	4.8%
– Other administration costs/Gross written premiums	5.5%	5.0%	4.9%	4.6%	4.7%	4.6%	4.9%	4.9%
– Loss ratio:	62.4%	68.0%	71.1%	66.3%	63.9%	71.5%	60.7%	58.6%
– Loss ratio for the current accident year	64.8%	69.4%	71.5%	67.7%	64.8%	71.1%	63.9%	63.1%
– Excess/shortfall of reserves for previous years claims/ Earned premiums	2.4%	1.4%	0.4%	1.4%	0.9%	-0.3%	3.1%	4.5%
Technical balance/Earned premiums	**3.1%**	**-2.1%**	**-4.0%**	**0.2%**	**3.0%**	**-3.3%**	**6.6%**	**8.1%**
Technical account result/Earned premiums	**8.8%**	**0.4%**	**2.5%**	**3.4%**	**5.0%**	**1.6%**	**10.2%**	**11.9%**
Overall technical account result/Earned premiums	**5.4%**	**-0.4%**	**0.3%**	**0.0%**	**1.7%**	**5.1%**	**5.4%**	**8.1%**
Premiums to total non-life premiums ratio (%)	*42.8%*	*44.3%*	*45.1%*	*44.2%*	*43.1%*	*42.9%*	*44.6%*	*46.3%*

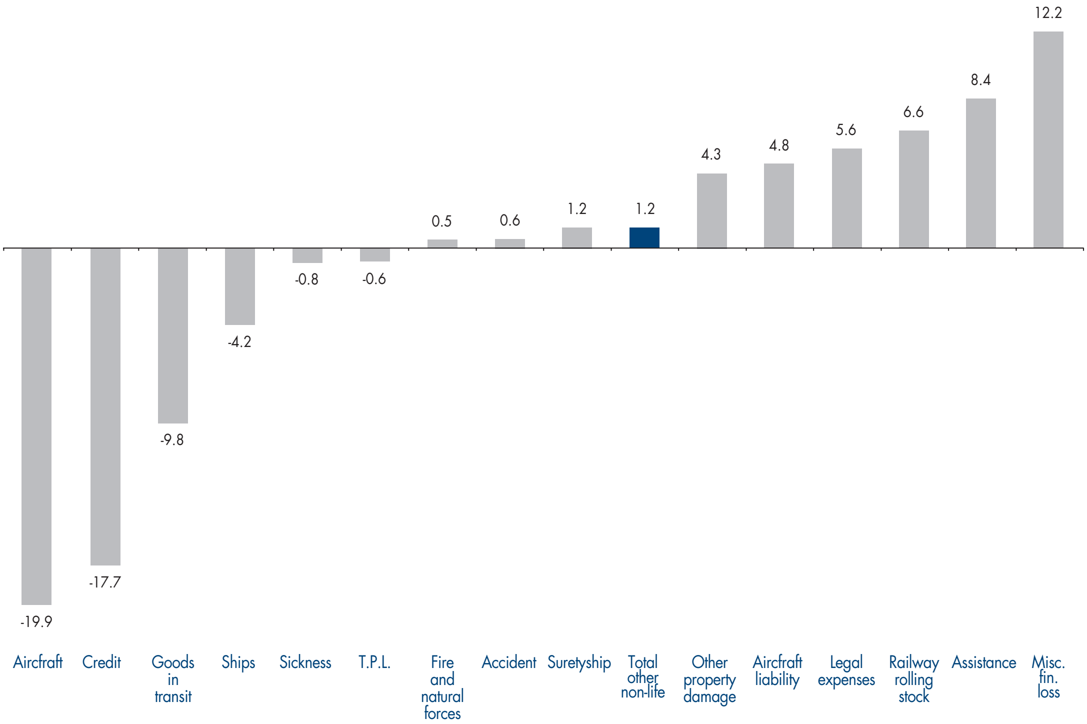
Indexes and changes (%) are calculated on data in € thousand
Change calculated in homogeneous terms

OTHER NON-LIFE INSURANCE CLASSES

Direct premiums by insurance class – 2014
Euro million



Growth rate of direct premiums by insurance class – 2014*
Average 2014: 1.2%

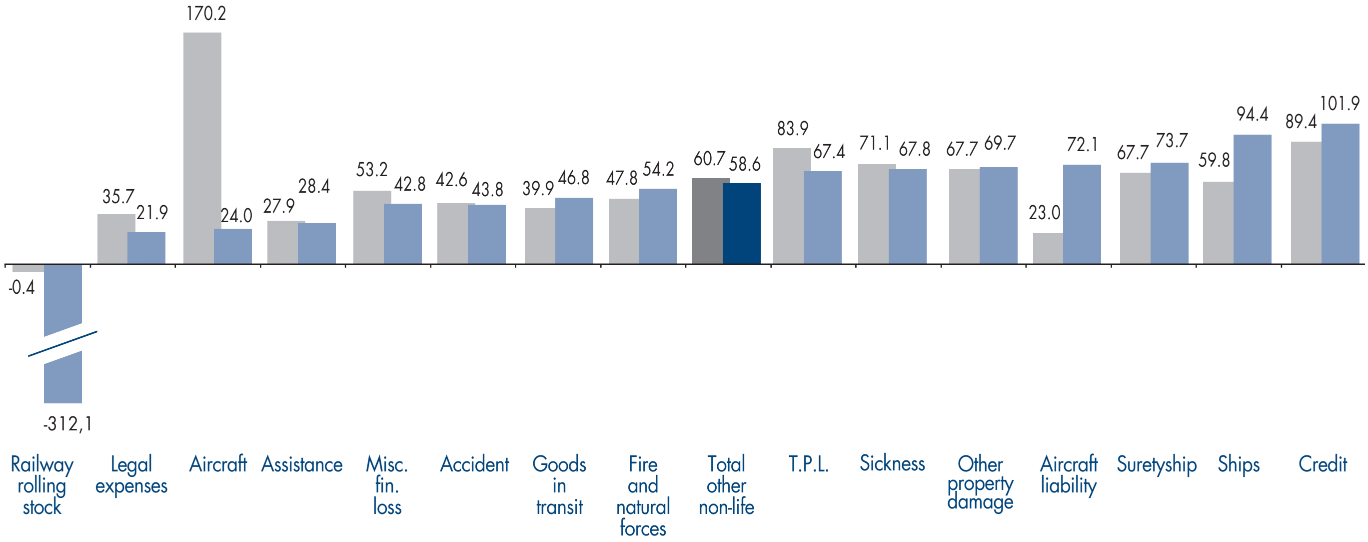


** Change calculated in homogeneous terms*

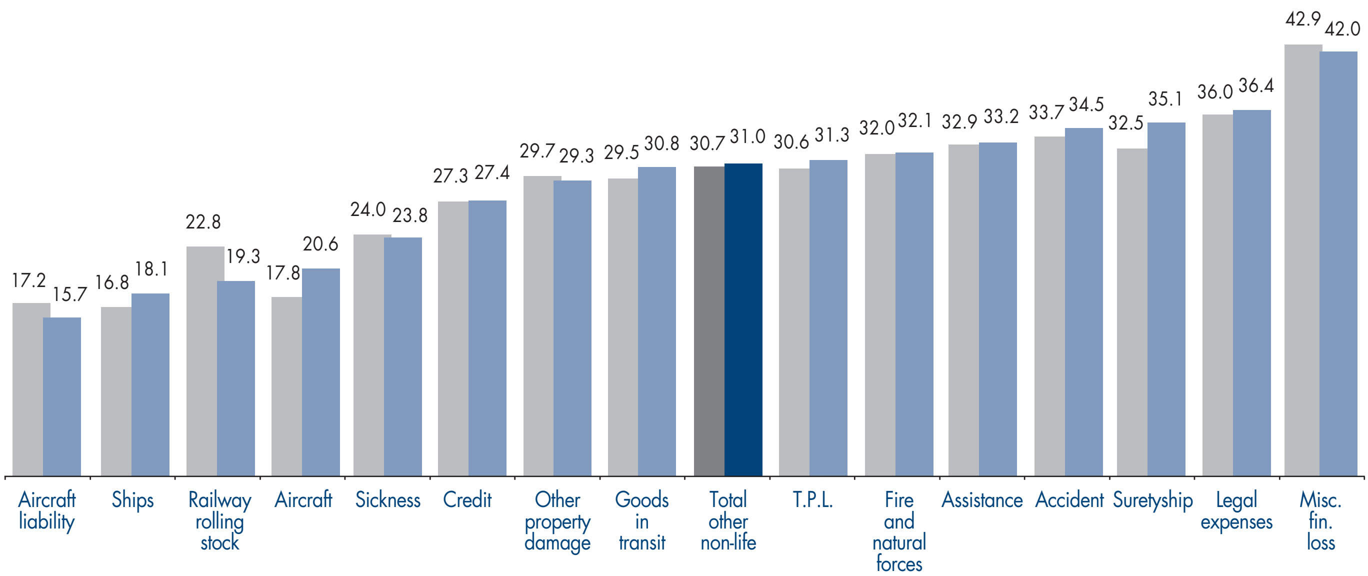
Operating expenses amounted to €4,717 million (€4,605 million in 2013) and include administration expenses relating to the technical management of insurance business, acquisition costs, premium collection costs and costs relating to the organization and management of the distribution network. The ratio of expenses to premiums was 31.0%, up slightly from 30.7% in 2013. The ratio for agent commissions and other acquisition costs to premiums edged up, while that of administration expenses remained unchanged at 4.9%. The business segments with the highest ratios were miscellaneous financial loss (42.0%), legal expenses (36.4%), surety insurance (35.1%), accident (34.5%) and assistance (33.2%). More moderate

OTHER NON-LIFE INSURANCE CLASSES

Loss ratio for the year by insurance class (%)
Average 2014: 58.6%



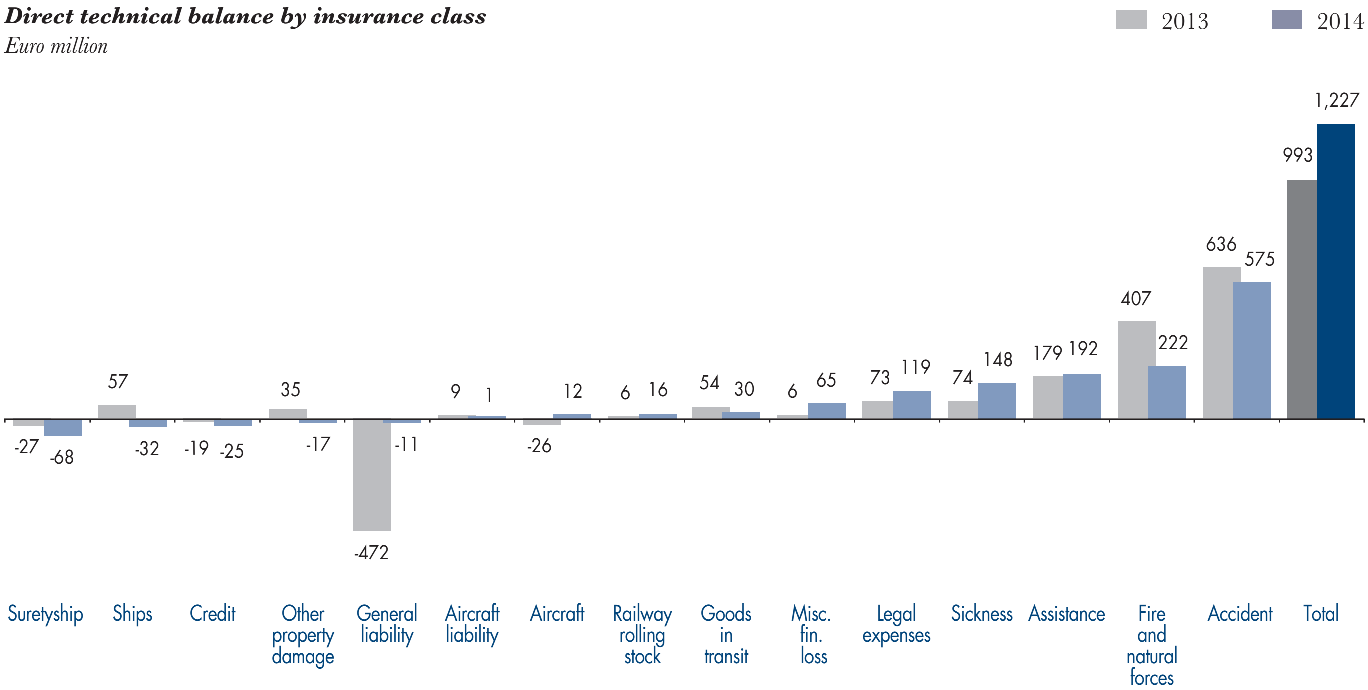
Expense ratio for the year by insurance class (%)
Average 2014: 31.0%



ratios, under 20%, were recorded for railway rolling stock (19.3%), ships (18.1%) and aircraft (15.7%).

The **technical balance** for direct business was positive by €1,227 million, up from €993 million in 2013. The improvement was due to the lower incurred claims costs described above and the gain in premium income. Positive balances of over €100 million were scored by insurance for legal expenses (€119 million, up from €73 million), sickness (€148 million, up from €74 million), assistance (€192 million, up from €179 million), fire (€222 million, sharply down from €407 million), and accident (€575 million, down from €636 million). Moderately negative results were recorded by surety (-€68 million), ships (-€32 million), credit (-€25 million), other property damage (-€17 million) and general third-party liability (-€11 million).

Direct technical balance by insurance class
Euro million

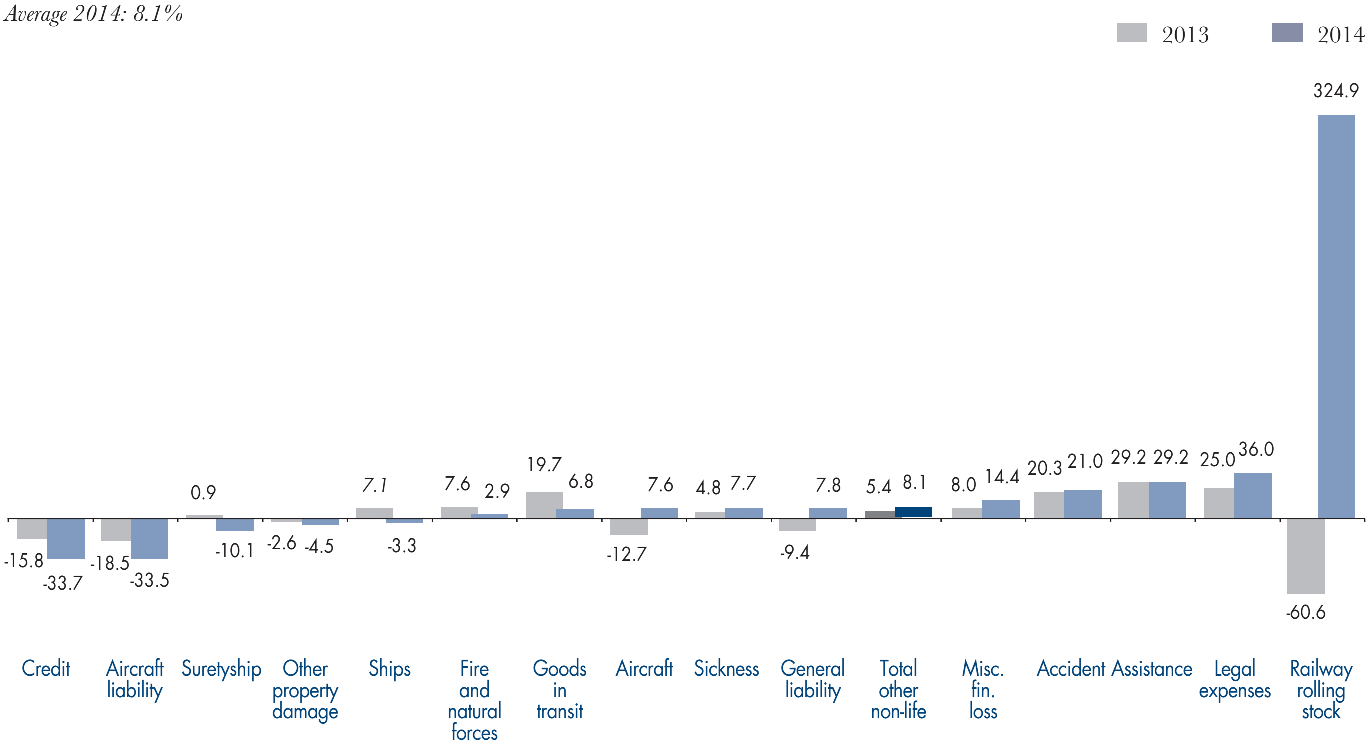


With **investment profits** totaling €588 million (€554 million in 2013), the **direct technical account result** was positive by €1,815 million (€1,546 million in 2013).

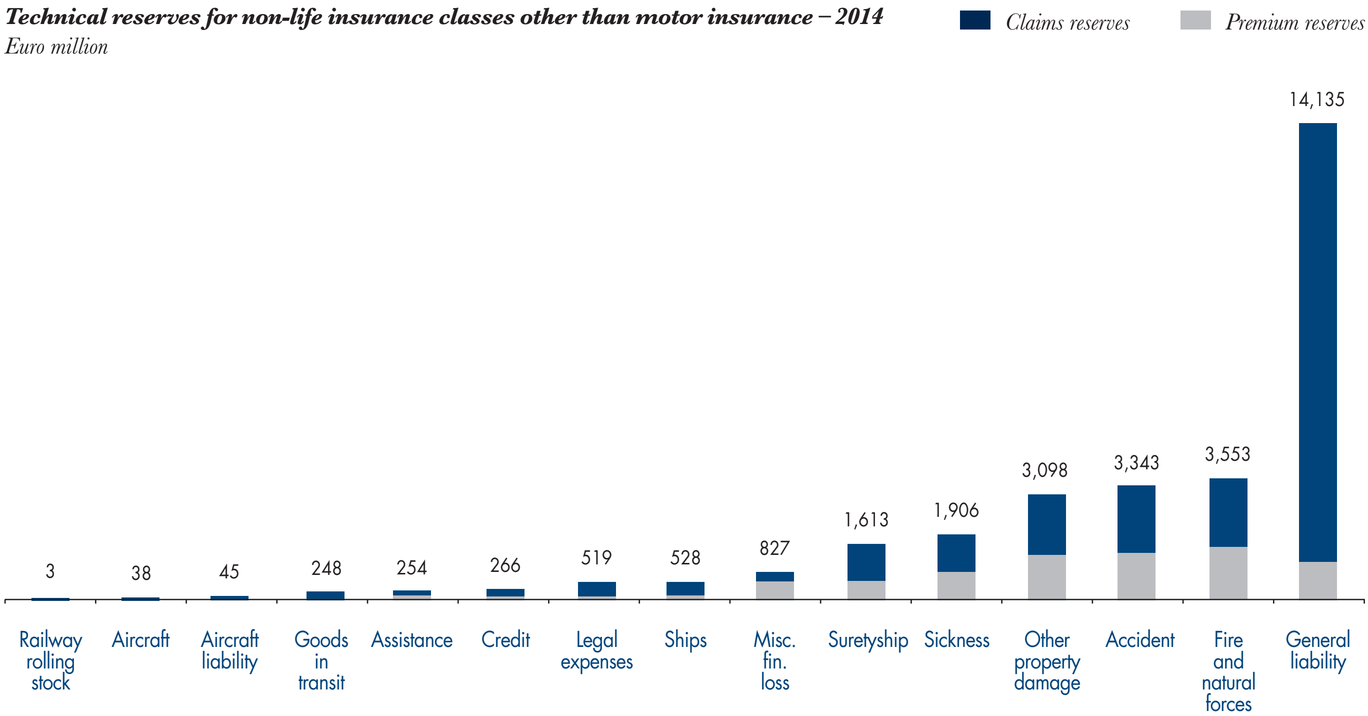
Taking into account the negative reinsurance balance of €573 million (an improvement compared with that of -€726 million in 2013), the **overall technical account result** showed a profit of €1,241 million, up from €820 million, rising from 5.4% to 8.1% of premiums. The following branches of business registered better than average ratios: miscellaneous financial losses (14.4%), accident (21.0%), assistance (29.2%), legal expenses (36.0%) and railway rolling stock (324.9%). Negative ratios were recorded for credit (-33.7%), aircraft liability (-33.5%) and suretyshhip (-10.1%).

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 €30,375 million in 2014; premium reserves totaled €8,098 million and claims reserves €22,277 million. General liability was the business segment with the highest technical provisions (€14,135 million counting claims and premium reserves for 2014); total provisions top €3 billion for other damage to property (€3,098 million), accident insurance (€3,343 million) and fire insurance (€3,553 million).

% incidence of overall technical account result on earned premiums by insurance class
Average 2014: 8.1%



Technical reserves for non-life insurance classes other than motor insurance – 2014
Euro million



MEDICAL MALPRACTICE INSURANCE

For many years ANIA has conducted an annual statistical survey to identify technical trends in the field of medical malpractice insurance by means of indices of claims occurrences starting from 1994 ([1]). However, this statistical survey was strongly influenced, over time, by the progressive increase in the number of Italian companies having left the market sector under examination in favor of other European companies operating in Italy under the freedom of establishment or freedom to provide services. This also had a negative impact on the representativeness of the statistical sample, as EU companies do not provide ANIA with any data other than premiums, and even this only in part. Consequently, while it is easy to calculate the volume of total premiums, the technical indicators deriving from the sample might not be fully representative of the market.

Estimating premium volume

Direct Italian medical liability insurance business was estimated at €564 million in 2013, 50% of it accounted for by institutional policies and 50% by individual policies ([2]). The statistics do not include the premiums of European insurance companies that operate in Italy under the freedom to provide services. Premiums went up by 3.8% compared to the previous year, thanks essentially to the increase of over 10% in the volume of premiums from individual practitioners, owing presumably to the price revision made necessary by the persistent technical imbalance in this sector. By contrast, premiums paid by healthcare institutions registered a modest decrease of 2.1% compared to 2012.

Over ten years (2003-2013), total premiums in the medical insurance sector recorded average annual growth of 6.9% (4.1% for healthcare institutions and 10.9% for individual practitioners).

Number and average cost of claims

As shown in Table 1, the number of claims registered by Italian insurance companies in 2013 was estimated at 30,400, 18,400 of them accounted for by institutional policies. The number of claims diminished (-2.5% compared with 2012), in line with the trend started in 2010, with a decrease of 11% in the 4 years from 2010 through 2013. Claims by institutions decreased by 5.5% in 2013, while those by individual practitioners turned back up after three years of decline, rising by 2.4%.

([1]) Two insurance categories are considered:
- institutional liability for healthcare organizations: comprises all policies covering healthcare facilities' liability for medical damages, be they public or private (the survey does not cover nursing homes, medical analysis laboratories, diagnostic centers or universities);
- individual malpractice insurance for physicians: comprises all policies covering doctors' liability, regardless of whether they belong to a healthcare organization.

([2]) ANIA's estimate for the entire market (including the premiums of Italian representatives of insurers with registered offices in the European Economic Area) is based on a sample survey of companies that accounted for 41% of the premium income from general third-party liability insurance in 2013.

Table 1
Number of claims filed (*)

Year of registration	Institutional liability	Δ%	Individual malpractice	Δ%	Total medical liability	Δ%
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1994	6,345		3,222		9,567	
1995	11,411	79.9%	5,892	82.9%	17,303	80.9%
1996	13,028	14.2%	4,028	-31.6%	17,057	-1.4%
1997	18,672	43.3%	4,829	19.9%	23,501	37.8%
1998	21,678	16.1%	6,036	25.0%	27,714	17.9%
1999	23,261	7.3%	9,073	50.3%	32,334	16.7%
2000	23,249	0.0%	10,078	11.1%	33,327	3.1%
2001	21,911	-5.8%	11,238	11.5%	33,149	-0.5%
2002	19,028	-13.2%	11,443	1.8%	30,471	-8.1%
2003	16,566	-12.9%	10,874	-5.0%	27,440	-9.9%
2004	16,356	-1.3%	11,988	10.2%	28,344	3.3%
2005	16,343	-0.1%	12,290	2.5%	28,633	1.0%
2006	16,424	0.5%	11,959	-2.7%	28,383	-0.9%
2007	16,128	-1.8%	13,415	12.2%	29,543	4.1%
2008	17,746	10.0%	11,851	-11.7%	29,597	0.2%
2009	21,476	21.0%	12,559	6.0%	34,035	15.0%
2010	21,353	-0.6%	12,329	-1.8%	33,682	-1.0%
2011	19,627	-8.1%	11,782	-4.4%	31,409	-6.7%
2012	19,436	-1.0%	11,759	-0.2%	31,195	-0.7%
2013	18,376	-5.5%	12,036	2.4%	30,412	-2.5%

(*) Estimate by ANIA of the claims for the whole market on a sample of companies included in the survey with total premiums (in 2013) equaling 41% of general third party liability premiums

Table 2 shows the medical malpractice claims that the companies closed without compensation, according to their year of registration. Looking at the oldest claims (registered between 1994 and 2003), we see that on average two-thirds of all malpractice claims were closed with no compensation. In particular, this percentage is higher for claims by institutions

Table 2 – Number of claims closed without payment

Year of registration	Number of claims closed without payment: institutional	Incidence of claims closed without payment on total claims (%)	Number of claims closed without payment: individual	Incidence of claims closed without payment on total claims (%)	Total number of claims closed without payment	Incidence of claims closed without payment on total claims (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1994	4,244	66.9%	1,854	57.5%	6,098	63.7%
1995	9,051	79.3%	4,053	68.8%	13,104	75.7%
1996	9,993	76.7%	2,255	56.0%	12,248	71.8%
1997	13,979	74.9%	2,849	59.0%	16,828	71.6%
1998	15,341	70.8%	3,674	60.9%	19,015	68.6%
1999	15,764	67.8%	5,592	61.6%	21,356	66.0%
2000	15,586	67.0%	6,479	64.3%	22,065	66.2%
2001	15,627	71.3%	6,558	58.4%	22,185	66.9%
2002	12,397	65.2%	6,876	60.1%	19,274	63.3%
2003	10,409	62.8%	6,339	58.3%	16,749	61.0%
2004	10,178	62.2%	6,899	57.6%	17,077	60.2%
2005	10,185	62.3%	7,163	58.3%	17,348	60.6%
2006	9,577	58.3%	6,827	57.1%	16,404	57.8%
2007	9,502	58.9%	7,724	57.6%	17,226	58.3%
2008	10,076	56.8%	6,472	54.6%	16,547	55.9%
2009	11,408	53.1%	6,695	53.3%	18,104	53.2%
2010	10,360	48.5%	5,578	45.2%	15,938	47.3%
2011	8,485	43.2%	4,394	37.3%	12,879	41.0%
2012	6,493	33.4%	3,346	28.5%	9,840	31.5%
2013	3,488	19.0%	1,795	14.9%	5,283	17.4%

(around 70% on average). This could be due to duplication of charges of malpractice (for instance against both the institution and the individual practitioner), with claims being closed by the company without payment, given that as regards the insurance company they correspond to a single claim. As for individual malpractice claims, around 60% are closed without payment.

Table 3 gives the breakdown of total claims (institutional liability and individual malpractice) into those settled and those reserved, both by number and by amount, according to their 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. With the passage of time the percentage of settled claims rises, to over 90% for those older than ten years. After 19 years, 1.9% of the claims registered (in 1994) were still unsettled, accounting for 5.4% of the amount of that claim generation, showing just how long it can take to settle this type of claim.

Table 3
Incidence of the number and amount of claims filed (%) at 31/12/2013
Total malpractice claims

Year	Number of claims settled (%)	Number of claims reserved (%)	Amounts settled (%)	Amounts reserved (%)
(1)	(2)	(3)	(4)	(5)
1994	98.1%	1.9%	94.6%	5.4%
1995	98.2%	1.8%	95.1%	4.9%
1996	97.6%	2.4%	96.1%	3.9%
1997	97.2%	2.8%	94.5%	5.5%
1998	97.0%	3.0%	94.5%	5.5%
1999	96.8%	3.2%	93.4%	6.6%
2000	94.4%	5.6%	89.2%	10.8%
2001	93.9%	6.1%	86.3%	13.7%
2002	91.0%	9.0%	82.6%	17.4%
2003	89.2%	10.8%	81.8%	18.2%
2004	86.9%	13.1%	74.1%	25.9%
2005	84.4%	15.6%	74.2%	25.8%
2006	82.0%	18.0%	66.2%	33.8%
2007	74.8%	25.2%	59.6%	40.4%
2008	70.7%	29.3%	53.3%	46.7%
2009	62.4%	37.6%	48.6%	51.4%
2010	49.5%	50.5%	36.3%	63.7%
2011	36.7%	63.3%	20.2%	79.8%
2012	23.5%	76.5%	14.3%	85.7%
2013	8.5%	91.5%	4.1%	95.9%

Table 4 reports the average cost of settlements for the two types of policy and by year of registration, showing that the average claim cost tends to increase as the percentage settled rises, which is to say as the data are consolidated. 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 filed in 2002, at the end of that year insurers estimated the average settlement cost at €20,157, but four years later the estimate had doubled to nearly €40,000; it kept rising to what now appears to be the "final" average cost of claims of that generation (about €47,000). The same pattern can be observed, sometimes with an acceleration, for all the generations of claims.

Table 4 – Average cost of claims at 31/12/2013 – Total malpractice claims
Amounts (Euro)

Year of registration	at 31.12.2002	at 31.12.2004	at 31.12.2005	at 31.12.2006	at 31.12.2007	at 31.12.2008	at 31.12.2009	at 31.12.2010	at 31.12.2011	at 31.12.2012	al 31.12.2013
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1994	16,410	30,212	28,898	29,833	28,421	28,904	29,012	28,023	27,983	27,782	27,826
1995	14,418	21,464	21,406	22,976	22,488	22,687	22,676	22,190	21,887	21,829	21,856
1996	16,961	23,253	22,000	21,789	21,622	23,819	23,493	23,028	23,091	23,044	22,960
1997	25,331	31,082	29,594	29,214	28,961	32,948	31,940	31,950	31,768	31,342	31,453
1998	17,939	24,517	22,474	30,152	29,966	34,271	33,924	33,184	33,049	32,495	32,562
1999	22,820	28,144	28,556	32,063	32,571	37,281	36,511	36,584	36,157	36,106	36,568
2000	22,254	32,298	33,887	37,600	37,634	39,968	40,605	40,134	38,929	39,688	40,139
2001	21,843	31,675	33,152	36,757	35,974	40,042	40,159	37,457	45,865	47,214	47,734
2002	20,157	33,026	35,298	39,903	38,490	42,732	43,196	42,371	46,835	47,111	47,030
2003		30,306	34,379	39,475	39,080	44,521	47,241	46,169	50,577	49,492	49,740
2004		22,706	29,755	36,545	38,349	44,083	43,304	43,653	49,951	50,504	52,238
2005			26,670	33,174	35,471	42,383	42,245	41,277	46,330	46,473	46,447
2006				30,659	33,408	41,476	42,019	41,779	50,330	53,385	54,571
2007					26,670	38,266	38,816	39,537	47,798	51,466	52,435
2008						29,505	34,067	39,427	49,581	52,176	56,479
2009							25,083	33,225	43,852	44,244	49,440
2010								27,689	38,538	41,313	46,459
2011									30,789	35,576	49,503
2012										29,422	40,672
2013											35,871

Loss ratios

These rapidly rising cost trends, together with the large number of claims registered each year, have produced extremely negative results for the sector's technical accounts, hence very high loss ratios. As with other business segments, for a correct assessment of the performance of medical liability insurance we must also examine the loss ratio (claims in relation to premiums) for the entire medical liability branch year by year.

Table 5 gives medical malpractice insurance loss ratios for the various claims generations and their evolution over the years.

At 31 December 2013 the average loss ratio for all generations was 174%. For the most recent generation the ratio came to 139%, a significant deterioration by comparison with the ratio of 122% for a homogeneous sample of insurers in 2012.

Table 5 – Loss ratios at 31/12/2013 – Total medical malpractice insurance
Average 2013: 173.9%

Year of registration	at 31.12.2002	at 31.12.2004	at 31.12.2005	at 31.12.2006	at 31.12.2007	at 31.12.2008	at 31.12.2009	at 31.12.2010	at 31.12.2011	at 31.12.2012	at 31.12.2013
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1994	199%	251%	241%	251%	238%	240%	241%	237%	236%	235%	235%
1995	182%	212%	216%	206%	202%	201%	201%	203%	200%	200%	200%
1996	187%	198%	195%	191%	187%	199%	198%	195%	189%	194%	193%
1997	223%	320%	300%	293%	286%	336%	323%	323%	311%	315%	316%
1998	168%	340%	313%	288%	284%	341%	331%	323%	312%	316%	316%
1999	179%	262%	266%	249%	246%	330%	321%	321%	308%	314%	318%
2000	151%	216%	219%	208%	206%	233%	217%	214%	203%	210%	211%
2001	154%	218%	218%	200%	192%	215%	204%	187%	251%	260%	261%
2002	149%	232%	229%	199%	192%	207%	199%	275%	287%	296%	295%
2003		196%	199%	171%	162%	173%	177%	215%	223%	225%	225%
2004		145%	170%	154%	150%	144%	140%	162%	174%	180%	184%
2005			173%	162%	155%	133%	131%	118%	123%	125%	123%
2006				158%	157%	150%	141%	128%	142%	150%	150%
2007					140%	130%	123%	109%	117%	123%	122%
2008						111%	147%	138%	148%	151%	153%
2009							153%	155%	169%	163%	164%
2010								153%	177%	153%	152%
2011									147%	151%	174%
2012										122%	137%
2013											139%

As for the evolution of the loss ratio over time, as the percentage settled rises and the data are consolidated, we find three distinct patterns:

– for the generations of claims registered from 1994 to 2004, the loss ratio estimated at 31 December 2013 was particularly high (ranging from 184% for claims registered in 2004 to 316% for those of 1997-1999);
– for the 2005-2013 generation the loss ratio tends to be lower, though it is still clearly at levels that make this business unprofitable, with year-to-year fluctuations. In 2005, 2007 and 2012, in fact, the loss ratio showed signs of improvement, only to return to higher levels the next year.

MALPRACTICE INSURANCE: DECREE ESTABLISHING UNIFORM STANDARDS FOR MALPRACTICE POLICIES FOR HEALTH PROFESSIONALS

For years now, we have been waiting for the issue of the mandated Presidential Decree establishing minimum standards for insurance policies for health practitioners, under Article 3(4) of Decree Law 158/2012, converted with amendments by Law 189/2012.

The Decree will specify the minimum requirements for malpractice policy contracts for medical workers. ANIA took part in the technical talks at the Ministry of Health to draft the bill, the definitive version of which was approved by the State-Regions Conference on 18 December 2014 and has now been endorsed by the Council of State. The next steps are re-examination by the Council of Ministers and publication in the *Gazzetta Ufficiale*.

The text is still in proofs. Key provisions are:

- the minimum compensation ceiling is set at €1 million (Article 4(1));
- the time limit for claims has been lengthened from ten to thirty days (Article 4(8)).

Following publication, work will begin on the regulation for the committee that will manage the health professionals fund (which the decree provides for, and in which ANIA will take part).

PROFESSIONAL LIABILITY INSURANCE – THE PROVISIONS OF THE "COMPETITION" BILL

The "Competition" bill is intended to remove obstacles to open markets, spur competition and protect consumers, in application among other things of the principles of European Union law.

The measure, Chamber of Deputies Bill A.C. 3012, is now before the competent committees. Article 12 contains provisions on the extended validity of professional liability coverage. The draft would add the following to Article 3(5)(e) of Decree Law 138/2011, converted with amendments by Law 148/2011: "In any case, without prejudice to the contractual freedom of the parties, the general terms of the insurance policies referred to in the previous sentence shall include the offer of a period of extended validity of coverage for damage claims presented for the first time within ten years and referring to events giving rise to liability during the period of active coverage."

This modifies the insurance obligation as regards professional liability by providing – without prejudice to the parties' freedom to contract – that if policies are stipulated in the so-called "claims-made" regime they must also provide for a period of extended validity of coverage for claims submitted for the first time within ten years after the event but referring to events giving rise to liability occurring during the policy's period of coverage.

It should be noted that the claims-made regime offers coverage for the policyholder's damage-causing actions reported during the life of the policy, even independently of the date of the event. The most common previous regime was the "loss-occurrence" mode, covering liable actions occurring during the period of the policy, regardless of when the claim is lodged.

The claims-made clause was developed to deal with several serious defects of the loss-occurrence mode. The claims-made approach offers a good many advantages to both policyholder and insurer, and also works to the benefit of market competition. Specifically:

- It enables insurance companies to estimate costs by the standards applying at the time they set prices, thus to diminish uncertainty in pricing, largely aligning the valuation of

risk at the time of policy subscription with the cost of settlement, reducing the influence of economic or legal inflation.
- It precludes claims incurred but not reported (IBNR) or not reported "enough" (IBNER), allowing for the immediate, definitive closure of the balance on a policy when it expires, with no risk of having to alter it in the event of supravening late claims that relate to events occurring during the policy's validity but that are lodged afterwards; that is, the bill makes for greater stability of technical claims reserves.
- It refers to a readily determined date, i.e. that of the policyholder's report of the claim against him by the damaged third party.
- It rules out the possibility of having to activate more than one policy for a claim.
- It sets a definite time limit to the risk of a claim, essentially coinciding with the life of the policy.
- It gives the insured party an award ceiling adequate to the present cost of the probable damages, net of possible inflation.

Over the years, in order to meet users' needs, the insurance industry has made two important changes to claims-made policies, extending the period and broadening the range of coverage:

- retroactivity: a claim lodged during the contract's validity may refer to damages arising within a predetermined period prior to the stipulation of the policy;
- "posthumous" or extended validity: a claim will be admissible even if lodged after the policy expires (within a predetermined period), as long as it refers to damages caused during the validity of the contract.

Both retroactivity and extended validity are commonly available in insurance contracts, on certain conditions, and are properly factored into premiums. It is especially important to develop the role of the insurance agent in advising professionals and recommending the policy that best serves their needs.

The large number of competing companies offering professional liability insurance guarantees adequate choice and access to these policies.

NATURAL DISASTERS: CATASTROPHIC EVENTS IN 2014 AND AN INITIAL ESTIMATE OF THE INSURANCE MARKET'S CURRENT EXPOSURE

Worldwide, 2014 was the year with the greatest number of natural disasters on record: 189 events, mostly weather-originated. The economic damage came to nearly $100 billion, $30 billion of which was covered by insurance; in Europe, damage came to $15 billion ($6 billion insured), owing to storms and extremely heavy rains. Despite an increase in the number of disasters, the economic damage caused, both insured and uninsured, was scarcely half the average over the past ten years, most likely thanks to stepped-up preventive action and measures for territorial security.

In Europe, Italy was the country worst hit by torrential rains and landslides, with high costs both in human life and property damage. Among the most serious disasters of 2014 were the heavy, prolonged rainfall (with flooding and landslides) in Liguria and Emilia Romagna from 16 to 20 January. The territory suffered damage to highways, to production facilities, and to housing (hundreds of people had to be evacuated from their homes). Economic damage amounted to about €320 million, €140 million of it reimbursed by private insurance.

From 2 to 4 May the municipality of Senigallia and neighboring towns in the province of Ancona were swept by cloudbursts that caused €100 million worth of damage. Between 9 and 11 October the city of Genoa was struck by a flood; the Liguria Region estimated damage to public structures at €250 million and that to commercial and production facilities at €100 million, and 200 people were evacuated. The same storm hit an extensive part of central and northern Italy, mainly in Piedmont, Emilia Romagna (around Parma), Tuscany (in the Maremma area near Grosseto) and Friuli Venezia Giulia. The last disaster of the year was a flood in northern Italy (Piedmont, Liguria and Lombardy) from 10 to 15 November.

According to the survey by PERILS A.G. on exposure to earthquake and flooding risk throughout Italy for 2015 (covering 77% of the insurance industry in terms of fire and natural forces insurance premium volume), the total exposure of the sector to these risks (embracing buildings, property within buildings, and indirect damage) amounts to €450 billion, taking account of the contractual limits, or 4.5% more than in 2014 and 30% more than in 2013. The regions in which risk exposure increased most sharply were Campania, Puglia, Veneto and Sardinia.

For houses insured against natural disasters, the exposure is estimated at nearly €80 billion for 2015, 15% more than in 2014. As in 2014, the regions most exposed to natural disaster, both for businesses and for housing, are those of the North. In the Center, there is significant exposure, about 25%, for residential housing. These data, however, are subject to variations and will be recalculated at the end of 2015.

ANIA'S POSITION PAPER ON FLOOD PROTECTION FOR DWELLINGS

ANIA has published a position paper describing the insurance market and the risk of floods for private residences in Italy and suggesting a number of measures to overcome the short supply of insurance. The paper begins by analysing Italy's intensified flooding in recent years, due not only to climate change but also to human factors such as population density and urban growth.

Whereas for a number of years now the industry has offered private individuals ad hoc earthquake insurance, today the offer of specific policies for flood risk is held back by a series of problems – for instance the risk of adverse selection and difficulty in setting premiums – that in ANIA's view could be at least partly overcome by a series of technical adjustments:

- Looking ahead to the institution of a public-private system of coverage for earthquakes, protection should also be extended to flooding, but only after the new system grows enough to attain a critical mass that can minimize adverse selection and so provide flood insurance at an acceptable price. Flood risk is in fact limited to very well-defined parts of the territory, so in order for policies to be properly priced there must be prior knowledge of the geographical distribution of the portfolio of risks.

- The insurance perimeter and the operational standards for coverage must be defined. Further, if effective reimbursement were made conditional on the declaration of natural disaster, it becomes essential to set objective standards and rules for the declaration.
- Without undertaking excessively costly ex-ante estimates, at least buildings should be classified according to their vulnerability to the various types of disaster, or else fixed-amount compensation should be established according to the intensity of the event, obviating the need for onsite inspections, especially for events causing limited damage.
- There should be access to all the information produced by the various public authorities directed to the management of flood risk. The data would help in designing a hydrological model that serves to develop a national flood risk index using a multivariate approach.

ANIA believes that these technical measures would enable the insurance industry to perform its proper protective function even in these new risk areas, providing an incentive for action to safeguard Italian households' dwellings with the preventive measures that always accompany insurance intervention.

7

HUMAN RESOURCES AND LABOR

HUMAN RESOURCES AND LABOR

STAFF AND LABOR COSTS

Statistical survey on staff composition and costs

At the end of 2014 the Italian insurance industry's managerial and non-managerial staff numbered 47,452, down by 484 or 1% by comparison with 2013, when staff totaled 47,936.

Number of staff

Year	Administration (*)	Dealers	Total
2007 (**)	*41,121*	*5,157*	*46,278*
2008	41,479	5,352	46,831
2009	41,881	5,488	47,369
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

Total staff costs
Euro million

Year	Administration (*)	Dealers	Total
2007 (**)	*2,972*	*277*	*3,249*
2008	3,118	273	3,390
2009	3,142	261	3,403
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

Annual change in total staff costs (%)

Year	Administration (*)	Dealers	Total
2008	4.9%	-1.6%	4.3%
2009	0.8%	-4.2%	0.4%
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%

Annual change in staff costs per employee (%)

Year	Administration (*)	Dealers	Total
2008	4.6%	-3.8%	3.8%
2009	-0.1%	-7.2%	-0.8%
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%

(*) Administration, call center and managerial staff
(**) In 2007 for the first time the total included 4,554 employees of subsidiaries of insurance companies and roughly 2,000 additional dealers as a consequence of a major corporate restructuring

The contraction represented a reversal of trend, given that in the previous seven years, except for 2010, staff had always increased. ANIA produced this estimate for the entire industry, which includes some 4,000 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 (38.606 employees), dealers and dealer organizational personnel (5,253 employees), call center staff (2,341) ([1]) and managerial personnel (1,252). Administration staff decreased by 538 (-1.4%) in 2014, and call center staff by 67 (-2.8%). Managers increased by 57 (+4.8%), dealers and organizational personnel by 64 (+1.2%).

For the entire industry, the number of men employed fell by 1.2%, slightly sharper than the 0.7% decline in the number of women.

At the end of the year female personnel accounted for 46.5% of the total, slightly more than twelve months earlier. About 42% of all employees are university graduates; another 51% have upper secondary school diplomas.

The cost of staff (including managerial personnel but net of dealers and their organization staff) amounted to €3,742 million in 2014, an increase of 3% for the year. Contributing factors in the rise were early retirement incentives, which cost about €100 million for administration staff alone, more than twice as much as in 2013, and the expansion of managerial staff. Per employee costs amounted to €88,100, an increase of 3.3% ([2]).

The cost for dealers and related staff came to €274 million, up 4.3%; the per capita cost rose by 3.9%, to €52,400.

For the entire industry, the companies' labor costs rose by 3.0% in 2014, to €4,016 million, while per capita costs rose 3.3% to €84,200.

LABOR REGULATIONS AND SECTOR FUNDS

ANIA's work towards the Jobs Act

In relation to provisions concerning labor, ANIA was especially active with respect to Chamber of Deputies Bill 2660, delegated legislation on labor (known as the "Jobs Act"). In the course of hearings before the Labor Committees of the Chamber and the Senate, ANIA expressed its basic support for the measure while stressing the need to take care, in the implementing decrees, to ensure clarity and simplicity of appli-

([1]) Call center employees are subdivided into claims staff and back office staff (first section) of 1,345 and sales staff (second section) of 996.
([2]) To enhance statistical significance, it is standard practice to calculate per capita labor costs as the total staff cost for a given year over the average number of employees in service in that year and the previous one.

cation, so as to institute a framework of greater legal certainty within which insurance companies can operate.

During the hearings ANIA also discussed sectoral “solidarity funds.” It supports not only retaining these industry-wide bilateral funds, under the “Fornero” law, but also extending, within five years, the current 12-24-month ordinary benefit period – for payments to workers on short time or temporarily laid off – to 36 months.

The Association also requested that the “defensive function” of the benefits be supplemented by an “expansive function” patterned after the present solidarity contracts to encourage the entry of young people into employment.

Subsequently, with the passage of the enabling law, Parliament empowered the Government to issue, within six months, legislative decrees for the reform of unemployment insurance, employment services and active labor policies; administrative simplification of labor and employment procedures; reordering of rules on employment relations, contract forms and labor inspections; and the rules on maternity, family care responsibilities, reconciling needs of personal life and work.

ANIA submitted its comments on these issues, with a positive assessment overall, since the purpose of the enabling law was to foster job creation by making open-ended contracts more “economic” for employers by substantial incentives and regulatory simplification for greater flexibility in all phases of the employment relationship. In practice, the economic incentives were instituted by the 2015 Stability Law (the budget) and apply to open-ended hirings during the year. They allow social contribution relief of up to €8,060 over at most 36 months plus full deduction, for the Regional Tax on Productive Activities, of the cost of workers hired on a permanent basis during 2015.

As to regulatory simplification, provisions in this regard are included in Legislative Decree 23/2015, effective as of 7 March, on “increasing protection” under open-ended employment contracts. The measure forms part of the broader regulatory reform that began with Law 92/2012 (the “Fornero” law) and essentially consists in a narrower limitation of the cases in which reinstatement is a possible remedy for illegitimate dismissal.

Reinstatement will thus be an exceptional remedy, while the ordinary remedy will be only an economic indemnity; in fact, reinstatement is envisaged only in the case of a firing that is discriminatory, null and communicated orally, or in case of disciplinary dismissal where the “non-subsistence of the infraction charged” is proven. For all other illegitimate dismissals, the law institutes an economic indemnity that is pre-determined and increasing with seniority (2 months’ pay for every year of service, with a minimum of 4 and a maximum of 24 months), and not subject to judges’ discretion.

In addition, to reduce labor disputes, the new rules allow the option of a conciliation in which the employer, “in exchange for acceptance of the dismissal,” may offer the worker a certain sum (1 month’s pay per year of seniority, with a minimum of 2 and a maximum of 18 months).

The new system of sanctions for illegitimate dismissal – which applies also to collective redundancies, where reinstatement is envisaged only for firings communicated orally – does not apply, however, to workers already in service on 7 March 2015, who continue to be subject to the earlier provisions, as implemented most recently by the Fornero law.

Also on 7 March, Legislative Decree 22/2015 was issued, reordering the rules for unemployment benefits and placement of unemployed workers. The Decree had several aims: to provide uniform unemployment benefits correlated with the worker's employment history; to rationalize the rules on wage supplementation; and to encourage the active participation of workers having lost their jobs or receiving benefits, while simplifying administrative procedures.

A "new unemployment benefit", called NASpI, was introduced to cover job losses starting 1 May 2015 for eligible workers, i.e. employees with at least 13 weeks of contributions in the last four years and 18 effective days of work in the last 12 months. The benefit is proportional to contribution history, and can run for at most two years. However, the NASpI benefit is conditional on participation in a work activation or vocational training program.

In addition, on an experimental basis for 2015 only, there will be the regular unemployment benefit (ASDI) and a benefit for former continuous collaborator workers enrolled in the special INPS pension fund.

In implementation of the enabling law, two further legislative decrees are being issued, one reordering contract types and revising the job description rules and one introducing new measures on maternity leave and reconciliation of life and work.

On contracts, the first decree provides for:

- retention of the current rules on fixed-term contracts with no specified reason; that is, continuation of the 36-month limit on their use;
- confirmation of staff leasing;
- institutiuon, for staff leasing, of a ceiling, with no derogation possible, equal to 20% of the total staff on open-ended contracts;
- simplification of access to apprenticeship of first level (i.e., apprenticeship leading to a school diploma or vocational training certificate) and third level (for advanced training and research). Further social contribution relief is envisaged to encourage apprenticeship contracts;
- for jobs on call and occasional work (via vouchers), new procedures for traceability of the work through text messaging. For occasional work, the current value limit on vouchers is to be raised;
- elimination of job sharing and profit-sharing-only contracts;
- project-based continuous collaboration contracts are to be phased out. Collaboration contracts not requiring a project that are governed by collective bargaining agreeements or that involve especially high-skilled activities can be maintained;
- new rules to encourage part-time jobs, where these are not governed by collective bargaining agreements, establishing rules and conditions for access, including the option, for workers, to request a shift to part-time in case of necessity for family care in connection with serious illness or as an alternative to parental leave.

The new criteria and conditions regarding job descriptions are especially important. In the case of "organizational changes that affect the worker's position" and other cases specified by collective bargaining agreements, the decree allows employers to assign the worker to "tasks at a lower grade level". In this case, the worker is entitled to the same salary as before, except for pay components depending on particular characteristics of the previous job. There is also provision for the modification of job descriptions, grade levels and salaries through "assisted" individual agreements (i.e. stipulated in the presence of union representatives or at local Labor Ministry offices), in specific cases relating to job retention, acquisition of a different skill, or improvement of living conditions.

Lastly, the time after which a worker who is assigned tasks belonging to a higher grade gets an "automatic promotion" is lengthened from three to six months on a continuous basis.

The second decree, on reconciliation of life and work, provides for additional benefits to strengthen maternity protection (with more flexible access to maternity leave), parental status in cases of adoption and foster parenthood, and facilitated family leave, for both men and women, to assist relatives. Finally, there are subsidies for private sector employers that use teleworking and special paid leave for women victims of gender violence.

THE SECTOR FUNDS

The intersector solidarity fund for income support, job conservation, vocational reconversion and retraining for staff of insurance and assistance companies

In 2014 the ANIA/AISA intersector solidarity fund for insurance and assistance employees went fully operational, and some companies began using its so-called "special" benefits (i.e., income support for early retirement of employees with under five years to go before INPS pension eligibility). Thanks to these special benefits, some insurers – having signed the mandatory company-level agreement with the trade unions – have managed major reorganizations and restructuring at company or group level, including staff downsizing, without traumatic shocks.

The Fund managing committee has been very active, with a series of resolutions on payment of special benefits to particular categories of worker (e.g., those with permanent disability of more than 74% and women opting for the experimental retirement regime with its smaller pension.

ANIA collaborated with the competent units of INPS on the drafting of a circular giving instructions for the management of the Fund and activating the ordinary contribution from companies and workers (0.30%). In relation to the period running from January 2014 to February 2015, the circular expressly allows for the possibility of instalment payments under the ordinary general rules.

Solidarity Fund for employees of insurance companies in compulsory administrative liquidation – termination of the liquidation phase

ANIA continued its operational support to INPS for the payment to the supplementary insurance industry pension fund of the second and final tranche of the residual amounts still in the compulsory administrative liquidation fund, equal to €8 million. According to the relevant INPS units, the restitution of these funds was to be completed before the summer of 2015.

COLLECTIVE BARGAINING

Start of talks on renewal of the national contract for non-managerial insurance employees

In March 2015 five insurance trade unions – FISAC-CGIL, FIRST-CISL, FNA, SNFIA and UILCA – submitted their bargaining platform for the wage and work rules provisions of the national contract, which expired on 30 June 2013. Another union, FISAI, had sent its own requests earlier.

The main union requests are: broadening of the area covered by the insurance industry contract; extension of the coverage of the ANIA/AISA Intersector Solidarity Fund to employees of companies subjected to compulsory administrative liquidation; application, albeit diversified, of the compenstion clauses for grade 3 administration staff to all call center employees (sales, claims and assistance), who are now covered by a separate section of the contract (providing for specific wage rules); confirmation, when a worker moves from one firm to another within the insurance sector, of his/her previous regulatory and contratual status, in order to retain, in the case of illegitimate dismissal, the protections that were in effect prior to the Jobs Act; a substantial contractual pay raise of 8.53% for administration staff and dealers, and an even larger increase for call center personnel.

ANIA's negotiating delegation pointed out, in reply to the unions, the regulatory, operational and economic reasons why this bargaining platform clashed with the insurance companies' restructuring needs and also failed to meet the industry's longstanding requests for certain amendments to the text of the contract.

The wage demands take no account whatever of the overall economic context, which over the contract period is marked by extremely low projected inflation, far below the figures taken as benchmark in the union platform.

The employer delegation recalled that the contract should aim at regulatory simplification and organizational and management improvement, and that salary increases must consider not only the performance of the insurance industry but also general trends in the economy, the labour market, and international competitiveness. The delegation pointed out that in reality the emerging financial and economic scenario provides serious grounds for concern, essentially in connection with the uncertainty still clouding the recovery, the downtrend in interest rates, continuing geopolitical instability, and the predictable entry of new competitors in a market that will be affected by profound change, including in technology.

All these considerations suggest that the priority for the new contract must be redefining the rules that affect productivity, the effectiveness of management processes, and cost control (simplification of the bargaining process, greater fungibility of tasks, new work schedule from Monday through Friday afternoon, redefinition and flexibility of call center activities, rationalization of time off for union activities, review of automatic seniority raises).

Since the start of the talks in May, meetings with the union delegation have been directed chiefly to verifying the assumpions and issues for the continuation of the negotiations.

8

INSURANCE DISTRIBUTION

Again in 2014 life premiums written through bank and post office branches, the main distribution channel, recorded a larger-than-average rise and so increased the channel's market share. In the non-life sector, agents recorded a sharper-than-average fall in premium volume, losing market shares to brokers and direct sales. 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 2014 life premiums again registered strong growth in policies distributed through bank and post office branches. In particular, the volume of written premiums at bank and post office branches grew by 36.7%, outpacing the overall market's growth of 29.9% and rivalling the extraordinary 49.3% growth registered in 2013. Average annual premium growth through this channel over the past five years thus came to nearly 5%, compared with overall market growth of 4.2%. This consolidated the channel's market share, which has risen from 48.5% in 2012 to 59.3% in 2013 and 62.4% in 2014.

Financial salesmen also contributed to the growth of the life insurance business. After the contraction recorded in 2013 they were still the second-leading channel of intermediation, both in premium volume and in growth rate (28.9%). Their average annual gain over the past five years was 4.7%, better than the market average, and their corresponding market share was practically unchanged at 16.3% in 2014.

Table 1 – Breakdown of distribution channels for the 2010-2014 observation period – Life classes

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Average	Average Annual growth (%)					change %
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	(2010-2014)	2010	2011	2012	2013	2014	(2010-2014)
Bank branches ([1])	54,310	40,419	33,808	50,469	68,995	60.3	54.7	48.5	59.3	62.4	***57.0***	15.0	-25.6	-16.4	49.3	36.7	***4.9***
Financial salesmen	14,367	13,582	16,272	14,008	18,065	15.9	18.4	23.3	16.5	16.3	***18.1***	9.3	-5.5	19.8	-13.9	28.9	***4.7***
Agents	13,811	12,103	11,386	12,274	14,120	15.3	16.4	16.3	14.4	12.8	***15.0***	7.1	-12.4	-5.9	7.8	15.0	***0.4***
Direct sales	6,689	6,994	7,458	7,552	8,708	7.4	9.5	10.7	8.9	7.9	***8.9***	-5.2	4.6	6.6	1.3	15.3	***5.4***
Brokers	936	771	791	797	626	1.0	1.0	1.1	0.9	0.6	***0.9***	15.4	-17.6	16.4	0.8	-21.5	***-7.7***
TOTAL	90,114	73,869	69,715	85,100	110,515	100.0	100.0	100.0	100.0	100.0	***100.0***	11.1	-18.0	-5.5	22.1	29.9	***4.2***

([1]) Data for this channel includes premiums distributed by post office branches

The third-ranking distribution channel by premium volume is insurance agents, whose business grew by 15% in 2014, less than the market as a whole, which lowered their market share from 14.4% to 12.8%. The trend in direct sales was similar, with a gain of 15.3% (half the market-wide average), thus losing 1 percentage point of market share, from 8.9% to 7.9%.

Written premiums sold by brokers represent a marginal share, just 0.6% of the total market in 2014, down from 0.9%.

By type of product (Tables 2 and 3), Class I products (traditional life insurance policies) were marketed principally through bank and post office branches, which grew by 33.9% on the year, bringing this channel's market share to nearly 70%. Agents were the second-leading channel for these products with a market share of 14.2% and growth of 13.0%. Financial salesmen and direct sales were marginal, with market shares of 8.8% and 7.3% respectively.

In Class III (linked policies), the main distribution channel was once again that of financial salesmen, with a market share of nearly 50% in 2014 and volume growth of 41.1% for the year. The rest of linked policy sales was almost all through bank and post office branches, which scored written premium growth of 43%, bringing their market share to 46%.

Table 2
Breakdown of life market by class and distribution channel (%)

Class	Agents	Brokers	Bank branches (1)	Financial salesmen	Direct sales	Total
YEAR 2014						
I - Life	14.2	0.5	69.1	8.8	7.3	100.0
III - Investment funds	4.4	0.0	45.9	48.8	0.9	100.0
IV - Sickness	24.7	43.9	27.1	0.2	4.0	100.0
V - Capitalization	24.1	3.5	34.4	0.5	37.5	100.0
VI - Pension funds	20.2	0.8	18.5	6.7	53.7	100.0
Individual retirement policies (2)	39.8	0.1	25.4	21.2	13.6	100.0
TOTAL LIFE	12.8	0.6	62.4	16.3	7.9	100.0
YEAR 2013						
I - Life	16.0	0.6	65.6	9.8	8.0	100.0
III - Investment funds	5.4	0.0	45.2	48.6	0.8	100.0
IV - Sickness	25.3	44.5	26.6	0.4	3.2	100.0
V - Capitalization	23.2	11.0	18.2	0.7	46.9	100.0
VI - Pension funds	22.0	0.9	16.9	6.1	54.0	100.0
Individual retirement policies (2)	39.9	0.1	25.0	22.8	12.3	100.0
TOTAL LIFE	14.4	0.9	59.3	16.5	8.9	100.0

Table 3
Change (%) in life premium volume by class and distribution channel 2014/2013

Class	Agents	Brokers	Bank branches (1)	Financial salesmen	Direct sales	Total
I - Life	13.0	5.4	33.9	14.7	16.1	27.1
III - Investment funds	16.5	-47.8	43.0	41.1	54.9	40.8
IV - Sickness	25.9	27.2	31.5	-25.7	60.4	28.9
V - Capitalization	46.6	-54.7	166.1	-3.7	12.5	40.8
VI - Pension funds	-0.1	-2.1	19.0	21.1	8.4	9.1
Individual retirement policies (2)	4.9	56.8	7.1	-2.1	16.0	5.2
TOTAL LIFE	15.0	-21.5	36.7	28.9	15.3	29.9

(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 252/05) are a subgroup of individual policies in Class I (life) and Class III (investment funds)

As to capital redemption policies (Class V), the largest market share was again recorded by direct sales, although it fell from 46.9% to 37.5%, while that of bank and post office branches rose from 18.2% to 34.4%. The shares of agents and financial salesmen held more or less constant, while that of brokers plummeted from 11.0% in 2013 to 3.5% last year.

As for Class VI (pension funds), the portion of premiums/contributions generated through direct sales was stable at around 54%, that of agents slipped from 22% to 20.2%, bank/post office branches gained from 16.9% to 18.5% and financial salesmen increased their share from 6.1% to 6.7%.

Individual retirement plan premiums followed the same pattern, with a growing market share for direct sales (from 12.3% to 13.6%) and a decline for financial salesmen (from 22.8% to 21.2%). The other channels' shares remained virtually unchanged.

NON-LIFE INSURANCE

The agency network, which is the main channel for the collection of premiums in the non-life sector, recorded its third consecutive decrease in premiums in 2014 with a decline of 4.2%, compared with 2.7% for the market as a whole. As a consequence agents' market share fell further, to 79.3%, compared with 80.5% in 2013 and 82.4% in 2010. Over the last five years this channel has shrunk by an average of 2.4% per year, while total non-life volume has decreased by 1.6% per year.

Table 4 – Breakdown of distribution channel for the 2010-2014 observation period – Non-life classes

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Average	Average Annual growth (%)					Average %
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	(2010-2014)	2010	2011	2012	2013 (4)	2014 (4)	(2010-2014)
Agents	29,329	29,748	28,692	27,120	26,004	82.4	81.8	81.0	80.5	79.3	***81.0***	1.3	1.4	-3.0	-5.4	-4.2	**-2.4**
Brokers (1)	2,730	2,768	2,692	2,648	2,867	7.7	7.6	7.6	7.9	8.7	***7.9***	-1.4	1.4	-1.8	-1.6	8.2	**1.0**
Direct sales	2,357	2,549	2,858	2,663	2,596	6.6	7.0	8.1	7.9 (3)	7.9	***7.4***	7.9	8.1	12.3	-3.3	-2.6	**2.0**
of which: Internet and telephone sales	*1,273*	*1,491*	*1,670*	*1,603*	*1,586*	*3.6*	*4.1*	*4.7*	*4.8 (3)*	*4.8*	***4.3***	*18.9*	*16.9*	*12.1*	*2.3*	*-1.1*	**4.5**
Bank branches (2)	1,142	1,247	1,123	1,202	1,269	3.2	3.4	3.2	3.6	3.9	***3.5***	17.3	9.2	-5.5	7.1	5.5	**2.1**
Financial salesmen	48	47	49	53	64	0.1	0.1	0.1	0.2	0.2	***0.2***	-5.7	-0.4	2.7	8.5	21.5	**6.0**
TOTAL	35,606	36,358	35,413	33,687	32,800	100.0	100.0	100.0	100.0	100.0	***100.0***	2.2	2.1	-1.9	-4.6	-2.7	**-1.6**

(1) Brokers' contribution over the years does not include the share of premiums generated through this channel with presentations at the agency and not directly at the company (estimated at 25.5 percent in 2014)
(2) Data for this channel includes premiums distributed by post office branches
(3) The data is not comparable with the time series because of the exclusion from direct Italian insurance business in 2013 of the portfolio of a national company which was transferred to the Italian operating branch of a European company. Including data from this company, the market share for direct sales would be 8.2%, of which 5.1% through the Internet and telephone sales
(4) Changes (%) are calculated on a homogeneous basis in terms of companies covered

With an increase of 8.2% in the volume of premiums in 2014, brokers accounted for 8.7% of the total market, up from 7.9% in 2013.

However, this share is underestimated, insofar as a significant portion of the premium income they generate (around 25.5% of the entire market) 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 €**11.2 billion** (against just €2.9 billion in the official statistics) or to **34.2%** of all non-life premiums (8.7% in the official statistics). As a consequence, the share effectively accounted for by agents should be adjusted downward to €**17.6 billion** (and not €26.0 billion, as in the official statistics) and their market share from 79.3% to **53.8%**.

To estimate the market shares accounted for by brokers, ANIA uses data from the Italian Association of Insurance and Reinsurance brokers (AIBA) and additional information gathered from the leading Italian insurance brokers. 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 over €15 billion, which is far higher than ANIA's own estimate, owing essentially to the different estimate of premiums deriving from brokerage fees.

Table 5
Breakdown (%) of non-life market by class and distribution channel

Class	Agents	Brokers (2)	Bank branches (3)	Financial salesmen/ Mobile	Agencies in economy	OTHER DIRECT SALES Telephone	OTHER DIRECT SALES Internet	Total
YEAR 2014								
Motor liability	86.6	2.8	1.9	0.0	0.6	2.6	5.4	100.0
Land vehicle insurance	80.4	8.8	1.9	0.0	2.5	2.2	4.2	100.0
Total motor	85.7	3.6	1.9	0.0	0.9	2.6	5.3	100.0
Health and accident	64.6	14.0	6.9	1.0	11.4	1.1	1.0	100.0
Transport (4)	30.7	67.0	0.0	0.0	2.0	0.1	0.1	100.0
Property (5)	75.6	13.3	7.3	0.2	2.2	0.5	0.9	100.0
General Liability	83.1	9.7	2.9	0.1	4.0	0.2	0.1	100.0
Credit and suretyship	71.6	16.4	6.9	0.0	5.0	0.0	0.0	100.0
Total non-motor	71.8	14.7	6.1	0.4	5.6	0.6	0.7	100.0
TOTAL NON-LIFE	79.3	8.7	3.9	0.2	3.1	1.7	3.2	100.0
YEAR 2013 (1)								
Motor liability	86,8	2,8	1,9	0,0	0,5	2,7	5,2	100,0
Land vehicle insurance	83,0	7,6	1,8	0,0	1,2	2,3	4,1	100,0
Total motor	86,3	3,5	1,9	0,0	0,6	2,6 (6)	5,1 (6)	100,0
Health and accident	66,2	13,6	6,6	0,8	11,3	0,6	0,9	100,0
Transport (4)	32,2	64,0	0,0	0,0	3,6	0,1	0,1	100,0
Property (5)	77,6	11,0	6,5	0,2	3,4	0,5	0,9	100,0
General Liability	84,0	8,5	2,7	0,1	4,5	0,1	0,1	100,0
Credit and suretyship	72,9	14,4	7,5	0,0	5,2	0,0	0,0	100,0
Total non-motor	73,3	13,3	5,6	0,4	6,3	0,4	0,7	100,0
TOTAL NON-LIFE	80,5	7,9	3,6	0,2	3,1	1,6	3,1	100,0

(1) The data for 2013 are influenced by the exclusion from direct Italian insurance business of the portfolio of a national company which was transferred to the Italian operating branch of a European company
(2) Brokers' share over the years does not include the portion of income they generate that is presented to the insurance companies not directly by the brokers but via agencies (estimated at 25.5% in 2014)
(3) Data for this channel includes premiums marketed at post office branches
(4) The class of transport insurance comprises: railway rolling stock, aircraft, ships, goods in transport, and aircraft and marine third party liability
(5) The Property class comprises: fire and natural forces, other damage to property, miscellaneous financial loss, legal expenses and assistance
(6) The data are affected by the exclusion from direct Italian insurance business in 2013 of the portfolio of a national company which was transferred to the Italian operating branch of a European company. Including data from this company, the market share of motor insurance would be 3.0% for telephone sales, and 5.3% for Internet sales

In 2014 direct sales (which in addition to telephone and Internet sales include premiums generated at the insurance company head offices) diminished by about the same amount as the market overall (2.6%). Internet and telephone sales also declined, but by slightly less (1.1%). Market shares accordingly held at their 2013 levels of 7.9% for direct sales and 4.8% for Internet and telephone sales.

Table 6
Change (%) in non-life premium volume by class and distribution channel 2014/2013

YEAR 2014/2013 (1)								
Class	Agents	Brokers (2)	Bank branches (3)	Financial salesmen/ SIM	Agencies in economy	OTHER DIRECT SALES Telephone	Internet	Total
Motor liability	-6.7	-8.4	-5.4	(...)	11.8	-7.6	-3.1	-6.5
Land vehicle insurance	-4.3	15.3	3.5	(...)	106.4	-6.0	2.1	-1.1
Total motor	**-6.4**	**-1.6**	**-4.3**	**(...)**	**36.7**	**-7.4**	**-2.5**	**-5.8**
Health and accident	-2.4	3.1	4.4	18.9	0.5	92.8	10.6	-0.0
Transport (4)	-11.0	-2.1	23.5	0.0	-46.7	-38.5	-2.4	-6.6
Property (5)	1.2	25.3	16.1	20.2	-32.7	12.1	9.2	3.9
General Liability	-1.8	13.3	6.8	-8.3	-12.2	138.0	0.7	-0.6
Credit and suretyship	-3.9	11.6	-9.8	0.0	-6.5	0.0	0.0	-2.3
Total non-motor	**-0.8**	**11.3**	**9.6**	**18.1**	**-9.6**	**52.6**	**9.5**	**1.2**
TOTAL NON-LIFE	**-4.2**	**8.2**	**5.5**	**21.5**	**-4.8**	**-0.6**	**-1.4**	**-2.7**

(1) Changes (%) are calculated in homogeneous terms
(2) Brokers' share over the years does not include the portion of income they generate that is presented to the insurance companies not directly by the brokers but via agencies (around 25.5% in 2014)
(3) Data for this channel includes premiums distributed by post office branches
(4) The class of transport insurance comprises: railway rolling stock, aircraft, ships, goods in transport, and aircraft and marine third party liability
(5) The Property class comprises: fire and natural forces, other damage to property, miscellaneous financial loss, legal expenses and assistance

Over the last year, non-life premiums intermediated through bank and post office branches grew by 5.5%, thus contributing to an expansion of this channel's market share to 3.9% in 2014.

As for motor insurance (motor third party liability and land vehicles), insurance agents are still by far the main sales channel, accounting for 85.7% of the entire market, down slightly from 86.3% in 2013. In fact, the volume of premiums decreased by 6.4% for the year (Tables 5 and 6), while the total market shrank by 5.8%. The second-leading channel for motor insurance business is Internet and telephone sales, whose share edged up from 7.7% to 7.9%, owing essentially to the more moderate decline in Internet sales, which came down by just 2.5%, while telephone premiums fell by 7.4% (worse than the market as a whole).

Brokers follow with a modest market share for this class of 3.6%, then bank and post office branches at 1.9%, both about the same as in 2013.

Agents remained the leading non-motor insurance intermediaries in 2014, with a market share of 71.8% (73.3% in 2013), after a decline of 0.8% in premium volume. By contrast, brokers' business in this sector gained 11.3%, bringing their market share up from 13.3% to 14.7%.

IVASS PROVISION 6/2014 – PROFESSIONAL REQUIREMENTS FOR INSURANCE AGENTS

The new provisions issued by IVASS on professional qualifications of insurance agents went into effect on 1 January 2014. Decree Law 179/2012 (the "Growth-bis" decree) had assigned the insurance supervisory authority to issue a regulation setting organizational, technological and professional standards for the initial and refresher training of insurance intermediaries, with specific reference to training products, requirements for trainers, and the technical and functional characteristics of e-learning platforms.

IVASS's new rules strengthen the professional requirements for insurance agents, take account of the increasing use of online instruments, unify the rules laid down in ISVAP Regulations 5/2006 and 34/2010, and harmonize and rationalize the training requirements on the various insurance, credit and financial operators.

The new rules apply to all those entered in the Single Register of Insurance Agents (RUI), to agents who work on the premises of the insurance principal, and workers at the call centers of insurers and intermediaries.

The task of initial and refresher training is assigned expressly to insurance companies for direct producers and call center employees and to insurance agents for the networks they use. These persons may train directly or call in trainers meeting specified standards.

As for technological standards, there will be full equivalence between classroom and distance learning techniques (videoconferences, webinars, e-learning), with a special set of rules to ensure the traceability, effective conduct and interactivity of the courses.

Turning to the organizational standards, the new provisions retain the basic schema of ISVAP Regulation 5/2006 (number of hours, courses, final exam), but with a number of significant changes, some providing for greater flexibility and others introducing stricter requirements concerning course organization and evaluation methods. One of the flexibility provisions eases the required frequency of refresher training from yearly to every two years and, while holding the total hours requirement constant, allows freer distribution over the period (at least 15 of the total 60 hours in a year). And to simplify planning by aligning dates, the compulsory period now refers to the calendar year rather than the date on which the agent was registered or began work.

Finally, as to the content of training courses, the provision identifies four areas (legal, technical, administrative-operational, and IT), divided into modules, which make up the "base package" of initial training and further training to be developed in refresher courses. Supplementary courses are also envisaged depending on the agents' personal characteristics and the nature of their work (distance selling, reinsurance, selling of retirement plans, claims handling).

The regulation, as noted, went into effect at the start of 2015, but with a six-month transitional period during which for this year initial or refresher training completed by 30 June under the old rules satisfies the requirements for the year.

IVASS REGULATION 8/2015 – SIMPLIFICATION OF PROCEDURES AND OBLIGATIONS IN CONTRACTS BETWEEN INSURANCE COMPANIES, AGENTS AND CUSTOMERS

Regulation 8 implements Article 22, paragraph 15-bis, of Decree Law 179/2012 containing "Urgent new measures for national growth", which was converted with amendments into Law 221/2012. The regulation provides for the simplification of procedures and administrative obligations, in particular with respect to paper documents and forms, and greater use of technological instruments, seeking to foster digital communications, certified e-mail, digital signatures and online payments.

In general the simplification applies to all insurance contracts, both life and non-life, and to all insurers operating in Italy (authorized in Italy or Community insurance companies) and to all insurance agents (including those in the register attached to the Single Register of Insurance Agents (RUI). In some specified cases, the measures apply only to companies authorized in Italy and to some of the agents in the Register.

Regulation 8/2015 essentially concerns the use of advanced electronic, qualified and digital signatures to subscribe insurance policies and the related documentation; the availability to customers of electronic payment instruments, including online, for premium payments; the possibility of receiving and transmitting precontract documentation by e-mail; and the ban on requiring customers to provide documentation already supplied for previous contracts.

The Regulation also amends and supplements the rules on: insurance intermediation (agency), governed by ISVAP Regulation 5/2006, to reduce bureaucratic obligations on agents, insofar as this is compatible with the prime need to protect customers in the acquisition of preliminary information on the agent with whom they are entering into a contract; promotion and sale of insurance contracts by distance communication techniques (ISVAP Regulation 34/2010), for harmonization with the new regulation.

The Regulation's provisions apply to traditional relations between insurance companies, agents and contracting policyholders. However, where the product is promoted and sold entirely via distance techniques, ISVAP Regulation 34/2010 still applies.

AGENTS' PENSION FUND

The Agents' Pension Fund is a defined-benefit supplementary retirement plan, instituted in 1974 under the nationwide collective bargaining agreement for insurance agents. It draws its resources from equal contributions from agents and insurance companies. The size of the contributions has been negotiated, over the years, by representatives of the two sides. For 2015 the total contribution comes to just over €3,000 a year per agent.

The Fund is open to insurance agents in Italy working for ANIA member companies; to be eligible to join they must not be older than 50 and must be entered in the Single Register of Insurance Agents (RUI). Joining the Fund is optional.

As currently structured, the Fund faces a future imbalance between assets and liabilities, requiring an adjustment plan that the instituting parties (agents' trade unions and ANIA) must first agree on and then submit to the pension fund supervisor, COVIP, for approval. Failing such agreement, or failing COVIP approval, the Fund would be placed under special administration and then compulsory administrative liquidation.

Once the serious deficit was ascertained, the Fund's board of directors, pursuant to Article 4 of Legislative Decree 252/2005, drew up two alternative adjustment plans specifying interventions for reduced outlays in respect of present and future retirees and increased contributions. The plans have been notified to the instituting parties, which are assigned, under Article 7-bis, para. 2-bis, to review not only the rules for financing but also those governing future and existing benefits.

The two sides then began talks between ANIA, as representative of the insurance companies, and the agents' trade unions SNA, UNAPASS and ANAPA.

The Fund board temporarily suspended the portability of pension positions pending the finalization of the adjustment plan by the two sides, who have met a number of times but have not yet found a solution agreed on by all the parties to the talks.

ANIA has put forward its own proposal, calling for a contribution of €16 million (then raised to €20 million) to put the Fund back in balance and immediate conversion into a defined-contribution fund, plus improvements to the advantage of agents in the form of an additional annual contribution by insurers of at least €100 per agent, the final amount to be determined by company-level bargaining. Retirement benefits currently being paid out would be reduced by 35% or 40%, except for disability pensions and survivors' benefits, which would remain unchanged. The UNAPASS and ANAPA representatives agreed on this proposal. SNA withheld its signature, arguing that the proposal imposed an excessively severe penalty on agents. It presented its own proposal, calling for immediate transition to a defined-contribution basis for two-thirds of active members and all future members.

Given the difficulty in reaching agreement, owing to the considerable distance between the positions of ANIA and SNA, in December the Ministry of Labor convened the instituting parties of the Fund to work for a unanimously agreed solution. The fact that the suspension of portability decided by the board of directors as an urgent precautionary measure is only temporary and the fruitless protraction of the talks led COVIP to urge intervention by the board of directors.

In February 2015 COVIP found it necessary to convene the direction and control bodies of the Fund to consider adequate measures to resolve the situation of severe imbalance. The majority of the board drafted a set of proposals for amendments to the Fund by-laws for the purpose of financial adjustment, to be submitted to an extraordinary meeting of delegates on 30 March. The changes affect only future benefit payments, as the board has no power to determine the insurance companies' contributions or to alter benefits already being paid. The board also provided for corrective measures concerning portability and redemption of contribution positions. Finally, a solidarity contribution by agents alone was proposed for the purpose of forming the supplementary assets required by ministerial decree 259/2012.

The extraordinary meeting of delegates on 30 March 2015 for approval of the proposed amendments to the by-laws failed to reach the quorum required; only the delegates of the insurance companies were present. Consequently the board promptly informed the pension fund supervisory authority that it could not implement the measures it had envisaged. Given this situation, COVIP has proposed to the Ministry of Labor that the Agents' Pension Fund be put under special administration.

9

THE ANIA FOUNDATION FOR ROAD SAFETY AND THE ANIA-CONSUMERS FORUM

THE ANIA FOUNDATION FOR ROAD SAFETY

ROAD ACCIDENTS IN ITALY AND EUROPE: THE FIGURES FOR 2013

ISTAT data on road accidents in Italy show that they numbered 181,227 in 2013, down 3.7% from 2012, resulting in 3,385 fatalities and 257,421 injuries, with decreases of 9.8% and 3.5% respectively. For fatalities, the decrease in 2013 was the sharpest since the 10.3% drop registered in 2009. In 2012 accidents had diminished by 8.4%, deaths by 2.8% and injuries by 8.6% (Table 1).

Table 1
Fatalities and injuries caused by road accidents in Italy from 2001 to 2013

Year	Fatalities		Injuries	
	Number	Annual change (%)	Number	Annual change (%)
2001	7,096	0.5	373,286	3.7
2002	6,980	-1.6	378,492	1.4
2003	6,563	-6.0	356,475	-5.8
2004	6,122	-6.7	343,179	-3.7
2005	5,818	-5.0	334,858	-2.4
2006	5,669	-2.6	332,955	-0.6
2007	5,131	-9.5	325,850	-2.1
2008	4,725	-7.9	310,745	-4.6
2009	4,237	-10.3	307,258	-1.1
2010	4,090	-3.5	302,735	-1.5
2011	3,860	-5.6	292,019	-3.5
2012	3,753	-2.8	266,864	-8.6
2013	3,385	-9.8	257,421	-3.5

Source: ACI, ISTAT

The annual number of accident victims has fallen steadily since 2002. Deaths, in particular, plunged by 52.3% between 2001 and 2013, equivalent to the saving of 3,700 lives each year. Hopefully this progress will enable Italy to reach the target set in 2010 by the UN General Assembly, namely further halving the number of road fatalities between 2010 and 2020. Considering the data on road accidents in Europe, we find a total of 26,010 traffic deaths in the EU-28 countries in 2013, a decrease of 8.1% for the year and 17.7% since 2010. Considering the traffic fatality rate – the number of deaths in proportion to population, a standard measure making for more significant comparisons within the EU – Italy ranked 15th of the 28 EU members in 2013, as in 2012, with 56.2 deaths per million inhabitants, against an EU average of 51.4.

Table 2
Traffic deaths in EU28 countries

COUNTRY	Number			Percentage change		Deaths per million inhabitants 2013
	2010	2012	2013	2013/2010	2013/2012	
Austria	552	531	455	-17.6	-14.3	53.8
Belgium	841	767	720	-14.4	-6.1	64.5
Bulgaria	776	605	600	-22.7	-0.8	82.4
Cyprus	60	51	44	-26.7	-13.7	50.8
Croatia	426	393	368	-13.6	-6.4	86.3
Denmark	255	167	192	-24.7	15.0	34.3
Estonia	79	87	81	2.5	-6.9	61.4
Finland	272	255	258	-5.1	1.2	47.5
France	3,992	3,653	3,250	-18.6	-11.0	49.6
Germany	3,651	3,601	3,340	-8.5	-7.2	41.5
Greece	1,258	984	870	-30.8	-11.6	78.6
Ireland	212	162	190	-10.4	17.3	41.4
Italy	**4,114**	**3,753**	**3,385**	**-17.7**	**-9.8**	**56.2**
Latvia	218	177	179	-17.9	1.1	88.4
Lithuania	299	301	258	-13.7	-14.3	86.8
Luxembourg	32	34	45	40.6	32.4	83.8
Malta	15	9	18	20.0	100.0	42.7
Netherlands	640	650	570	-10.9	-12.3	34.0
Poland	3,907	3,571	3,357	-14.1	-6.0	87.1
Portugal	937	743	650	-30.6	-12.5	62.0
United Kingdom	1,905	1,802	1,790	-6.0	-0.7	28.0
Czech Republic	802	742	650	-19.0	-12.4	61.8
Romania	2,377	2,042	1,861	-21.7	-8.9	93.0
Slovakia	353	295	223	-36.8	-24.4	41.2
Slovenia	138	130	125	-9.4	-3.8	60.7
Spain	2,478	1,903	1,680	-32.2	-11.7	36.0
Sweden	266	285	260	-2.3	-8.8	27.2
Hungary	740	605	591	-20.1	-2.3	59.6
EU28	31,595	28,298	26,010	-17.7	-8.1	51.4

Source: Community Road Accident Data Base (CARE)

THE NUMBER OF ROAD ACCIDENTS WITH PERSONAL INJURY: SOURCES AND METHODOLOGICAL ISSUES

ISTAT's annual statistics on road accidents, deaths and injuries are obtained by collecting data on accidents throughout Italy. They only cover accidents in which the police intervene and which cause death or personal injury. The data come from forms filled out by the police – Highway Police, Carabinieri, Provincial Police, Municipal Police – that intervened at the scene of the accident. In particular, ISTAT collects data on all accidents that occur on roads or in squares open to traffic in which stationary or moving vehicles (or animals) are involved and which give rise to death or personal injury. The data therefore exclude claims with only property damage, accidents in which police intervention is not required, and those that take place outside public traffic areas, i.e. courtyards, service stations, garages and carparks, tramways and railways, and those in which no vehicle (or animal) is involved.

Another dataset for measuring the accident rate on Italian roads, used especially to assess developments during the year, comes from the Highway Police. As Table 3 shows, however, the number of deaths and injuries in this dataset is lower than that reported by ISTAT, because the Highway Police force is only one of those contributing to the national data collected by ISTAT. In addition, the Highway Police data only refer to accidents on motorways and state, provincial and township highways; accidents that take place in urban centers are excluded.

Table 3
Fatalities and injuries caused by road accidents in Italy from 2001 to 2013

	PANEL A: HIGHWAY POLICE				PANEL B	
	Deaths		Injuries		ISTAT Data	
Year	Number	Annual change (%)	Number	Annual change (%)	Deaths	Injuries
2001	2,309	n.a.	74,169	n.a.	7,096	373,286
2002	2,520	9.1	84,217	13.5	6,980	378,492
2003	2,187	-13.1	72,342	-14.1	6,563	356,475
2004	1,891	-13.5	66,777	-7.7	6,122	343,179
2005	1,860	-1.6	64,997	-2.7	5,818	334,858
2006	1,889	1.6	66,057	1.6	5,669	332,955
2007	1,682	-10.9	63,763	-3.5	5,131	325,850
2008	1,507	-10.4	57,656	-9.6	4,725	310,745
2009	1,295	-14.1	53,756	-6.8	4,237	307,258
2010	1,213	-6.3	51,163	-4.8	4,090	302,735
2011	1,109	-8.6	47,618	-6.9	3,860	292,019
2012	1,018	-8.2	41,645	-12.5	3,753	266,864
2013	902	-11.4	39,896	-4.2	3,385	257,421

Source: Highway Police, ISTAT

The Highway Police data show that the number of fatalities continued to fall in 2013, and faster than in 2012 (-11.4% and -8.2% respectively). Nevertheless, the ISTAT statistics on road accidents (and, naturally, the partial data collected by the Highway Police) cannot be taken as representing the totality of accidents on Italian roads. In particular, the number of accidents recorded by ISTAT (181,227 in 2013) represented barely 7% of the 2,512,259 accidents for which insured parties filed claims with insurers.

Examining the insurance data in detail, most of the 2.5 million motor liability claims filed in 2013 were for accidents involving damage to vehicles or property, but a significant portion (nearly 477,000, or 19.0%) also involved personal injury, from minor to severe. Italy is among the European countries with the highest percentage of claims for personal injury, at about twice the EU average.

It is worth noting that more than 600,000 persons received compensation for the 477,000 personal injury claims filed with insurance companies in 2013, since some injury claims involved more than one person. With the inception of the direct indemnity system in 2007, insurance companies' databases were reorganized, so we now also have data on non-liable drivers and passengers who sustain personal injury. This allows us to make a more precise estimate of the average number of persons involved in a claim: 1.31 in 2012 and 1.28 in 2013.

It should also be borne in mind that the number of injuries and deaths in the insurance companies' statistics do not include persons who were involved in accidents but not entitled to indemnification, such as liable drivers and those hurt in one-vehicle accidents, nor does it reflect compensation payments by the Road Accident Victims Guarantee Fund for accidents caused by uninsured or unidentified vehicles. The difference between the insurance statistics and the ISTAT data thus stems mainly from the fact that the latter do not include accidents with no police intervention, which give rise to the majority of claims. Most of the personal injuries for which the insurance sector pays compensation are minor and are caused for the most part by accidents in urban centers, for which the police are rarely called in. To quantify the phenomenon, consider that of the 477,000 motor vehicle personal injury claims recorded by insurance companies in 2013, some 452,000 (95%) involved temporary or permanent disability of less than 9%. And of the latter, over 320,000 (70%) were for a permanent disability of between 1% and 2%, corresponding to those generally recognized for so-called whiplash. Considering the average number of persons injured in a road accident, these claims correspond to between 400,000 and 420,000 persons injured, which may help explain the wide gap between the two sources.

Table 4 – Deaths and injuries in road accidents in Italy, 2000-2013 – Insurance data (*)

Generation of event	Number of claims paid and reserved (**)	% of claims with personal injury	Number of claims with personal injury	% change on previous year	Average number of persons injured per accident	Total number of deaths and persons sustaining personal injury - ANIA
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2000	4,521,607	17.7%	801,250	n.a.	n.a.	n.a.
2001	4,066,529	18.4%	746,313	-6.9	n.a.	n.a.
2002	3,836,135	17.9%	687,052	-7.9	n.a.	n.a.
2003	3,708,020	18.2%	675,955	-1.6	n.a.	n.a.
2004	3,673,744	19.8%	728,413	7.8	n.a.	n.a.
2005	3,654,072	21.0%	765,953	5.2	n.a.	n.a.
2006	3,661,945	21.0%	768,336	0.3	n.a.	n.a.
2007	3,685,452	21.0%	772,305	0.5	1.25	965,381
2008	3,716,084	21.3%	791,047	2.4	1.30	1,028,362
2009	3,741,283	21.8%	817,467	3.3	1.34	1,092,086
2010	3,535,512	23.1%	816,703	-0.1	1.33	1,088,666
2011	3,109,657	22.4%	696,354	-14.7	1.34	934,027
2012	2,675,840	20.1%	537,743	-22.8	1.31	705,643
2013	2,512,259	19.0%	477,329	-11.2	1.28	610,981

(*) Estimate for all insurance companies (domestic companies and representatives of foreign companies) doing business in Italy
(**) Includes the estimate of claims I.B.N.R.
Source: ANIA

The ANIA Road Safety Foundation's proposals for the reform of the Highway Code

In the course of the current legislature, the Government and Parliament have announced their intention to draft a bill for the reform of the Highway Code, a measure strongly advocated by the ANIA Foundation for Road Safety, which for years has emphasized the urgency of a simplification of the rules of the road. However, despite the proclamations, the parliamentary examination of the bill has not proceeded on schedule but has suffered repeated postponements.

The result is that passage is still far from imminent. In fact, the first reading ion the Chamber of Deputies took nearly 16 months (from 27 June 2013 to 9 October 2014), and no acceleration appears likely in the Senate, where examination by the Public Works Committee, which began on 21 October 2014, has run into problems.

The ANIA Foundation maintains that comprehensive legislation to deal with road accidents and the severe consequences in loss of life and serious injury can no longer be deferred. The bill under discussion would strengthen the rules of the road, fostering a return to legality in general and enhancing the safety and security of road users.

The Foundation accordingly endorses the draft text of Senate bill A.S. 1638 on the reorganization and simplification of the rules as the first step towards their universal divulgation. It supports the rules designed for road safety in urban areas, especially for vulnerable categories of user. In particular, it has specified two main lines of action:

1) more widespread institution within cities of “30 km/h zones”;
2) more investment in bike lanes, financed for instance by allocating a portion of traffic fine receipts, and more specific projects for their creation, also proposing a minimum, proportional to the city’s surface area, of bike lanes.

Further, familiarity with the rules of the road must be promoted. The Foundation will work towards this goal with campaigns of social information and sensitization, directed especially to young people. Here, however, government must play its own proper part, making training courses on road safety compulsory in the schools, possibly with the technical and scientific contribution of private entities.

Nevertheless, even a limited number of well-known rules risk being ineffective if road users live and drive with a sense of impunity. Unfortunately, the number of street checks is still too low, despite major efforts by law enforcement bodies to step them up. For checks on the condition of drivers, the technical and objective difficulties remain even more severe.

The ANIA Foundation has pledged to finance the acquisition of the needed technical control instruments for the Highway Police and the Carabinieri. This is a significant contribution, but by itself it cannot fill the gaps that persist today in terms of technological endowment; this is a job for government. The reform bill must serve as the legislative tool to ensure that the competent institutions can operate in optimal conditions.

The importance of the measure, however, goes beyond the points mentioned so far. One crucial provision of the bill, in fact, concerns the introduction of a new crime into the Penal Code, namely “vehicular homicide”. The Foundation has always supported this proposal, in the conviction that it will serve as a strong deterrent to reckless driving. To this end, in order to make the bill effective in this particular matter and possibly to bring its introduction forward, the Senate has recently approved, on first reading, a separate bill regulating the implementation of this penal provision; the bill is now before the Chamber of Deputies.

THE FOUNDATION'S INQUIRIES

An overview of alcohol-related accidents and a proposal for experimental testing

Driving under the influence of alcohol is one of the main causes of accidents, and especially those resulting in serious injury or death. It has been estimated ([1]) that 25% of traffic fatalities in the European Union (about 7,000 deaths) are caused by drunk driving; and three quarters of all the alcohol-related traffic deaths involve drivers with more than 1.5 g/l of alcohol in their bloodstreams.

Alcohol-related accidents are particularly common among young drivers (16-20 years old); in fact, for this age-group drunk driving is the most common cause of death. For these young people, the risk of accident is three times as great as for more experienced drivers (older than 30). The probability of accident is heightened by the fact that they often mix alcohol with other psychotropic substances. In a survey conducted last year by the ANIA Foundation, 40% of the young people interviewed admitted that they drove under the influence of alcohol, and 70% of these maintained that in doing so they were running no risk ([2]).

Alcohol abuse may be a serious problem not only for young people but also for another class of motorists, namely "professional drivers," with evident impact not only on traffic accidents but also on workplace safety. To cope with this problem, for years now Europe has been discussing the introduction of alcohol-lock devices to keep the vehicles of inebriated drivers from starting. In Italy, Parliament has often shown little propensity to take the issue up, hence to introduce or regulate such instruments. However, the question has recently been broached as part of the Competition bill, but the context and mode of the provision make it hard if not impossible to apply.

The ANIA Foundation, which has always favoured the installation of the devices, has proposed to initiate a pilot project to test their reliability, effectiveness and impact on behaviour. The project, the only one of its kind in Italy, will profile drivers' conduct, especially repeat offenders, and at the same time will assess which technology is most effective and reliable.

Alcohol-lock devices are an established reality in Europe, and the results are impressive. In Sweden, for example, 70% of taxis and 90% of public transit and freight

([1]) European Parliament, Directorate-General for Internal Policies, 2014.
([2]) Fondazione ANIA, #NONRISCHIOPERCHE, December 2014.

vehicles have the devices mounted, and the firms operating them signal positive feedback from clients and passengers, who report a general feeling of greater security and better service quality.

A 2014 publication of the European Commission ([3]) recommends the device for a series of reasons:

- it can contribute 7.3% to the overall reduction in accidents (equivalent to saving 1,100 lives a year) through special programmes for repeat offender drinker/drivers of private vehicles;
- it can contribute 1.3% to the overall reduction in accidents (saving 200 lives) thanks to installation on commercial vehicles;
- it can reduce the recidivism rate by an estimated 64%-70%;
- it can improve any transport firm's image and reputation for reliability and safety.

In addition, alcohol-lock devices have a positive impact not only on traffic safety but also on the social and health costs of alcohol abuse.

"Adopt a highway" 2014 – The results

Although the number of accidents in Italy has fallen steadily since 2001 (down 22.9% between 2001 and 2013 according to ISTAT), the decrease has been less significant on some arteries that continue to be among the most dangerous. This is the background to the ANIA Foundation's "Adopt a highway" initiative, in collaboration with the Carabinieri, for intensified controls on the most dangerous stretches of highway. The project involves advance warnings to the population through local communications of the stepped-up control activity, concentrating in particular on drunk driving and checking proper seats for children.

The highways that the official statistics pinpoint as the most dangerous in the country are the national highways SS38 dello Stelvio, SS1 Via Aurelia, SS9 Via Emilia, SS6 Via Casilina, SS16 Adriatica and SS106 Jonica.

A total of 52,104 vehicles and 66,358 persons were checked; 11,800 drivers were tested for alcohol (18% of the total); 6,757 infractions were detected, producing 8,981 driver's license penalty points; 485 licenses and 263 vehicle registrations were revoked, and 350 vehicles were impounded.

The most common infractions that the Carabinieri found on these highways related to Article 172 (seatbelts and safety seats), with 646 violations or 10% of the total, and Article 186 (drunken driving), with 328 violations or 5% of the total. There were another 100 violations (1.5%) of Article 186-bis by persons under 21, who are subject to an absolute ban on drinking before driving.

Despite the large number of infractions, we can safely say that the program of checks has a deterrent effect on violations of the rules of the road. Whereas these six national highways averaged 8.57 accidents a day for the entire year, during the special initiative (9 October to 8 December) the average plummeted to 2.57 – down over 70%.

([3]) European Parliament, Directorate-General for Internal Policies, 2014.

THE FOUNDATION'S PROJECTS

Psychological assistance to accident victims

Accidents can have a traumatic emotional impact on all those involved. The physical harm caused by accidents is often accompanied by psychological consequences with significant effects on the quality of life of the victims and their families.

Aware of this dramatic problem, the ANIA Foundation has collaborated with the Psychology Faculty of the Sapienza University of Rome on a project to deal with the psychological consequences of accident-provoked trauma. The project represents an act of civility, potentially making up for the indifference, or lack of attention, of which the insurance industry has long been accused by the victims of severe injury and the survivors of the deceased.

After an initial physical or psychological trauma, the victims and their family members or survivors also suffer a second, emotional distress, generally unrecognized. Given inadequate penalties, the lengthiness of court proceedings and a bureaucracy that stretches out the time before liability compensation is paid, these victims feel themselves to be totally alone in walking a painful path.

The prime objective is improving the relations between the insurance industry and the vicitims of serious accidents, developing an empathetic, supporting approach. Second, it has a series of key aims:

1) produce a therapeutical protocol to serve as a model for the treatment of psychological trauma due to traffic accidents and support to the victims and family members. This would be the first such protocol anywhere in the world;
2) create a centre to receive requests for psychological support and handle them in synergy with the insurance companies dealing with the claim;
3) train the various professionals who have contact with the victims and their families (psychologists working on bereavement, law enforcement officers intervening at the scene of the accident, insurance adjusters dealing with the claim, medical examiners who evaluate the injuries).

The project, which got uner way in June 2014, has three stages. Stage 1 calls for the formation of several working groups:

1) a Scientific Committee of Italian and international experts on trauma psychology, cutting across the other groups and assigned to validate the project's scientific model and appraise the results;
2) a victims group, consisting of trauma physicians, medical examiners and emergency psychologists, with the task of drafting operational guidelines for selecting cases and starting support work, signalling cases for treatment, and forming a task force to act on relevant cases;
3) an insurance group constituted by persons from among claims adjusters or medical examiners of the companies who have joined the project, assigned to implement the model of behaviour developed.

The insurance working group will have the key job of comparing the operating procedures used by different companies in handling the cases of invalids or the relatives of victims, so as to grasp the difficulties and problems that arise, survey any past experiences, liaising with the reference units within their respective companies to facilitate relations with them, and monitoring activities at predetermined intervals.

Stage 2, scheduled for the middle of 2015, will bring the involvement in the four sample metropolitan areas (Rome, Florence, Milan and Bologna) of healthcare structures and the development of a network of psychologists specializing in this type of intervention, the search for cases for psychotherapy, training of the insurance personnel and, finally, practical application of the treatment model on 500 cases.

Stage 3, scheduled for 2016, will monitor and verify the effectiveness of the project and make the results public.

Once the scientific model for psychological action has been defined, the network of specially trained psychologists formed, and the information net with on-scene law enforcement officers, emergency rooms and hospital trauma units developed, the insurance industry will make available a toll-free telephone number for all serious accident victims who need support to ease not only the physical but also, indeed above all, the psychological distress of the accident.

THE ANIA-CONSUMERS FORUM

The ANIA-Consumers Forum is a foundation constituted by ANIA, with representatives of insurance companies and consumer organizations and independent members. The Forum's decision-making body includes representatives of eight national consumer organizations: Adiconsum, Adoc, Cittadinanzattiva, Codacons, Federconsumatori, Lega Consumatori, Movimento Difesa del Cittadino and Unione Nazionale Consumatori.

FOSTERING AN INSURANCE CULTURE

One of the Forum's statutory purposes is to undertake informational and educational projects on insurance issues to permit informed choice on the part of consumers. The consumer and insurance representatives making up the Forum agree that it is essential that consumers be provided with the necessary knowledge and information before making important financial decisions.

The Forum is engaged in continuous training and instruction in insurance matters for staff and technical personnel of the consumer organizations. It produces a series of guides entitled "L'Assicurazione in chiaro" ("Insurance made plain") and sponsors initiatives like the "Gran Prix for Applied Mathematics" and the educational project "Io e i rischi" ("Me and risks"), an educational course on risk awareness, prevention and mutuality for Italian students and households.

"Io e i rischi" (Me and risks)

This multi-year educational programme is intended to give young people greater awareness of risk and instill a culture of risk prevention and management. Undertaken in cooperation with the Association of European Economics Education (AEEE Italia) and with the scientific consultancy of Università Cattolica del Sacro Cuore and Università Bocconi in Milan, the project is sponsored by the national institute for education documentation, innovation and research.

Through the programme the Forum takes part – together with the Bank of Italy, ANASF, and ABI, the banking association – in the series of meetings on financial education organized by the Lombardy regional scholastic office. The programme has also been commnended by Insurance Europe as among the best practices of financial education within the European insurance industry.

In practical terms, the programme is a course for middle and high school students, with classroom lessons given by their own teachers. Over five years, it has reached more than 700 schools, 1,100 classes and 30,000 students throughout the country.

Middle school

Teachers are given a handbook and operative cards that they can use to plan the lessons. Students can test their abilities with work sheets and a magazine with a series of games, tests and educational nuggets. The students then take some final tests based on the OECD PISA problem-solving model. This project design was developed with the consultation of Università Cattolica del Sacro Cuore in Milan. During the 2014-15 school year 111 middle schools and over 4,200 students participated.

High school

"Io e i rischi" was also conceived and designed for high school students. The course, developed together with the Centre for Applied Research in Finance at Bocconi University in Milan, serves to inculcate basic knowledge of life-cycle risk management issues in the younger generation. Like the middle school programme, it has specific didactic materials for teachers and students. In 2014-15 the programme involved 67 high schools and over 2,300 students.

Conferences in schools

The program is also diffused through conferences given by the Forum in collaboration with AEEE-Italia for students in the participating high school classes. In a context of back-and-forth dialogue, experts analyze life situations close to students' experience of reality, moving from theory to practice through concrete examples.

Theater

Risk, risk prevention and mutuality are the ingredients of the "Io e i rischi" theatrical production. It is an interactive show involving students and teachers in a "journey through the history of risk" from the merchant adventurers of Venice to Facebook. The performance in San Pietro in Casale (province of Bologna) on 13 May 2015 was attended by an audience of over 350 students, teachers and local officials.

For families

Last year for the first time "Io e i rischi" was addressed directly also to families with pre-adolescent children, with the production of a complete kit of texts, images and games on insurance themes, offering family members the chance to share, on a day-by-day basis, their knowledge about risk and possible ways of dealing with it through prevention and insurance protection. The material is made available by the participating consumer organizations and insurance companies.

Gran Prix for Applied Mathematics

The "Gran Prix for Applied Mathematics" is an initiative connected with the "Io e i rischi" program for high schools. Reserved to students in the last two years, the competition was developed by the ANIA-Consumers Forum together with the Banking, Financial and Insurance Sciences Faculty (specifically, the degree course in statistics and actuarial sciences) of the Università Cattolica del Sacro Cuore in Milan.

The prize competition is intended to enable students to capitalize on their logical-mathematical skills in a series of real-life situations. The test questions set problems that contestants must solve by applying intuitive mathematical models to real life. The objective is to demonstrate to young people the real value of a rational, problem-solving approach to life's challenges and at the same time to inform them of the opportunities for university studies leading to the actuarial profession.

During the 2014-15 school year, the prize competition involved over 6,200 students at 70 schools.

Agreement with the Insurance Association of China for insurance education

The Insurance Association of China sees the educational activities of the ANIA-Consumers Forum as a model and has proposed to collaborate on projects of diffusion of insurance education and culture in China. On the occasion of a meeting between IAC and the General Council of the Forum in Rome on 3 June 2015, a protocol was signed providing for IAC's use of the "Io e i rischi" modules in Chinese schools.

On the pattern of the Forum's activities in Italy, IAC will conduct an education campaign in China on risk prevention and mutuality. Within this framework the Forum will be cited as the provider of the material, retaining intellectual property rights, in the official and public documents concerning the programme. The Forum and IAC will also cooperate on an adult education programme in China.

Training for consumer association staff

The Forum also engages in adult information and education activities, with initiatives addressed to consumer movement activists. The aim is to help consumer organizations to advise and assist their users in the insurance field, based on a specific agreement between ANIA and 14 consumer associations.

Five training seminars for consumer organization officers and staffers were held in 2014. A working group – made up of one representative from each participating association – continued with the development of an e-learning platform (www.formazioneaniaconsumatori.it) for distance updating of consumer association staff. The platform at present provides teaching modules, FAQs, and documents on two subjects: motor liability insurance and insurance agencies. The site will soon be enriched with additional content, bearing on life insurance.

A second handbook in the "Insurance made plain" series

The Forum publishes a series of handbooks entitled "*L'Assicurazione in chiaro*" (Insurance made plain) as guides for the general public. In simple, readily comprehensible language they discuss the insurance issues of most direct interest to consumers. The second volume in the series was written in 2014 and released early in 2015: "Know your insurer" covers the distribution of insurance products. It describes the rules governing the sale and marketing of insurance products, with information to help readers make better informed choices in the acquisition of insurance.

The volumes are available online on the websites of the Forum (www.formazione aniaconsumatori.it) and the "Io e i rischi" educational program (www.ioeirischi.it). They are also available on the websites of the participating consumer associations and insurance companies.

FOCUS ON WELFARE

The discussion within the Forum on the current welfare model, on the new organization and social role of insurance companies within a changing scenario continued last year.

The Forum conducted a series of initiatives, first and foremost a survey in collaboration with the social research institute Censis on welfare scenarios and the sustainability of the welfare system for households and for the nation. The Forum also took part in the "Second-line Welfare Path" project created at the initiative of the Luigi Einaudi research center in Turin together with the University of Milan and *Corriere della Sera*. The project includes firms, foundations, trade unions and local authorities. The Forum contributed to the drafting of the "Milan Declaration on EU Policies" together with the Cariplo Foundation and the European Economic and Social Committee. Lastly, it published the findings of the Observatory on the economic and financial vulnerability of Italian households (developed in cooperation with the University of Milan).

Welfare proposals agreed on by insurance companies and consumer groups

The ANIA-Consumers Forum is engaged in a thorough-going analysis of the welfare system in Italy, present and future. This is a broad-ranging, multi-year research project, developed with the scientific collaboration of Censis, designed to highlight the areas of convergence between consumers and insurers.

This cooperative approach has produced a series of reports on the present and prospective state of the welfare system in Italy: "Welfare scenarios: new needs and the desire for a future" (2012), "Welfare scenarios: new protections beyond the crisis"

(2013), and "Drawing the balance: the sustainability of Italian welfare" (2014-15). The latter broadens the perspective from the traditional concentration on public financial sustainability to consider, in a more practical, innovative fashion, social sustainability for Italian households.

Beginning from the findings of these studies, insurers and consumers together developed shared proposals, presented on 5 May 2015, to enhance the transparency, equity, efficiency and reliability of the Italian welfare system and call attention to the need for preventive measures and to the consequences of demographic change, such as exposure to the loss of self-sufficiency in our steadily expanding elderly population.

PROPOSALS FOR AN EQUITABLE AND SUSTAINABLE WELFARE SYSTEM

1) Inform consumers on their retirement position

Full, transparent information on one's retirement position, including an account of the pension to be expected, is the main way in which consumers can be enabled to make informed choices. The information should include not only expected pension benefits but also other benefits under one's compulsory pension plan, such as disability pensions and survivors' benefits.

2) Transparent communication to consumers on cost and quality of healthcare

The surveys conducted by the Forum together with Censis have found a strong collective tendency to compare the costs and the healthcare performance of different providers and to compare expenditure with the quality of the care provided. Over 81% of Italians are convinced that making the real costs of care known would enhance transparency and enable consumers to make a true cost-benefit analysis. This specific cost information could be flanked by a national inventory of costs. Similar information should also be made available concerning waiting lists, and the data already collected by the National Health Outcomes Evaluation Program, run by Agenas on behalf of the Health Ministry, should be made available. The data could be posted on the website www.dovesalute.gov.it.

3) Combat healthcare rationing by clear redefinition of minimum service levels and universality

Redefining "essential service levels" for healthcare would make it possible to end the rationing of services that are promised but not actually provided (e.g. dental care) and to combat long waiting lists, which drive patients to forgo care. According to Censis, 41.7% of Italian households have one or more members who have had to forgo or postpone at least one healthcare procedure.

4) Incentivate supplementary mutualistic healthcare coverage, both group and individual, and broaden its scope to include the main "out of pocket" expenses

Today Italians are obliged to pay for healthcare services out of pocket – in the absence of any public or private scheme – twice as much as French or British citizens. The expansion of mutual schemes, such as health funds, together with the redefintion of essential service levels would make this expenditure more efficient, exploiting economies of scale, acting as consumer purchasing groups and so lowering costs. This would also combat tax avoidance and evasion: Censis found that 32.6% of respondents said they had paid for some healthcare services off the books.

5) Clear, uniform rules – a single Code governing supplementary healthcare bodies (health funds, mutual aid societies, illness insurance)

A single regulatory framework that lays down common rules for patient protection, along the lines of that governing supplementary retirement arrangements, would contribute to the orderly development of supplementary healthcare arrangements and improve the efficiency of patients' resort to private healthcare facilities – today mainly on an out-of-pocket basis. Regulatory and fiscal harmonization is the prerequisite for a comprehensible system, avoiding differences between providers that weigh on the content, quality and comparability of the coverage offered.

6) Old-age non-self-sufficiency – incentives for group insurance

Censis finds some 3 million non-self-sufficient persons in Italy, including 180,000 in institutions. There are over 1.3 million individual caregivers, costing households about €10 billion a year. In view of the costs and problems connected with old age non-self-sufficiency, 78% of respondents favor the introduction of insurance coverage for this risk.

7) Inform and sensitize citizens concerning the effects of longevity, above all non-self-sufficiency, promoting risk prevention

The first step in risk management is prevention. Action on this front has economic benefits, because it lowers the cost of subsequent intervention and improves the quality of life. Constant, comprenensive information on these issues is accordingly of the essence, with the participation of all those involved, through programs for education and an orientation to saving, protection against major risks, and the need for building protections over the long term.

8) A pro-welfare tax system

An equitable and sustainable welfare system for households and consumers, finally, cannot do without a genuinely pro-welfare fiscal policy, truly directed to making households' spending for welfare less onerous.

Innovation for better social outcomes – the Milan Declaration on EU Policies

The crisis of the welfare state has narrowed the traditional areas of government coverage, and the trend has been aggravated by the palpable inadequacy of the response to the emerging needs of a society undergoing rapid economic, social and demographic change. In this radically new social context, it is essential to invest in innovation as an instrument for developing new ways to serve unmet social needs and trigger the behavioral changes required to deal with the main challenges. Social innovation, moreover, forms part of the Europe 2020 strategy as concept and as an instrument for stimulating systemic changes, which however need to be fostered and developed through an appropriate regulatory framework and financial support at all levels of government.

On these premises, the ANIA-Consumers Forum contributed actively to the drafting of the paper "Boosting innovation for a better social outcome," also known as the Milan Declaration on European Union Policies, produced by the European Economic and Social Committee. The paper set out a battery of specific proposals and general recommendations based on experiences in social innovation and welfare, and in the course of 2014 these were presented to the European Commission, the Parliament and the Council.

The Declaration was officially presented at an international conference in Milan on 23 October 2014, attended by more than 400 delegates from all over Europe. Speakers were spokesmen for enterprises and representatives of public institutions, including the Italian Minister and Undersecretary of Labor and Social Policy.

MOTOR LIABILITY INSURANCE

The Forum continued its work for the development of a procedure for conciliation of motor liability claims. The plan is to institute an alternative dispute resolution procedure for claims of up to €15,000, thus avoiding court litigation. The conciliation procedure is envisaged by a special agreement between ANIA and 17 consumer associations. It provides that consumer associations may discuss, and settle disputes over motor liability claims directly with the insurance companies involved. A special IT application (www.conciliazioneauto.ania.it) made available to consumer association representatives will give them direct, immediate contact with designated contact persons to discuss the cases that consumers have brought to them.

10

CONDUCT OF INSURANCE BUSINESS

SOLVENCY II

Publication of delegated acts

The delegated acts containing the detailed rules for Solvency II were published in the *Official Gazette of the European Union*, No. L/12, 17 January 2015 (delegated Regulation EC 2015/35). They went into effect the day after publication.

The Regulation is divided into three titles, one on the three pillars of the new supervisory regime, one on insurance groups, and one on equivalence of third countries (plus final provisions).

As regards the first, second and third supervisory pillars, the Regulation:

- lays down rules for valuing assets and liabilities, including technical reserves, at market prices. Among the matters dealt with are methods for calculating best estimates and risk margins, the standards for determining the maturity structure of interest rates, including the volatility and congruence adjustments to the curves, the standards for segmentation into branches for calculating technical reserves, data quality standards, and simplified calculation methods;
- specifies eligibility of components of undertakings' own funds to meet capital requirements. It covers standards for approval of accessory own funds, the treatment of equity stakes in financial and credit institutions, the criteria for classifying own funds at the levels envisaged, the quantitative limits for the various levels, and the adjustments to make in order to compensate for lack of transferability;
- details the standard formula for calculating the solvency capital requirement (SCR). For undertakings that apply to use internal models for calculating their SCR, the Regulation further lays down the rules for approval of the model;
- establishes the calibration of the method for the factor-based calculation of the minimum capital requirement (MCR);
- institutes a set of requirements for investment in asset backed securities;
- specifies a series of governance requirements for undertakings, and in particular the role of the fundamental functions identified in the directive (actuarial, risk management, compliance, and internal audit). In addition, it specifies some features of the procedure for re-examination by the supervisory authorities, such as the calculation of the capital add-ons that supervisors may require in the case of deviation from an undertaking's risk profile or the elements to consider in deciding on the extension of the term for adjustment for undertakings that have violated the SCR;
- specifies the reporting and information requirements vis-à-vis the authorities and the public, and in particular:
  - the essential items, the list of contents and the date of publication of the aggregate statistics by the supervisory authorities;
  - the data to be transmitted by undertakings, and the deadlines for transmission;
  - further specification of the information and deadlines for annual communication.

With regard to insurance groups in particular, the Regulation governs:

- the technical standards and methods for calculating group solvency, by the standard formula or internal models;
- the criteria for determining whether a group has central risk management and, if so, the procedures for cooperation with the supervisory authorities and the criteria for defining an emergency;
- the definition of "significant branch/subsidiary";
- the coordination of the supervision of insurance groups by supervisory colleges;
- specification of the information that supervisory authorities must exchange in order to ensure consistent coordination;
- the circumstances in which national supervisory authorities may decide to supervise national or regional sub-groups;
- further specification of the contents of the report on the group's solvency and financial situation and the schedule for its publication;
- the definition and identification of intra-group transactions and significant concentrations of risk exposure.

Finally, the Regulation specifies that standards for determining whether a third country's solvency regime is equivalent in terms of group supervision (Directive, Article 260), the prudential rules that apply to subsidiaries located in third countries (Article 227) and those that apply to reinsurance business of undertakings located in a third country (Article 172). It also empowers the Commission to determine whether the rules in effect in a third country are temporarily or provisionally equivalent to the Solvency II regime.

THE TREATMENT OF INFRASTRUCTURE INVESTMENT FOR PURPOSES OF CALCULATING THE SOLVENCY CAPITAL REQUIREMENT

On 4 February 2015 the European Commission asked EIOPA for a technical opinion concerning the treatment of infrastructure as a form of investment under the delegated legislative acts for the Solvency II directive.

The point of departure is that the standard formula for calculating SCR provides for calibrations that do not take account of the specific nature of infrastructural investment. The technical opinion requested bears on the possibility of amending the delegated legislation in such a way as to institute a more risk-sensitive treatment of infrastructural investment.

Specifically, the Commission asked EIOPA:

- to provide a definition of infrastructural investment, in the form of either debt or capital, that can be used to establish new categories of risk within the standard formula;
- to determine the calibrations for these new types of investment, consistent with the measure of risk established by the Directive (namely value at risk, VaR at 99.5%);

– to judge whether the new types of risk should be included in the form for market risk or that for counterparty default risk (or if new risk forms need to be developed);
– to identify, within the delegated legislation, any obstacles to infrastructural investment that are unwarranted in prudential terms.

In response to the request, in April 2015 EIOPA initiated the public consultation of a discussion paper setting out proposals for a definition of infrastructural investment, its treatment in calculating SCR and the introduction of requirements concerning risk management, information to investors and standardization. The authority's technical opinion, on the basis of which the Commission will release a revised version of the delegated legislation, was slated for presentation by the end of June.

Guidelines and Implementing Technical Standards (ITS)

The guidelines laid down by EIOPA, the European insurance supervisory authority, are intended to institute uniform supervisory practices and consistent application of law within the European Union. In general the guidelines are addressed to national supervisory authorities and are applied via the "comply or explain" procedure. That is, within two months of the issue of a guideline, each national competent authority shall declare whether or not it is in compliance or intends to comply. If it does not, it shall inform EIOPA and explain the reasons for its decision.

EIOPA has issued a series of guidelines within the framework of the Solvency II directive, each referring to one of the three pillars.

1st pillar

– accessory own funds;
– reinsurance taken out;
– form for life insurance risk;
– basis risk;
– classification of own funds;
– contractual limits;
– group solvency;
– form for catastrophe risk in sickness insurance;
– look-through approach;
– ring-fenced funds;
– loss absorbing capacity of technical reserves and deferred taxes;
– treatment of counterparty risk exposures in the standard formula;
– use of internal models;
– treatment of connected undertakings, including equity participations;
– undertaking-specific parameters;
– valuation of technical reserves;
– valuation of assets and liabilities;
– long-term collateral and transitional measures.

2nd pillar

- functioning of supervisory colleges;
- procedure for re-examination by supervisory authorities;
- methodology for appraising equivalence;
- valuation of future risks;
- governance system;
- pre-application of internal models;
- extension of period allowed for adjustment;
- third-country undertakings.

3rd pillar

- transmission of information to national competent authorities;
- methods for determining market shares for purposes of exemption from supervisory reporting requirements;
- reporting for financial stability;
- reporting and disclosure;
- systematic exchange of information within supervisory colleges.

The first set of guidelines was published in February 2015, following a public consultation conducted in the summer of 2014. A second set was subjected to consultation from December and to February and is scheduled to be published in July.

The implementing technical standards (ITS) are intended to establish the conditions for uniform application of some of the provisions contained in the basic legislation (directives). The standards must be technical and must not imply strategic decisions or policy choices. They are drafted by EIOPA and submitted to the Commission for endorsement.

So far six implementing standards have been released as part of the Solvency II project, all bearing on the procedure for approval of major aspects of the new solvency regime:

- ITS for the procedure for approving internal models (EU Commission Implementing Regulation 2015/460, 19 March);
- ITS for the procedure for joint decision on application for authorization to use a group-wide internal model (EU Commission Implementing Regulation 2015/461, 19 March);
- ITS for the procedures for authorization to create a special purpose vehicle, for cooperation and information exchange among authorities concerning such vehicles, plus definition of the formats and models for reporting information by such vehicle corporations (EU Commission Implementing Regulation 2015/462, 19 March);
- ITS for the procedure for supervisory authority approval of the use of undertaking-specific parameters (EU Commission Implementing Regulation 2015/498, 24 March);
- ITS for the procedures for supervisory authority authorization of the use of components of accessory own funds (EU Commission Implementing Regulation 2015/499, 24 March);

- ITS for the procedures that supervisory authorities must follow in approving applications for matching adjustment (EU Commission Implementing Regulation 2015/500, 24 March).

Additional ITS are also scheduled for approval in 2015.

1st pillar

- list of regional and local governments to be treated as exposure to central government;
- share index for the equity dampener;
- adjustments for currencies pegged to the euro;
- standard deviations for illness risk compensation systems;
- application of the transitional measure on equity risk.

2nd pillar

- supervisory transparency and responsibility;
- capital add-on;
- procedures for valuation of external credit ratings;
- adjustment plans and financial systems (regulatory technical standards, RTS).

3rd pillar

- periodic reporting by supervisors;
- procedures, formats and templates for public disclosure.

Results of the EIOPA stress test in 2014

Last year EIOPA conducted a stress test of European insurance, designed to pinpoint the industry's strengths and vulnerabilities. The test was based on the Solvency II regime, which was still in course of finalization at the time, so it did not seek to determine the capital adequacy of single undertakings. Accordingly, the results for single companies or groups were not released.

Two stress tests were conducted, using end-2013 data:

- a core test with two adverse market scenarios differing in nature and intensity, as well as specific shocks to the insurance sector as regards both the life and non-life branches (longevity, mortality, mass surrenders, insufficiency of reserves, catastrophe risk);
- a low-yield module, which tested the impact of a market scenario of low interest rates at all maturities for a prolonged period (Low-yield A – the "Japanese" scenario) and the impact of a sharp inversion of the yield curve, with higher yields at shorter than at longer term (Low-yield B).

For both exercises, the capital requirement was calculated by the standard formula, hence with no use of internal models or undertaking-specific parameters. The core test was run on 60 groups and 107 companies in the European Union (plus Switzerland, Norway and Iceland), which have a market share of 55% as measured by gross premium income. The low-yield test covered 225 single companies in the EU plus Norway, accounting for 60% of total technical reserves.

Results:

- In general the European insurance industry is adequately capitalized as gauged by Solvency II.
- In the pre-stress scenario, 14% of the companies (accounting for 3% of total assets) did not meet 100% of the SCR.
- In the more severe core stress test, 56% of the companies satisfied the Solvency II capital requirement.
- In the low-yield test, 24% of the companies failed to meet their SCR in the Low-yield A scenario and 20% in the Low-yield B scenario.

For Italy, 5 groups and one single company took part in the core test, 6 single companies in the low-yield test. These companies account for 60% of the Italian market.

As IVASS has emphasized in commenting on the test results, the Italian insurance industry is sufficiently well capitalized from the standpoint of Solvency II. Under stress, it is slightly worse than the European average in the core scenario and slightly better in the "Japanese" low-yield scenario.

Transposition of the Solvency II Directive: Modification of the Insurance Code

Legislative Decree 74 of 12 May 2015, published in *Gazzetta Ufficiale* No. 136, 15 June 2015, transposes into Italian law Directive 2009/138/EC, known as the Solvency II Directive, as amended by Directive 2014/51/EU, the "Omnibus II" directive.

Consistent with the Lamfalussy procedure, the Directive lays down the fundamental principles of the new solvency regime, divided into the standard three supervisory pillars. In transposing the directive, the legislative decree amends the Insurance Code so as to retain uniform rules on insurance business while safeguarding, as far as possible, the Code's basic approach.

Specifically:

- The first pillar concerns the quantitative requirements represented by technical reserves, the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR); the transposition is effected by the provisions on the exercise of insurance business in Title III, with the addition of new chapters and amendment of existing provisions.
- The second pillar sets out qualitative requirements for corporate governance; it too is governed by Title III.
- The third pillar lays down public disclosure and reporting requirements for supervisors, contained respectively in Title III and Title XIV.
- The rules on insurance groups, given in Title XV, represent a comprehensive review and revision of the present rules and apply to the requirements of all three pillars.

The Directive: the options

The Directive aims at a high degree of harmonization and accordingly allows only a very few new options to Member States:

a) publication of the SCR (Article 51.2[3]): the option, which the amended Insurance Code exercises, allows the publication of the SCR without separate indication of capital increases during a period lasting until 31 December 2020;
b) approval of the supervisory authorities for application of the volatility adjustment (Article 77-*quinquies*.1): this option has not been exercised; that is, prior authorization by IVASS is not required for this major countercyclical tool;
c) supervision of national sub-groups (Article 216.1[1]): in keeping with the choices of other countries and with current Italian regulations, patterned after banking supervisory practices, this option has been exercised; where certain requisites obtain, it will be possible to dispense with national sub-group supervision; European regional sub-group supervision (Article 217.1[1]): this option follows automatically from that allowed by Article 216, enabling supervisors to make agreements with supervisory authorities in other Member States in order to bring the other State's sub-group within the supervisory perimeter;
d) possibility for Member States to rule that in the case of a group of subsidiaries or investee companies with legal office in another Member State, SCR and own funds may be determined as in the other State (Article 225.1[2]); possibility of determining SCR and own funds as they are determined in a third country whose solvency regime is deemed equivalent, but only where the deduction and aggregation method of calculation is used (Article 227.1[2]). Italy has exercised both these options in the new Insurance Code; practical application is delegated to an IVASS regulation on group capital adequacy that will transpose the EIOPA guidelines;
e) facilitation in calculating capital requirements for life insurance companies offering retirement products (Article 304.1): the directive allows for consideration of the duration of equity investments in determining the capital requirement, on the assumption that retirement business is long-term and thus affected only to a limited extent by short-term price fluctuations. The option has been exercised.
f) Internal models of national sub-groups with differing types of risk (Article 308-ter.16: until 31 March 2022 the group parent company can be allowed to request validation of an internal model applying to only some components of a group when both the undertaking involved and the parent company have their legal office in the same Member State, provided that the components are distinct from the others and have a significantly different risk profile from that of the group as a whole. This option has been exercised.

Transitional measures

For a smooth transition to the new supervisory regime, the Solvency II Directive contains a series of transitional measures.

– **Transitional measures for special types of insurance or reinsurance undertaking (Article 344-*ter*):**

The Directive does not apply to undertakings that as of 1 January 2016 will have ceased to sign new contracts and simply administer their existing portfolio with a view to ceasing to do business, if:

- the undertaking has informed IVASS of its intention to cease activity before 1 January 2019;
- the undertaking is subject to a financial adjustment measure and a special administrator has been appointed.

If IVASS is not satisfied with the progress made towards cessation of business, the undertakings referred to in the first indent above shall be subject to Solvency II as from 1 January 2019 or an earlier date; those referred to in the second indent shall be subject to Solvency II as from 1 January 2021 or an earlier date.

– **Transitional measures concerning information and the prudential control process (Article 344-*quater*):**

Until 31 December 2019 the term for insurance undertakings' presentation to IVASS of their annual reports for verification of the conditions of business and the report on solvency and financial situation is shortened by two weeks each financial year, from 20 weeks initially to 14 weeks.

Until 31 December 2019 the term for insurance undertakings' presentation to IVASS of their quarterly reports for verification of the conditions of business is shortened by one week each financial year, from 8 weeks initially to 5 weeks.

These terms, lengthened by an additional 6 weeks, apply to the ultimate Italian parent company as regards, respectively, information requirements to IVASS for purposes of group supervision and the report on group solvency and financial situation.

– **Transitional measures concerning own funds and investments (Article 344-*quinquies*):**

The components of basic own funds shall be included in level 1 basic own funds for a period of at most ten years if:

a) they are issued by 1 January 2016 or the date of entry into force of the delegated act ([1]) referred to in Article 97 of Directive 2009/138/EC, if earlier;
b) the legislative and regulatory provisions on the matter of solvency requirement applying as of 31/12/2015 permit use of such instruments to meet the solvency requirement up to 50 percent of the requirement;
c) they cannot be classed elsewhere in level 1 or in level 2 under Article 44-*octies*.2, 44-*octies*.3, 44-*octies*.4, or 44-*octies*.5.

The basic own-fund items shall be included in level 2 basic own funds for a period of at most ten years starting 1 January 2016 if both of the following conditions are satisfied:

a) they are issued by 1 January 2016 or the date of entry into force of the delegated act referred to in Article 97 of Directive 2009/138/EC, if earlier;

([1]) Delegated Regulation 2015/35 of 17 January 2015, which went into effect on 18 January.

b) the legislative and regulatory provisions on the matter of solvency requirement applying as of 31/12/2015 permit use of such instruments to meet the solvency requirement up to 25 percent of the requirement.

For undertakings that invest in negotiable securities and other financial instruments based on “packaged” loans issued prior to 1 January 2011, the requirements that must be met by the undertakings that “package” the loans as negotiable securities and other financial instruments shall apply only in the event that new underlying exposures have been added to or substituted for the existing ones after 31 December 2014.

– **Transitional measures concerning the Solvency Capital Requirement (Article 344-*sexies*):**

In derogation to Articles 45-*bis*, 45-*ter*.3, and 45-*sexies*, the Solvency Capital Requirement shall be calculated according to the following provisions:

a) Up to 31 December 2017 the standard parameters for calculating the sub-module on market risk concentration and the sub-module on spread risk according to the standard formula for exposures to Member State governments or central banks denominated and funded in the national currency of a Member State shall be the same as those that would apply to exposures denominated and funded in their national currency.
b) In 2018 the standard parameters for calculating the sub-module on market risk concentration and the sub-module on spread risk according to the standard formula shall be reduced by 80 percent for exposures to Member State governments or central banks denominated and funded in the national currency of another Member State.
c) In 2019 the standard parameters for calculating the sub-module on market risk concentration and the sub-module on spread risk according to the standard formula shall be reduced by 50 percent for exposures to Member State governments or central banks denominated and funded in the national currency of another Member State.
d) Starting 1 January 2020 the standard parameters for calculating the sub-module on market risk concentration and the sub-module on spread risk according to the standard formula shall not be reduced for exposures to Member State governments or central banks denominated and funded in the national currency of another Member State.

In derogation to Articles 45-*bis*, 45-*ter*.3 and 45-*sexies* on the calculation of the Solvency Capital Requirement, the standard parameters to use for shares purchased by the undertaking prior to 1 January 2016 in calculating the sub-module for share risk according to the standard formula without the option envisaged in Article 45-*novies* shall be calculated as the weighted average of:

a) the standard parameter to use for the calculation of the share risk sub-module according to Article 45-*novies*; and
b) the standard parameter to use for the calculation of the share risk sub-module according to the standard formula without the option envisaged in Article 45-*novies*.

– **Transitional safeguard measures (Article 344-*septies*):**

In derogation to Article 222.2-*bis* and 222.2-*ter* on infraction of the Solvency Capital Requirement, paragraph 2-*quater* of the same article shall nonetheless apply where the undertaking complies with the solvency margin required by the legislative and regulatory provisions concerning solvency margin that apply as of 31 December 2015 but in the course of 2016 fails to comply with the Solvency Capital Requirement referred to in Title III, Chapter IV-*bis*; in this case IVASS shall require the undertaking to adopt the measures necessary to attain the level of own funds required to cover the Solvency Capital Requirement or to lower its risk profile in order to achieve compliance with the SCR by 31 December 2017.

– **Transitional measures on group supervision (Article 344-*octies*):**

Until 31 March 2022 the ultimate Italian parent company referred to in Article 210.2 may apply to IVASS for authorization to use a group-wide internal model applicable to a part of the group if the undertaking to which the group internal model applies has its legal office in Italy and if its risk profile is significantly different from that of the rest of the group.

The IVASS regulation referred to in Article 216-*ter*.1 shall lay down the transitional measures applying at group level in derogation to Title XV, Chapter III, consistent with the transitional measures referred to in Article 344-*quinquies* on own funds, Article 344-*sexies* on the Solvency Capital Requirement, Article 344-*novies* on risk-free interest rates, and Article 344-*decies* on technical reserves.

– **Transitional measures on risk-free interest rates (Article 344-*novies*):**

An insurance or reinsurance undertaking may apply a transitory adjustment to the relevant risk-free interest rate curve in relation to eligible insurance or reinsurance commitments.

Application of the transitory adjustment referred to in the first paragraph is subject to the authorization of IVASS.

For each currency, the adjustment shall be calculated as a part of the difference between:
a) the interest rate as determined by the undertaking pursuant to the legislative and regulatory provisions concerning technical reserves that apply as of 31 December 2015; and
b) the effective annual rate, calculated as that single actualization rate which, when applied to the cash flows of the portfolio of eligible insurance or reinsurance commitments, produces as result a value equivalent to that of the best estimate of the portfolio of eligible insurance or reinsurance commitments, taking account of the temporal value of the money calculated using the relevant risk-free interest rate curve, referred to in Article 36-*quater*.

The part of the difference referred to in the third paragraph that is specified in letter a) shall be decreased in linear fashion at the end of each year from 100 percent at 1 January 2016 to 0 at 1 January 2032.

– **Transitional measures on technical reserves (Article 344-*decies*):**

Insurance or reinsurance undertakings may apply a transitory deduction from technical reserves. The deduction may be applied at group level for homogeneous risks as per Article 36-*novies*.1.

Application of the transitory deduction referred to in the first paragraph must be authorized by IVASS.

The transitory deduction shall correspond to a part of the difference between the following two amounts:
a) technical reserves, after prior deduction of the amounts recoverable through reinsurance contracts and vehicle companies, calculated according to Article 36-*bis* as of 1 January 2016; and
b) technical reserves, after prior deduction of the amounts recoverable through reinsurance contracts, calculated according to the legislative and regulatory provisions on technical reserves in effect at 31 December 2015.

The maximum transitory deduction shall be decreased in linear fashion at the end of each year from 100 percent at 1 January 2016 to 0 at 1 January 2032.

– **Transitory measures concerning compliance with the Minimum Capital Requirement (Article 344-*terdecies*)**

In derogation to Article 222-*bis*, insurance and reinsurance undertakings which at 31 December 2015 are in compliance with the solvency margin required by the legislative and regulatory provisions in effect at that date but do not hold sufficient basic own funds to meet the Minimum Capital Requirement shall come into compliance with the Minimum Capital Requirement referred to in Section IV, Chapter IV-*bis*, Title III, by 31 December 2016.

– **Information requirements on capital increases (Article 344-*quaterdecies*):**

Without prejudice to the information requirements laid down by other legislative or regulatory provisions, the insurance undertaking, even though the Solvency Capital Requirement has been notified pursuant to Article 47-*septies*.2(e), point 2, until 31 December 2020 shall publish without separate identification the increase in capital or the impact of specific parameters to which the undertaking must have recourse pursuant to Article 45-*terdecies*.

INDIVIDUAL AND CONSOLIDATED ACCOUNTS

Update on Phase II of the Insurance Contracts project

IFRS standard 4, Insurance Contracts, now in force, was issued in March 2004. The rule is considered as an interim standard permitting continuation of a series of market practices that insurance companies currently follow. But IFRS 4 does not provide transparent information on the effects of insurance contracts on the insurers' annual accounts. What is more, current accounting practices hinder comparison between products, companies and jurisdictions.

Hence the need for an unequivocal standard for valuing and accounting for all types of insurance contract, which the International Accounting Standards Board (IASB) intends to serve in Phase II of its Insurance Contracts project, designed to produce a single, globally applicable accounting standard. In the IASB's view the new standard will improve accounting of insurance contracts, among other things by supplying estimates adjusted to updated market values. At first, the project was carried on jointly with the Financial Accounting Standards Board (FASB), but at its meeting of 19 February 2014 the latter decided to drop its effort at convergence on the project.

On 20 June 2013 the IASB released its revised Exposure Draft Insurance Contracts (ED/2013/7), partly reaffirming the contract valuation model of the 2010 Exposure Draft (the building blocks approach). The main changes in the revised draft are the introduction of a contractual service margin (CSM) and the entry of insurance contracts in the income statement or "other comprehensive income". Further, the Board presented another model for valuing contracts with participating features, the mirroring approach, applied when a contract requires the insurer to hold an underlying asset and benefits are correlated with the yield on the underlying.

In the light of 194 comment letters and the results of a field test conducted by the European Financial Reporting Advisory Group on the proposals of the 2013 exposure draft, the IASB has elected to review some of the measures presented, including those on the CSM, participating contracts, and the presentation of insurance revenues.

To date the IASB has not released a definitive model for the accounting treatment of contracts with participating features. The publication date of the revised IFRS 4 has not yet been announced. The timing of its entry into force and the date of its initial application are crucial given the interaction between this standard and the new IFRS 9, on Financial Instruments, published in July 2014 and carrying an obligatory application date of 1 January 2018. If the two are not aligned, in fact, financial assets correlated with insurance liabilities will be valued by the new IFRS 9 model, no longer according to IAS 39, while liabilities will continued to be valued under the current IFRS 4.

IFRS 9: The state of the project

The IASB project to revise IAS 39 is divided into three phases, namely classification and measurement, impairment, and hedge accounting. On14 February 2014 the Board released the final text of IFRS 9 (financial instruments), which aggregates the results of the three phases. The new version of IFRS 9 has separate models for classifying and measuring financial instruments, for impairment, and for hedge accounting. The standard goes into effect on 1 January 2018, or possibly earlier.

The main changes in each of the three phases can be summarized as follows:

- Classification and measurement: a new approach based on the cash flow characteristics of the financial instrument and the company's business model.
- Impairment: a new model based on expected losses, which will require companies to recognize the expected credit loss at the time the instrument is first accounted for, and if necessary to recognize the loss promptly and for the entire duration of the instrument.
- Hedge accounting: a new model designed to align the accounting treatment of companies' risk management activities with the actual transactions carried out.

IVASS REGULATIONS

Regulation 7 update

IVASS Measure 29 of 27 January 2015, published following public consultation 11/2014, amends ISVAP regulation 7 of 13 July 2007 on templates for the financial statements of the insurance and reinsurance companies obliged to adopt international accounting standards. The amendments embody some provisions of the IFRS 12 standard (disclosure of interests in other entities), which applies for annual periods starting on or after 1 January 2014. Mainly they involve quantitative disclosure. The most important changes are the introduction of a table on the consolidation perimeter, interests in companies with significant third-party interests, and a table on interests in unconsolidated structured entities.

Market letter of 4 December 2014 on Reporting under Solvency II, transmission of data

On 4 December IVASS published a letter to the market entitled "Reporting Solvency II: Preparatory phase. Instructions on transmission of data to IVASS". The letter offered initial instructions for the transmission of information to the national supervisory authority during the preparatory phase envisaged by Solvency II. Specifically, it detailed the obligations of insurers subject to the reporting requirement, the procedures for transmission of data to IVASS and the information exchange format.

Market letter of 2 December 2014 – Dividend and executive compensation policies

On 2 December IVASS published a letter to the market on "2014 financial statements – Policies on dividend distribution and executive compensation". As to profit distribution, IVASS emphasized that it must be such as to ensure the achievement or preservation of current and future capital adequacy both for the single company and for the group, consistent with the overall risks assumed by each undertaking. On executive compensation, IVASS invited insurers to assess the existence of the conditions envisaged by the regulatory provisions in force carefully and prudently.

Market letter of 4 November 2014 – Solvency II: Undertaking-specific parameters

On 4 November IVASS published a letter to the market on undertaking-specific parameters for calculating SCR under Solvency II. The Directive provides that the use of undertaking-specific parameters must be authorized by the supervisory authorities. IVASS further provided that the data used to calculate the parameters must be validated by an entity that satisfies the requirement of independence laid down in Legislative Decree 39/2010 and its implementing regulations. Interested undertakings were required to notify IVASS of their intention to use undertaking-specific parameters to calculate their capital requirement, among other things transmitting the relevant resolution of the board of directors accompanied by documentation demonstrating compliance with the minimum laid down in the Directive and confirmed in the market letter.

IVASS measure 22 – Amendments and additions to Regulation 36

On 21 October IVASS issued measure 22, amending and adding to ISVAP Regulation 36/2011. The measure contains amendments made following public consultation 7/2014 (for the purpose of updating Regulation 36 in the light of changing legislative and regulatory provisions and the state of the economy) and public consultation 9/2014 (called to implement the provisions on investments covering technical reserves enacted by Decree Law 9/2014, the "Competitiveness" decree). The measure also contains amendments resulting from an updating consequent to the application of Directive 2011/61 on alternative investment funds and Italian national implementing provisions.

DECREE LAW 66/2014 – HIGHER TAX RATE ON FINANCIAL INCOME

Decree Law 66 of 24 April 2014 (converted with amendments into Law 89/2014) raised the tax rate on financial income (interest and capital gains) from 20% to 26%. The measure served, among other things, to finance the tax reduction enacted by the same decree for employees in the form of a tax credit decreasing as earnings increased, up to a taxable income ceiling of €26,000. The tax rise followed Decree Law 138/2011, which raised the tax rate on financial income from 12.50% to 20%. Like that measure, the 2014 provision exempts Italian and foreign public securities (those issued by "white-listed" EU or EEA countries with which agreements allowing for satisfactory data exchange are in effect), which are still taxed at 12.50%.

The tax hike also applies to the yields on life insurance and capital redemption policies, as per Article 44.1(g-*quater*) of the Consolidated Income Tax Law. However, where the underlying assets on such policies include government securities, a single rate is applied (as in the ministerial decree of 13 December 2011) to ensure that the portion of the overall yield corresponding to those securities is effectively taxed at the more advantageous 12.50% rate.

The 26% rate applies to investment income and capital gains accruing from 1 July 2014 onwards.

For insurance policies taken out earlier, a special transitional rule provides that the new rate applies only to the portion of income accrued from that date. The income accrued through 30 June is taxed at the various previous rates, namely 12.50% up to 31 December 2011 for policies signed prior to 1 January 2012 and 20% for incomes accruing between 1 January 2012 and 30 June 2014.

Decree Law 66 contains another clause of special importance to life insurance companies. The provision had been requested repeatedly by ANIA and embodies a specific amendment drafted by the Association; it exempts from withholding tax the proceeds of insurance companies relating to shares or equity parts, including assets covering life insurance mathematical reserves. Specifically, these proceeds are exempted from the withholding obligation referred to in Article 26-*quinquies* of Presidential Decree 600/1973 (for income deriving from participation in Italian and long-established Luxembourg investment funds) and in Article 10-*ter* of Law 77/1983 (for income deriving from participation in harmonized and non-harmonized EU and EEA funds).

The exemption produces an unquestionable benefit for life insurance companies, avoiding further tax advances on these incomes over and above those already implicit in the tax on mathematical reserves specified in Decree Law 209/2002, Article 1.2 (which, notoriously, is tantamount to a "forced" interest-free loan from insurers to the Treasury).

LAW 190/2014 (STABILITY LAW FOR 2015)

Provisions concerning IRAP

The budget law for 2015 (Law 190/2014), formally called the Stability Law, has finally provided for the full deductibility of the "labor cost" component from the regional tax on productive activities, IRAP. Starting in the tax year beginning subsequent to 31 December 2014 (i.e. the 2015 tax year for those whose financial year coincides with the calendar year), the law introduces the full deductibility from the value of production subject to IRAP of the amount of staff costs for employees on open-ended contracts. This means that starting this year even the previously non-deductible portion of open-ended-contract labor costs will be deductible. Starting 1 January, that is to say, if the sum of the deductions already available under the previous legislation is lower than the total costs sustained for open-ended employees, employers will be entitled to a further deduction up to that amount.

The new rule replaces the percentage reduction of the nominal tax instituted by Article 2 of Decree Law 66/2014 which had enacted, starting with the 2014 tax year, a generalized reduction of 10 percent of the rate for the various categories subject to IRAP (for insurance companies the rate was lowered from 5.90% to 5.30%). In practice, this reduction had no concrete effect: insurers continue to apply IRAP at 5.90% (two percentage points higher than the "ordinary" rate of 3.90%) pursuant to Article 16.1-*bis*(c) of Legislative Decree 446/1997.

Changes to fiscal rules on supplementary pension plans

Law 190/2014 raises the withholding tax rate that applies annually to the net earnings of supplementary pension funds (including individual plans via life insurance contracts) from 11% to 20%. The rate had already been increased by half a percentage point by Decree Law 66/2014 (converted into law 89/2014), which raised the rate on financial incomes. Even though formally the new 20% rate applies only for net earnings starting subsequent to 31 December 2014, in practice it also applies retroactively to earnings accruing during 2014.

There is a specific mechanism to ensure that the portion of total net earnings attributed to public debt securities is taxed at 12.50%. In the case of government securities investments by a supplementary retirement plan through a life insurance or capital redemption policy or through an investment fund, the law reaffirms the lump-sum capital payment established by the ministerial decree of 13 December 2011 for purposes of identifying the portion of the total yield on the policy or fund unit that pertains to those securities.

The law also introduces another, transitional mechanism to make sure that the pension benefits paid during 2014 (subject to the withholding rate in effect at time of payment, either 11% or 11.50%, in any case lower than the 20% rate instituted by the 2015 Stability Law) cannot be subject to an adjustment payment due from the persons remaining in the plan at 31 December 2014. Specifically, the taxation of persons who have withdrawn from a plan, in whole or in part, is to be made equal to that of those who remained in the plan through the end of the year by means of a proportional reduction of the taxable net earnings subject to the 20% rate.

Changes to taxation in case of death

Law 190/2014 substantially amended, for amounts received starting 1 January 2015, the taxation of capital payments to beneficiaries for the death of a life insurance policyholder. The change affects both life policies stipulated starting 1 January 2015 and, retroactively, those already in being. In the same way, the new personal income tax rules on these benefit payments also apply to the death of an insuree prior to that date when the benefit is received subsequent to it. So the only cases excluded from the new rule are those in which both the death and the payment came on or before 31 December 2014.

By this amendment, total personal income tax exemption continues to apply exclusively to payments in the case of death on so-called "pure risk" life insurance (time-limited death benefit policies). "Mixed" life insurance policies (those in which demographic risk is complemented by a financial investment component) enjoy the exemption only for the portion of the benefit payment corresponding to mortality risk. The portion consisting in the yield on the financial investment through the policy, instead, is subject to ordinary taxation, i.e. pursuant to Article 45.4 of the Consolidated Income Tax Law.

As ANIA noted in its circular 37 of 5 February 2015, for a tax to be levied there must emerge taxable income for the beneficiaries. Hence in cases in which the benefit payment in case of death is not greater than the sum of the financial component of the premiums paid, the conditions for income taxation do not obtain, as the beneficiaries have received no taxable income.

It is reasonable that the amount of taxable income should correspond to the difference between surrender value (net of any contractually established penalties) that would have been recognized on the date of the decease (or, in any case, the date indicated in the contract) and the sum of premium payments other than those strictly for coverage of mortality risk. In other words, the standard for determining the taxable portion of the benefit payment should be the redemption or surrender value (determined by the procedures and schedules laid down in the insurance contract) or – if it is lower – the death benefit paid to the beneficiaries, in order to avoid taxing income that the beneficiary did not actually receive.

VAT – MANAGEMENT OF INSURANCE COMPANY ASSETS

Last year we reported on the 2013 Stability Law's amendment to the first sentence in point 4 of Article 10(1) of Presidential Decree 633/1972 to bring Italian law into line with European Court of Justice sentence C-44/11, which ruled that the "service of individual portfolio management" for single investors is subject to value added tax. We further reported on our prompt petition to the Revenue Agency to argue the case that the VAT exemption should continue to apply to the service of management of the assets covering the technical provisions guaranteeing the commitments undertaken by the companies toward the insured where this service is outsourced to professional asset managers.

The Revenue Agency made an initial pronouncement in February 2014, in a note endorsing our thesis that insurers' asset management differs from true individual portfolio management in that it is characterized by highly standardized investments in the different asset segments to which the policies refer, while individual management is "tailor-made" by means of investment policies specifically designed for the individual holders of asset portfolios that are often quite substantial.

We can now report that the Agency has officially confirmed this position in its resolution no. 52/E of 16 May 2014, fully backing our own argument that the direct, integral linkage of investments with the companies' obligations to the insured that obtains under unit-linked and index-linked policies, as well as in life policies of a financial nature providing for a payment of principal on maturity, constitutes the foundation for treating the management of those assets like that of an investment fund, hence exempt from VAT.

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FORECASTS FOR 2015

THE ITALIAN INSURANCE INDUSTRY IN 2015

Total premiums (life plus non-life) of direct Italian insurance business should come to nearly €156 billion in 2015, up 8.8%, following gains of 20.6% in 2014 and 13.1% in 2013. Life insurance premiums in particular are expected to gain strongly, with growth of 12%, while non-life premiums are projected to decline again, by 1.9%. The ratio of premiums to GDP should thus rise further, from 8.9% to 9.6%.

Insurance premiums in Italy: forecasts
Amounts in millions of euros

CLASS	PREMIUMS 2014	PREMIUMS 2015	CHANGE 2015-2014	Memo: CHANGE 2014-2013	Memo: CHANGE 2013-2012
Motor and marine liability	15,211	14,222	-6.5%	-6.5%	-7.0%
Accident	2,974	3,018	1.5%	0.6%	-0.5%
General liability	2,831	2,916	3.0%	-0.6%	-3.1%
Other property	2,777	2,819	1.5%	4.3%	2.3%
Land vehicles	2,387	2,459	3.0%	-1.1%	-8.6%
Fire and natural forces	2,295	2,318	1.0%	0.5%	-1.0%
Sickness	2,057	2,077	1.0%	-0.8%	-3.0%
Other non-life	2,269	2,348	3.5%	3.2%	-1.3%
TOTAL OTHER NON-LIFE (excluding motor and marine liability)	17,589	17,955	2.1%	0.9%	-2.2%
TOTAL NON-LIFE	**32,800**	**32,177**	**-1.9%**	**-2.7%**	**-4.6%**
As a % of GDP	*2.0%*	*2.0%*			
Class I – Life insurance	82,575	68,124	-17.5%	27.1%	26.9%
Class III – Investment funds	21,837	49,133	125.0%	40.8%	12.4%
Other life classes	6,102	6,468	6.0%	31.8%	-1.9%
TOTAL LIFE	**110,515**	**123,726**	**12.0%**	**29.9%**	**22.1%**
As a % of GDP	*6.8%*	*7.6%*			
ALL CLASSES	**143,315**	**155,903**	**8.8%**	**20.6%**	**13.1%**
As a % of GDP	*8.9%*	*9.6%*			

Changes (%) were calculated homogeneous terms

Total **non-life premium** income for direct Italian insurance business is expected to amount to €32.2 billion in 2015, declining by 1.9% (its fourth successive decrease). The contraction is expected to be due exclusively to motor and marine liability, as all the other non-life classes should show growth.

Motor liability will continue to be a highly competitive market, so it is expected that the positive technical results (overall) from 2012 through 2014 will be reflected in a further significant reduction in premiums for policy renewals; it is estimated that premium volume will thus fall again, by the same amount as in 2014, i.e. 6.5%, following the 7.0% cut registered in 2013.

Owing in part to the signs of a cyclical pick-up in economic activity, premium income in all the non-life classes but motor liability should continue to rise, with projected growth of 2.1% in 2015, following the marginal gain of 0.9% in 2014. Land vehicle premiums in particular should expand by 3.0%, finally ending the seven-year downtrend under way since 2008, during which there was a cumulative drop of 27% in premium income. Already in 2014 the decline had slowed significantly (with a fall of just 1.1% compared with 8.6% in 2013), thanks to the increase in new car sales, which turned up in January 2014 and which ACI data put at 12-month growth of no less than 13% in May 2015. Premiums in the other non-life classes should also record gains: general liability, 3.0%; accident and other property, 1.5%; fire and illness, 1.0%.

The ratio of non-life premiums to GDP should hold broadly at its 2014 level of 2.0%.

In the **life sector**, written premiums are again projected to expand rapidly to about €124 billion in 2015, a gain of 12.0% after soaring by 22% in 2013 and 30% in 2014. This is expected to result from a change in the product mix. While sales of Class I policies will decrease by 17.5% to about €68 billion, there should be very strong growth in Class III policies, essentially unit-linked products, which are projected to jump by 125% to nearly €50 billion. The prolonged period of low interest rates, despite the essentially positive performance of the financial markets, has prompted a search for types of investment additional or alternative to the traditional forms of guaranteed yields – and not only in Italy. There is quickening interest in instruments with a higher risk-return profile, with greater diversification and dynamism of assets for positive financial results. So-called “multi-class” products are increasing in Italy, i.e. single life insurance policies that are produced by a combination of traditional segregated management (Class I) with a unit-linked investment fund (Class III).

The powerful growth in written premiums in the life insurance sector for 2015 is clearly foretold in the expansion registered through the end of April, with a volume of €44.4 billion as against €35.2 billion in the first four months of 2014 (up 25%). Most of the gain was scored by Class III products, for which new business increased by 134%. Sales of traditional insurance products, by contrast, practically stagnated (growth of just 0.1% in the first four months compared with a yearly increase of 40% in 2014).

Total life sector premium income should thus rise to 7.6% of GDP this year from 6.8% in 2014.

The data published cover all insurance companies registered in Italy, branch offices of foreign companies registered in non-EU countries and branch offices of foreign companies that write reinsurance business only.

2014/2015 figures are provisional

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